

Board of Directors

Mr. Deepak S. Parekh
Chairman

Directors

Mr. Michael J. Casella
Mr. K. M. Mistry
Ms. Renu Sud Karnad

Mr. Shirang V. Samant
Managing Director & CEO

Auditors

B. K. Khare & Co.
Chartered Accountants

S. B. Billimoria & Co.
Chartered Accountants

Advocates

Burzin Somandy

Bankers

HDFC Bank Ltd.
Standard Chartered Bank
Citi Bank N.A.

Registered Office

Ramon House, H. T. Parekh Marg,
169, Backbay Reclamation,
Churchgate, Mumbai 400 020.

Corporate Office

Express Towers, 5th Floor,
Nariman Point, Mumbai - 400 021
Tel. Nos. : 91-22 6638 3600
Fax : 91-22 6638 3699

Directors' Report

TO THE MEMBERS

Your Directors have pleasure in presenting the Fifth Annual Report of the Company together with the audited accounts of your Company for the year ended on March 31, 2007.

Financial Results

(Rs. in Crores)

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Gross Written Premium	196.78	206.89
Net Written Premium	133.11	143.65
Net Earned Premium	140.29	138.35
Other Income/Liabilities written back	0.50	2.37
Net Incurred Claims	80.03	79.73
Net Commission (Income) / Expenses	4.84	7.80
Expenses of Management	63.95	57.67
Investment Income – Policyholders	6.05	5.49
General Insurance Result	(1.98)	1.02
Investment Income – Shareholders	5.30	4.60
Preliminary Expenditure	0.17	0.17
Pre-operative Expenditure	0.64	0.64
Provision for wealth tax /Fringe Benefit Tax	0.43	0.39
Provision for Minimum Alternate Tax	0.02	-
Deferred Tax Liability	0.06	-
Profit After Tax	2.00	4.41

Financial Review

Your Company has successfully completed fourth full year of operations. During the year under review, your Company has underwritten Gross premium of Rs. 196.78 crore as against Rs. 206.89 crore in the previous year.

The profit after tax for the year under review is Rs. 2.00 crore, as against Rs. 4.41 crore in the previous year. Despite increase in Net earned premium to Rs. 140.29 crore from Rs. 138.35 crore, the profit for the current year has been lower mainly on account of higher fixed expenses.

Business Review

As in earlier years, the Motor business continues to contribute maximum to the total

business underwritten. However, in line with the long term strategy, your Company has successfully brought down motor portfolio to 70 % from 77 % in the previous year. On the other hand, the proportion of commercial business has gone up to 27% as against 18% in the previous year.

Premium from motor business was at Rs. 138.32 crore as against Rs.158.03 crore in the previous year and the non-motor business was at Rs. 58.46 crore as against Rs. 48.86 crore in the previous year.

Gross premium from commercial line was at Rs. 31.67 crore as against Rs. 18.03 crore in the previous year. Gross premium from Accident and Health business was at Rs. 12.56 crore as against Rs. 12.63 crore in the previous year.

During the year under review, the Company continued to maintain its focus on underwriting. As the market goes through the process of de-tariffing, maintaining focus on underwriting and achieving growth will be a challenge.

Operations: Business processing model remained scalable through a mix of in-house and outsourced processing without compromising efficiency and responsiveness to the needs of the Company's internal and external consumers. Continuously improving productivity and delivery of superior services, simultaneously reducing the cost of operations have been the focused area and challenge for the Company; particularly after removal of tariff.

Human Resources: The ever changing regulatory environment, stiff competition and industry specific dynamics, required special efforts for retaining skilled employees. The Company continued to invest in developing skills and quality of its human resources for provision of high quality service to its customers. In addition to imparting necessary insurance education, employees are encouraged to take up courses / attend programs to improve their professional skills in line with business needs of the company. The company had to deal with the twin challenges of entry of new and aggressive players and the uncertainties on the JV front. Despite this, the core resource level was maintained and no major disruption of the critical activities was allowed to happen.

De-tariffing

Effective from January 1, 2007, the general insurance companies have been allowed to determine premium for fire, engineering, motor, workmen's compensation and other classes of business previously under tariffs, subject to the guidelines stipulated by Insurance Regulatory and Development Authority.

As an immediate impact of removal of the tariffs, the rates of premium across all the line of business have come down. It is expected that the rates would remain soft for the current year thus eliciting pressure on profitability.

Claims service

During the year under review, your Company continued to focus on prompt and efficient settlement of claims. The Company has taken necessary steps to ensure hassle free claims service for customer. During the floods in Surat, Gujarat in August 2006, your Company created teams of surveyors and customer service for spot settlement of claims and provide immediate relief to the sufferers. 748 claims were paid on Surat floods amounting to Rs. 7 crore; all on motor business.

Reinsurance

The Company's business portfolio is protected by way of adequate reinsurance arrangements such that the Company's exposure to a single large loss or a series of losses arising out of a single catastrophic event does not substantially impact the balance sheet. During the year under review, the reinsurance arrangements have helped in minimisation of loss to your Company in respect of claims arising from Surat floods in August 2006.

In keeping with the current regulatory requirements, the Company reinsures 20% of its business with the statutory reinsurer, General Insurance Corporation of India (GIC), except in the case of casualty and liability lines, where the compulsory cession depends on GIC's capacity. Given the high proportion of motor in our overall business mix, the economics of statutory cessions have negative impact on our profits. The compulsory cession has been brought down to 15% by IRDA for the financial year 2007-08.

Looking Ahead

During the next financial year, your Company would continue to focus on expanding commercial lines of business coupled with prudent underwriting practices. The Company would also leverage on the HDFC's significant distribution capability.

As mentioned earlier, the detariffing of rates from January 1, 2007 has resulted in substantial reduction and volatility in the rates of premiums in this class of business as well.

The volatility in premium is expected to be prevalent in the medium term and prudent underwriting practices will assume greater importance to ensure profitability of the portfolio.

Similarly, efficient Claims management/ settlement processes and expense management will be important drivers to the overall performance of the Company.

Distribution Network

The Company has presence in 27 locations across India. Personal Lines business was written through tie-ups with vehicle manufacturers, dealers and financial institutions. With an intention to spread Company's geographical reach and give thrust to retail business, the Company plans to strengthen its agency force. From time to time the agents are being provided with product training to enable them to distribute the Company's products across the country. The Company is exploring possibilities of leveraging association with the group companies for expanding access to desirable segments of the retail and commercial markets.

Information Technology

The removal of tariff has re-emphasised the importance of having efficient Information Technology as a strategic tool for improving customer service, business development and operations. An improved information technology platform would also assist the Company in collation of data to be used as base for deciding premium rate. The core IT infrastructure comprising the network, the data base, the application servers and storage need to be continuously upgraded to cope with the increased number of users and transaction volumes and to meet the complexities of de-tariffed environment. Major initiatives in this area shall be taken on priority basis.

Particulars of Employees

The total employee strength of the Company as on March 31, 2007 was 257. Under the provisions of Section 217 (2A) of the Companies Act, 1956 and Companies

(Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexe to this report. In terms of the provision of Section 219(1)(b)(iv) of the Companies Act, 1956 the Directors' Report is being sent to the shareholders of the Company excluding the annexe. Any shareholder interested in obtaining a copy of the annexe may write to the Company Secretary at the registered office of the Company.

Particulars Regarding Foreign Exchange Earnings and Outgo, Conservation of Energy and Technology Absorption

The Company incurred an expenditure of Rs. 20.32 crore in foreign exchange during the year under review mainly on account of reinsurance premium. Earnings in foreign exchange during the year were Rs. 4.23 crore. Since the Company does not carry out any manufacturing activity, other particulars relating to conservation of energy and technology absorption stipulated in Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

Deposits

The Company does not accept any fixed deposit.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Deepak S Parekh and Ms. Renu S Karnad retire by rotation at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment. Resolutions for re-appointment of these directors are included in the notice convening the Annual General Meeting. None of the directors are disqualified for appointment as directors in terms of Section 274 of the Companies Act, 1956.

Mr. Shirang V. Samant, the Managing Director and Chief Executive Officer of the Company,

who was one of the nominee directors of Chubb Global Financial Services Corporation on the Board of the Company and on deputation to this Company from Chubb Pacific Underwriting Management Services Pte Ltd. (Chubb), has tendered his resignation from Chubb to be effective from end of working hours on April 30, 2007. In terms of his employment contract with the Company, his appointment as Managing Director of the Company automatically comes to an end on his ceasing to be an employee of Chubb.

Mr. Samant was one of the first directors of the Company since incorporation. Your Directors wish to place on records their appreciation for the services rendered by Mr. Samant.

Auditors

Messrs. S. B. Billimoria & Co. Chartered Accountants and Messrs. B. K. Khare & Co. Chartered Accountants, statutory auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received a certificate from the statutory auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Appropriate resolution for appointment of the Statutory Auditors as aforesaid is contained in the notice of the 5th Annual General Meeting of the Company circulated to the members.

Audit Committee

The Audit Committee of directors constituted in accordance with the provisions of Section 292A of the Companies Act, 1956 comprises of Mr. Keki M. Mistry, Mr. Michael J. Casella and Ms. Renu S. Karnad. Mr. Keki M. Mistry chairs the Committee.

Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors state that:

(i) In the preparation of accounts, the applicable accounting standards have been followed.

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and of the profit of the Company for the year ended on that date.

(iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and IRDA Regulations for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.

(iv) The annual accounts of the Company have been prepared on a going concern basis.

Acknowledgements

The Board is grateful to the Insurance Regulatory and Development Authority, Tariff Advisory Committee and other regulatory authorities for their continued support. The Board is also grateful to its policyholders, bankers and other constituents for their continued support.

The Directors would like to express their sincere appreciation to the employees of the Company at all levels for their hard work, dedication and commitment.

On behalf of the Board of Directors

MUMBAI
April 25, 2007

DEEPAK S. PAREKH
Chairman

Auditors' Report

TO THE MEMBERS OF HDFC CHUBB GENERAL INSURANCE COMPANY LIMITED

1. We have audited the attached balance sheet of HDFC CHUBB GENERAL INSURANCE COMPANY LIMITED ('the Company') as at March 31, 2007 and also the revenue accounts, profit and loss account, and receipts and payments account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The balance sheet, revenue accounts and profit and loss account have been drawn up in conformity with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations') read with Section 211 (3C) of the Companies Act, 1956 ('the Act').

4. As required by Regulations, we set out in the Annexure a statement certifying the matters specified in paragraph 4 of schedule C to the Regulations.

5. Further to our comments in the Annexure referred to above, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;

(b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books;

(c) The financial accounting systems of the Company are centralised and therefore accounting returns are not required to be submitted by branches and other offices;

(d) The balance sheet, revenue accounts, profit and loss account and receipts and payments account referred to in this report are in agreement with the books of account;

(e) The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) has been duly certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority ('IRDA') and Actuarial Society of India in concurrence with the IRDA. We have relied on the Actuary's certificate in this regard; and

(f) On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

6. In our opinion and to the best of our information and according to the information and explanations given to us:

(a) The accounting policies selected by the Company are appropriate and in compliance with the applicable accounting standards referred to in Section 211(3C) of the Act and the accounting principles prescribed in the Regulations and orders or directions issued by IRDA in this behalf. The balance sheet, revenue accounts, profit and loss account and receipts and payments account referred to in this report are in compliance with the accounting standards referred to in Section 211(3C) of the Act;

(b) Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the Regulations;

(c) The said financial statements are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, the Regulations and the Act, to the extent applicable and in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India, as applicable to insurance companies:

i. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;

ii. in the case of the revenue accounts, of the surplus/deficit, as the case may be, for the year ended March 31, 2007;

iii. in the case of the profit and loss account, of the profit for the year ended March 31, 2007; and

iv. in the case of the receipts and payments account, of the receipts and payments of the Company for the year ended March 31, 2007.

Auditors' Report (Continued)

7. Further, on the basis of our examination of books and records of the Company and according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:

(a) We have reviewed the management report attached to the financial statements

for the year ended March 31, 2007 and there is no apparent mistake or material inconsistency with the financial statements; and

(b) Based on our audit procedures, we certify that the Company has complied with the terms and conditions of registration as per

subsection 4 of Section 3 of the Insurance Act, 1938.

For B. K. Khare & Co. Chartered Accountants Padmini Khare Kaicker Partner Membership No.: 44784	For S.B. Billimoria & Co. Chartered Accountants Sanjiv Pilgaonkar Partner Membership No.:39826
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MUMBAI
April 25, 2007

Annexure to the Auditors' Report

(Referred to in the Auditors' report to the members of HDFC Chubb General Insurance Company Limited ('the Company') on the financial statement for the year ended March 31, 2007)

Based on the information and explanation given to us and to the best of our knowledge and belief and based on our examination of books of accounts and other records maintained by the company, we certify that:

a) We have verified the cash balances, to the extent considered necessary, and

securities relating to the Company's investments by actual inspection or on the basis of certificates/confirmations received from custodian and/or Depository Participants appointed by the Company, as the case may be;

b) The Company is not a trustee of any trust;

c) 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.

For B. K. Khare & Co. Chartered Accountants	For S.B. Billimoria & Co. Chartered Accountants
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Padmini Khare Kaicker Partner Membership No.: 44784	Sanjiv Pilgaonkar Partner Membership No.:39826
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MUMBAI
April 25, 2007

FORM B-BS

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Balance Sheet as at March 31, 2007

	Schedule	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,249,070	1,247,364
RESERVES AND SURPLUS	6	—	—
FAIR VALUE CHANGE ACCOUNT		573	166
BORROWINGS	7	20,360	1,605
DEFERRED TAX LIABILITY		596	—
TOTAL		1,270,599	1,249,135
APPLICATION OF FUNDS			
INVESTMENTS	8	1,781,437	1,868,224
LOANS	9	—	—
FIXED ASSETS	10	145,842	90,937
CURRENT ASSETS			
Cash and Bank Balances	11	230,965	154,119
Advances and Other Assets	12	262,215	197,964
Sub-Total (A)		493,180	352,083
CURRENT LIABILITIES			
PROVISIONS	14	682,058	753,785
Sub-Total (B)		1,454,348	1,393,045
NET CURRENT ASSETS (C) = (A-B)		(961,168)	(1,040,962)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	3,500	9,923
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		300,988	321,013
TOTAL		1,270,599	1,249,135
NOTES TO ACCOUNTS	16		

Schedules referred to above and the notes to accounts form an integral part of the Balance Sheet

Signature to the Balance Sheet Schedules 5 to 16

As per our report of even date

B.K. Khare & Co.
Chartered Accountants

S.B. Billimoria & Co.
Chartered Accountants

Deepak S. Parekh
Chairman

Shrirang V. Samant
Managing Director & CEO

Padmini Khare Kaicker
Partner
Membership No. 44784

Sanjiv Pilgaonkar
Partner
Membership No. 39826

Directors
Renu Sud Karnad
K. M. Mistry

Samir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

FORM B-PL

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Profit and Loss Account for year ended March 31, 2007

	For the year ended March 31, 2007 (Rs.'000)	For the year ended March 31, 2006 (Rs.'000)
OPERATING PROFIT / (LOSS)		
Fire Insurance	16,431	(6,640)
Marine Insurance	(5,483)	(1,926)
Miscellaneous Insurance	(30,768)	18,735
	<u>(19,820)</u>	<u>10,169</u>
INCOME FROM INVESTMENTS		
Interest, Dividend and Rent – Gross	66,200	60,201
Profit on sale of investments	2,063	967
Less: Loss on sale of investments	—	—
Amortisation of debt securities	(15,295)	(15,198)
	<u>52,968</u>	<u>45,970</u>
OTHER INCOME	—	—
TOTAL (A)	<u>33,148</u>	<u>56,139</u>
PROVISIONS (OTHER THAN TAXATION)		
For diminution in the value of investment	—	—
For doubtful debts	—	—
Others	—	—
	<u>—</u>	<u>—</u>
OTHER EXPENSES		
Expenses other than those related to insurance business		
Amortisation of pre-operative expenses	6,423	6,423
Amortisation of preliminary expenses	1,707	1,707
Bad debts written off	—	—
Others	—	—
TOTAL (B)	<u>8,130</u>	<u>8,130</u>
PROFIT / (LOSS) BEFORE TAX	<u>25,018</u>	<u>48,009</u>
Income Tax Expense :		
- Current Tax	150	—
- Deferred Tax (Refer note 14 of Schedule 16)	596	—
- Fringe Benefits Tax	4,247	3,940
Provision for Taxation		
- Wealth Tax	—	5
PROFIT / (LOSS) AFTER TAX	<u>20,025</u>	<u>44,064</u>
APPROPRIATIONS		
Interim dividends paid during the year	—	—
Proposed final dividend	—	—
Dividend distribution tax	—	—
Transfer to any Reserves or Other Accounts	—	—
Balance of Profit / (Loss) brought forward from previous year	(321,013)	(365,077)
BALANCE CARRIED FORWARD TO BALANCE SHEET	<u>(300,988)</u>	<u>(321,013)</u>
EARNINGS PER SHARE (Basic and Diluted) (in Rs.)	<u>0.16</u>	<u>0.36</u>
(Face Value Rs. 10 per share) (Refer note 22 of Schedule 16)		

NOTES TO ACCOUNTS

16

Schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account

Signature to the Profit and Loss Account Schedules 1 to 16

As per our report of even date

B.K. Khare & Co.
Chartered AccountantsS.B. Billimoria & Co.
Chartered AccountantsDeepak S. Parekh
ChairmanShrirang V. Samant
Managing Director & CEOPadmini Khare Kaicker
Partner
Membership No. 44784Sanjiv Pilgaonkar
Partner
Membership No. 39826Directors
Renu Sud Karnad
K. M. MistrySamir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

Revenue Account for the year ended March 31, 2007

FIRE BUSINESS

	Schedule	For the year ended March 31, 2007 (Rs.'000)	For the year ended March 31, 2006 (Rs.'000)
INCOME			
Premiums earned (net)	1	15,728	15,807
Profit / Loss on sale / redemption of investments		70	26
Amortisation of debt securities		(521)	(401)
Others		—	—
- Reversal of provisions made in the earlier year		—	—
- Miscellaneous Income/Liabilities written back		2,595	258
Interest, Dividend and Rent – Gross		2,255	1,589
TOTAL (A)		20,127	17,279
EXPENDITURE			
Claims incurred (net)	2	11,773	25,217
Commission	3	(23,375)	(14,641)
Operating expenses related to insurance business	4	15,298	13,343
TOTAL (B)		3,696	23,919
OPERATING PROFIT (LOSS) - FIRE INSURANCE C = (A-B)		16,431	(6,640)
APPROPRIATIONS			
Transfer to Shareholders' Account		16,431	(6,640)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		16,431	(6,640)

NOTES TO ACCOUNTS

16

Schedules referred to above and the notes to accounts form an integral part of the Revenue Account

Signature to the Revenue Account Schedules 1 to 16

As required by Section 40C(2) of the Insurance Act 1938, we hereby certify that on the basis of information and explanation given to us, all expenses of management, incurred by the Company, in respect of general insurance business have been fully debited in the Revenue Account as expenses.

As per our report of even date

B.K. Khare & Co.
Chartered Accountants

S.B. Billimoria & Co.
Chartered Accountants

Deepak S. Parekh
Chairman

Shrirang V. Samant
Managing Director & CEO

Padmini Khare Kaicker
Partner
Membership No. 44784

Sanjiv Pilgaonkar
Partner
Membership No. 39826

Directors
Renu Sud Karnad
K. M. Mistry

Samir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

FORM B -RA

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Revenue Account for the year ended March 31, 2007

MARINE BUSINESS

	Schedule	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
INCOME			
Premiums earned (net)	1	9,586	5,029
Profit / Loss on sale / redemption of investments		20	5
Amortisation of debt securities		(150)	(71)
Others		—	—
- Reversal of provisions made in the earlier year		—	—
- Miscellaneous Income/Liabilities written back		16	4
Interest, Dividend and Rent – Gross		647	283
TOTAL (A)		10,119	5,250
EXPENDITURE			
Claims incurred (net)	2	7,519	3,693
Commission	3	(1,240)	(890)
Operating expenses related to insurance business	4	9,323	4,373
TOTAL (B)		15,602	7,176
OPERATING PROFIT (LOSS) - MARINE INSURANCE C = (A-B)		(5,483)	(1,926)
APPROPRIATIONS			
Transfer to Shareholders' Account		(5,483)	(1,926)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		(5,483)	(1,926)

NOTES TO ACCOUNTS

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Schedules referred to above and the notes to accounts form an integral part of the Revenue Account

Signature to the Revenue Account Schedules 1 to 16

As required by Section 40C(2) of the Insurance Act 1938, we hereby certify that on the basis of information and explanation given to us, all expenses of management, incurred by the Company, in respect of general insurance business have been fully debited in the Revenue Account as expenses.

As per our report of even date

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Directors
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K. M. Mistry

Samir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

Revenue Account for the year ended March 31, 2007

MISCELLANEOUS BUSINESS

	Schedule	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
INCOME			
Premiums earned (net)	1	1,377,590	1,362,704
Profit / Loss on sale / redemption of investments		2,266	1,125
Amortisation of debt securities		(16,804)	(17,701)
Others		—	—
- Reversal of provisions made in the earlier year		—	22,392
- Miscellaneous Income/Liabilities written back		2,370	1,077
Interest, Dividend and Rent – Gross		72,730	70,110
TOTAL (A)		1,438,152	1,439,707
EXPENDITURE			
Claims incurred (net)	2	781,003	768,436
Commission	3	73,026	93,539
Operating expenses related to insurance business	4	614,891	558,997
TOTAL (B)		1,468,920	1,420,972
OPERATING PROFIT (LOSS) - MISCELLANEOUS INSURANCE (C) = (A-B)		(30,768)	18,735
APPROPRIATIONS			
Transfer to Shareholders' Account		(30,768)	18,735
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		(30,768)	18,735

NOTES TO ACCOUNTS

16

Schedules referred to above and the notes to accounts form an integral part of the Revenue Account

Signature to the Revenue Account Schedules 1 to 16

As required by Section 40C(2) of the Insurance Act 1938, we hereby certify that on the basis of information and explanation given to us, all expenses of management, incurred by the Company, in respect of general insurance business have been fully debited in the Revenue Account as expenses.

As per our report of even date

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Renu Sud Karnad
K. M. Mistry

Samir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule - 1A

PREMIUM EARNED [NET] - FIRE BUSINESS (Refer note 7 and 8 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Premium from direct business written	110,976	68,098
Add : Premium on reinsurance accepted	5,042	6,845
Less : Premium on reinsurance ceded	<u>(99,691)</u>	<u>(60,574)</u>
Net Premium	16,327	14,371
Adjustment for changes in reserve for unexpired risks	<u>(599)</u>	<u>1,436</u>
Total Premium earned (Net)	<u>15,728</u>	<u>15,807</u>

Schedule - 1B

PREMIUM EARNED [NET] - MARINE BUSINESS (Refer note 7 and 8 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Premium from direct business written	24,058	17,165
Add : Premium on reinsurance accepted	-	-
Less : Premium on reinsurance ceded	<u>(12,339)</u>	<u>(9,711)</u>
Net Premium	11,719	7,454
Adjustment for changes in reserve for unexpired risks	<u>(2,133)</u>	<u>(2,425)</u>
Total Premium earned (Net)	<u>9,586</u>	<u>5,029</u>

Schedule - 1C

PREMIUM EARNED [NET] - MISCELLANEOUS BUSINESS (Refer note 7 and 8 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Premium from direct business written	1,804,953	1,924,087
Add : Premium on reinsurance accepted	22,797	52,759
Less : Premium on reinsurance ceded	<u>(524,670)</u>	<u>(562,121)</u>
Net Premium	1,303,080	1,414,725
Adjustment for changes in reserve for unexpired risks	<u>74,510</u>	<u>(52,021)</u>
Total Premium earned (Net)	<u>1,377,590</u>	<u>1,362,704</u>

Schedule - 2A

CLAIMS INCURRED [NET] - FIRE BUSINESS (Refer note 6 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Claims paid direct	42,250	58,725
Add: Re-insurance accepted	62	82
Less: Re-insurance ceded	<u>(36,126)</u>	<u>(46,541)</u>
Net Claims paid	6,186	12,266
Add: Claims Outstanding at the end of the period	24,534	18,947
Less: Claims Outstanding at the beginning of the period	<u>(18,947)</u>	<u>(5,996)</u>
Total Claims incurred	<u>11,773</u>	<u>25,217</u>

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule - 2B

CLAIMS INCURRED [NET] - MARINE BUSINESS
(Refer note 6 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Claims paid direct	9,859	3,181
Add: Re-insurance accepted	—	—
Less :Re-insurance ceded	(6,357)	(965)
Net Claims paid	3,502	2,216
Add: Claims Outstanding at the end of the period	6,176	2,159
Less: Claims Outstanding at the beginning of the period	(2,159)	(682)
Total Claims incurred	7,519	3,693

Schedule - 2C

CLAIMS INCURRED [NET] - MISCELLANEOUS BUSINESS
(Refer note 6 of Schedule 16)

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Claims paid direct	1,018,762	1,009,423
Add: Re-insurance accepted	1	22,977
Less: Re-insurance ceded	(262,547)	(290,059)
Net Claims paid	756,216	742,341
Add: Claims Outstanding at the end of the period	335,705	310,918
Less: Claims Outstanding at the beginning of the period	(310,918)	(284,823)
Total Claims incurred	781,003	768,436

Schedule - 3A

COMMISSION PAID [NET] - FIRE BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Commission paid direct	5,061	2,824
Add : Re-insurance accepted	588	237
Less : Re-insurance ceded	(29,024)	(17,702)
Net Commission	(23,375)	(14,641)
Break-up of expenses		
Agents	1,466	1,338
Brokers	3,278	1,483
Corporate agency	317	—
Referral	—	2
Others	—	1
Total	5,061	2,824

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule - 3B

COMMISSION PAID [NET] - MARINE BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Commission paid direct	2,014	1,519
Add : Re-insurance accepted	—	—
Less : Re-insurance ceded	(3,254)	(2,409)
Net Commission	<u>(1,240)</u>	<u>(890)</u>
Break-up of expenses		
Agents	721	776
Brokers	1,215	743
Corporate agency	78	—
Referral	—	—
Others	—	—
Total	<u>2,014</u>	<u>1,519</u>

Schedule - 3C

COMMISSION PAID [NET] - MISCELLANEOUS BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Commission paid direct	187,034	207,430
Add : Re-insurance accepted	1,568	3,663
Less : Re-insurance ceded	(115,576)	(117,554)
Net Commission	<u>73,026</u>	<u>93,539</u>
Break-up of expenses		
Agents	23,233	47,467
Brokers	46,738	27,941
Corporate agency	19,574	33,027
Referral	97,489	98,288
Others	—	707
Total	<u>187,034</u>	<u>207,430</u>

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule - 4A

OPERATING EXPENSES RELATED TO FIRE INSURANCE BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	6,424	6,862
Travel, conveyance and vehicle running expenses	1,206	1,160
Training expenses	77	73
Rents, rates and taxes	2,274	1,375
Repairs	47	90
Printing and stationery	312	323
Communication	413	455
Legal and professional charges	2,207	664
Auditors' fees, expenses etc		
(a) as auditors	22	19
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	4	4
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	1	4
Advertisement and publicity	193	230
Interest and Bank Charges	91	34
Others :-		
Electricity expenses	255	252
Office Expenses	329	336
Miscellaneous expenses	95	136
Service Charges	1	4
Technical Service Charges	—	447
Information Technology Expenses	407	250
Postage and courier	66	70
Loss on sale of assets (net)	6	—
Depreciation	868	555
Total	<u>15,298</u>	<u>13,343</u>

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule - 4B

OPERATING EXPENSES RELATED TO MARINE INSURANCE BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	3,915	2,183
Travel, conveyance and vehicle running expenses	735	369
Training expenses	47	23
Rents, rates and taxes	1,386	437
Repairs	29	29
Printing and stationery	190	103
Communication	252	145
Legal and professional charges	1,345	211
Auditors' fees, expenses etc		
(a) as auditors	14	6
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	2	1
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	—	1
Advertisement and publicity	118	73
Interest and Bank Charges	55	11
Others :-		
Electricity expenses	155	80
Office Expenses	200	107
Miscellaneous expenses	58	43
Service Charges	1	1
Technical Service Charges	—	272
Information Technology Expenses	248	79
Postage and courier	40	22
Loss on sale of assets (net)	4	—
Depreciation	529	177
Total	<u>9,323</u>	<u>4,373</u>

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2007

Schedule – 4C

OPERATING EXPENSES RELATED TO MISCELLANEOUS INSURANCE BUSINESS

	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	139,827	125,362
Travel, conveyance and vehicle running expenses	21,098	19,888
Training expenses	3,434	6,077
Rents, rates and taxes	78,730	48,561
Repairs	2,924	2,191
Printing and stationery	14,658	16,899
Communication	15,089	16,393
Legal and professional charges	66,878	40,516
Auditors' fees, expenses etc		
(a) as auditors	1,964	1,600
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	311	372
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	60	340
Advertisement and publicity	6,506	5,415
Interest and Bank Charges	10,480	9,390
Others :-		
Electricity expenses	7,025	7,162
Office Expenses	10,163	8,871
Miscellaneous expenses	2,099	3,439
Service Charges	134,154	123,488
Technical Service Charges	—	33,856
Information Technology Expenses	43,195	37,156
Postage and courier	9,829	11,591
Loss on sale of assets (net)	545	23
Depreciation	45,922	40,407
Total	<u>614,891</u>	<u>558,997</u>

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

Schedule – 5

SHARE CAPITAL

Particulars	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
<u>Authorised Capital</u>		
150,000,000 Equity Shares of Rs. 10/- each (Previous Year: 150,000,000 Equity Shares of Rs. 10/- each)	1,500,000	1,500,000
<u>Issued Capital</u>		
125,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,250,000	1,250,000
<u>Subscribed Capital</u>		
125,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,250,000	1,250,000
<u>Called-up Capital</u>		
125,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,250,000	1,250,000
Less: Calls unpaid	—	—
Add: Equity Shares forfeited (Amount originally paid up)	—	—
Less: Par Value of Equity Shares bought back	—	—
Less: Preliminary Expenses	930	2,636
Total	<u>1,249,070</u>	<u>1,247,364</u>

Of the above, 92,500,000 (Previous Year 92,500,000) equity shares of Rs. 10/- each held by Housing Development Finance Corporation Limited, the holding company.

Schedule – 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

[As certified by the Management]	As at March 31, 2007		As at March 31, 2006	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters:				
Indian: Housing Development Finance Corporation Limited	92,500,000	74%	92,500,000	74%
Foreign: Chubb Global Financial Services Corporation	32,500,000	26%	32,500,000	26%
Others	—	0%	—	0%
Total	<u>125,000,000</u>	<u>100%</u>	<u>125,000,000</u>	<u>100%</u>

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

Schedule - 6

RESERVES AND SURPLUS

Particulars	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Capital Reserve	—	—
Capital Redemption Reserve	—	—
Share Premium	—	—
General Reserves	—	—
<i>Less: Debit balance in Profit and Loss Account</i>	—	—
<i>Less: Amount utilised for buy-back</i>	—	—
Catastrophe Reserve	—	—
Other Reserves (to be specified)	—	—
Balance of Profit in Profit and Loss Account	—	—
Total	—	—

Schedule - 7

BORROWINGS

Particulars	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Debentures / Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others:		
Orix Auto and Business Solutions Pvt. Ltd.	3,068	1,605
IBM India Pvt. Ltd. (Refer note 4 and 13 of Schedule 16)	17,292	—
Total	20,360	1,605

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

Schedule - 8

INVESTMENTS (Refer note 9 of Schedule 16)

	As at March 31, 2007 (Rs. '000)	As at March 31, 2006 (Rs. '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills*	475,671	655,103
Other Approved Securities:		
Non-Convertible Debentures	146,232	254,568
Investments in Housing Bonds	49,689	152,461
Other Investment:		
Shares		
- Equity	—	—
- Preference	—	—
Mutual Funds	—	—
Derivative Instruments	—	—
Debentures / Bonds	—	—
Other Securities	—	—
Subsidiaries	—	—
Investment Properties-Real Estate	—	—
Investments in Infrastructure and Social Sector Bonds	50,304	257,357
Other than Approved Investments - Non-Convertible Debentures	51,950	—
Sub-total A	<u>773,846</u>	<u>1,319,489</u>
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills #	199,634	99,080
Other Approved Securities:		
Non-Convertible Debentures	343,741	203,557
Investments in Housing Bonds	100,758	—
Bank deposits	70,100	82,534
Other Investment:		
Shares		
- Equity	—	—
- Preference	—	—
Mutual Funds	70,685	66,064
Derivative Instruments	—	—
Debentures / Bonds	—	—
Other Securities	—	—
Subsidiaries	—	—
Investment Properties-Real Estate	—	—
Investments in Infrastructure and Social Sector Bonds	202,673	—
Other than Approved Investments		
- Non-Convertible Debentures	—	50,000
- Corporate Deposits	20,000	47,500
Sub-total B	<u>1,007,591</u>	<u>548,735</u>
Total A+B	<u>1,781,437</u>	<u>1,868,224</u>
Note: Aggregate market value of the investments :	(Rs. '000)	(Rs. '000)
Long term investments	716,504	1,251,690
Short term investments	998,628	546,918

* Includes Rs. 10,915 thousand (Previous year Rs. 65,483 thousand) pursuant to Section 7 of the Insurance Act 1938.

Includes Rs. 50,544 thousand (Previous year Rs. Nil) pursuant to Section 7 of the Insurance Act 1938.

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

SCHEDULE - 9

LOANS

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
SECURITY - WISE CLASSIFICATION		
Secured		
(a) On mortgage of property		
(aa) In India	—	—
(bb) Outside India	—	—
(b) On Shares, Bonds, Govt. Securities	—	—
(c) Others	—	—
Unsecured		
Total	—	—
BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	—	—
(b) Banks and Financial Institutions	—	—
(c) Subsidiaries	—	—
(d) Industrial Undertakings	—	—
(e) Others	—	—
Total	—	—
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	—	—
MATURITY-WISE CLASSIFICATION		
(a) Short-term	—	—
(b) Long-Term	—	—
Total	—	—

Schedule - 10

FIXED ASSETS (Refer note no 4, 5 and 13 of Schedule 16)

(Rs.'000)

Description	Cost / Gross Block				Depreciation				Net Block	
	Opening	Additions	Deductions	Closing	Upto Last Year	For The Year	On Sales/ Adjustments	To Date	As at Year end	Previous Year
Goodwill	—	—	—	—	—	—	—	—	—	—
Intangibles - Computer Software	64,801	32,594	—	97,395	37,053	18,656	—	55,709	41,686	27,748
Land-Freehold	—	—	—	—	—	—	—	—	—	—
Leasehold Property	13,987	5,974	—	19,961	9,492	2,988	—	12,480	7,481	4,495
Building	—	—	—	—	—	—	—	—	—	—
Furniture and Fittings	2,954	1,522	233	4,243	1,217	274	54	1,437	2,806	1,737
Information Technology Equipment	83,470	28,897	38	112,329	50,194	20,461	5	70,650	41,679	33,276
Vehicles	4,245	—	3,070	1,175	2,761	556	2,818	499	676	1,484
Office Equipment	15,844	13,433	296	28,981	2,268	1,271	23	3,516	25,465	13,576
Leased Vehicles	2,825	2,708	1,217	4,316	1,428	432	413	1,447	2,869	1,397
Leased Information Technology Equipment	—	14,979	—	14,979	—	1,722	—	1,722	13,257	—
Leased Software	—	6,832	—	6,832	—	961	—	961	5,871	—
Total	188,126	106,939	4,854	290,211	104,413	47,321	3,313	148,421	141,790	83,713
Capital Work-in-progress	7,224	4,052	7,224	4,052	—	—	—	—	4,052	7,224
Grand Total	195,350	110,991	12,078	294,263	104,413	47,321	3,313	148,421	145,842	90,937
Previous Year	160,236	44,972	9,858	195,350	63,598	41,138	323	104,413	90,937	—

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

Schedule - 11

CASH AND BANK BALANCES

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Cash (including cheques, drafts and stamps)	152,507	76,118
Bank balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	—	—
(bb) Others	—	—
(b) Current Accounts	78,458	78,001
(c) Others	—	—
Money at Call and Short Notice		
(a) With Banks	—	—
(b) With Other Institutions	—	—
Others	—	—
Total	230,965	154,119
Balances with non-scheduled banks included in Bank Balances and Money at Call and Short Notice	—	—

Schedule - 12

ADVANCES AND OTHER ASSETS

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
ADVANCES		
Reserve deposits with ceding companies	—	—
Application money for investments	—	—
Prepayments	7,711	5,475
Advance to Directors / Officers	—	—
Advance tax paid and taxes deducted at source (net of provision for taxation)	774	972
Others:		
Advances to employees	—	77
Advances to suppliers	24	4,541
Advances payment for Service Tax	30,718	556
Sub-total A	39,227	11,621
OTHER ASSETS		
Income accrued on investments	47,189	46,397
Outstanding Premiums	—	—
Agents' Balances	—	—
Foreign Agents' Balances	—	—
Due from other entities carrying on insurance business (including reinsurers)	156,495	117,070
Due from subsidiaries / holding	—	—
Deposit with Reserve Bank of India (Pursuant to Section 7 of Insurance Act, 1938)	—	—
Others:		
Deposits for premises	15,453	18,526
Deposits with Vendors	261	100
Stock of Salvaged Cars	3,590	4,250
Sub-total B	222,988	186,343
Total A+B	262,215	197,964

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2007

Schedule - 13

CURRENT LIABILITIES

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Agents' Balances	3,844	4,797
Balances due to other insurance companies	163,528	176,253
Deposits held on re-insurance ceded	—	—
Premiums received in advance	108,872	43,712
Unallocated Premium	7,066	1,327
Sundry creditors	116,532	69,342
Due to subsidiaries / holding company	—	—
Claims outstanding	8,263	2,027
Due to Officers / Directors	—	—
Others:		
Provision for notified claims (net of re-insurance)	179,835	152,200
Provision for Claims IBNR (net of re-insurance)	176,933	176,216
Solatium fund (Refer note 21 of Schedule 16)	1,383	1,580
Service tax liability	264	6,110
Tax deducted payable	5,447	3,678
Other statutory dues	—	742
Superannuation payable	323	1,276
Total	<u>772,290</u>	<u>639,260</u>

Schedule - 14

PROVISIONS

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Reserve for Unexpired Risk	680,492	752,270
For taxation (less advance tax paid and taxes deducted at source)	—	—
For proposed dividends	—	—
For dividend distribution tax	—	—
Others:		
Provision for Retirement benefits	1,566	1,515
Total	<u>682,058</u>	<u>753,785</u>

Schedule - 15

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	As at March 31, 2007 (Rs.'000)	As at March 31, 2006 (Rs.'000)
Discount Allowed in issue of shares / debentures	—	—
Others:		
Pre-operative expenses:		
Opening balance	9,923	16,346
Incurred during the year	—	—
Less :Amortisation during the year	6,423	6,423
Total	<u>3,500</u>	<u>9,923</u>

Schedule - 16

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

1. BACKGROUND

HDFC Chubb General Insurance Company Limited ('the Company') was incorporated on February 8, 2002 as a Company under the Companies Act, 1956 ('the Act'). The shareholders of the Company are Housing Development Finance Corporation Limited (74%) and Chubb Global Financial Services Corporation (26%). The Company is registered with the Insurance Regulatory and Development Authority ('IRDA') and is in the business of underwriting general insurance policies and has launched general insurance products in Motor, Home, Accident & Health, Commercial and Specialty business lines.

The IRDA has renewed the Company's Certificate of Registration to sell general insurance products in India for the year 2007-08 vide its Certificate of Renewal of Registration dated March 06, 2007. The renewed registration is with effect from April 1, 2007 and is valid up to March 31, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, on an accrual basis and in accordance with the applicable provisions of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's report of Insurance Companies) Regulations 2002, the Insurance Act 1938, the Insurance Regulatory and Development Authority Act 1999, 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.

(b) Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in India requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the balance sheet date, reported amount of revenues and expenses for the year and disclosures of contingent liabilities as of the balance sheet date. 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 the financial statements. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

(c) Revenue Recognition

Premium Income

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk). Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur. Premium received in advance represents premium received during the year, where the insurance risk commences subsequent to the balance sheet date.

Income earned on investments

Interest income on investments is recognised on an accrual basis. Accretion of discount and amortization of premium relating to debt securities is recognised over holding/maturity period on a constant yield to maturity basis.

Dividend income is recognised when the right to receive dividend is established.

The net realised gains or losses on the debt securities are the difference between the net sale consideration and the amortised cost, which is computed on a weighted average basis, as on the date of sale. In case of listed equity shares / mutual funds units, the profit or loss on actual sale of investment includes the accumulated changes in the fair value previously recognised under "Fair Value Change Account". The difference between the acquisition price and the maturity value of treasury bills is recognised as income in the revenue account or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.

Sale consideration for the purpose of realised gain / loss is net of brokerage and taxes, if any, and excludes interest received on sales.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

(d) Reinsurance ceded

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

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

(e) Commission received

Commission on reinsurance ceded is recognized as income on ceding of reinsurance premium.

Profit commission under re-insurance treaties, wherever applicable, is recognized in the year of final determination of the profits.

(f) Reserve for Unexpired risk

Reserve for unexpired risk represents proportion of net premium written relating to the period of insurance subsequent to the balance sheet date, calculated on the basis of 1/365th method, or as required under Section 64V(1)(ii)(b) of The Insurance Act, 1938, whichever is higher.

(g) Premium deficiency

Premium deficiency is recognised if the sum of expected claim costs, related expenses and maintenance cost exceeds related reserve for unexpired risk.

(h) Claims incurred

Claims incurred comprises of claims paid (net of salvage & other recoveries), estimated liability for outstanding claims made following a loss occurrence reported, change in estimated liability for claims incurred but not reported (IBNR) & claims incurred but not enough reported (IBNER) and specific settlement costs comprising survey, legal and other directly attributable expenses.

Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid on each claim, established by the management in light of past experience and progressively modified for changes as appropriate on availability of further information and include claim settlement costs likely to be incurred to settle outstanding claims.

Reinsurance recoverable is accounted for in the same period as the related claim.

The liability for claims incurred but not reported (IBNR) and claims incurred but not enough reserved (IBNER) has been estimated by Appointed Actuary in compliance with guidelines issued by IRDA vide circular No. 11/IRDA/ACTL/IBNR/2005-06 dated June 8, 2005 and applicable provisions of the guidance note 21 issued by the Actuarial Society of India. The Appointed Actuary has used alternative methods for each product category as considered appropriate depending upon the availability of past data.

The Basic Chain Ladder (BCL) Method has been adopted for those lines of business where claims development in the past years are thought to be representative for the future claims development. For instance, the liability has been arrived at by using BCL Method for Motor (OD&PA&Theft), Motor (TP) and for Accident and Health (Retail & Corporate) where reasonable volume of claims paid data is available.

For other classes of business such as Commercial Insurance (consisting of Fire, Marine, Engineering, Public Liability, Product Liability, workmen compensation etc), Specialty Insurance, Rural and Home Insurance, the available claims paid data are very low and hence not sufficient to apply any statistical method. Hence, the liability has been arrived at by using Loss Ratio method by applying the Net Earned premium and the excess of the estimated claims ratio over the actual incurred claims ratio.

(i) Salvage Recoveries

Salvaged vehicles are recognised at net realisable value and are deducted from the claim settlement made against the same. Salvaged vehicles on hand are treated as stock-in-trade and are recognised at estimated net realisable value based on independent valuer's report.

(j) Acquisition Costs

Acquisition costs are defined as costs that vary with, and are primarily related to the acquisition of new and renewal insurance contracts and are expensed as incurred.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

(k) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition (including incidental expenses relating to acquisition and installation of assets) less accumulated depreciation. Salvaged vehicles, transferred and registered in the name of the Company are stated at fair market value determined based on the independent valuer's report as on the date of capitalization less accumulated depreciation.

Depreciation on fixed assets is provided using higher of the rates based on economic useful lives of assets as estimated by the management and the Straight Line Method ('SLM') specified by the Schedule XIV to the Companies Act, 1956.

Nature of Asset	Depreciation rate used	Depreciation rate as per Schedule XIV
Computer Software	25.00%	16.21%
Furniture and Fittings	6.33%	6.33%
Information Technology Equipment	25.00%	16.21%
Office Equipment	4.75%	4.75%
Owned Vehicles	Depreciated over periods provided in relevant contracts	9.50%
Salvaged Vehicles Capitalised	25.00%	9.50%

Leasehold improvements are depreciated over the primary lease period. Depreciation is charged on assets from the date the asset is capitalized on a pro-rata basis.

Impairment of assets

The carrying values of assets forming part of any cash generating units at balance sheet date are reviewed for impairment at each balance sheet date. If any indication for such impairment exists, the recoverable amounts of those assets are estimated and impairment loss is recognised if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor.

(l) Finance leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the asset and present value of the minimum lease payments at the inception of the lease term and are disclosed as leased assets. Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Revenue Accounts.

Leased assets capitalised under finance lease are depreciated on a straight line basis over the lease term unless the period derived on the basis of straight line method rates prescribed in Schedule XIV to the Companies Act, 1956 is shorter.

(m) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in the revenue account as per the lease terms.

(n) Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.

At the year-end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.

All exchange differences arising on settlement/conversion on foreign currency transactions are included in the revenue account.

(o) Investments

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 and various other circulars / notifications issued by IRDA in this context from time to time.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

Investments are recorded at cost, which include brokerage, taxes, if any, stamp duty and excludes broken period interest.

Investments maturing within twelve months from the balance sheet date and investment made with the specific intention to dispose of within twelve months from the balance sheet date are classified as short-term investments.

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on constant yield to maturity basis in the revenue account and the profit and loss account over the period of maturity / holding. All mutual fund investments are valued at realisable net asset value and any unrealised gains / losses are accounted in "Fair Value Change Account" and carried forward in the balance sheet.

(p) Miscellaneous Expenditure

Pre-operative expenses, incurred up to the year ended March 31, 2003 representing expenses incurred post incorporation but prior to the commencement of operations, are written off to the profit and loss account over 60 months from the date of commencement of operations.

Miscellaneous expenditure incurred after March 31, 2003 are written off to profit and loss account.

(q) Preliminary Expenses

Preliminary expenses incurred up to the year ended March 31, 2003 are written off to the profit and loss account over 60 months from the date of commencement of operations. The balance to the extent not written off is disclosed as a reduction from share capital.

Preliminary expenses incurred after March 31, 2003 are written off to the profit and loss account.

(r) Retirement Benefits

Provident fund

Provident Fund contributions are made to the Regional Provident Fund Authority at prescribed rates and are expensed when due.

Gratuity and Superannuation

The Company has incorporated a gratuity and superannuation trusts. The Company's contribution to the trusts is charged to expenses. The Gratuity liability is accrued based on actuarial valuation. The difference, if any between actuarial liability at the year-end and the funded amount is provided for.

Leave encashment

Provision for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(s) Taxation

Income tax expense comprises current tax, fringe benefit tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between the accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably or virtually certain to be realised.

(t) Terrorism Pool

In accordance with the requirements of IRDA, the Company, together with other insurance companies, participates in the Terrorism Pool. This pool is managed by the General Insurance Corporation of India ('GIC'). Amounts collected as terrorism premium in accordance with the requirements of the Tariff Advisory Committee ('TAC') are ceded at 100% of the terrorism premium collected to the Terrorism Pool, which in the current year has been classified as part of "Premium from direct business written" and "Premium on reinsurance ceded". The previous year's figures have been reclassified accordingly.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

In accordance with the terms of the agreement, GIC retrocedes, to the Company, terrorism premium to the extent of the Company's share in the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly statements received from GIC. The reinsurance accepted on account of terrorism pool has been recorded in accordance with the last statement received from GIC.

The Company has ensured that it has created liability, to the extent of premium retroceded to the company, through reserve for unexpired risks and claims reserve, at 50 per cent each, of the premium booked.

(u) Contributions to Solatium Fund

In accordance with the requirements of IRDA circular dated March 18, 2003 and based on the decision made by the General Insurance Council in its meeting held on May 6, 2005 the Company provides for contribution to Solatium Fund established by the Central Government as a percentage of gross written premium for all motor policies written during the year.

(v) Segment Reporting

Allocation of Investment income:

Investment income has been allocated on the basis of the ratio of average policyholders funds comprising reserves for unexpired risks, IBNR, IBNER and outstanding claims to average shareholders funds, comprising share capital less accumulated losses, preliminary expenses and miscellaneous expenditure to the extent not written off or adjusted.

Operating Expenses relating to insurance business:

Expenses, which are directly attributable and identifiable to the business segments, are apportioned on actual basis.

Expenses, which are not directly identifiable though attributable to a class of business segments collectively, are apportioned amongst the respective segments on gross written premium basis.

Other allocable expenses are allocated on the basis of net earned premium.

The accounting policies used in segment reporting are the same as those used in the preparation of financial statements.

(w) Earnings Per Share

Earnings Per Share is calculated by dividing the Profit After Tax in the Profit and Loss account by the weighted average number of equity shares outstanding during the year.

(x) Provisions and Contingencies

A provision is recognised when the Company has a present legal or constructive 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 reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect current best estimates. Contingent liabilities are not recognised. A Contingent asset is neither recognised nor disclosed.

NOTES FORMING PART OF ACCOUNTS

3. CONTINGENT LIABILITIES

Sr.No.	Particulars	March 31, 2007 (Rs. '000)	March 31, 2006 (Rs. '000)
1.	Partly paid up investments	Nil	Nil
2.	Underwriting commitments outstanding (in respect of shares and securities)	Nil	Nil
3.	Claims, other than those under policies, not acknowledged as debts	Nil	Nil
4.	Guarantees given by or on behalf of the Company	Nil	Nil
5.	Statutory demands/liabilities in dispute, not provided for	Nil	Nil
6.	Reinsurance obligations to the extent not provided for in accounts	Nil	Nil

4. ENCUMBRANCES ON ASSETS

The assets of the Company are free from encumbrances, other than leased vehicles, leased software and leased information technology equipment which are secured against borrowings.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

5. COMMITMENTS

There are no commitments made and outstanding for investments and loans.

Estimated amount of contracts remaining to be executed on capital account and not provided for [net of payments of Rs. 4,052 thousand (Previous year: Rs. 7,224 thousand)] is Rs. 26,366 thousand (Previous year: Rs. 9,799 thousand).

6. CLAIMS

All claims net of reinsurance are incurred and paid in India except for Marine Insurance where consignments are exported from India and Overseas Travel Insurance.

There are no claims that have been settled and remaining unpaid for a period of more than six months as at the end of the year.

7. PREMIUM

All premiums net of reinsurance are written and received in India.

8. EXTENT OF RISKS RETAINED AND REINSURED

Extent of risk retained and reinsured with respect to gross written premium is set out below:

For the year ended March 31, 2007

Particulars	Basis	Retention (Rs. 000's)	Ceded (Rs. 000's)	Retention %	Ceded %
Motor	Total sum insured	1,106,556	276,639	80	20
Personal Accident	Value at Risk	59,917	14,979	80	20
Travel	Value at Risk	45,351	11,338	80	20
Specialty	Value at Risk	26,845	103,055	21	79
Home	Total sum insured	2,382	596	80	20
Fire	Total sum insured	20,287	95,732	17	83
Marine	Value at Risk	11,718	12,339	49	51
Miscellaneous	Value at Risk	85,719	94,372	48	52

The above excludes Excess of Loss cover reinsurance premium of Rs. 27,651 thousand for the year ended March 31, 2007.

For the year ended March 31, 2006

Particulars	Basis	Retention (Rs. 000's)	Ceded (Rs. 000's)	Retention %	Ceded %
Motor	Total sum insured	1,236,621	343,725	78	22
Personal Accident	Value at Risk	92,383	25,268	79	21
Travel	Value at Risk	24,410	6,102	80	20
Specialty	Value at Risk	27,006	109,741	20	80
Home	Total sum insured	3,204	801	80	20
Fire	Total sum insured	19,088	55,855	25	75
Marine	Value at Risk	7,453	9,711	43	57
Miscellaneous	Value at Risk	55,405	52,179	51	49

The above excludes Excess of Loss cover reinsurance premium of Rs. 29,020 thousand for the year ended March 31, 2006.

9. INVESTMENTS

There are no contracts outstanding in relation to purchases where deliveries are pending and sales where payments are outstanding at the end of the year.

Investments made are generally in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001.

The Company has no non-performing assets for the purpose of income recognition as per the directions of IRDA.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

The historical cost of investments in mutual funds which have been valued on a fair value basis is Rs. 70,113 thousand (Previous year: Rs. 65,898 thousand).

Investments under Section 7 of the Insurance Act, 1938 are as follows:

	(Rs '000)	
	March 31, 2007	March 31, 2006
In Citi Bank Custody A/c for Section 7 Deposit	61,459	65,483
11.90% Govt. of India Securities * (Maturity May 28, 2007)	50,544	53,955
11.40% Govt. of India Securities * (Maturity Aug 31, 2007)	10,915	11,528

* This investment is in the Constituent Subsidiary General Ledger Account with Citi-Bank N.A.

10. MANAGERIAL REMUNERATION

The Managing Director & CEO is remunerated in terms of the approval granted by Insurance Regulatory and Development Authority.

The details of the Managing Director's remuneration included in employee remuneration and welfare benefits are as follows:

	(Rs. ' 000)	
Particulars	March 31, 2007	March 31, 2006
Salary, perquisites and bonus	5,698	5,590
Contribution to Provident Fund	339	326
Provision for Superannuation Fund	424	408
Other allowances and perquisites	Nil	Nil
Total	6,462	6,324

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

11. SECTOR WISE BUSINESS (BASED ON GROSS DIRECT WRITTEN PREMIUM (GWP))

Business Sector	For the year ended March 31, 2007			For the year ended March 31, 2006		
	GWP	No. of Lives	% of GWP	GWP	No. of Lives	% of GWP
Rural	110,683	-	5.7	128,421	-	6.4
Social	9,320	51,058	0.5	13,445	298,354	0.7
Urban	1,819,984	-	93.8	1,867,484	-	92.9
Total	1,939,987	51,058	100.0	2,009,350	298,354	100.0

12. REINSURANCE REGULATIONS

As per Insurance Regulatory and Development Authority (General Insurance – Reinsurance) Regulations, 2000 (Reinsurance Regulations), prior approval from IRDA is required in case of placement of surplus over and above the domestic reinsurance arrangements with one reinsurer outside India in excess of 10% of the total reinsurance premium ceded. The Company has obtained reinsurance support from overseas reinsurers. Particulars of the Company's reinsurance treaties have been submitted to IRDA in terms of the Reinsurance Regulations.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

13. ASSETS TAKEN ON LEASE

Finance Lease commitments

The Company has taken vehicles, information technology equipments and softwares on lease. The minimum committed lease rentals and the Present Value of the lease payments is as follows:

(Rs. '000)

Particulars	March 31, 2007	March 31, 2006
Total commitment towards minimum lease payments	22,566	1,942
Present Value of minimum lease payments	20,360	1,605
Minimum Lease payments		
Not later than one year (Present value Rs. 7,286 thousands as on 31-03-2007) (Previous year Rs. 419 thousands)	8,390	573
Later than one year but not later than five years (Present value Rs. 13,074 thousand as on 31-03-2007) (Previous year Rs. 1,186 thousands)	14,176	1,369

Operating lease commitments

The Company takes premises, both commercial and residential on lease. The minimum lease payments to be made in future towards non-cancelable lease agreements are as follows:

(Rs. '000)

Particulars	March 31, 2007	March 31, 2006
Not later than one year	63,150	23,386
Later than one year but not later than Five Years	255,857	24,643
Later than Five Years	300,837	2,616

In total, operating lease rental charged to the Revenue Account in the current year is Rs.74,945 thousand (previous year: Rs. 41,204 thousand).

14. TAXATION

Accounting Standard 22 – 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India requires the Company to accrue taxes on income in the same period as the revenue and expenses to which they relate. As the taxable income is different from the reported income due to timing differences, there arises a potential deferred tax asset or deferred tax liability, as the case may be. The components of the Company's deferred tax liabilities and assets are tabulated below. The Company also has deferred tax assets in respect of carried forward business losses, which have not been recognised on grounds of prudence.

(Rs. '000)

	March 31, 2007	March 31, 2006
Deferred Tax Assets:		
Provision for Gratuity	8	140
Section 43B & 40(a) of Income Tax	11,291	5,537
Unabsorbed Depreciation	—	5,585
Total	11,299	11,262
Deferred Tax Liabilities:		
Preliminary Expenses	313	313
Depreciation	11,582	10,949
Total	11,895	11,262
Net Deferred Tax Liability	596	—

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

15. SEGMENT REPORTING

The statement on segment reporting is included in Annexure 1.

16. ACCOUNTING RATIOS

The statement on accounting ratios is provided in Annexure 2.

17. RELATED PARTY DISCLOSURE

As per the Accounting Standard (AS-18) on 'Related Party Disclosures', issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows:

A) Holding Company

Housing Development Finance Corporation Limited.

B) Fellow subsidiaries

HDFC Standard Life Insurance Company Ltd.

HDFC Asset Management Co. Ltd.

HDFC Developers Ltd.

HDFC Holdings Ltd.

HDFC Trustee Company Ltd.

HDFC Realty Ltd.

HDFC Investments Ltd.

GRUH Finance Ltd.

Home Loan Services India Private Ltd.

HDFC Venture Capital Ltd.

HDFC Ventures Trustee Company Ltd.

HDFC Property Ventures Ltd.

C) Investing Party and its group companies

Chubb Global Financial Services Corporation

Chubb Pacific Underwriting Management Services Pte Ltd.

Federal Insurance Company

D) Key Management Personnel

Mr. Shirang V. Samant, Managing Director & CEO.

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

Particulars	Holding Company		Fellow subsidiaries		Investing Party and its group companies		Key Mgmt. Personnel	
	In Rs. '000s		In Rs. '000s		In Rs. '000s		In Rs. '000s	
	Year ended March 31, 2007	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2006
INCOME								
Interest	3,552	1,636	Nil	Nil	Nil	Nil	Nil	Nil
Insurance Premium	4,791	4,189	4,237	2,893	Nil	Nil	Nil	Nil
Reinsurance	Nil	Nil	Nil	Nil	9,781	10,818	Nil	Nil
Total	8,343	5,825	4,237	2,893	9,781	10,818	Nil	Nil
EXPENSES								
Rent paid	45,562	19,642	Nil	Nil	Nil	Nil	Nil	Nil
Claims	195	Nil	724	Nil	Nil	Nil	Nil	Nil
Commission paid	1,305	2,160	Nil	Nil	Nil	Nil	Nil	Nil
Technical services	Nil	Nil	Nil	Nil	10,000	34,576	Nil	Nil
Reinsurance	Nil	Nil	Nil	Nil	45,923	59,883	Nil	Nil
Advisory fees	Nil	Nil	3,367	3,100	Nil	Nil	Nil	Nil
Remuneration	Nil	Nil	Nil	Nil	Nil	Nil	6,462	6,324
Others	Nil	79	320	500	202	Nil	Nil	Nil
Total	47,062	21,881	4,411	3,600	56,125	94,459	6,462	6,324
ASSETS (Transactions during the year)								
Fixed assets purchased	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Interest Accrued	339	2	Nil	Nil	Nil	Nil	Nil	Nil
Investments made	145,000	142,500	Nil	Nil	Nil	Nil	Nil	Nil
Investments redeemed	(125,000)	(95,000)	Nil	Nil	Nil	Nil	Nil	Nil
Expenses Recoverable	Nil	Nil	Nil	Nil	Nil	393	Nil	Nil
Total	20,339	47,502	Nil	Nil	Nil	393	Nil	Nil
LIABILITIES (Transactions during the year)								
Equity contribution	Nil	37,000	Nil	Nil	Nil	13,000	Nil	Nil
Reinsurance	Nil	Nil	Nil	Nil	15,867	22,540	Nil	Nil
Unexpired risk reserve	1,353	1,365	3,502	3,303	Nil	Nil	Nil	Nil
Others	52	202	842	129	1,332	1,332	Nil	Nil
Premium received in Advance	3,531	Nil	39	48	Nil	Nil	Nil	Nil
Commission	Nil	110	Nil	Nil	Nil	Nil	Nil	Nil
Technical services	Nil	Nil	Nil	Nil	10,000	322	Nil	Nil
Total	4,936	38,677	4,383	3,480	27,199	37,194	Nil	Nil
ASSETS								
Investments	20,000	47,500	Nil	Nil	Nil	Nil	Nil	Nil
Interest accrued	339	2	Nil	Nil	Nil	Nil	Nil	Nil
Total	20,339	47,502	Nil	Nil	Nil	Nil	Nil	Nil
LIABILITIES								
Equity Capital	925,000	925,000	Nil	Nil	325,000	325,000	Nil	Nil
Reinsurance	Nil	Nil	Nil	Nil	26,157	32,830	Nil	Nil
Others	52	202	842	129	1,332	1,332	Nil	Nil
Premium received in Advance	3,531	Nil	39	48	Nil	Nil	Nil	Nil
Commission	Nil	110	Nil	Nil	Nil	Nil	Nil	Nil
Technical services	Nil	Nil	Nil	Nil	10,000	322	Nil	Nil
Unexpired risk reserve (unearned premium)	1,353	1,365	3,502	3,303	Nil	Nil	Nil	Nil
Total	929,936	926,677	4,383	3,480	362,489	359,484	Nil	Nil

Schedule - 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2007

18. LOAN RESTRUCTURING

As part of investments, the Company has not given any loans during the Financial Year and in previous years.

19. SUMMARY OF FINANCIAL STATEMENTS

The summary of Financial Statements is provided in Annexure 3.

20. FOREIGN EXCHANGE GAIN / LOSS

During the year foreign exchange profit earned by the Company is Rs. 4 thousands (Previous years loss of Rs. 593 thousands).

21. SOLATIUM FUND

The IRDA had asked the General Insurance Council to recommend the percentage of contribution to be made to a Solatium Fund and matters relating to the administration of the Fund. The Council in its meeting held on May 6, 2005 approved the contribution of 0.10% of the motor gross written premium with effect from the date of commencement of business, for private insurance companies.

The Council has decided that New India Assurance Co. Ltd. would administer the fund.

During the year Company has made its contribution to the fund, for the financial year 2005-06. However the charge to the revenue account has been made on an accrual basis (see accounting policy in paragraph 2(u) above).

22. EARNINGS PER SHARE (EPS)

Earnings Per Share is calculated by dividing the Profit After Tax in the Profit and Loss account by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings per equity share are as follows:

Particulars	March 31, 2007	March 31, 2006
1) Net Profit / (Loss) After Tax for the year (Rs. '000)	20,024	44,063
2) Weighted Average No. of Equity Shares (In '000)	125,000	121,315
3) Basic and Diluted Earning per Share (Rs.)	0.16	0.36
4) Nominal Value Per Share (Rs.)	10.00	10.00

There are no diluted potential equity shares outstanding during the year.

23. The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

24. NOTE ON DE-TARIFFING

The General Insurance Industry has been de-tariffed with effect from January 1, 2007. The de-tariffing has been in respect of the premium rates. The insurer filed its proposed rates with IRDA and these were approved by IRDA. Under the de-tariff environment, the Companies are not allowed to vary the policy terms and wordings.

25. PREVIOUS YEAR COMPARATIVES

Previous year figures have been regrouped and reclassified wherever necessary to conform to current year presentation.

On behalf of the Board of Directors

Deepak S. Parekh
Chairman

Shrirang V. Samant
Managing Director & CEO

Directors
Renu Sud Karnad
K. M. Mistry

Samir H. Shah
Chief Financial Officer

Rajiv Joshi
Company Secretary

MUMBAI, April 25, 2007

Summary of Financial Statements

Annexure 3

Sr. No.	Particulars	2006-07 (Rs. '000)	2005-06 (Rs. '000)	2004-05 (Rs. '000)	2003-04 (Rs. '000)	2002-03 (Rs. '000)
	OPERATING RESULTS					
1	Gross Written Premium	1,967,826	2,068,954	1,842,473	1,172,814	94,924
2	Net Premium Income	1,331,126	1,436,550	1,342,533	886,663	65,227
3	Income from Investments (net)	60,513	54,965	47,072	36,929	1,052
4	Other Income (includes provision written back)	4,981	23,731	75	26	—
5	Total Income	1,396,620	1,515,246	1,389,680	923,618	66,279
6	Commission (net)	48,411	78,008	107,072	23,397	(4,819)
7	Operating Expenses	639,512	576,713	460,760	403,157	91,566
8	Claims, increase in Unexpired Risk Reserve and other outflows	728,517	850,356	941,283	798,504	69,792
9	Operating Profit / (Loss)	(19,820)	10,169	(119,435)	(301,440)	(90,260)
	NON-OPERATING RESULTS					
10	Total Income under shareholder's account	52,968	45,970	47,703	87,663	30,676
11	Profit / (Loss) before tax	25,017	48,009	(79,862)	(221,906)	(63,282)
12	Provision for tax	4,993	3,945	8	20	—
13	Profit / (Loss) after tax	20,025	44,064	(79,870)	(221,926)	(63,282)
	MISCELLANEOUS					
14	Policyholders' Account :					
	Total Funds	—	—	—	—	—
	Total Investments	—	—	—	—	—
	Yield on Investments	—	—	—	—	—
15	Shareholders' Account :					
	Total Funds	944,582	916,429	814,234	885,973	909,770
	Total Investments	1,781,437	1,868,224	1,769,639	1,538,631	937,240
	Yield on Investments	6.2%	5.6%	5.2%	5.5%	6.4%
16	Paid up equity capital	1,250,000	1,250,000	1,200,000	1,200,000	1,010,000
17	Net worth	944,582	916,429	814,234	885,973	909,770
18	Total Assets	944,582	916,429	814,234	885,973	909,770
19	Yield on Total Investments	6.2%	5.6%	5.2%	5.5%	6.4%
20	Earnings per Share (Rs.)	0.16	0.36	(0.67)	(2.13)	(1.34)
21	Book Value per Share (Rs.)	7.56	7.33	6.79	7.38	9.01
22	Total Dividend	—	—	—	—	—
23	Dividend per Share (Rs.)	—	—	—	—	—

Ratios for Non-Life Companies

Annexure 2

Sr. No.	Performance Ratio	Ratios as on 31 March 2007				Ratios as on 31 March 2006			
		Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
1	Gross premium growth rate	54.81%	40.16%	-7.54%	-4.89%	253.18%	246.07%	13.99%	17.53%
	Gross Premium for Current Year / Gross Premium for Previous Year								
2	Gross Premium to shareholders' fund ratio	NA	NA	NA	208.33%	NA	NA	NA	225.76%
	Gross Premium for Current Year / (Paid up Capital plus Free Reserves)								
3	Growth rate of shareholders' funds	NA	NA	NA	3.07%	NA	NA	NA	12.55%
	Shareholders' funds as at the current balance sheet date / Shareholders' funds at the previous balance sheet date								
4	Net retention ratio	14.07%	48.71%	71.29%	67.64%	19.18%	43.42%	71.56%	69.43%
	Net Premium / Gross Premium								
5	Net commission ratio	-143.17%	-10.58%	5.60%	3.64%	-101.88%	-11.94%	6.61%	5.43%
	Commission net of Reinsurance / Net Premium								
6	Expenses of Management to gross direct Premium ratio	13.19%	38.76%	33.64%	32.50%	17.80%	25.48%	28.28%	27.87%
	Expenses of Management / Gross Direct Premium								
7	Combined ratio	53.96%	88.11%	99.61%	96.78%	99.93%	52.86%	89.83%	89.89%
	Claim Paid, Commission plus Expenses of Management / Gross Premium								
8	Technical reserves to net Premium ratio	213.08%	103.87%	76.50%	78.42%	199.04%	80.80%	74.06%	75.34%
	Reserve for Unexpired Risks plus Deficiency Reserve plus Reserve for Outstanding Claims / Net Premium								
9	Underwriting balance ratio	73.70%	-51.34%	-7.01%	-6.41%	-56.45%	-28.84%	-4.12%	-4.77%
	Underwriting Profit / Net Premium								
10	Operating profit ratio	100.64%	-46.78%	-2.36%	-1.49%	-46.20%	-25.88%	1.32%	0.71%
	Underwriting Profit plus Investment Income / Net Premium								
11	Liquid assets to liabilities ratio	NA	NA	NA	142.59%	NA	NA	NA	77.54%
	Liquid Assets of the Insurer / Policyholders' Liabilities								
12	Net earnings ratio	NA	NA	NA	1.50%	NA	NA	NA	3.07%
	Profit after Tax / Net Premium								
13	Return on net worth	NA	NA	NA	2.12%	NA	NA	NA	4.81%
	Profit after Tax / Net Worth								
14	Reinsurance ratio Risk Reinsured (Premium on Reinsurance Ceded) / Gross Premium	85.93%	51.29%	28.71%	32.36%	80.82%	56.58%	28.44%	30.57%

Notes:

1. Gross Premium represents Gross Direct Premium excluding Premium accepted on reinsurance
2. Net Premium represents Gross Direct Premium excluding Premium accepted on reinsurance less reinsurance ceded
3. Expenses of Management represent Operating Expenses related to Insurance business
4. Underwriting Profit represents Segmental Profit / (Loss) excluding Investment Income
5. Liquid Assets represent Cash and Cash Equivalents and Short Term Investments.

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2007

	(Rs. '000)													
Annexure 1	Fire	Marine	Motor	Engi- neering	Public Liability	Product Liability	Workmen Compen- sation	Other Liabili- ties	Home	Personal Accident	Travel	Speci- ality *	Others	Total
Premium earned														
(Net) (Schedule - A)	15,728	9,586	1,183,039	9,809	1,944	271	1,889	11,700	3,098	71,515	27,299	25,622	41,404	1,402,904
Profit on Sale of Investments	70	20	1,942	21	3	—	2	16	6	127	43	45	61	2,356
Interest and Dividend														
(Net of Amortisation)	1,734	497	47,919	527	64	10	59	396	146	3,141	1,052	1,117	1,495	58,157
Other Income	2,595	16	3,209	17	3	—	3	20	5	(1,051)	47	44	73	4,981
Total Segmental Revenue	20,127	10,119	1,236,109	10,374	2,014	281	1,953	12,132	3,255	73,732	28,441	26,828	43,033	1,468,398
Claims incurred														
(Net) (Schedule - B)	11,773	7,519	699,484	2,295	(21)	(29)	121	(435)	814	16,159	12,239	6,788	43,588	800,295
Commission Paid (Net)	(23,375)	(1,240)	75,032	(13,527)	(93)	(24)	(361)	(2,357)	300	5,850	2,623	(5,536)	11,119	48,411
Operating Expenses														
Related To Insurance														
Business	15,298	9,323	507,237	9,539	1,890	263	1,835	11,385	1,150	24,378	7,416	11,755	38,042	639,511
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Revenue	3,696	15,602	1,281,753	(1,693)	1,776	210	1,595	8,593	2,264	46,387	22,278	13,007	92,749	1,488,217
Segmental Profit (Loss)	16,431	(5,483)	(45,644)	12,066	238	71	358	3,539	991	27,344	6,164	13,821	(49,717)	(19,819)

* Includes - 1. Directors' and officers' liability
2. Mutual fund assets protection

Note: The assets and Liabilities of the Company, significantly relate to the segment - Motor and hence no disclosures are being made separately.

SCHEDULE - A to Annexure 1	Fire	Marine	Motor	Engi- neering	Public Liability	Product Liability	Workmen Compen- sation	Other Liabili- ties	Home	Accident Personal	Travel	Speci- ality	Others	Total
PREMIUM EARNED [NET]														
(Refer note 7 and 8 of Schedule 16)														
Premium from direct														
business written	110,976	24,058	1,383,195	64,659	2,621	1,103	5,635	33,711	2,978	74,897	56,689	112,792	66,673	1,939,987
Add: Premium on reinsurance	5,042	—	—	898	—	—	—	4,790	—	—	—	17,109	—	27,839
accepted														
Less: Premium on reinsurance	(99,691)	(12,339)	(292,479)	(52,063)	(944)	(671)	(2,764)	(26,018)	(596)	(16,847)	(12,902)	(103,055)	(16,331)	(636,700)
ceded														
Net Premium	16,327	11,719	1,090,716	13,494	1,677	432	2,871	12,483	2,382	58,050	43,787	26,846	50,342	1,331,126
Less: Adjustment for changes														
in reserve for														
unexpired risks	(599)	(2,133)	92,323	(3,685)	267	(161)	(982)	(783)	716	13,465	(16,488)	(1,224)	(8,938)	71,778
Total Premium earned	15,728	9,586	1,183,039	9,809	1,944	271	1,889	11,700	3,098	71,515	27,299	25,622	41,404	1,402,904
SCHEDULE - B to Annexure 1														
CLAIMS INCURRED [NET]														
(Refer note 6 of Schedule 16)														
Claims paid direct	42,250	9,859	920,521	2,604	—	—	—	—	354	36,283	10,393	—	48,607	1,070,871
Add: Claims on Re-insurance	62	—	—	1	—	—	—	—	—	—	—	—	—	63
accepted														
Less: Re-insurance ceded	(36,126)	(6,357)	(240,920)	(990)	—	—	—	—	(71)	(7,257)	(2,079)	—	(11,230)	(305,030)
ceded														
Net Claims paid	6,186	3,502	679,601	1,615	—	—	—	—	283	29,026	8,314	—	37,377	765,904
Add: Claims Outstanding at the														
end of the period	24,534	6,176	288,931	2,770	194	27	189	1,170	1,384	13,300	7,752	10,249	9,739	366,415
Less: Claims Outstanding at the														
beginning of the period	18,947	2,159	269,048	2,090	215	56	68	1,605	853	26,167	3,827	3,461	3,528	332,024
Total Claims incurred	11,773	7,519	699,484	2,295	(21)	(29)	121	(435)	814	16,159	12,239	6,788	43,588	800,295

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2007

	(Rs. '000)													
SCHEDULE - C to Annexure 1	Fire	Marine	Motor	Engi- neering	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Travel	Speci- ality	Others	Total
COMMISSION PAID [NET]														
Commission paid direct	5,061	2,014	132,783	1,690	155	158	334	4,738	449	9,595	5,458	17,600	14,074	194,109
Add: Commission paid on re-insurance accepted	588	—	—	79	—	—	—	—	—	—	—	315	1,174	2,156
Less: Commission received on re-insurance ceded	(29,024)	(3,254)	(57,751)	(15,296)	(248)	(182)	(695)	(7,095)	(149)	(3,745)	(2,835)	(23,451)	(4,129)	(147,854)
Net commission paid/(received)	(23,375)	(1,240)	75,032	(13,527)	(93)	(24)	(361)	(2,357)	300	5,850	2,623	(5,536)	11,119	48,411
SCHEDULE - D to Annexure 1	Fire	Marine	Motor	Engi- neering	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Travel	Speci- ality	Others	Total
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS														
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	6,424	3,915	100,047	4,006	794	111	771	4,780	204	6,153	2,259	4,780	15,922	150,166
Travel, conveyance and vehicle running expenses	1,206	735	14,559	752	149	21	145	897	30	881	160	542	2,962	23,039
Training expenses	77	47	2,787	48	9	1	9	57	7	169	54	95	198	3,558
Rents, rates and taxes	2,274	1,386	62,022	1,418	281	39	273	1,692	149	3,808	1,414	1,908	5,726	82,390
Repairs	47	29	2,474	29	6	1	6	35	6	156	46	48	118	3,001
Printing and stationery	312	190	9,487	194	39	5	37	232	228	3,108	207	328	793	15,160
Communication	413	252	12,108	258	51	7	50	307	26	718	197	338	1,029	15,754
Legal and professional charges	2,207	1,345	53,037	1,377	273	38	265	1,642	196	3,011	746	879	5,414	70,430
Auditors' fees, expenses etc as auditors	22	14	1,687	14	3	0	3	18	4	102	39	37	57	2,000
as advisor or in any other capacity, in respect of :	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(i) Taxation matters	4	2	267	1	0	0	0	3	1	16	6	6	9	315
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—
in any other capacity	1	—	52	0	0	0	0	1	—	3	1	1	1	60
Advertisement and publicity	193	118	5,490	120	24	3	22	144	7	191	24	23	458	6,817
Interest and Bank Charges	91	55	9,437	57	11	2	11	69	35	355	134	135	234	10,626
Others :-	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electricity expenses	255	155	5,348	159	31	4	31	190	12	327	113	164	646	7,435
Office Expenses	329	200	7,837	205	41	6	39	244	16	581	143	197	856	10,694
Miscellaneous expenses	95	58	1,544	59	12	2	11	71	4	112	24	31	229	2,252
Service Charges	1	1	134,136	1	—	—	—	1	—	6	3	2	5	134,156
Technical Service Charges	—	—	—	—	—	—	—	—	—	—	—	0	0	(0)
Information Technology Expenses	407	248	38,662	254	50	7	49	303	75	1,634	675	429	1,057	43,848
Postage & courier	66	40	8,423	41	8	1	8	49	68	897	115	50	169	9,935
Loss on sale of assets (net)	6	4	468	4	1	0	1	5	1	28	11	10	16	555
Depreciation	868	529	37,365	542	107	15	104	645	81	2,122	1,045	1,752	2,145	47,319
Service Tax Expenditure														
Total Operating Expenses	15,298	9,323	507,237	9,539	1,890	263	1,835	11,385	1,150	24,378	7,416	11,755	38,042	639,512

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2006

Annexure 1

	Fire	Marine	Motor	Engineer- ing	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Travel	Speciality *	Others	(Rs. '000) Total
Premium earned														
(Net) (Schedule - A)	15,806	5,029	1,198,791	4,412	1,435	373	451	10,701	1,756	83,168	21,637	23,076	16,904	1,383,539
Profit on Sale of Investments	26	5	986	7	1	—	1	6	2	81	9	18	14	1,156
Interest and Dividend (Net of Amortisation)	1,188	212	45,920	324	59	12	25	295	90	3,783	408	858	635	53,809
Other Income	258	4	950	3	1	—	—	8	22,393	66	17	18	13	23,731
Total Segmental Revenue	17,278	5,250	1,246,647	4,746	1,496	385	477	11,010	24,241	87,098	22,071	23,970	17,566	1,462,235
Claims incurred (Net) (Schedule - B)	25,217	3,693	714,484	175	(237)	(16)	(112)	1,092	826	33,217	4,232	(2,162)	16,937	797,346
Commission Paid (Net)	(14,641)	(890)	92,598	(7,073)	64	27	(153)	850	400	10,451	423	(5,296)	1,248	78,008
Operating Expenses Related To Insurance Business	13,343	4,373	475,016	3,982	1,243	309	393	9,185	721	34,782	7,709	12,206	13,451	576,713
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Revenue	23,919	7,176	1,282,098	(2,916)	1,070	320	128	11,127	1,947	78,450	12,364	4,748	31,636	1,452,067
Segmental Loss	(6,641)	(1,926)	(35,451)	7,662	426	65	349	(117)	22,294	8,648	9,707	19,222	(14,070)	10,168

* Includes - 1. Directors' and officers' liability
2. Mutual fund assets protection

Note: The assets and Liabilities of the Company, significantly relate to the segment - Motor and hence no disclosures are being made separately.

Schedule - A to Annexure 1

	Fire	Marine	Motor	Engineer- ing	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Travel	Speciality	Others	Total
PREMIUM EARNED [NET] (Refer note 7 and 8 of Schedule 16)														
Premium from direct business written	68,098	17,165	1,580,347	36,522	3,304	263	2,488	22,024	4,004	117,651	30,512	90,042	36,930	2,009,350
Add : Premium on reinsurance accepted	6,845	—	—	611	—	—	—	—	—	—	—	46,705	5,443	59,604
Less : Premium on reinsurance ceded	(60,573)	(9,711)	(360,600)	(30,091)	(1,272)	(131)	(1,830)	(9,629)	(801)	(27,846)	(6,923)	(109,741)	(13,257)	(632,405)
Net Premium	14,370	7,454	1,219,747	7,042	2,032	132	658	12,395	3,203	89,805	23,589	27,006	29,116	1,436,549
Less : Adjustment for changes in reserve for unexpired risks	1,436	(2,425)	(20,956)	(2,630)	(597)	241	(207)	(1,694)	(1,447)	(6,637)	(1,952)	(3,930)	(12,212)	(53,010)
Total Premium earned	15,806	5,029	1,198,791	4,412	1,435	373	451	10,701	1,756	83,168	21,637	23,076	16,904	1,383,539

Schedule - B to Annexure 1

	Fire	Marine	Motor	Engineer- ing	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Travel	Speciality	Others	Total
CLAIMS INCURRED [NET] (Refer note 6 of Schedule 16)														
Claims paid direct	58,725	3,181	945,905	817	—	—	26	—	269	34,820	4,793	4,827	17,966	1,071,329
Add: Claims on Re-insurance accepted	82	—	—	6	—	—	—	—	—	22,971	—	—	—	23,059
Less: Re-insurance ceded	(46,541)	(965)	(268,155)	(485)	—	—	(5)	—	(54)	(13,596)	(959)	(2,896)	(3,909)	(337,565)
Net Claims paid	12,266	2,216	677,750	338	—	—	21	—	215	44,195	3,834	1,931	14,057	756,823
Add: Claims Outstanding at the end of the period	18,947	2,159	269,048	2,090	215	56	68	1,605	853	26,167	3,827	3,461	3,527	332,023
Less: Claims Outstanding at the beginning of the period	5,996	682	232,314	2,253	452	72	201	513	242	37,145	3,429	7,554	647	291,500
Total Claims incurred	25,217	3,693	714,484	175	(237)	(16)	(112)	1,092	826	33,217	4,232	(2,162)	16,937	797,346

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2006

Schedule - C to Annexure 1

	Fire	Marine	Motor	Engineer- ing	Public Liability	Product Liability	Workmen Compen- sation	Other Liabilities	Home	Personal Accident	Travel	Speciality	Others	Total
COMMISSION PAID [NET]														
Commission paid direct	2,824	1,519	166,427	1,492	296	46	213	2,212	600	16,368	1,949	13,287	4,540	211,773
Add : Commission paid on re-insurance accepted	237	—	—	18	—	—	—	—	—	—	—	3,257	3,88	3,900
Less : Commission received on re-insurance ceded	(17,702)	(2,409)	(73,829)	(8,583)	(232)	(19)	(366)	(1,362)	(200)	(5,917)	(1,526)	(21,840)	(3,680)	(137,665)
Net commission paid / (received)	(14,641)	(890)	92,598	(7,073)	64	27	(153)	850	400	10,451	423	(5,296)	1,248	78,008

Schedule - D to Annexure 1

	Fire	Marine	Motor	Engineer- ing	Public Liability	Product Liability	Workmen Compen- sation	Other Liabilities	Home	Personal Accident	Travel	Speciality	Others	Total
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS														
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	6,862	2,183	95,577	1,916	623	162	196	4,645	142	8,984	2,751	4,038	6,328	134,407
Travel, conveyance and vehicle running expenses	1,160	369	15,358	324	105	27	33	785	22	1,403	437	297	1,097	21,417
Training expenses	73	23	5,430	21	7	2	2	50	10	355	65	54	81	6,173
Rents, rates and taxes	1,375	437	40,418	384	125	32	39	931	58	3,199	938	1,062	1,375	50,373
Repairs	90	29	1,808	25	8	2	3	61	3	129	45	33	74	2,310
Printing and stationery	323	103	10,335	90	29	8	9	219	196	5,083	496	151	283	17,325
Communication	455	145	13,769	127	41	11	13	308	21	1,065	286	292	460	16,993
Legal and professional charges	664	211	34,528	185	60	16	19	449	53	2,758	548	1,017	883	41,391
Auditors' fees, expenses etc														
as auditors	19	6	1,406	5	2	—	1	13	2	98	25	27	21	1,625
as advisor or in any other capacity, in respect of :														
(i) Taxation matters	4	1	328	1	—	—	—	3	—	23	6	6	5	377
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—
in any other capacity	4	1	300	1	—	—	—	3	—	21	5	6	4	345
Advertisement and publicity	230	73	4,550	64	21	5	7	156	7	216	57	144	188	5,718
Interest and Bank Charges	34	11	5,796	9	3	1	1	23	4	3,418	46	49	40	9,435
Others :—														
Electricity expenses	252	80	5,836	70	23	6	7	171	9	465	156	184	235	7,494
Office expenses	336	107	7,345	94	31	8	10	228	10	548	141	130	328	9,316
Miscellaneous expenses	136	43	2,345	38	12	3	4	91	3	234	75	524	110	3,618
Service Charges	4	1	123,449	1	—	—	—	3	—	20	5	6	4	123,493
Technical Service Charges	447	272	25,906	382	74	5	24	453	46	2,278	498	3,170	1,020	34,575
Information Technology Expenses	250	79	34,565	70	23	6	7	169	28	1,314	342	365	267	37,485
Postage & courier	70	22	10,367	20	6	2	2	48	63	801	134	77	71	11,683
Profit on sale of assets (net)	—	—	21	—	—	—	—	—	—	1	—	—	1	23
Depreciation	555	177	35,579	155	50	13	16	376	44	2,369	653	574	578	41,139
Service Tax Expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Expenses	13,343	4,373	475,016	3,982	1,243	309	393	9,185	721	34,782	7,709	12,206	13,453	576,713

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2007

Annexure 1

SEGMENT BREAKUP OF THE BALANCE SHEET AS AT MARCH 31, 2007

Segment revenues and segment results have been incorporated in the financial statements. However given the nature of the business, segment assets and liabilities, have been allocated amongst various segments to the extent possible.

(Rs. '000)

Particulars	Fire	Marine	Miscellaneous	Total
IBNR	978	959	174,996	176,933
	(582)	(754)	(174,880)	(176,216)
Provision for Notified Claims	12,389	5,218	170,491	188,098
— Claims Outstanding	(4,717)	(1,405)	(148,105)	(154,227)
Reserve for Unexpired Risk	10,143	5,859	664,490	680,492
	(9,544)	(3,727)	(738,999)	(752,270)
Solatium Fund	—	—	1,383	1,383
			(1,580)	(1,580)

Previous year's figures are in brackets.

FORM B -RA

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Receipts and Payments Account for the year ended March 31, 2007

Particulars	For the year ended March 31, 2007 (Rs. '000)	For the year ended March 31, 2006 (Rs. '000)
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	2,289,054	2,298,027
Other receipts	6,411	241
Payments to the re-insurers, net of commission and claims	(247,317)	(118,188)
Payments to co-insurers, net of claims recovery	457	2,849
Payments of claims	(1,068,631)	(1,097,958)
Payments of commission and brokerage	(184,071)	(207,713)
Payments of other operating expenses	(577,314)	(599,121)
Deposits, advances and staff loans	5,994	(9,063)
Income taxes paid (Net)	(4,103)	(3,946)
Service tax paid	(260,742)	(181,096)
Other payments	—	—
Cash flow before extraordinary items	(40,262)	84,032
Cash flow from extraordinary items	—	—
Net cash flow from operating activities	(40,262)	84,032
Cash flows from investing activities		
Purchase of fixed assets	(100,094)	(37,396)
Proceeds from sale of fixed assets	985	1,140
Purchase of investments	(1,368,994)	(1,107,499)
Loans disbursed	—	—
Sale of investments	1,427,634	1,034,320
Repayments received	—	—
Rents / Interests / Dividends received	141,041	131,176
Investments in money market instruments and in liquid mutual funds (Net)	205	(56,500)
Expenses related to investments	(2,250)	(3,100)
Net cash flow from investing activities	98,527	(37,859)
Cash flows from financing activities		
Proceeds from issuance of share capital	—	50,000
Proceeds from borrowing	22,521	—
Repayments of borrowing	(3,765)	(1,369)
Interest / Dividend paid	(175)	(289)
Net cash flow from financing activities	18,581	48,342
Net increase in cash and cash equivalents	76,846	94,515
Cash and cash equivalents at the beginning of the year	154,119	59,604
Cash and cash equivalents at the end of the year	230,965	154,119
Net increase in cash and cash equivalents	76,846	94,515

Refer Schedule 11 for components of cash and cash equivalents

As per our report of even date

B.K. Khare & Co.
Chartered AccountantsS.B. Billimoria & Co.
Chartered AccountantsDeepak S. Parekh
ChairmanShrirang V. Samant
Managing Director & CEOPadmini Khare Kaicker
Partner
Membership No. 44784Sanjiv Pilgaonkar
Partner
Membership No. 39826Directors
Renu Sud Karnad
K. M. MistrySamir H. Shah
Chief Financial Officer

MUMBAI, April 25, 2007

Rajiv Joshi
Company Secretary

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 submits the following Report:

1. We confirm the validity of Certificate of Registration granted by the Insurance Regulatory and Development Authority to transact general insurance business, which has been renewed up to March 31, 2008.

2. To the best of our knowledge and belief, all the material dues payable to the statutory authorities have been duly paid.

3. We confirm that the shareholding pattern and the transfer of shares during the year ended March 31, 2007 are in accordance with the statutory or regulatory requirements.

4. We declare that funds of holders of policies issued in India have not been directly or indirectly invested outside India.

5. The Company has maintained the required solvency margins laid down by Insurance Regulatory and Development Authority.

6. All assets of the Company have been reviewed on the date of the Balance Sheet and to the best of our knowledge and 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 several headings – "Loans", "Agents balances", "Outstanding Premiums", "Interest, Dividends 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 the several items specified under "Other Accounts".

Market value of fixed income investments which are valued at amortized cost as per IRDA regulations, is lower than their carrying amount by Rs. 66,305 thousands in aggregate as at March 31, 2007.

7. The Company is exposed to a variety of risks associated with general insurance

business. An insurer in its initial stages such as quality of risks undertaken and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever deemed necessary.

Through an appropriate reinsurance program, the Company has kept its risk exposure at a level commensurate with its capacity.

8. The Company does not have operations in any other country.

9. Average claim settlement time for motor and non-motor business during the financial year ended March 31, 2007 was 32 days and 25 days respectively from the date of claim notification.

Average claim settlement time during the preceding three financial years is as follows:

1 For the financial year ended March 31, 2006 - 24 days for motor and 30 days for non-motor business from the date of claim notification.

2 For the financial year ended March 31, 2005 - 28 days from the date of claim notification.

3 For the financial year ended March 31, 2004 - 20 days from the date of claim notification.

10. Investments in Government securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortization. Investments in mutual fund units are accounted at Net Asset Value and the unrealized gain has been credited to the Fair Value Change Account. Market values of Government securities and other debt instruments have been reported in accordance with guideline INV/GLN/003/2003-04 dated January 21, 2004 issued by the Authority.

11. The Company has adopted a prudent investment policy with emphasis on optimizing return with minimum risk. Emphasis was towards low risk investments such as Government securities and other rated debt instruments. The Company has carried out

periodic review of the investment portfolio. There are no non-performing assets as at the end of the financial year.

12. The Management of HDFC Chubb General Insurance Company Limited certifies that:

i. The financial statements have been prepared in accordance with applicable accounting standards, the regulations stipulated by the IRDA and the provisions of the Insurance Act, 1938 and the Companies Act, 1956 and disclosures have been made, wherever the same is required. There is no material departure from the said standards, principles and policies.

ii. The Company has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the year ended March 31, 2007 and of the operating loss for the year.

iii. The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, (4 of 1938) / Companies Act, 1956, (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv. The financial statements of the Company have been prepared on a going concern basis.

v. The Company has appointed an audit firm to conduct the internal audit of the Company. The scope of work of the firm is commensurate with the size and nature of the Company's business. The management certifies that adequate internal control systems and procedures were in existence for this financial year.

13. The schedule of payments to companies in which the directors of the Company are interested has been included in Note No. 17 of the Notes to Accounts.

On behalf of the Board of Directors

Deepak S. Parekh
Chairman

Directors
Renu Sud Karnad
K. M. Mistry

Shrirang V. Samant
Managing Director & CEO

Samir H. Shah
Chief Financial Officer

Rajiv Joshi
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956)

I. Registration Details

Registration No.

1 3 4 8 6 9

State Code

1 1

Balance Sheet Date

3 1 3 2 0 0 7

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

III. Position of Mobilisation and Deployment of Funds: (Amount in Rs. Thousands)

Total Liabilities

1 2 7 0 5 9 9

Total Assets

1 2 7 0 5 9 9

SOURCES OF FUNDS

Paid-up Capital

1 2 4 9 0 7 0

Reserves and Surplus

N I L

Fair Value Change Account

5 7 3

Secured Loans

N I L

Unsecured Loans

2 0 3 6 0

APPLICATION OF FUNDS

Net Fixed Assets

1 4 5 8 4 2

Investments

1 7 8 1 4 3 8

Net Current Assets

(9 6 1 1 6 8)

Miscellaneous Expenses

3 5 0 0

Debit balance in P&L A/c

3 0 0 9 8 7

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

(Net Earned Premium, income from investments and other incomes)

1 5 2 1 3 6 6

Total Expenditure

1 4 9 6 3 4 8

Profit/(Loss) Before Tax

2 5 0 1 8

Profit/(Loss) After Tax

2 0 0 2 5

Earnings per Share (Rs.)

0 . 1 6

Dividend @ (%)

N I L

V. Generic Names of Three Principal Products, Services of the Company (as per monetary terms)

Item Code No. (ITC Code)

N.A.

Product Description

G E N E R A L I N S U R A N C E