

SIXTH ANNUAL REPORT 2007 - 08

HDFC ERGO General Insurance Company Limited

(Formerly HDFC Chubb General Insurance Company Limited)

A Subsidiary of Housing Development Finance Corporation Limited



Board of Directors

Mr. Deepak S. Parekh
Chairman

Directors

Mr. Michael J. Casella (upto June 27, 2007)
Mr. Keki M. Mistry
Ms. Renu Sud Karnad
Mr. Andreas Kleiner (w.e.f. February 29, 2008)
Mr. Stefan Emberger (w.e.f. February 29, 2008)
Mr. Shrirang V. Samant
Managing Director & CEO (upto April 30, 2007)

Chief Executive Officer

Mr. Suresh Menon (w.e.f. May 1, 2007)

Auditors

B. K. Khare & Co.
Chartered Accountants
S. B. Billimoria & Co.
Chartered Accountants

Advocates

Burzin J. Somandy

Bankers

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

Registered Office

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

Corporate Office

6th Floor, Leela Business Park,
Andheri Kurla Road,
Andheri East, Mumbai 400 059
Tel. Nos. : 91-22 6638 3600
Fax : 91-22 6638 3699

Director's Report

TO THE MEMBERS,

Your directors are pleased to present the Sixth Annual Report of the Company together with the audited accounts of your Company for the year ended on March 31, 2008.

Financial Results

(Rs. in Crores)

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Gross Written Premium	239.69	196.78
Net Written Premium	167.58	133.11
Net Earned Premium	150.05	140.29
Other Income/Liabilities written back	3.66	0.50
Net Incurred Claims	114.77	80.03
Net Commission (Income) / Expenses	(4.51)	4.84
Expenses of Management	74.09	63.95
Investment Income – Policyholders	8.00	6.05
General Insurance Result	(22.64)	(1.98)
Investment Income – Shareholders	6.31	5.30
Preliminary Expenditure	0.09	0.17
Pre-operative Expenditure	0.35	0.64
Provision for wealth tax /Fringe Benefit Tax	0.29	0.43
Provision for Minimum Alternate Tax	NIL	0.02
Deferred Tax Liability	(0.06)	0.06
Profit/Loss after Tax	(17.00)	2.00

Change in Shareholding

Subsequent to the exit of Chubb Global Financial Services Corporation, USA (Chubb Global) as the joint venture partner, Housing Development Finance Corporation Limited (HDFC) acquired its entire shareholding. During the year, HDFC sold 26% of its shareholding in the Company to ERGO International AG (ERGO) of Germany. Accordingly, as at the end of the year, 74% of the paid-up equity share capital of the Company is held by HDFC and the balance 26% is held by ERGO.

Change of Name

Pursuant to the induction of ERGO International AG, as the new joint venture partner, the Board

approved the change of name of the Company to HDFC ERGO General Insurance Company Limited. The name change has been approved by the Registrar of Companies, Maharashtra, Mumbai, with effect from March 12, 2008 and a fresh Certificate of Incorporation has been received.

Issue of Shares on Rights Basis

During the year under review, in order to fund the planned expansion of the business, the Company allotted 2,50,00,000 equity shares of Rs. 10 each for cash at par on a rights basis in the ratio of 1:1. Consequently, the paid-up equity capital of the Company has increased from Rs. 125 crores to Rs. 150 crores.

Financial Review

Your Company has completed its fifth full year of operations. During the year under review, your Company has underwritten gross premium of Rs. 239.7 crores as against Rs. 196.8 crores in the previous year.

The loss for the year under review is Rs.17 crores, as against profit after tax of Rs. 2 crores in the previous year. Despite an increase in the net earned premium to Rs.150.1 crores from Rs.140.3 crores in the previous year, the loss for the current year has been mainly on account of a reduction in premium rates due to de-tariffing and share of loss in Indian Third Party Motor Pool.

Business Review

As in the earlier years, the motor business continues to contribute maximum to the total business underwritten. During the year, despite recording large growth in the number of policies sold, a decline in premium rates resulted in a lower growth in total premium. In line with the long-term strategy, your Company has brought down its motor portfolio to 65% from 70% in the previous year. On the other hand, the proportion of commercial business has gone up to 34% as against 27% in the previous year.

Premium from motor business was at Rs. 156.7 crores as against Rs.138.3 crores in the previous year and the non-motor business was at Rs. 83 crores as against Rs. 58.5 crores in the previous year. Gross premium from commercial lines was at Rs. 80.6 crores as against Rs.52.8 crores in the previous year. Gross premium from group medical insurance business was at Rs. 21.7 crores as against Rs.4.6 crores in the previous year. The specialty business has grown to Rs. 17.9 crores as against Rs. 13 crores in the previous year.

During the year under review, the Company endeavoured to maintain its focus on underwriting. Achieving growth while focussing

on underwriting the de-tariffed market has been a challenge.

Operations: The business processing model remained stable through a mix of in-house and outsourced processing. Your Company has maintained the efficiency and shown responsiveness to the needs of internal and external consumers. The Company focussed on improving productivity and delivery of superior services at reasonable operational costs.

Human Resources: The ever changing regulatory and macro economic environment, stiff competition and industry specific dynamics pose a challenge 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 programmes to improve their professional skills in line with business needs. The Company has successfully dealt with challenges of the entry of new and aggressive players.

Corporate Office

With a view to consolidate and rationalise the operations of the Company in one location and provide for future expansion, during the year, the corporate office of the Company in Mumbai was shifted from Nariman Point to Andheri. The new office also houses the claims, operations and call centre operations.

De-tariffing

Effective from January 1, 2008, subject to the guidelines stipulated by Insurance Regulatory and Development Authority (IRDA), the general insurance industry entered into the next phase of de-tariffing wherein IRDA removed the cap on discounts.

It is expected that the rates will 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 customers.

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.

In keeping with the current regulatory requirements, the Company compulsorily cedes 15% of its business to General Insurance Corporation of India (GIC). The statutory cession has been brought down to 10% by IRDA for the financial year 2008-09.

Looking Ahead

During the next financial year, your Company would continue to focus on expanding business and geographies in all lines of business. The Company would continue to practice prudent underwriting practices. The Company would draw upon the underwriting skills, designing and pricing methodology of new products and experience in process improvements of the new partner. In addition, the Company would also benefit from HDFC's significant distribution capability.

As mentioned earlier, de-tariffing of rates has resulted in substantial reduction and increased volatility in premium rates. The volatility in premium is expected to continue in the current financial year and prudent underwriting practices

will assume greater importance to ensure profitable growth of the portfolio.

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

Distribution Network

The Company has presence in 28 locations across India. The Company's retail business was written mainly through tie-ups with agents, vehicle manufacturers and dealers. With an intention to spread the Company's geographical reach and give a thrust to retail business, the Company plans to strengthen its agency force. The Company is exploring possibilities of leveraging association with group companies for expanding access to desirable segments of the retail and commercial markets.

Information Technology

In a de-tariffed environment, an advanced information technology platform would be required to assist the Company in improved capturing and collation of data to be used for analysis. 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 a de-tariffed environment. Major initiatives in this area shall be taken in the current financial year.

Particulars of Employees

The total employee strength of the Company as on March 31, 2008 was 263. During the year, six (6) employees employed throughout the year were in receipt of remuneration of Rs. 24 lacs or more per annum. 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 annex 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 annex. Any shareholder interested in obtaining a copy of the annex 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. 29.3 crores in foreign exchange during the year under review mainly on account of reinsurance premium. Earning in foreign exchange during the year were Rs. 7.1 crores. 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 has not accepted any fixed deposit during the year under review.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Keki M. Mistry retire by rotation at the ensuing Annual General Meeting and being eligible, he has offered himself for re-appointment. Resolution for his re-appointment is included in the notice convening the Annual General Meeting.

Mr. Shirang V. Samant, Managing Director and CEO, resigned with effect from April 30, 2007. The

board wishes to place on record its appreciation for the services rendered by him.

Pursuant to the exit of Chubb Global as the joint venture partner, Mr. Michael J. Casella, nominee of Chubb Global, resigned as a director of the Company with effect from June 27, 2007. The board wishes to place on record its appreciation for the services rendered by Mr. Casella, as a director of the Company.

In terms of the provisions of the Share Purchase Agreement and Shareholders' Agreement entered into by HDFC and ERGO, the board appointed Mr. Andreas Kleiner and Mr. Stefan Emberger as additional directors of the Company with effect from February 29, 2008. Pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, they would hold office as directors up to the date of the ensuing Annual General Meeting. The Company has received notices from members under Section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of Mr. Andreas Kleiner and Mr. Stefan Emberger as directors of the Company, along with deposit of Rs. 500 each as required under the said Act.

Necessary resolutions for the appointment of the aforesaid directors have been included in the notice convening the ensuing Annual General Meeting.

None of the directors of the Company, are disqualified from being appointed as directors as specified in Section 274(1) (g) of the Companies Act, 1956.

Appointment of Chief Executive Officer

The directors of the Company have appointed Mr. Suresh Menon as the Principal Officer (designated as Chief Executive Officer) of the Company with effect from May 1, 2007.

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 certificates 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 Sixth Annual General Meeting of the Company circulated to the members.

Audit Risk & Compliance Committee

The Audit Risk & Compliance Committee of directors was re-constituted and comprises of Mr. Keki M. Mistry, Mr. Andreas Kleiner, Ms. Renu

Sud Karnad and Mr. Stefan Emberger. 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, 2008 and of the loss 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 IRDA, 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 24, 2008

DEEPAK S. PAREKH
Chairman

Auditors' Report

TO THE MEMBERS OF HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

1. We have audited the attached balance sheet of HDFC ERGO GENERAL INSURANCE COMPANY LIMITED ('the Company') as at March 31, 2008 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;

(f) On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2008 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, 2008;

ii. in the case of the Revenue Accounts, of the surplus/deficit, as the case may be, for the year ended March 31, 2008;

iii. in the case of the Profit and Loss Account, of the loss for the year ended March 31, 2008; 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, 2008.

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, 2008 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 sub-section 4 of section 3 of the Insurance Act, 1938.

For B. K. Khare & Co.
Chartered Accountants

For S. B. Billimoria Co.
Chartered Accountants

PADMINI KHARE KAICKER
Partner
Membership No.: 44784

SANJIV V. PILGAONKAR
Partner
Membership No.: 39826

MUMBAI
April 24, 2008

Annexure to Auditors' Report

(Referred to in the Auditors' report to the members of HDFC ERGO General Insurance Company Limited ('the Company') on the financial statement for the year ended March 31, 2008)

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

PADMINI KHARE KAICKER
Partner
Membership No.: 44784

SANJIV V. PILGAONKAR
Partner
Membership No.: 39826

MUMBAI
April 24, 2008

FORM B-BS

IRDA Registration No. 125

Date of Registration with the IRDA: September 27, 2002

Balance Sheet as at March 31, 2008

	Schedule	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
SOURCES OF FUNDS			
SHARE CAPITAL	5	1,500,000	1,249,070
RESERVES AND SURPLUS	6	—	—
FAIR VALUE CHANGE ACCOUNT		2,909	573
BORROWINGS	7	20,170	20,360
DEFERRED TAX LIABILITY		—	596
TOTAL		1,523,079	1,270,599
APPLICATION OF FUNDS			
INVESTMENTS	8	2,213,002	1,781,437
LOANS	9	—	—
FIXED ASSETS	10	114,181	145,842
CURRENT ASSETS			
Cash and Bank Balances	11	139,939	230,965
Advances and Other Assets	12	398,743	261,952
Sub-Total (A)		538,682	492,917
CURRENT LIABILITIES	13	957,505	772,027
PROVISIONS	14	856,260	682,058
Sub-Total (B)		1,813,765	1,454,085
NET CURRENT ASSETS (C) = (A-B)		(1,275,083)	(961,168)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	—	3,500
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		470,979	300,988
TOTAL		1,523,079	1,270,599
NOTES TO ACCOUNTS	16		

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

As per our report of even date

B.K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

MUMBAI, April 24, 2008

S. B. Billimoria & Co.
Chartered Accountants

Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

Signature to the Balance Sheet Schedules 5 to 16

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Suresh Menon
Chief Executive Officer

Directors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger

Samir H. Shah
CFO & 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, 2008

	Schedule	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
OPERATING PROFIT / (LOSS)			
Fire Insurance		22,387	16,431
Marine Insurance		(17,636)	(5,483)
Miscellaneous Insurance		(231,144)	(30,768)
		(226,393)	(19,820)
INCOME FROM INVESTMENTS			
Interest, Dividend and Rent – Gross		62,293	66,200
Profit on sale of investments		1,228	2,063
Less: Loss on sale of investments		—	—
Amortisation of debt securities		(406)	(15,295)
		63,115	52,968
OTHER INCOME		—	—
TOTAL (A)		(163,278)	33,148
PROVISIONS (OTHER THAN TAXATION)			
For diminution in the value of investment		—	—
For doubtful debts		—	—
Others		—	—
OTHER EXPENSES			
Expenses other than those related to insurance business			
Amortisation of pre-operative expenses		3,500	6,423
Amortisation of preliminary expenses		930	1,707
Bad debts written off		—	—
Others		—	—
TOTAL (B)		4,430	8,130
PROFIT / (LOSS) BEFORE TAX		(167,708)	25,018
Income Tax Expense :			
— Current Tax		—	150
— Deferred Tax (Refer note 14 of Schedule 16)		(596)	596
— Fringe Benefits Tax		2,880	4,247
Provision for Taxation			
— Wealth Tax		—	—
PROFIT / (LOSS) AFTER TAX		(169,992)	20,025
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		(300,988)	(321,013)
BALANCE CARRIED FORWARD TO BALANCE SHEET		(470,980)	(300,988)
EARNINGS PER SHARE (Basic and Diluted) (in Rs.)		(1.36)	0.16
(Face Value Rs. 10 per share) (Refer note 23 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 Accountants

S. B. Billimoria & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Directors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger

Padmini Khare Kaicker
Partner
Membership No. 44784

Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

Suresh Menon
Chief Executive Officer

Samir H. Shah
CFO & Company Secretary

MUMBAI, April 24, 2008

FORM B-RA

IRDA Registration No. 125

Date of Registration with the IRDA: September 27, 2002

Revenue Account for the year ended March 31, 2008

FIRE BUSINESS	Schedule	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
INCOME			
Premiums earned (net)	1	16,137	15,728
Profit / Loss on sale / redemption of investments		41	70
Amortisation of debt securities		(13)	(521)
Others		—	—
— Reversal of provisions made in the earlier year		—	—
— Miscellaneous Income/Liabilities written back		5,273	2,595
Interest, Dividend and Rent – Gross		2,069	2,255
TOTAL (A)		23,507	20,127
EXPENDITURE			
Claims incurred (net)	2	3,357	11,773
Commission	3	(27,221)	(23,375)
Operating expenses related to insurance business	4	24,984	15,298
TOTAL (B)		1,120	3,696
OPERATING PROFIT (LOSS) - FIRE INSURANCE C = (A-B)		22,387	16,431
APPROPRIATIONS			
Transfer to Shareholders' Account		22,387	16,431
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		22,387	16,431
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

For and on behalf of the Board of Directors

B.K. Khare & Co.
Chartered Accountants**S. B. Billimoria & Co.**
Chartered Accountants**Deepak S. Parekh**
ChairmanDirectors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger**Padmini Khare Kaicker**
Partner
Membership No. 44784**Sanjiv V. Pilgaonkar**
Partner
Membership No. 39826**Suresh Menon**
Chief Executive Officer**Samir H. Shah**
CFO & Company Secretary

MUMBAI, April 24, 2008

FORM B-RA

IRDA Registration No. 125

Date of Registration with the IRDA: September 27, 2002

Revenue Account for the year ended March 31, 2008

MARINE BUSINESS	Schedule	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
INCOME			
Premiums earned (net)	1	14,185	9,586
Profit / Loss on sale / redemption of investments		21	20
Amortisation of debt securities		(7)	(150)
Others		—	—
— Reversal of provisions made in the earlier year		—	—
— Miscellaneous Income/Liabilities written back		355	16
Interest, Dividend and Rent – Gross		1,080	647
TOTAL (A)		15,634	10,119
EXPENDITURE			
Claims incurred (net)	2	13,242	7,519
Commission	3	(1,734)	(1,240)
Operating expenses related to insurance business	4	21,762	9,323
TOTAL (B)		33,270	15,602
OPERATING PROFIT (LOSS) - MARINE INSURANCE C = (A-B)		(17,636)	(5,483)
APPROPRIATIONS			
Transfer to Shareholders' Account		(17,636)	(5,483)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		(17,636)	(5,483)
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

For and on behalf of the Board of Directors

B.K. Khare & Co.
Chartered Accountants**S. B. Billimoria & Co.**
Chartered Accountants**Deepak S. Parekh**
ChairmanDirectors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger**Padmini Khare Kaicker**
Partner
Membership No. 44784**Sanjiv V. Pilgaonkar**
Partner
Membership No. 39826**Suresh Menon**
Chief Executive Officer**Samir H. Shah**
CFO & Company Secretary

MUMBAI, April 24, 2008

FORM B-RA

IRDA Registration No. 125

Date of Registration with the IRDA: September 27, 2002

Revenue Account for the year ended March 31, 2008

MISCELLANEOUS BUSINESS	Schedule	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
INCOME			
Premiums earned (net)	1	1,470,207	1,377,590
Profit / Loss on sale / redemption of investments		1,495	2,266
Amortisation of debt securities		(494)	(16,804)
Others		—	—
— Reversal of provisions made in the earlier year		—	—
— Miscellaneous Income/Liabilities written back		31,021	2,370
Interest, Dividend and Rent – Gross		75,811	72,730
TOTAL (A)		1,578,040	1,438,152
EXPENDITURE			
Claims incurred (net)	2	1,131,143	781,003
Commission	3	(16,157)	73,026
Operating expenses related to insurance business	4	694,198	614,891
TOTAL (B)		1,809,184	1,468,920
OPERATING PROFIT (LOSS) - MISCELLANEOUS INSURANCE C = (A-B)		(231,144)	(30,768)
APPROPRIATIONS			
Transfer to Shareholders' Account		(231,144)	(30,768)
Transfer to Catastrophe Reserve		—	—
Transfer to Other Reserves		—	—
TOTAL (C)		(231,144)	(30,768)
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

For and on behalf of the Board of Directors

B.K. Khare & Co.
Chartered Accountants**S. B. Billimoria & Co.**
Chartered Accountants**Deepak S. Parekh**
ChairmanDirectors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger**Padmini Khare Kaicker**
Partner
Membership No. 44784**Sanjiv V. Pilgaonkar**
Partner
Membership No. 39826**Suresh Menon**
Chief Executive Officer**Samir H. Shah**
CFO & Company Secretary

MUMBAI, April 24, 2008

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 1A

PREMIUM EARNED [NET] - FIRE BUSINESS

(Refer note 7 and 8 of Schedule 16)

Premium from direct business written	
Add : Premium on reinsurance accepted	
Less : Premium on reinsurance ceded	
Net Premium	
Adjustment for changes in reserve for unexpired risks	

Total Premium earned (Net)

For the year ended

March 31, 2008

(Rs. '000)

128,281

4,542

(114,791)

18,032

(1,895)

16,137

For the year ended

March 31, 2007

(Rs. '000)

110,976

5,042

(99,691)

16,327

(599)

15,728

Schedule – 1B

PREMIUM EARNED [NET] - MARINE BUSINESS

(Refer note 7 and 8 of Schedule 16)

Premium from direct business written	
Add : Premium on reinsurance accepted	
Less : Premium on reinsurance ceded	
Net Premium	
Adjustment for changes in reserve for unexpired risks	

Total Premium earned (Net)

For the year ended

March 31, 2008

(Rs. '000)

32,881

—

(15,691)

17,190

(3,005)

14,185

For the year ended

March 31, 2007

(Rs. '000)

24,058

—

(12,339)

11,719

(2,133)

9,586

SCHEDULE – 1C

PREMIUM EARNED [NET] - MISCELLANEOUS BUSINESS

(Refer note 7 and 8 of Schedule 16)

Premium from direct business written	
Add : Premium on reinsurance accepted	
Less : Premium on reinsurance ceded	
Net Premium	
Adjustment for changes in reserve for unexpired risks	

Total Premium earned (Net)

For the year ended

March 31, 2008

(Rs. '000)

2,044,846

186,324

(590,569)

1,640,601

(170,394)

1,470,207

For the year ended

March 31, 2007

(Rs. '000)

1,804,953

22,797

(524,670)

1,303,080

74,510

1,377,590

Schedule – 2A

CLAIMS INCURRED [NET] - FIRE BUSINESS

(Refer note 6 of Schedule 16)

Claims paid direct	
Add: Re-insurance accepted	
Less : Re-insurance ceded	
Net Claims paid	
Add: Claims Outstanding at the end of the period	
Less: Claims Outstanding at the beginning of the period	

Total Claims incurred

For the year ended

March 31, 2008

(Rs. '000)

15,701

23

(6,448)

9,276

18,615

(24,534)

3,357

For the year ended

March 31, 2007

(Rs. '000)

42,250

62

(36,126)

6,186

24,534

(18,947)

11,773

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 2B

CLAIMS INCURRED [NET] - MARINE BUSINESS

(Refer note 6 of Schedule 16)

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Claims paid direct	8,663	9,859
Add : Re-insurance accepted	—	—
Less : Re-insurance ceded	(2,299)	(6,357)
Net Claims paid	6,364	3,502
Add : Claims Outstanding at the end of the period	13,054	6,176
Less : Claims Outstanding at the beginning of the period	(6,176)	(2,159)
Total Claims incurred	13,242	7,519

Schedule – 2C

CLAIMS INCURRED [NET] - MISCELLANEOUS BUSINESS

(Refer note 6 of Schedule 16)

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Claims paid direct	1,094,706	1,018,762
Add: Re-insurance accepted	21	1
Less : Re-insurance ceded	(199,578)	(262,547)
Net Claims paid	895,149	756,216
Add: Claims Outstanding at the end of the period	571,699	335,705
Less: Claims Outstanding at the beginning of the period	(335,705)	(310,918)
Total Claims incurred	1,131,143	781,003

Schedule – 3A

COMMISSION PAID [NET] - FIRE BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Commission paid direct	5,559	5,061
Add : Re-insurance accepted	591	588
Less : Re-insurance ceded	(33,371)	(29,024)
Net Commission	(27,221)	(23,375)
Break-up of expenses		
Agents	1,087	1,466
Brokers	4,461	3,278
Corporate agency	11	317
Referral	—	—
Others	—	—
Total	5,559	5,061

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 3B

COMMISSION PAID [NET] - MARINE BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Commission paid direct	2,282	2,014
Add : Re-insurance accepted	—	—
Less : Re-insurance ceded	(4,016)	(3,254)
Net Commission	(1,734)	(1,240)
Break-up of expenses		
Agents	817	721
Brokers	1,465	1,215
Corporate agency	—	78
Referral	—	—
Others	—	—
Total	2,282	2,014

Schedule – 3C

COMMISSION PAID [NET] - MISCELLANEOUS BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Commission paid direct	114,821	187,034
Add : Re-insurance accepted	1,744	1,568
Less : Re-insurance ceded	(132,722)	(115,576)
Net Commission	(16,157)	73,026
Break-up of expenses		
Agents	17,548	23,233
Brokers	80,326	46,738
Corporate agency	6,277	19,574
Referral	10,670	97,489
Others	—	—
Total	114,821	187,034

Schedule – 4A

OPERATING EXPENSES RELATED TO FIRE INSURANCE BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	8,542	6,424
Travel, conveyance and vehicle running expenses	1,452	1,206
Training expenses	168	77
Rents, rates and taxes	2,298	2,274
Repairs	54	47
Printing and stationery	343	312
Communication	480	413
Legal and professional charges	8,860	2,207

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 4A (continued)

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Auditors' fees, expenses etc		
(a) as auditors	18	22
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	1	4
(ii) Insurance matters	—	—
(iii) Management services; and	—	—
(c) in any other capacity	—	1
Advertisement and publicity	113	193
Interest and Bank Charges	72	91
Others :-		
Electricity expenses	247	255
Office Expenses	293	329
Miscellaneous expenses	120	95
Service Charges	224	1
Technical Service Charges	—	—
Information Technology Expenses	560	407
Postage and courier	103	66
Loss on sale of assets (net)	1	6
Depreciation	1,035	868
Total	24,984	15,298

Schedule – 4B

OPERATING EXPENSES RELATED TO MARINE INSURANCE BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	7,508	3,915
Travel, conveyance and vehicle running expenses	1,276	735
Training expenses	148	47
Rents, rates and taxes	2,020	1,386
Repairs	47	29
Printing and stationery	301	190
Communication	422	252
Legal and professional charges	7,788	1,345
Auditors' fees, expenses etc		
(a) as auditors	16	14
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	1	2
(ii) Insurance matters	—	—
(iii) Management services; and	—	—

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 4B (continued)

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
(c) in any other capacity	—	—
Advertisement and publicity	100	118
Interest and Bank Charges	63	55
Others :-		
Electricity expenses	217	155
Office Expenses	257	200
Miscellaneous expenses	106	58
Service Charges	—	1
Technical Service Charges	—	—
Information Technology Expenses	492	248
Postage and courier	90	40
Loss on sale of assets (net)	1	4
Depreciation	909	529
Total	21,762	9,323

Schedule – 4C

OPERATING EXPENSES RELATED TO MISCELLANEOUS INSURANCE BUSINESS

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	136,090	139,827
Travel, conveyance and vehicle running expenses	12,290	21,098
Training expenses	367	3,434
Rents, rates and taxes	102,537	78,730
Repairs	4,377	2,924
Printing and stationery	12,215	14,658
Communication	11,192	15,089
Legal and professional charges	97,896	66,878
Auditors' fees, expenses etc		
(a) as auditors	1,541	1,964
(b) as advisor or in any other capacity, in respect of :		
(i) Taxation matters	98	311
(ii) Insurance matters	—	—
(iii) Management services; and	—	—

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2008

Schedule – 4C (continued)

	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
(c) in any other capacity	—	60
Advertisement and publicity	4,632	6,506
Interest and Bank Charges	4,877	10,480
Others :-		
Electricity expenses	9,541	7,025
Office Expenses	8,618	10,163
Miscellaneous expenses	287	2,099
Service Charges	195,821	134,154
Technical Service Charges	—	—
Information Technology Expenses	33,394	43,195
Postage and courier	9,746	9,829
Loss on sale of assets (net)	73	545
Depreciation	48,606	45,922
Total	694,198	614,891

Schedule – 5

SHARE CAPITAL

Particulars	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Authorised Capital		
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
Issued Capital		
150,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,500,000	1,250,000
Subscribed Capital		
150,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,500,000	1,250,000
Called-up Capital		
150,000,000 Equity Shares of Rs. 10/-each (Previous Year: 125,000,000 Equity Shares of Rs. 10/- each)	1,500,000	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	(0)	930
Total	1,500,000	1,249,070

Of the above, 111,000,000 (Previous year 92,500,000) equity shares of Rs.10/- each held by Housing Development Finance Corporation Limited, the holding company.

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2008

Schedule – 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

[As certified by the Management]

Promoters:

	As at March 31, 2008		As at March 31, 2007	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Indian: Housing Development Finance Corporation Limited	111,000,000	74%	92,500,000	74%
Foreign: ERGO International AG	39,000,000	26%		
Foreign: Chubb Global Financial Services Corporation			32,500,000	26%
Others	—	0%	—	0%
Total	150,000,000	100%	125,000,000	100%

Schedule – 6

RESERVES AND SURPLUS

Particulars

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (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, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Debentures / Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others:		
Orix Auto and Business Solutions Pvt. Ltd.	2,704	3,068
IBM India Pvt. Ltd.	17,466	17,292
(Refer notes 4 and 13 of Schedule 16)		
Total	20,170	20,360

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2008

Schedule – 8

INVESTMENTS (Refer note 9 of Schedule 16)

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills*	670,189	475,671
Other Approved Securities:		
Non-Convertible Debentures	589,138	146,232
Investments in Housing Bonds	199,037	49,689
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	349,875	50,304
Other than Approved Investments - Non-Convertible Debentures	50,177	51,950
Sub-total A	1,858,416	773,846
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills #	51,365	199,634
Other Approved Securities:		
Non-Convertible Debentures	98,410	343,741
Investments in Housing Bonds	—	100,758
Bank deposits	—	70,100
Other Investment:		
Shares		
— Equity	—	—
— Preference	—	—
Mutual Funds	67,211	70,685
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	—	—
— Corporate Deposits	137,600	20,000
Sub-total B	354,586	1,007,591
Total A+B	2,213,002	1,781,437

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2008

Schedule – 8 (continued)

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Note: Aggregate market value of the investments :		
Long term investments	1,822,460	716,504
Short term investments	353,814	998,628

*Includes Rs. 61,999 thousand (Previous year Rs. 10,915 thousand) pursuant to Section 7 of the Insurance Act 1938.

Includes Rs. 10,273 thousand (Previous year Rs. 50,544) pursuant to Section 7 of the Insurance Act 1938.

Schedule – 9

LOANS

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (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 nos. 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	97,395	932	—	98,327	55,709	16,497	—	72,206	26,121	41,686
Land-Freehold	—	—	—	—	—	—	—	—	—	—
Leasehold Property	19,961	—	—	19,961	12,480	2,020	—	14,500	5,461	7,481
Building	—	—	—	—	—	—	—	—	—	—
Furniture and Fittings	4,243	111	—	4,354	1,437	218	—	1,655	2,699	2,806
Information Technology Equipment	112,329	4,843	6,932	110,240	70,650	18,027	6,728	81,949	28,291	41,679
Vehicles	1,175	—	—	1,175	499	295	—	794	381	676
Office Equipment	28,981	4,123	155	32,949	3,516	1,527	53	4,990	27,959	25,465
Leased Vehicles	4,316	319	684	3,951	1,447	716	684	1,479	2,472	2,869
Leased Information Technology Equipment	14,979	11,871	—	26,850	1,722	8,967	—	10,689	16,161	13,257
Leased Software	6,832	—	—	6,832	961	2,281	—	3,242	3,590	5,871
Total	290,211	22,199	7,771	304,639	148,421	50,548	7,465	191,504	113,135	141,790
Capital Work-in-progress	4,052	1,047	4,053	1,046	—	—	—	—	1,046	4,052
Grand Total	294,263	23,246	11,824	305,685	148,421	50,548	7,465	191,504	114,181	145,842
Previous Year	195,350	110,991	12,078	294,263	104,413	47,321	3,313	148,421	145,842	90,937

(Rs.'000)

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2008

Schedule - 11

CASH AND BANK BALANCES

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Cash (including cheques, drafts and stamps)	106,541	152,507
Bank balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	—	—
(bb) Others	—	—
(b) Current Accounts	33,398	78,458
(c) Others	—	—
Money at Call and Short Notice		
(a) With Banks	—	—
(b) With Other Institutions	—	—
Others	—	—
Total	139,939	230,965
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, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
ADVANCES		
Reserve deposits with ceding companies	—	—
Application money for investments	—	—
Prepayments	6,258	7,711
Advance to Directors / Officers	—	—
Advance tax paid and taxes deducted at source (net of provision for taxation)	1,374	774
Others:		
Advances to employees	—	—
Advances to suppliers	13,977	24
Advances payment for Service Tax	33,373	30,454
Sub-total A	54,982	38,963
OTHER ASSETS		
Income accrued on investments	68,189	47,189
Outstanding Premiums	—	—
Agents' Balances	—	—
Foreign Agents' Balances	—	—
Due from other entities carrying on insurance business (including reinsurers)	258,755	156,496
Due from subsidiaries / holding	—	—
Deposit with Reserve Bank of India (Pursuant to section 7 of Insurance Act, 1938)	—	—
Others:		
Deposits for premises	12,242	15,453
Deposits with Vendors	—	261
Stock of Salvaged Cars	4,575	3,590
Sub-total B	343,761	222,989
Total A+B	398,743	261,952

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2008

SCHEDULE - 13

CURRENT LIABILITIES

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Agents' Balances	4,795	3,844
Balances due to other insurance companies	158,841	163,528
Deposits held on re-insurance ceded	—	—
Premiums received in advance	86,798	108,872
Unallocated Premium	6,442	7,066
Sundry creditors	89,103	116,532
Due to subsidiaries / holding company	—	—
Claims outstanding (Refer Note nos. 22 and 26 of Schedule 16)	603,368	366,415
Due to Offices / Directors	—	—
Others:		
Tax deducted payable	2,888	5,447
Other statutory dues	31	—
Superannuation payable	—	323
Bank Overdraft (for book purpose only)	5,239	—
Total	957,505	772,027

SCHEDULE - 14

PROVISIONS

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Reserve for Unexpired Risk	855,787	680,492
For taxation (less advance tax paid and taxes deducted at source)	—	—
For proposed dividends	—	—
For dividend distribution tax	—	—
Others:		
Provision for Employee benefits	473	1,566
Total	856,260	682,058

SCHEDULE - 15

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

	As at March 31, 2008 (Rs. '000)	As at March 31, 2007 (Rs. '000)
Discount Allowed in issue of shares / debentures	—	—
Others:		
Pre-operative expenses:		
Opening balance	3,500	9,923
Incurred during the year	—	—
Less : Amortisation during the year	3,500	6,423
Total	—	3,500

Schedule 16**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****1. BACKGROUND**

HDFC ERGO General Insurance Company Limited ('the Company') was incorporated on February 8, 2002 as a Company under the Companies Act, 1956 ('the Act'). In May 2007, 26% of share capital held by Chubb Global Financial Services Corporation, USA (Chubb) was acquired by Housing Development Finance Corporation Limited (HDFC). Consequent to acquisition of the share of Chubb by HDFC during the year the Company became 100% subsidiary of HDFC. Thereafter, consequent to Joint Venture Agreement dated October 30, 2007 between HDFC and ERGO International AG, Germany (ERGO), in February 2008 HDFC divested 26% of share capital to ERGO. As on March 31, 2008, the shareholders of the Company are HDFC (74%) and ERGO (26%). The Company is registered with the Insurance Regulatory and Development Authority ('IRDA') and continues to be in the business of underwriting general insurance policies and has launched general insurance products in Motor, Home, Accident & Health, Commercial and Specialty business lines. As a result of the Joint Venture Agreement referred to above, and based on approval received from Registrar of Companies, Maharashtra, with effect from March 12, 2008, the name of the Company is changed to HDFC ERGO General Insurance Company Limited.

The IRDA has renewed the Company's Certificate of Registration to sell general insurance products in India for the year 2008-09 vide its Certificate of Renewal of Registration dated March 11, 2008. The renewed registration is with effect from April 1, 2008 and is valid up to March 31, 2009.

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, circulars/notifications issued by IRDA from time to time, 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 amortisation 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.

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

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.

(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 reinsurance 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), change in 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 Institute of Actuaries. 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 is 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), Motor (TP), Personal Accident and Health Insurance where reasonable volume of claims paid data is available.

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008**

For other classes of business such as Commercial Insurance (consisting of Fire, Marine, Engineering, Public Liability, Product Liability, Workmen compensation and Miscellaneous), Specialty Insurance, Cattle and Home Insurance, the available claims paid data are very small and hence not sufficient to apply any statistical method. For sub classes of business, the liability has been arrived at by using Loss Ratio method by multiplying 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 realizable 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 realizable 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.

(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%
Salvaged Vehicles Capitalized	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.

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

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.

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) Employee Benefits

(i) Long term benefits

The Company has both defined-contribution and defined-benefit plans, of which some have assets in Special funds or similar securities. The plans are financed by the Company and in the case of some defined contribution plans by the Company along with its employees.

(ii) Defined-contribution plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008**

pay additional sums. These comprise of contributions to the employees' provident fund, family pension fund and superannuation fund. The Company's payments to the defined contribution plans are reported as expenses during the period in which the employees perform the services that the payment covers.

(iii) Defined-benefit plans

Expenses for defined-benefit gratuity and supplemental payment plans are calculated as at the balance sheet date by independent actuaries in a manner that distributes expenses over the employee's working life. These commitments are valued at the present value of expected future payments, with consideration for calculated future salary increases, utilising a discount rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on government bonds with a remaining term that is almost equivalent to the average balance working period of employees.

(iv) Short term benefits

Short term employee benefits are recognised at the undiscounted amount expected to be paid as an expense over the period of services rendered to the Company.

The cost of compensated absences is accounted as under:-

- in the case of accumulating compensated absences, when employees render service that increase their entitlement of future compensated absences; and
- in case of non-accumulating compensated absence when the absences occur.

(v) 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 (i.e. amount of tax for the period determined in accordance with the income-tax law), fringe benefit tax 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.

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.

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

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) Motor Pool

As per the directions of the IRDA, the Company has collectively, mandatorily and automatically participated in pooling arrangement to share in all Motor Third Party insurance business underwritten in respect of commercial vehicles. The pooling arrangement was made effective in respect of insurances and renewals commencing on or after April 1, 2007. The General Insurance Corporation of India (GIC) is the administrator of the pooling arrangement. It acts under the guidance of the General Insurance Council (Council). The pooling amongst all the insurers is achieved through a multilateral reinsurance arrangement between the underwriting insurer and all other registered insurers carrying on general insurance/reinsurance business. Under the arrangement, GIC's participation shall be to the extent of the statutory cessions from the pool. All the business remaining after deducting such cessions to GIC, is shared amongst members in the same proportion as the total gross direct premium in India of the insurer in respect of all classes of general insurance business for a Financial Year bears to the total market gross direct premium in India in respect of all classes of general insurance business of all member insurers for that financial year (market share). Operating expenses of the pool incurred by GIC are borne by the members in proportion of their respective market share. The Company accounts for share in the income and expenditure based on the statement of account received from the pool.

(v) 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.

(w) 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 same as those used in the preparation of financial statements.

(x) Earning per Share

Earnings per Share are 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.

(y) 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.

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****3. CONTINGENT LIABILITIES**

Sr. No.	Particulars	March 31, 2008 (Rs. '000)	March 31, 2007 (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 constitutes the security in respect of the Company's finance lease arrangement.

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.1,048 thousand (Previous year: Rs. 4,052 thousand)] is Rs.5,192 thousand (Previous year: Rs. 26,366 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, 2008

Particulars	Basis	Retention (Rs. 000's)	Ceded (Rs. 000's)	Retention %	Ceded %
Motor	Total sum insured	1,328,339	239,072	85	15
Personal Accident	Value at Risk	27,928	5,175	84	16
Travel	Value at Risk	239,372	42,893	85	15
Specialty	Value at Risk	18,058	161,365	10	90
Home	Total sum insured	1,275	229	85	15
Fire	Total sum insured	24,077	108,746	18	82
Marine	Value at Risk	17,729	15,151	54	46
Miscellaneous	Value at Risk	52,819	114,644	32	68

The above excludes Excess of Loss cover reinsurance premium of Rs. 33,775 thousand for the year ended March 31, 2008.

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008**

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.

9. INVESTMENTS

There are no contracts outstanding in relation to purchases where deliveries are pending and sales where payments are outstanding/overdue 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.

The historical cost of investments in mutual funds which have been valued on a fair value basis is Rs. 64,302 thousand (Previous year: Rs. 70,113 thousand).

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

(Rs. '000)

	March 31, 2008	March 31, 2007
In Citi Bank Custody A/c for Section 7 Deposit	72,272	61,459
9.39% Govt. of India Securities *(Maturity July 2, 2011)	51,824	Nil
11.90% Govt. of India Securities * (Maturity May 28, 2007)	Nil	50,544
7.99% Govt. of India Securities * (Maturity July 9, 2017)	10,175	Nil
11.40% Govt. of India Securities * (Maturity Aug 31, 2008)	10,273	10,915

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

10. MANAGERIAL REMUNERATION

The Managing Director and Chief Executive Officer 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, 2008	March 31, 2007
Salary, perquisites and bonus	487	5,698
Contribution to Provident Fund	28	339
Provision for Superannuation Fund	35	424
Other allowances and perquisites	Nil	Nil
Total	550	6,461

The Company's Managing Director has resigned with effect from 30 April 2007.

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008**

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.

The incumbent Chief Executive Officer of the Company has been deputed by the Holding Company. The Holding Company has borne all costs relating to his remuneration.

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

(Rs. in '000)

Business Sector	For the year ended March 31, 2008			For the year ended March 31, 2007		
	GWP	No. of Lives	% of GWP	GWP	No. of Lives	% of GWP
Rural	123,481	—	5.6	110,683	—	5.7
Social	1,584	24,863	0.1	9,320	51,058	0.5
Urban	2,080,943	—	94.3	1,819,984	—	93.8
Total	2,206,008	24,863	100.0	1,939,987	51,058	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.

13. ASSETS TAKEN ON LEASE

Vehicles, information technology equipments and software:

(Rs. '000)

Particulars	March 31, 2008	March 31, 2007
Total commitment towards minimum lease payments	21,603	22,566
Present Value of minimum lease payments	20,170	20,360
Minimum Lease payments		
Not later than one year (Present value Rs. 11,485 thousand as on 31-03-2008) (Previous year Rs. 7,286 thousand)	12,388	8,390
Later than one year but not later than five years (Present value Rs. 8,685 thousand as on 31-03-2008) (Previous year Rs. 13,074 thousand)	9,215	1,476

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, 2008	March 31, 2007
Not later than one year	99,454	63,150
Later than one year but not later than Five Years	377,235	255,857
Later than Five Years	262,012	300,837

The aggregate, operating lease rental, charged to the Revenue Account in the current year is Rs.99,471 thousand (Previous year: Rs.74,945 thousand).

The lease terms do not contain any exceptional / restrictive covenants nor are there any options given to the Company to renew the lease or purchase the asset.

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****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. In view of the existence of unabsorbed depreciation and carried forward business loss as at the year end, the recognition of deferred tax assets is restricted to the extent of deferred tax liability arising from timing differences on account of depreciation, reversal of which is virtually certain.

(Rs. ‘000)

	March 31, 2008	March 31, 2007
Deferred Tax Assets :		
Provision for Gratuity		8
Section 43B & 40(a) of Income Tax	586	11,291
Unabsorbed Depreciation	9,341	—
Total	9,927	11,299
Deferred Tax Liabilities :		
Preliminary Expenses	—	313
Depreciation	9,927	11,582
Total	9,927	11,895
Net Deferred Tax Liability	Nil	596

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. EMPLOYEE BENEFITS

Disclosures as per AS-15 (Revised) “Employee Benefits” for the year ended on March 31, 2008:

(Rs. ‘000)

	Gratuity	
I. Assumptions :		1-4-07 to 31-3-08
	Discount Rate as on 31-3-07	7.50%
	Rate of increase in Compensation levels as on 31-3-07	7.00%
	Rate of Return on Plan Assets p.a.	9.00%
	Average Future Working life (years)	10
II. Table Showing Change in Benefit Obligation :		
	Net liability as per books (A)	NIL
	Fair value of Assets at the beginning of the period (B)	4,273
	Shortfall/(Excess) in opening liability determined as per actuarial valuation (C)	(550)
	Opening net Liability as per actuarial valuation (A)+(B)+(C)	3,723
	Interest Cost for the period	279
	Service Cost for the period	1,458
	Benefits paid during the period	(782)
	Actuarial (gain) loss on obligations	(343)
	PBO at the end of the period	4,335

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****(Rs. '000)**

III.	Tables of Fair value of Plan Assets :	
	Fair Value of plan Assets at the beginning of the period	4,273
	Expected Return on Plan Assets for the period	385
	Contributions during the period	920
	Benefits Paid during the period	(782)
	Actuarial Gain / (loss) on Plan Assets	228
	Fair Value of Plan Assets at the end of the period	5,024
IV.	The Amounts to be recognised in balance Sheet :	
	Present Value of Obligation as on 31-3-08	4,335
	Fair value of plan assets	(5,024)
	Liability Recognised in Balance Sheet as on 31-3-08	(689)
V.	Amounts to be recognised in the statement of Profit and Loss (Net Periodic Cost) :	
	Current Service Cost	1,458
	Interest Cost	279
	Expected Return on Plan assets	(385)
	Net actuarial (gain) loss recognised in the period	(571)
	Actuarial Determined charge for the year (A)	781
	Shortfall / (Excess) (B)	(550)
	Total Charge as per books (A+B)	231
VI.	Movements in the liability recognised in the balance sheet :	
	Net Liability as per books (A)	NIL
	Shortfall / (Excess) in opening liability determined as per actuarial valuation (B)	(550)
	Opening net liability (A+B)	(550)
	Expense as above	781
	Contribution paid	(920)
	Closing net Liability	(689)
VII.	Actual Return on Plan Assets :	
	Expected return on plan assets	385
	Actuarial Gain (Loss) on Plan Assets	228
	Actual return on Plan assets	613

As the gratuity fund is managed by a life insurance company, details of investment are not available with the Company.

As this is the first year in which the revised AS-15 has been applied the amounts of the present value of the obligation, fair value of the plan assets, surplus or deficit in the plan and experience adjustment arising on plan liabilities and plan assets for the previous four annual periods have not been furnished.

The estimates of future salary increases, considered in actuarial valuation, taken on account of inflation, security, promotion and other relevant factors such as supply and demand in the employment market.

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

18. 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) Names of the related parties and description of relationship :

Holding Company

Housing Development Finance Corporation Limited (HDFC Ltd)

Fellow subsidiaries

HDFC Standard Life Insurance Company Ltd.

HDFC Asset Management Company Ltd.

HDFC Developers Ltd.

HDFC Holdings Ltd.

HDFC Trustee Company Ltd.

HDFC Realty Ltd.

HDFC Investments Ltd.

GRUH Finance Ltd.

HDFC Sales Private Limited

HDFC Venture Capital Ltd.

HDFC Property Ventures Limited (HDFC Property Ventures)

HDFC Ventures Trustee Company Limited

Investing Party and its group companies

ERGO International AG (From February 29, 2008)

ERGO AG (From February 29, 2008)

Munich Re (From February 29, 2008)

Chubb Global Pacific Services (Upto June 27, 2007)

Chubb Pacific Underwriting Management Service Pte. Ltd (Upto June 27, 2007)

Federal Insurance Company (Upto June 27, 2007)

Key Management Personnel

Mr. Shirang V. Samant, Managing Director and CEO (upto April 30, 2007)

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****(b) Details of Transactions :**

Particulars	Holding Company		Fellow subsidiaries		Investing Party and its group Companies		Key Mgmt. Personnel	
	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2007
INCOME								
Interest	2,637	3,552	—	—	—	—	—	—
Insurance Premium	3,879	4,791	4,668	4,237	—	—	—	—
Reinsurance	—	—	—	—	3,423	9,781	—	—
Total	6,516	8,343	4,668	4,237	3,423	9,781	—	—
EXPENSES								
Rent paid	17,055	45,562	—	—	—	—	—	—
Claims	379	195	76	724	—	—	—	—
Commission paid	595	1,305	—	—	—	—	—	—
Technical services	—	—	—	—	—	10,000	—	—
Reinsurance	—	—	—	—	17,374	45,923	—	—
Advisory fees	—	—	2,697	3,367	—	—	—	—
Remuneration	—	—	—	—	—	—	550	6,324
Others	—	—	324	320	—	202	—	—
Total	18,029	47,062	3,097	4,411	17,374	56,125	550	6,324
ASSETS (Transactions during the year)								
Interest Accrued	77	339	—	—	—	—	—	—
Investments made	140,500	145,000	—	—	—	—	—	—
Investments redeemed	(160,500)	(125,000)	—	—	—	—	—	—
Expenses Recoverable	—	—	—	—	—	393	—	—
Total	(19,923)	20,339	—	—	—	393	—	—
LIABILITIES (Transactions during the year)								
Equity contribution	185,000	—	—	—	65,000	—	—	—
Reinsurance	—	—	—	—	—	15,867	—	—
Unexpired risk reserve	466	1,353	4,073	3,502	—	—	—	—
Advisory fees	—	—	—	—	—	—	—	—
Others	—	52	—	842	—	1,332	—	—
Premium received in Advance	—	3,531	289	39	—	—	—	—
Technical services	—	—	—	—	—	10,000	—	—
Total	185,466	4,936	4,362	4,383	65,000	27,199	—	—
ASSETS								
Investments	—	20,000	—	—	—	—	—	—
Interest accrued	77	339	—	—	—	—	—	—
Total	77	20,339	—	—	—	—	—	—
LIABILITIES								
Equity Capital	1,110,000	925,000	—	—	390,000	325,000	—	—
Reinsurance	—	—	—	—	—	26,157	—	—
Balance due	—	—	—	—	—	—	—	—
Others	—	52	—	842	—	1,332	—	—
Premium received in Advance	—	3,531	289	39	—	—	—	—
Commission	—	—	—	—	—	—	—	—
Technical services	—	—	—	—	—	10,000	—	—
Reinsurance	—	—	—	—	—	—	—	—
Unexpired risk reserve (unearned premium)	466	1,353	4,073	3,502	—	—	—	—
Advisory fees	—	—	—	—	—	—	—	—
Total	1,110,466	929,936	4,362	4,383	390,000	362,489	—	—

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

Transactions included in (b) above which are in excess of 10% of the total related transactions of the same type are given below for the Financial Year 2007-2008 :

(Rs. '000)

Particulars	Federal Insurance Company	ERGO International AG	HDFC Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.	HDFC Property Venture Ltd.
INCOME						
Interest	—	—	2,637	—	—	—
Insurance Premium	—	—	3,879	2,767	1,866	—
Reinsurance	3,191	—	—	—	—	—
Total	3,191	—	6,516	2,767	1,866	—
EXPENSES						
Rent paid	—	—	17,055	—	—	—
Claims	—	—	379	76	—	—
Commission paid	—	—	595	—	—	—
Reinsurance	16,561	—	—	—	—	—
Advisory fees	—	—	—	—	2,697	—
Others	—	—	—	324	—	—
Total	16,561	—	18,029	400	2,697	—
LIABILITIES (Transactions during the year)						
Equity contribution	—	65,000	185,000	—	—	—
Unexpired risk reserve	—	—	466	2,011	1,582	480
Premium received in Advance	—	—	400	284	—	—
Total	—	65,000	185,866	2,295	1,582	480
ASSETS						
Interest accrued	—	—	77	—	—	—
Total	—	—	77	—	—	—
LIABILITIES						
Equity Capital	—	390,000	1,110,000	—	—	—
Premium received in Advance	—	—	400	284	—	—
Unexpired risk reserve (unearned premium)	—	—	466	2,011	1,582	480
Total	—	390,000	1,110,866	2,295	1,582	480

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008**

Transactions included in (b) above which are in excess of 10% of the total related transactions of the same type are given below for the Financial Year 2006-2007

(Rs. '000)									
Particulars	Federal Insurance Co. - Labuan Branch	Federal Insurance Co. - Hongkong	Federal Insurance Co. - US	Chubb Global Financial Services Corporation	Chubb Pacific Underwriting Management Services Pte Ltd.	HDFC Ltd.	HDFC Sales Private Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.
INCOME									
Interest	—	—	—	—	—	3,552	—	—	—
Insurance Premium	—	—	—	—	—	4,791	—	1,961	2,191
Reinsurance	9,769	—	—	—	—	—	—	—	—
Total	9,769	—	—	—	—	8,343		1,961	2,191
EXPENSES									
Rent paid	—	—	—	—	—	45,562	—	—	—
Claims	—	—	—	—	—	195	150	574	—
Commission paid	—	—	—	—	—	1,305	—	—	—
Technical services	—	—	—	—	10,000	—	—	—	—
Reinsurance	45,764	—	—	—	—	—	—	—	—
Advisory fees	—	—	—	—	—	—	—	—	3,367
Others	—	—	—	—	202	—	—	320	—
Total	45,764	—	—	—	10,202	47,062	150	894	3,367

Transactions included in (b) above which are in excess of 10% of the total related transactions of the same type are given below for the Financial Year 2006-2007

(Rs. '000)									
Particulars	Federal Insurance Co. - Labuan Branch	Federal Insurance Co. - Hongkong	Federal Insurance Co. - US	Chubb Global Financial Services Corporation	Chubb Pacific Underwriting Management Services Pte Ltd.	HDFC Ltd.	HDFC Sales Private Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.
ASSETS (Transactions during the year)									
Interest Accrued	—	—	—	—	—	339	—	—	—
Investments made	—	—	—	—	—	145,000	—	—	—
Investments redeemed	—	—	—	—	—	(125,000)	—	—	—
Total	—	—	—	—	—	20,339	—	—	—
LIABILITIES (Transactions during the year)									
Reinsurance	14,506	—	—	—	—	—	—	—	—
Unexpired risk reserve	—	—	—	—	—	1,353	—	1,697	1,798
Others	—	—	—	—	1,332	—	—	—	842
Premium received in Advance	—	—	—	—	—	3,531	—	—	—
Technical services	—	—	—	—	10,000	—	—	—	—
Total	14,506	—	—	—	11,332	4,884	—	1,697	2,640

Schedule 16 (Continued)

NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008

Transactions included in (b) above which are in excess of 10% of the total related transactions of the same type are given below for the Financial Year 2006-2007

(Rs. '000)

Particulars	Federal Insurance Co. - Labuan Branch	Federal Insurance Co. - Hongkong	Federal Insurance Co. - US	Chubb Global Financial Services Corporation	Chubb Pacific Underwriting Management Services Pte Ltd.	HDFC Ltd.	HDFC Sales Private Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.
ASSETS									
Investments	—	—	—	—	—	20,000	—	—	—
Interest accrued	—	—	—	—	—	339	—	—	—
Total	—	—	—	—	—	20,339	—	—	—
LIABILITIES									
Equity Capital	—	—	—	325,000	—	925,000	—	—	—
Reinsurance	14,506	—	10,290	—	—	—	—	—	—
Others	—	—	—	—	1,332	—	—	—	842
Premium received in Advance	—	—	—	—	—	3,531	—	—	—
Technical services	—	—	—	—	10,000	—	—	—	—
Reinsurance	—	—	—	—	—	—	—	—	—
Unexpired risk reserve (unearned premium)	—	—	—	—	—	1,353	—	1,697	1,798
Total	14,506	—	10,290	325,000	11,332	929,884	—	1,697	2,640

19. LOAN RESTRUCTURING

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

20. SUMMARY OF FINANCIAL STATEMENTS

The summary of financial statements is provided in Annexure 3.

21. FOREIGN EXCHANGE GAIN / LOSS

During the year foreign exchange profit earned by the Company is Rs. 1,229 thousand (Previous year Rs. 4 thousand).

22. 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 2006-07. However the charge to the revenue account has been made on an accrual basis (see accounting policy in paragraph 2(v) above).

Schedule 16 (Continued)**NOTES TO ACCOUNTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008****23. EARNINGS PER SHARE (EPS)**

	Particulars	March 31, 2008	March 31, 2007
1)	Net Profit / (Loss) After Tax for the year (Rs. '000)	(169,992)	20,025
2)	Weighted Average No. of Equity Shares (In '000)	125,342	125,000
3)	Basic and Diluted Earning per Share (Rs.)	(1.36)	0.16
4)	Nominal Value Per Share (Rs.)	Rs. 10.00	Rs. 10.00

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

24. According to the information available with the company there are no dues payable to micro and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2008.

25. Professional fees include payments made for various outsourced services amounting to Rs. 45,861 thousand.

26. MOTOR THIRD PARTY POOL

The audited financial statements of pool as at / for the financial year ended March 31, 2008 have not been submitted by the Pool. Pending finalization of audit, the balances, being the Company's share in the said pooling arrangement as at/ for the eleven months period ended February 29, 2008, have been incorporated on the basis of an extract received from the pool. The loss being Company's share in the arrangement after considering all the income and expenses for eleven months period is Rs. 34,005 thousand.

As the data for March 2008, is not available to the Company, the same could not be considered in preparing these financial statements. The Company does not expect any material change to arise on this account.

27. PREVIOUS YEAR COMPARATIVES

The following items are reclassified during the year:

Current Classification	Previous Classification	Reason for Classification
Advance payment of service tax	Service tax Liability	Asset netted off against liability.
Claims Outstanding	Claims Outstanding Provision for Notified Claims Provision for Claims IBNR	To bring in line with the format prescribed by IRDA

On behalf of the Board of Directors

Deepak S. Parekh
Chairman

Directors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger

MUMBAI
April 24, 2008

Suresh Menon
Chief Executive Officer

Samir H. Shah
CFO & Company Secretary

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2008

Annexure 1

Segmental Break-up of the Balance Sheet as at March 31, 2008

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
Claims Outstanding	18,615	13,054	571,699	603,368
(refer note 2(w) of schedule 16)	(24,535)	(6,175)	(335,706)	(366,415)
Reserve for Unexpired Risk	12,039	8,865	834,883	855,787
	(10,143)	(5,859)	(664,490)	(680,492)

Previous year's figures are in brackets.

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2008

Annexure 1	Fire	Marine - Cargo	Marine - Others	Motor	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality*	Others	Total
Premium earned (Net) (Schedule - A)	16,137	14,185	—	1,201,700	2,532	1,447	287	10,804	12,421	—	39,804	169,229	1,829	22,594	7,560	1,500,529
Profit on Sale of Investments	41	21	—	1,212	2	1	—	8	15	—	60	150	2	32	13	1,557
Interest and Dividend (Net of Amortisation)	2,056	1,073	—	61,071	109	58	11	409	769	—	3,024	7,551	107	1,637	571	78,446
Other Income	5,273	355	—	23,837	68	39	8	289	332	—	1,065	4,528	49	604	202	36,649
Total Segmental Revenue	23,507	15,634	—	1,287,820	2,711	1,545	306	11,510	13,537	—	43,953	181,458	1,987	24,867	8,346	1,617,181
Claims incurred (Net) (Schedule - B)	3,357	13,242	—	849,105	1,135	185	2	(90)	3,531	—	25,192	241,090	(1,088)	8,084	3,997	1,147,742
Commission Paid (Net)	(27,221)	(1,734)	—	(1,433)	(389)	(194)	(85)	(5,060)	(21,260)	—	2,218	20,481	91	(9,877)	(649)	(45,112)
Operating Expenses Related To Insurance Business	24,984	21,762	—	565,887	3,884	2,219	440	16,576	19,054	—	14,874	47,232	701	12,864	10,466	740,943
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Expenditure	1,120	33,270	—	1,413,559	4,630	2,210	357	11,426	1,325	—	42,284	308,803	(296)	11,071	13,814	1,843,573
Segmental Profit (Loss)	22,387	(17,636)	—	(125,739)	(1,919)	(665)	(51)	84	12,212	—	1,669	(127,345)	2,283	13,796	(5,468)	(226,392)

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

SCHEDULE - A to Annexure 1

	Fire	Marine -Cargo	Marine -Others	Motor	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality*	Others	Total
PREMIUM EARNED [NET]																
(Refer notes 7 and 8 of Schedule 16)																
Premium from direct business written	128,281	32,881	—	1,403,789	4,112	2,976	824	40,348	79,330	—	52,899	282,266	1,504	161,657	15,141	2,206,008
Add : Premium on reinsurance accepted	4,542	—	—	163,623	—	—	—	3,761	1,175	—	—	—	—	17,765	—	190,866
Less: Premium on reinsurance ceded	(114,791)	(15,691)	—	(254,820)	(1,919)	(1,696)	(680)	(34,985)	(68,934)	—	(8,826)	(46,860)	(229)	(161,365)	(10,255)	(721,051)
Net Premium	18,032	17,190	—	1,312,592	2,193	1,280	144	9,124	11,571	—	44,073	235,406	1,275	18,057	4,886	1,675,823
Less : Adjustment for changes in reserve for unexpired risks	(1,895)	(3,005)	—	(110,892)	339	167	143	1,680	850	—	(4,269)	(66,177)	554	4,534	2,677	(175,294)
Total Premium earned	16,137	14,185	—	1,201,700	2,532	1,447	287	10,804	12,421	—	39,804	169,229	1,829	22,591	7,563	1,500,529

SCHEDULE - B to Annexure 1

	Fire	Marine -Cargo	Marine -Others	Motor	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality*	Others	Total
CLAIMS INCURRED [NET]																
(Refer note 6 of Schedule 16)																
Claims paid direct	15,701	8,663	—	845,215	702	293	—	—	6,434	—	26,668	206,220	103	766	8,305	1,119,070
Add: Claims on Re-insurance accepted	23	—	—	—	—	—	—	—	21	—	—	—	—	—	—	44
Less : Re-insurance ceded	(6,448)	(2,299)	—	(152,806)	(140)	(59)	—	—	(4,653)	—	(5,165)	(32,611)	(21)	(610)	(3,513)	(208,325)
Net Claims paid	9,276	6,364	—	692,409	562	234	—	—	1,802	—	21,503	173,609	82	156	4,792	910,789
Add: Claims Outstanding at the end of the period	18,615	13,054	—	445,627	762	145	29	1,080	4,499	—	16,989	80,366	214	18,179	3,809	603,368
Less: Claims Outstanding at the beginning of the period	24,534	6,176	—	288,931	189	194	27	1,170	2,770	—	13,300	12,885	1,384	10,249	4,606	366,415
Total Claims incurred	3,357	13,242	—	849,105	1,135	185	2	(90)	3,531	—	25,192	241,090	(1,088)	8,086	3,995	1,147,742

SCHEDULE - C to Annexure 1	Fire	Marine - Cargo	Marine - Others	Motor	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality	Others	Total
COMMISSION PAID [NET]																
Commission paid direct	5,559	2,282	—	43,522	96	270	102	4,456	4,532	—	4,246	31,204	148	24,411	1,834	122,662
Add : Commission paid on reinsurance accepted	591	—	—	—	—	—	—	—	117	—	—	—	—	1,627	—	2,335
Less : Commission received on reinsurance ceded	(33,371)	(4,016)	—	(44,955)	(485)	(464)	(187)	(9,516)	(25,909)	—	(2,028)	(10,723)	(57)	(35,913)	(2,485)	(170,109)
Net Commission paid / (received)	(27,221)	(1,734)	—	(1,433)	(389)	(194)	(85)	(5,060)	(21,260)	—	2,218	20,481	91	(9,875)	(651)	(45,112)

SCHEDULE - D to Annexure 1	Fire	Marine - Cargo	Marine - Others	Motor	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality	Others	Total
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS																
Employees' remuneration and welfare benefits (Refer note 10 of Schedule 16)	8,542	7,508	—	96,289	1,340	766	152	5,718	6,574	—	3,759	12,767	138	4,929	3,658	152,140
Travel, conveyance and vehicle running expenses	1,452	1,276	—	7,264	228	130	26	972	1,117	—	431	1,005	12	495	610	15,018
Training expenses	168	148	—	12	26	15	3	113	129	—	1	3	—	—	65	683
Rents, rates and taxes	2,298	2,020	—	79,504	361	206	41	1,538	1,769	—	3,070	12,009	125	2,806	1,108	106,855
Repairs	54	47	—	3,557	8	5	1	36	41	—	128	496	5	74	26	4,478
Printing and stationery	343	301	—	8,980	54	31	6	230	264	—	1,416	803	184	107	140	12,859
Communication	480	422	—	8,346	75	43	9	321	369	—	429	1,110	12	275	203	12,094
Legal and professional charges	8,860	7,788	—	69,613	1,390	794	158	5,932	6,820	—	2,329	6,172	75	1,065	3,548	114,544
Auditors' fees, expenses etc. as auditors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
as advisor or in any other capacity, in respect of:	18	16	—	1,243	3	2	—	12	14	—	44	188	2	25	8	1,575
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	1	1	—	79	—	—	—	1	1	—	3	11	—	2	1	100
(iii) Management services in any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	113	100	—	3,725	18	10	2	76	87	—	135	464	5	62	48	4,845
Interest and Bank Charges	72	63	—	4,081	11	6	1	48	55	—	131	431	10	71	32	5,012
Others :-	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electricity expenses	247	217	—	7,354	39	22	4	165	190	—	275	1,092	11	274	115	10,005
Office Expenses	293	257	—	6,553	46	26	5	196	225	—	292	901	10	208	156	9,168
Miscellaneous expenses	120	106	—	(36)	19	11	2	80	92	—	64	(15)	—	23	47	513
Service Charges	224	—	—	195,821	—	—	—	—	—	—	—	—	—	—	—	196,045
Technical Service Charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Information Technology Expenses	560	492	—	27,541	88	50	10	375	431	—	791	3,365	42	460	241	34,446
Postage & courier	103	90	—	8,728	16	9	2	69	79	—	341	377	19	63	43	9,939
Loss on sale of assets (net)	1	1	—	59	—	—	—	—	1	—	2	9	—	1	—	75
Depreciation	1,035	909	—	37,174	162	93	18	693	796	—	1,233	6,044	51	1,916	426	50,550
Service Tax Expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Expenses	24,984	21,762	—	565,887	3,884	2,219	440	16,576	19,054	—	14,874	47,232	701	12,856	10,475	740,944

SEGMENT REPORTING FOR THE YEAR ENDED MARCH 31, 2007

Annexure 1

	Fire	Marine - Cargo	Marine - Others	Marine	Motor	Engineering	Aviation	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Health	Specialty*	Others	Total
Premium earned (Net) (Schedule- A)	15,728	9,586	—	1,183,039	9,809	—	—	1,945	271	1,889	11,700	3,098	71,515	50,023	25,622	18,679	1,402,904
Profit on Sale of Investments	70	20	—	1,942	21	—	—	3	—	2	16	6	127	76	45	28	2,356
Interest and Dividend	1,734	497	—	47,919	527	—	—	64	10	59	396	146	3,141	1,877	1,117	670	58,157
(Net of Amortisation)	2,595	16	—	3,209	17	—	—	3	—	3	20	5	(1,051)	86	44	34	4,981
Other Income	20,127	10,119	—	1,236,109	10,374	—	—	2,015	281	1,953	12,132	3,255	73,732	52,062	26,828	19,410	1,468,398
Total Segmental Revenue																	
Claims incurred (Net) (Schedule- B)	11,773	7,519	—	699,484	2,295	—	—	(21)	(29)	121	(435)	814	16,159	43,572	6,788	12,255	800,295
Commission Paid (Net)	(23,375)	(1,240)	—	75,032	(10,957)	—	—	(93)	(24)	(361)	(1,857)	300	5,850	7,867	(5,536)	2,805	48,411
Operating Expenses Related To Insurance Business	15,298	9,323	—	507,237	9,540	—	—	1,890	263	1,836	11,385	1,150	24,382	28,294	11,755	17,159	639,512
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Expenditure	3,695	15,602	—	1,281,753	878	—	—	1,776	210	1,596	9,093	2,264	46,391	79,733	13,007	32,220	1,488,218
Segmental Profit (Loss)	16,431	(5,483)	—	(45,644)	9,496	—	—	239	71	357	3,039	991	27,341	(27,671)	13,821	(12,810)	(19,820)

* 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 - Cargo	Marine	Marine - Others	Motor	Engineering	Aviation	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home	Personal Accident	Health	Specialty*	Others	Total
PREMIUM EARNED (NET)																	
(Refer notes 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	102,721	112,792	20,641	1,939,987
Add : Premium on reinsurance accepted	5,042	—	—	—	898	—	—	—	—	—	4,790	—	—	—	17,109	—	27,839
Less : Premium on reinsurance ceded	(99,691)	(12,339)	—	(292,479)	(52,063)	—	—	(944)	(671)	(2,764)	(26,018)	(596)	(16,847)	(22,108)	(103,055)	(7,125)	(636,700)
Net Premium	16,327	11,719	—	1,090,716	13,494	—	—	1,677	432	2,871	12,483	2,382	58,050	80,613	26,846	13,516	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	(30,590)	(1,224)	5,164	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	50,023	25,622	18,680	1,402,904

(Rs. '000)														
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	44,569	—	14,431	1,070,871
Add : Claims on Re-insurance accepted	62	—	—	—	1	—	—	—	—	—	—	—	—	63
Less : Re-insurance ceded	(36,126)	(6,357)	—	(240,920)	(990)	—	—	—	(71)	(7,257)	(8,914)	—	(4,395)	(305,030)
Net Claims paid	6,186	3,502	—	679,601	1,615	—	—	—	283	29,026	35,655	—	10,036	765,904
Add : Claims Outstanding at the end of the period	24,534	6,176	—	288,931	2,770	—	194	27	1,384	13,300	12,885	10,249	4,606	366,415
Less : Claims Outstanding at the beginning of the period	18,947	2,159	—	269,048	2,090	—	215	56	853	26,167	4,968	3,461	2,387	332,024
Total Claims incurred	11,773	7,519	—	699,484	2,295	—	(21)	(29)	814	16,159	43,572	6,788	12,255	800,295
SCHEDULE- C to Annexure 1														
COMMISSION PAID [NET]														
Commission paid direct	5,061	2,014	—	132,783	4,260	—	155	158	334	9,595	13,003	17,600	3,459	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)	(149)	(3,745)	(5,136)	(23,451)	(1,828)	(147,854)
Net Commission paid / (received)	(23,375)	(1,240)	—	75,032	(10,957)	—	(93)	(24)	300	5,850	7,867	(5,536)	2,805	48,411

SCHEDULE-D to Annexure 1

Annexure 1	Fire	Marine - Cargo	Marine - Others	Motor	Engineering	Aviation	Public Liability	Product Liability	Workmen Compensation	Other Liabilities	Home Accident	Personal Accident	Health	Specialty*	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	10,999	4,780	7,182	150,166
Travel, conveyance and vehicle running expenses	1,206	735	—	14,559	752	—	149	21	145	897	30	881	1,785	542	1,337	23,039
Training expenses	77	47	—	2,787	48	—	9	1	9	57	7	169	163	95	89	3,558
Rents, rates and taxes	2,274	1,386	—	62,022	1,418	—	281	39	273	1,692	149	3,808	4,557	1,908	2,582	82,390
Repairs	47	29	—	2,474	29	—	6	1	6	35	6	156	110	48	52	3,000
Printing and stationery	312	190	—	9,487	194	—	39	5	37	232	228	3,108	642	328	358	15,160
Communication	413	252	—	12,108	258	—	51	7	50	307	26	718	762	338	464	15,754
Legal and professional charges	2,207	1,345	—	53,037	1,377	—	273	38	265	1,642	196	3,011	3,717	879	2,443	70,431
Auditors' fees, expenses etc as auditors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
as advisors or in any other capacity, in respect of :	22	14	—	1,687	14	—	3	0	3	18	4	102	71	37	25	2,000
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	4	2	—	267	1	—	0	0	0	3	1	17	11	6	4	316
(iii) Management services in any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	1	—	—	52	0	—	0	0	0	1	—	3	2	1	1	61
Interest and Bank Charges	193	118	—	5,490	120	—	24	3	22	144	7	191	274	23	208	6,817
Others :-	91	55	—	9,437	57	—	11	2	11	69	35	355	263	135	104	10,626
Electricity expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Office Expenses	255	155	—	5,348	159	—	31	4	31	190	12	327	468	164	291	7,435
Miscellaneous expenses	329	200	—	7,837	205	—	41	6	39	244	16	581	612	197	385	10,691
Service Charges	95	58	—	1,544	59	—	12	2	11	71	4	112	149	31	103	2,252
Technical Service Charges	1	1	—	134,136	1	—	—	—	—	1	—	9	5	2	2	134,158
Information Technology Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—	0	—	0
Postage & courier	407	248	—	38,662	254	—	50	7	49	303	75	1,634	1,255	429	477	43,850
Loss on sale of assets (net)	66	40	—	8,423	41	—	8	1	8	49	68	897	208	50	76	9,935
Depreciation	6	4	—	468	4	—	1	0	1	5	1	28	20	10	7	555
Service Tax Expenditure	868	529	—	37,365	542	—	107	15	104	645	81	2,122	2,221	1,752	968	47,318
Total Operating Expenses	15,298	9,323	—	507,237	9,539	—	1,890	263	1,836	11,385	1,150	24,382	28,294	11,755	17,160	639,513

Ratios for Non-Life Companies

Annexure 2

Sr. No.	Performance Ratio	Ratios as on 31 March 2008				Ratios as on 31 March 2007			
		Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
1	Gross premium growth rate Gross Premium for Current Year / Gross Premium for Previous Year	14.48%	36.67%	22.07%	21.80%	54.81%	40.16%	-7.54%	-4.89%
2	Gross Premium to shareholders' fund ratio Gross Premium for Current Year / (Paid up Capital plus Free Reserves)	NA	NA	NA	232.93%	NA	NA	NA	208.33%
3	Growth rate of shareholders' funds Shareholders' funds as at the current balance sheet date / Shareholders' funds at the previous balance sheet date	NA	NA	NA	8.94%	NA	NA	NA	3.07%
4	Net retention ratio Net Premium / Gross Premium	13.58%	52.28%	73.53%	69.92%	14.07%	48.71%	71.29%	67.64%
5	Net commission ratio Commission net of Reinsurance / Net Premium	-150.95%	-10.09%	-0.98%	-2.69%	-143.17%	-10.58%	5.60%	3.64%
6	Expenses of Management to gross direct Premium ratio Expenses of Management / Gross Direct Premium	18.81%	66.18%	31.11%	30.91%	13.19%	38.76%	33.64%	32.50%
7	Combined ratio Claim Paid, Commission plus Expenses of Management / Gross Premium	34.81%	99.47%	85.32%	82.72%	53.96%	88.11%	99.61%	96.78%
8	Technical reserves to net Premium ratio Reserve for Unexpired Risks plus Deficiency Reserve plus Reserve for Outstanding Claims / Net Premium	170.61%	128.31%	85.63%	86.98%	213.08%	103.87%	76.50%	78.42%
9	Underwriting balance ratio Underwriting Profit / Net Premium	83.28%	-111.03%	-20.66%	-20.47%	73.70%	-51.34%	-7.01%	-6.41%
10	Operating profit ratio Underwriting Profit plus Investment Income / Net Premium	124.15%	-102.60%	-14.09%	-13.51%	100.64%	-46.78%	-2.36%	-1.49%
11	Liquid assets to liabilities ratio Liquid Assets of the Insurer / Policyholders' Liabilities	NA	NA	NA	44.45%	NA	NA	NA	142.59%
12	Net earnings ratio Profit after Tax / Net Premium	NA	NA	NA	-10.14%	NA	NA	NA	1.50%
13	Return on net worth Profit after Tax / Net Worth	NA	NA	NA	-16.52%	NA	NA	NA	2.12%
14	Reinsurance ratio Risk Reinsured (Premium on Reinsurance Ceded) / Gross Premium	86.42%	47.72%	26.47%	30.08%	85.93%	51.29%	28.71%	32.36%

Notes:

1. Gross Premium represents Gross Direct Premium including Premium accepted on reinsurance
2. Net Premium represents Gross Direct Premium including 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.

Summary of Financial Statements

Annexure 3

Sr. No.	Particulars	2007-08 (Rs. '000)	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	2,396,874	1,967,826	2,068,954	1,842,473	1,172,814	94,924
2	Net Premium Income	1,675,823	1,331,126	1,436,550	1,342,533	886,663	65,227
3	Income from Investments (net)	80,003	60,513	54,965	47,072	36,929	1,052
4	Other Income (includes provision written back)	36,649	4,981	23,731	75	26	—
5	Total Income	1,792,475	1,396,620	1,515,246	1,389,680	923,618	66,279
6	Commission (net)	(45,112)	48,411	78,008	107,072	23,397	(4,819)
7	Operating Expenses	740,944	639,512	576,713	460,760	403,157	91,566
8	Claims, increase in Unexpired Risk Reserve and other outflows	1,323,036	728,517	850,356	941,283	798,504	69,792
9	Operating Profit / (Loss)	(226,393)	(19,820)	10,169	(119,435)	(301,440)	(90,260)
	NON-OPERATING RESULTS						
10	Total Income under shareholder's account	63,115	52,968	45,970	47,703	87,663	30,676
11	Profit / (Loss) before tax	(167,708)	25,017	48,009	(79,862)	(221,906)	(63,282)
12	Provision for tax	2,284	4,993	3,945	8	20	—
13	Profit / (Loss) after tax	(169,992)	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	1,029,021	944,582	916,429	814,234	885,973	909,770
	Total Investments	2,213,002	1,781,437	1,868,224	1,769,639	1,538,631	937,240
	Yield on Investments	7.2%	6.2%	5.6%	5.2%	5.5%	6.4%
16	Paid up equity capital	1,500,000	1,250,000	1,250,000	1,200,000	1,200,000	1,010,000
17	Net worth	1,029,021	944,582	916,429	814,234	885,973	909,770
18	Total Assets	1,029,021	944,582	916,429	814,234	885,973	909,770
19	Yield on Total Investments	7.2%	6.2%	5.6%	5.2%	5.5%	6.4%
20	Earnings per Share (Rs.)	(1.36)	0.16	0.36	(0.67)	(2.13)	(1.34)
21	Book Value per Share (Rs.)	6.86	7.56	7.33	6.79	7.38	9.01
22	Total Dividend	—	—	—	—	—	—
23	Dividend per Share (Rs.)	—	—	—	—	—	—

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, 2008

Particulars	For the year ended March 31, 2008 (Rs. '000)	For the year ended March 31, 2007 (Rs. '000)
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	2,626,301	2,289,054
Other receipts	43,898	6,411
Payments to the re-insurers, net of commission and claims	(288,127)	(247,317)
Payments to co-insurers, net of claims recovery	(2,137)	457
Payments of claims	(1,118,672)	(1,068,631)
Payments of commission and brokerage	(124,289)	(184,071)
Payments of other operating expenses	(1,035,720)	(577,314)
Deposits, advances and staff loans	(1,055)	5,994
Income taxes paid (Net)	(2,319)	(4,103)
Service tax paid	(111,798)	(260,742)
Net cash flow from operating activities	(13,918)	(40,262)
Cash flows from investing activities		
Purchase of fixed assets	(20,938)	(100,094)
Proceeds from sale of fixed assets	231	985
Purchase of investments	(3,183,877)	(1,368,994)
Sale of investments	2,747,915	1,427,634
Rents / Interests / Dividends received	120,255	141,041
Investments in money market instruments and in liquid mutual funds (Net)	8,596	205
Expenses related to investments	(2,400)	(2,250)
Net cash flow from investing activities	(330,218)	98,527
Cash flows from financing activities		
Proceeds from issuance of share capital	250,000	—
Proceeds from borrowing	11,833	22,521
Repayments of borrowing	(12,024)	(3,765)
Interest / Dividend paid	(1,938)	(175)
Net cash flow from financing activities	247,871	18,581
Net increase in cash and cash equivalents	(96,265)	76,846
Cash and cash equivalents at the beginning of the year	230,965	154,119
Cash and cash equivalents at the end of the year	139,939	230,965
Book overdraft at the end of the year	(5,239)	—
Net increase in cash and cash equivalents	(96,265)	76,846
Refer Schedule 11 for components of cash and cash equivalents		

As per our report of even date

B.K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784

MUMBAI
April 24, 2008

S.B. Billimoria & Co.
Chartered Accountants

Sanjiv V. Pilgaonkar
Partner
Membership No. 39826

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Suresh Menon
Chief Executive Officer

Directors
Renu Sud Karnad
Keki M. Mistry
Stefan Emberger

Samir H. Shah
CFO & 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, 2009.

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, 2008 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 realisable 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 amortised cost as per IRDA regulations, is lower than their carrying amount by Rs. 36,728 thousands in aggregate as at March 31, 2008.

7. The Company is exposed to a variety of risks associated with general insurance business such as quality of risks undertaken, fluctuations in value of assets and higher expenses in the initial years of operation. The Company monitors these risks closely and effective remedial action is taken wherever deemed necessary.

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

8. The Company does not have operations outside India.

9. The Trend in Average claim settlement time during the preceding five Financial years ended March 31, 2008 is included in Annexure 1.

10. Details of payments to individuals, firms, Companies and organisations in which directors are interested during the year ended on March 31, 2008:

Sr. No.	Name of the Director	Entity in which Director is interested	Interested as	Payment during the year (Rs. '000)
1.	Keki M. Mistry	Housing Development Finance Corporation Limited	Vice Chairman and Managing Director	18,030
		HDFC Bank Limited	Director	3,020
		HDFC Asset Management Company Limited	Director	2,697
		HDFC Standard Life Insurance Company Limited	Director	400
2.	Deepak S. Parekh	Housing Development Finance Corporation Limited	Chairman	18,030
		HDFC Asset Management Company Limited	Director	2,697
		HDFC Standard Life Insurance Company Limited	Director	400
3.	Renu Sud Karnad	Housing Development Finance Corporation Limited	Joint Managing Director	18,030
		HDFC Asset Management Company Limited	Director	2,697
		HDFC Standard Life Insurance Company Limited	Director	400
		HDFC Bank Limited	Director	3,020

11. Investments in Government securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortisation. Investments in mutual fund units are accounted at Net Asset Value and the unrealised 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.

12. The Company has adopted a prudent investment policy with emphasis on optimising 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.

13. The Management of HDFC ERGO 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 judgments and estimates that are reasonable and prudent, so as to give a true and fair view of

the state of affairs of the Company at the end of the year ended March 31, 2008 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.

On behalf of the Board of Directors

DEEPAK S. PAREKH
Chairman

SURESH MENON
Chief Executive Officer

SAMIR H. SHAH
CFO and Company Secretary

Directors
RENU SUD KARNAD
KEKI M. MISTRY
STEFAN EMBERGER

MUMBAI
April 24, 2008

Annexure 1:

2007-08																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	4	816,275	74	1,052,971			30,824	411,976,001	—	—	7	163,987	3	117,237		
30 days to 6 months	5	142,779	136	3,969,138			9,278	331,288,343	1	439,440	2	12,136	—	—		
6 months to 1 year	9	1,346,661	44	1,829,369			571	55,381,688	1	262,164	—	—	—	—		
1 year to 5 years	4	13,395,563	10	1,811,330			462	38,110,159	—	—	—	—	—	—		
5 years and above							1	94,343								
2006-07																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	15	23,035,649	57	450,121			35,064	483,925,531								
30 days to 6 months	19	7,791,567	96	8,888,753			7,483	359,846,407								
6 months to 1 year	6	10,106,542	19	517,280			938	44,699,463								
1 year to 5 years	2	1,315,877	1	3,267			848	33,061,605								
5 years and above																
2005-06																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	16	53,395,342	94	724,259			37,150	486,475,752	—	—						
30 days to 6 months	7	3,667,275	47	2,390,080			10,110	403,575,397	1	25,518						
6 months to 1 year	2	1,661,926	6	54,701			619	43,601,375	—	—						
1 year to 5 years	—	—	3	11,746			294	6,632,040	—	—						
5 years and above																
2004-05																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	6	32,158	12	216,461			35,200	412,217,620								
30 days to 6 months	3	68,997	3	48,561			8,115	298,742,789								
6 months to 1 year	1	47,271	—	—			249	16,397,332								
1 year to 5 years	—	—	—	—			21	47,087								
5 years and above																
2003-04																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days							13,667	168,862,937								
30 days to 6 months							1,015	52,290,527								
6 months to 1 year							8	1,030,921								
1 year to 5 years																
5 years and above																
2002-03																
Period	Fire		Marine		Marine - others		Motor		Workmen's compensation		Public Liability		Product Liability		Other Liabilities	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days							385	4,801,522								
30 days to 6 months							7	141,378								
6 months to 1 year																
1 year to 5 years																
5 years and above																

Annexure 1:

2007-08

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	69	684,029			2,163	11,265,753	12,137	177,862,956	1	2,079	—	—	302	3,412,623
30 days to 6 months	161	2,956,864			612	11,828,353	229	16,907,774	3	98,085	2	602,805	226	2,993,075
6 months to 1 year	54	406,953			154	2,922,036	17	3,709,426	2	2,622	1	162,742	43	1,570,923
1 year to 5 years	10	2,385,960			10	651,847	5	11,4428	—	—	—	—	19	329,269
5 years and above														

2006-07

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	40	687,479			693	3,536,028	1,842	9,257,814	10	181,404			733	31,524,859
30 days to 6 months	27	837,126			3,105	22,859,606	93	1,007,476	12	172,435			231	14,085,364
6 months to 1 year	4	1,079,749			488	6,243,832	8	98,767	—	—			41	1,461,139
1 year to 5 years	—	—			7	3,643,664	3	28,618	—	—			4	1,535,149
5 years and above														

2005-06

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days	19	51,700			199	9,967,590	667	13,862,759	10	115,172			639	6,093,579
30 days to 6 months	13	345,714			145	15,480,038	22	1,674,239	5	145,823			36	491,385
6 months to 1 year	1	419,716			17	9,372,230	5	338,617	1	7,529	1	4,826,800	4	111,929
1 year to 5 years	—	—			—	—	2	187,311	—	—			1	—
5 years and above														

2004-05

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days					60	1,094,725	108	2,328,046					14	109,500
30 days to 6 months					47	1,822,898	39	2,682,944					1	7,500
6 months to 1 year					5	149,591	5	499,216					—	—
1 year to 5 years					—	—	1	8,894					—	—
5 years and above														

2003-04

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days					9	345,512	13	108,568						
30 days to 6 months					9	552,664	27	481,787						
6 months to 1 year					—	—	2	11,698						
1 year to 5 years					—	—	—	—						
5 years and above														

2002-03

Period	Engineering		Aviation		Personal/Accident		Health		Home		Speciality		Others	
	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved	No of Claims	Amount Involved
30 days														
30 days to 6 months														
6 months to 1 year														
1 year to 5 years														
5 years and above														

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	8
---	---	---	---

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

Public Issue

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

Bonus Issue

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

Rights Issue

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

Private Placement

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

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

Total Liabilities

		1	5	2	3	4	0	7
--	--	---	---	---	---	---	---	---

Paid-up Capital

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

Fair Value Change Account

					2	9	0	9
--	--	--	--	--	---	---	---	---

Unsecured Loans

						5	9	6
--	--	--	--	--	--	---	---	---

Net Fixed Assets

			1	1	4	1	8	1
--	--	--	---	---	---	---	---	---

Net Current Assets

		(1	2	7	3	4	5	6)
--	--	----	---	---	---	---	---	----

Debit balance in P&L A/c.

			4	6	9	6	8	0
--	--	--	---	---	---	---	---	---

SOURCES OF FUNDS

Total Assets

		1	5	2	3	4	0	7
--	--	---	---	---	---	---	---	---

Reserves and Surplus

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

Secured Loans

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

APPLICATION OF FUNDS

Investments

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

Miscellaneous Expenditure

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

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

Turnover

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

		1	6	9	0	5	6	8
--	--	---	---	---	---	---	---	---

Profit / (Loss) Before Tax

		(1	6	5	8	0	9)
--	--	----	---	---	---	---	----

Earnings Per Share (in Rs.)

			(1	.	3	5)
--	--	--	----	---	---	----

Total Expenditure

		1	8	5	6	3	7	7
--	--	---	---	---	---	---	---	---

Profit / (Loss) After Tax

		(1	6	8	6	8	9)
--	--	----	---	---	---	---	----

Dividend %

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

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

Item Code No.

N	A
---	---

Product Description

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