

**HDFC
ERGO**

GENERAL INSURANCE

Har pal aapke saath

**8th
Annual Report**

**Financial Year
2009-10**

**Service inspires smiles.
Smiles inspires growth.**

HDFC ERGO General Insurance Company Limited

Our Vision

To be the most admired insurance company that enables the continued progress of customers by being responsive to their needs.

Our Values



SENSITIVITY

We will build our business on empathy and an inherent understanding of both our internal and external customers' needs.

EXCELLENCE

We will always strive to offer innovative products and services and endeavour to set new benchmarks to do things better each time.

ETHICS

We will honour our commitments and be transparent in our dealings with all our stakeholders.

DYNAMISM

We will be pro-active with a "can do" approach.

Content

Message from the Chairman	04
Board of Directors	06
Brief Profile of the Directors	07
Financial Graphs	09
Branch Network	10
Corporate Achievements	11
Directors' Report	12
Auditors' Report	23
Balance Sheet	25
Profit & Loss Account	26
Revenue Accounts	27
Schedules	28
Receipts and Payments Account	70
Management Report	71
Balance Sheet Abstract	76
Glossary	77

“

The insurance industry should seize this opportunity to provide cost effective and innovative risk solutions to the growing economy.”



Message from the Chairman

The financial year 2009-10 continued to be a challenging year for the global markets. The robust growth shown by the Indian economy in these times demonstrates the strength and resilience of our economy. With most macro indicators being positive, the GDP growth during the current financial year is projected between 8.5-9%. Being amongst the fastest growing and better managed economies, the world is beginning to look at India to provide thought leadership in these challenging times.

A well-developed and evolved insurance sector is needed for sustaining economic development in the country. With large capital outlays and long gestation periods, infrastructure projects are fraught with a multitude of risks throughout the development, construction and operational stages. Insurance companies not only provide risk cover to infrastructure projects, but also contribute long-term funds for financing them. The insurance industry should seize this opportunity to provide cost effective and innovative risk solutions to the growing economy.

The strong growth potential of the Indian markets has attracted many new players over the past few years. The non-life insurance market grew by 13% in 2009-10. This growth has been achieved despite pricing pressures being faced by the industry post detariffing of the non-life business. At a penetration level of 0.6% of GDP, the non-life insurance market clearly has significant scope to grow, both in terms of depth and breadth.

The industry seems to be struggling to come to terms with the free pricing regime as most insurers have reported underwriting losses in 2009-10. One can, however, see the signs of strategic shift, as most companies are increasing their focus on profitability rather than pure growth. This is critical for the sustainable growth and health of the industry.

With increasing pricing pressures on the corporate business, companies are beginning to focus more on the profitable retail business. This requires greater market access, thereby ensuring higher spread of risks, higher market visibility and increasing the brand value. The key to success of the retail model is low operational costs. This can be achieved through an appropriate use of technology to handle scale, along with robust distribution and service capabilities.

The last year has been a good one for the Company. The Company improved its market ranking from eighth to fifth in the private general insurance sector, attaining an overall growth of over 165%.

The Company places the customer at the centre of its business strategy and customer service as the key driver of growth. It is in pursuit of this objective that the company's claim settlement process has been ISO 9001:2008 certified and has been rated iAAA by ICRA for its highest claims paying ability.

During the year under review, the Company increased its distribution reach, taking the total number of branches to 78, through which it caters to business across over 300 cities. The network of offices has been further strengthened through a Bancassurance tie up and increasing the number of distribution partnerships with brokers and agents. The Company has also built on-line sales and service support functionalities, which help customers with regular claim updates and policy purchase options.

While the economy is growing at a fast pace, the disparity in incomes is a concern for the Government. As part of the inclusive growth agenda, the Government is committed to providing employment opportunities to all sections of society.

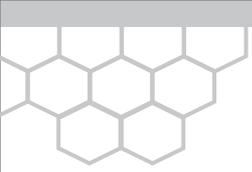
The insurance regulations mandate rural and social sector commitments for the industry and it is satisfying that these commitments are largely met by the industry. However, the industry can do more by looking at these sectors as opportunities for future growth. Insurance companies have to design and efficiently deliver products that cater to this segment at affordable prices. This is an area of focus for our Company.

In conclusion, I am happy to state that with the strong foundation laid over the past few years, our Company remains committed to focus on sustainable quality growth.

With warm regards,



Deepak S. Parekh
Chairman



Board of Directors

Chairman

Mr. Deepak S. Parekh

Directors

Mr. Keki M Mistry

Ms. Renu Sud Karnad

Mr. Andreas Kleiner

Mr. Stefan Emberger
(upto June 30, 2010)

Dr. Jagdish Khattar

Mr. Bernhard Steinruecke

Mr. Mark Lammerskitten
(w.e.f July 1, 2010)

Mr. Ritesh Kumar
Managing Director and Chief Executive Officer

Auditors

B.K. Khare & Co.
Chartered Accountants

G. M. Kapadia & Co.
Chartered Accountants

Senior Management

Mr. Ankur Bahorey

Mr. Karan Chopra

Mr. Tommy Lee Co

Mr. S Gopalakrishnan

Mr. Mukesh Kumar

Mr. Mark Lammerskitten
(upto June 30, 2010)

Mr. Mehmood Mansoori

Mr. Samir H Shah

Mr. Sanjiv Sharma

Mr. Anuj Tyagi

Appointed Actuary

Mr. Narayanan Lakshmanan

Advocates

Mr. Burzin J. Somandy

Bankers

HDFC Bank Ltd.

Citi Bank N.A.

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

Telephone : +91 22 6638 3600 ; Fax : +91 22 6638 3699 ; Website : www.hdfcergo.com

Brief Profile of the Directors

Mr. Deepak S. Parekh

Mr. Deepak S. Parekh is the Chairman of the Company. He is a fellow of the Institute of Chartered Accountants (England & Wales). Mr. Parekh is also the Chairman of Housing Development Finance Corporation Limited (HDFC), India's premier Housing Finance Company. He joined HDFC in a senior management position in 1978. He was inducted as a whole-time director of HDFC in 1985 and was appointed as its Managing Director (designated as 'Chairman') in 1993 and continued to be appointed as such from to time till December 31, 2009.

Mr. Keki M. Mistry

Mr. Keki M. Mistry, the Vice Chairman & Chief Executive Officer of HDFC, is a Fellow of the Institute of Chartered Accountants of India. He has been employed with HDFC since 1981 and was appointed as the Executive Director in 1993. He was appointed as the Deputy Managing Director of HDFC in 1999, as the Managing Director in 2000, and re-designated as the Vice Chairman & Chief Executive Officer with effect from January 1, 2010.

Ms. Renu Sud Karnad

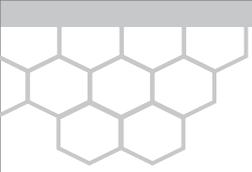
Ms. Renu Sud Karnad, the Managing Director of HDFC, is a graduate in law from the University of Mumbai and holds a Master's degree in economics from the University of Delhi. She is a Parvin Fellow — Woodrow Wilson School of International Affairs, Princeton University, U.S.A. She has been employed with HDFC since 1978 and was appointed as the Executive Director in 2000 and as its Managing Director w.e.f. January 1, 2010.

Mr. Andreas Kleiner

Mr. Andreas Kleiner is Member of the Board of Management, ERGO International AG, Dusseldorf, Germany. He is a Graduate Civil Engineer from University of Stuttgart, Germany. He is a Chartered Insurer from Chartered Insurance Institute, London and has completed Executive MBA studies on Financial Services Industry (MBA-FSI) from University of St. Gallen (Switzerland), Vlerick Leuven Gent Management School (Belgium) and HEC Montréal (Canada). He has an experience of over 16 years in the insurance industry (in the fields of Fire and Engineering Underwriting and in Senior Executive Management positions such as CEO of Munich Reinsurance Company of Africa Ltd., Johannesburg (2003-2007) and General Manager of Munich Re Singapore Branch, Singapore.

Mr. Stefan Emberger

Mr. Stefan Emberger is Head - Client Management Team with business responsibility for Austria and CEE Countries in non-life reinsurance business at Munich Reinsurance Company. He is a Graduate of Business Administration and Graduate of Law from University of Innsbruck, Austria. He has about 9 years of experience in the insurance industry in the fields of corporate planning, casualty / liability underwriting and project management. Prior to moving his present assignment in Feb 2010, he was Managing Director, Regional Management India Non-Life International Operations at ERGO International AG.



Mr. Mark Lammerskitten

Mr. Mark Lammerskitten is Managing Director India and Turkey for ERGO International AG. He holds a Business Administration degree from Otto Beisheim Graduate School of Management, Germany. Mr. Lammerskitten has over 15 years of experience in the Financial Services sector. After 3 years with Deutsche Bank AG, Frankfurt in Corporate and Retail Banking he consulted for Booz Allen & Hamilton Inc. banks, Insurance companies and other MNCs worldwide. He has handled various strategic roles in ERGO Insurance Group in Germany for more than 7 years before he moved to HDFC ERGO in 2008 as Head of Corporate Development. He has taken over his new assignment at ERGO International AG w.e.f. July 01, 2010.

Dr. Jagdish Khattar

Dr. Jagdish Khattar, former officer of Indian Administrative Service (IAS), is an independent Director of the Company. He joined the administrative service in 1965 and took voluntary retirement in 1993 to join Maruti Udyog Ltd. as Director-Marketing. He took over as CEO of Maruti Udyog Ltd. in August 1993 and continued till December 2007. While in the Indian Administrative Service (IAS) he held various positions including of Managing Director, UP State Industrial Corporation; Director, Tea Board of India, London; Chairman, Tea Board, Ministry of Commerce, India; Chairman and Managing Director, UP State Cement Corporation and Chairman, UP State Road Transport Corporation.

Mr. Bernhard Steinruecke

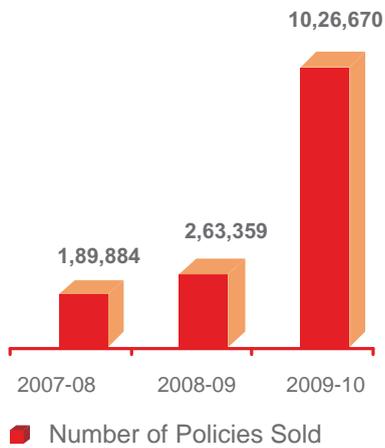
Mr. Bernhard Steinruecke is the Director General of Indo German Chamber of Commerce. Mr. Steinruecke studied Law and Economics in Vienna, Bonn, Geneva and Heidelberg and has a Law Degree from the University of Heidelberg in 1980 (Honours Degree) and has done Special exam in Tax Law in 1982 and Bar exam at the High Court of Hamburg in 1983. Mr. Steinruecke was the former General Manager of Deutsche Bank, Managing Partner and Speaker of the Board of ABC Privatkunden-Bank, Berlin, Member of the Supervisory Board of ABC Lebensversicherungs and a Member of the Advisory Board of SCHUFA GmbH.

Mr. Ritesh Kumar

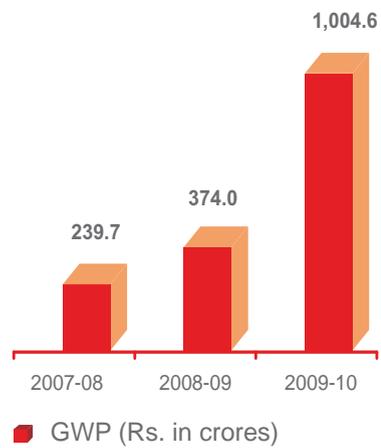
Mr. Ritesh Kumar is the Managing Director and CEO of the Company. Mr. Kumar has about 18 years of experience in the financial services industry, of which the first 10 years were in Banking and the last about 8 years in Insurance. He joined HDFC ERGO in the year 2008. Mr. Kumar is a commerce graduate from Shriram College of Commerce, Delhi and holds a MBA degree from Faculty of Management Studies (FMS), Delhi.

Financial Graphs

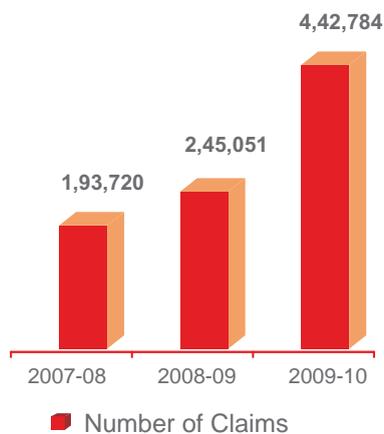
Volume Growth



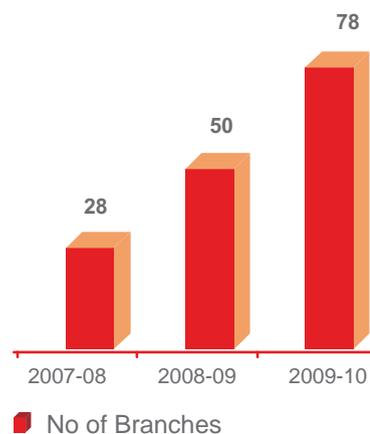
Revenue Growth



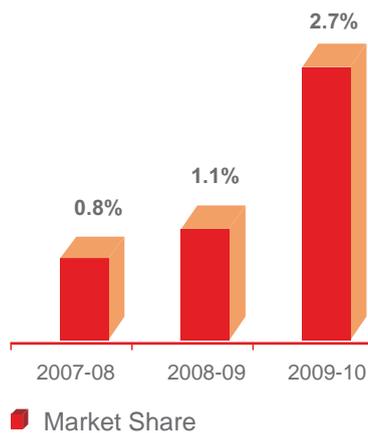
Claims Settled



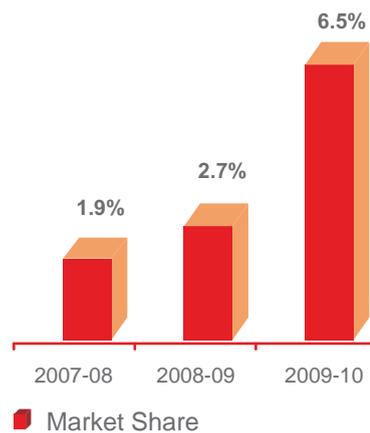
Branches



Market Share - Growth

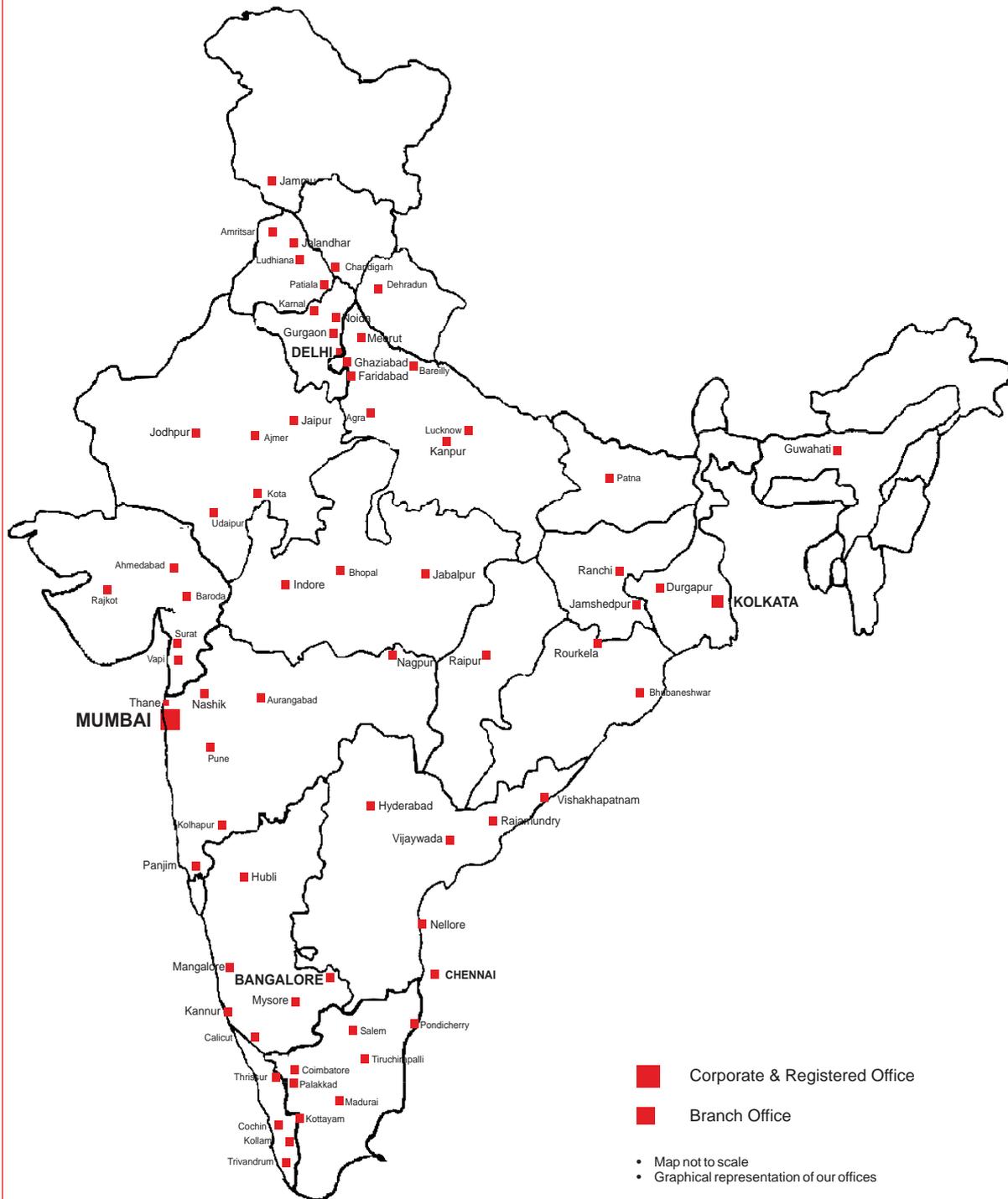


Market Share - Growth [Private Sector]



Branch Network

HDFC ERGO's Branch Network - 78 Locations



- Corporate & Registered Office
- Branch Office

- Map not to scale
- Graphical representation of our offices

Disclaimer : All efforts have been made to source the correct image, however we at HDFC ERGO General Insurance Company Ltd. do not own any responsibility for the correctness or authenticity of the same.

Corporate Achievements

In keeping with our commitment to our customers, the Company has been continuously working on improving the internal processes and system to ensure delivery of quality service on consistent basis.

iAAA rating by ICRA

The Company has been rated iAAA by ICRA (an associate of Moody's Investors Service) indicating highest claim paying ability. This rating denotes Company's fundamentally strong position and prospect of meeting policyholder obligations is the best.

The rating takes into account the Company's strong parentage, its leadership position amongst the private sector general insurers in the country, balanced and diversified portfolio, prudent underwriting practice and reinsurance strategy.



ISO Certification

The Company has received ISO 9001:2008 certification for its claim services. This certification validates Company's conformity with internationally established standards for quality systems and assurance in claim processing (from claim intimation to final payment).

ISO 9001:2008 is the internationally recognized standard for Quality Management Systems (QMS). It prescribes systematic control of business activities to ensure that the needs and expectations of customers are met. This certification ensures that the Company's products and services are the most compliant with the existing market standards and requirements. Achievement of this certification also displays commitment of the Company to discharge its duties at the time of claims, to ensure greater customer satisfaction.



Directors' Report

TO THE MEMBERS

Your Directors are pleased to present the Eighth Annual Report of your Company together with the audited accounts for the year ended on March 31, 2010.

Financial Results

Particulars	(Rs. in Crores)	
	Year ended	
	March 31, 2010	March 31, 2009
Gross Written Premium	1,004.61	374.03
Net Written Premium	588.68	194.77
Net Earned Premium	400.06	179.47
Other Income/Liabilities written back	7.85	3.65
Net Incurred Claims	395.86	144.89
Net Commission (Income) / Expenses	(37.43)	(20.34)
Expenses of Management	182.82	107.51
Investment Income - Policyholders	25.26	14.18
General Insurance Result	(108.09)	(34.76)
Investment Income - Shareholders	13.63	9.54
Provision for wealth tax /Fringe Benefit Tax	(0.16)	0.53
Profit/Loss after Tax	(94.30)	(25.75)

Economic Scenario

Post the global financial crisis in 2008-09, there has been some improvement in the global economies, indicated by the expansion of output and improving financial market conditions. The Indian economy has seen a mixed picture in Financial Year 2009-10. While there has been a remarkable recovery in the industrial and service sectors, there are concerns on account of inflationary pressures. Auto sales have seen a good year and capital investments seeing a recovery with several new projects achieving financial closure. The availability of funds improved with benign interest rates. As per the latest estimates, the GDP growth is estimated to be around 7.2% for 2009-10 against 6.7% in 2008-09.

The improvement in the economy is the result of the stimulus package in terms of monetary and fiscal measures taken by the Government and increased

domestic demand. At present, as we stand in the midst of a new business year, the market outlook for India is more optimistic and confident and it does appear that the worst is behind us.

Insurance Industry

The gross written premium of the industry for the year ended March 31, 2010 was around Rs. 34,630 crores (PY: Rs. 30,600 crores) growing at 13% (PY: 9%) reflecting the recovery of the economy particularly in the second half of the financial year. The market share of private sector companies continues at 41%.

During the year, the pricing pressure on premium continued and the industry witnessed one new player coming into operation. However, the companies have started pricing the risks on their respective merits thereby moving towards risk based ratings in corporate business. During the year, in order to improve the availability of the information to various stakeholders, the Regulator announced the Corporate Governance and Public Disclosure Guidelines. As the companies move closer to a decade in business, the Guidelines for the initial public offerings are being finalised.

Company Performance

Your Company completed its seventh full year of operations. During the year under review, your Company achieved a gross written premium of Rs. 1,004.6 crores as against Rs. 374.0 crores in the previous year, a growth of 168.6% over the previous year. The Company's market share grew from 1.1% to 2.7%. Your Company has continued to invest in expanding its reach and strengthening its servicing capabilities.

The loss for the year under review is Rs. 94.3 crores, as against loss of Rs. 25.8 crores in the previous year. The loss includes Company's share of estimated losses arising on the Indian Motor Third Party Insurance Pool (IMTPIP) amounting to Rs. 14.9 crores as against Rs. 5.7 crores in the previous year. The net earned premium increased to Rs. 400.0 crores from Rs. 179.5 crores in the previous year. The Company has shown significant improvement in operating efficiencies, cost ratios and productivity. The loss for the current year has been mainly on

account of continuing pressure on premium rates, investments in infrastructure and higher share of loss in IMTPIP.

Business and Operational Overview

Despite a challenging market environment with significant pricing pressures, your Company maintained a steady focus on growth areas. During the year, the Company focussed on developing new products, establishing and stabilizing Bancassurance tie-up, re-pricing of products, establishing retail distribution network and developing appropriate mix of corporate and retail portfolio.

In line with long-term strategy of having a balanced portfolio, your Company has brought down its motor portfolio to 31% from 46% in the previous year. On the other hand, the share of corporate business has gone up to 52.5% as against 49% in the previous year.

Premium from motor business excluding the Motor Pool was at Rs. 289.9 crores as against Rs. 158.8 crores in the previous year and the non-motor business was at Rs. 638.5 crores as against Rs. 188.7 crores in the previous year. Premium from accident and health insurance business was at Rs. 341.6 crores as against Rs. 63.6 crores in the previous year. The liability business has grown to Rs. 69.2 crores as against Rs. 33.4 crores.

During the year under review, the Company maintained its focus on risk based underwriting / pricing. Achieving growth while focussing on profitability in the de-tariffed market has been a challenge.

Retail Business Group

During the year, the Retail business grew by 150%, with the premium for the year being Rs. 440.6 crores as compared with Rs. 176.5 crores for the previous year.

Premium from the motor business grew by 82.5%. The market environment continued to be tough on the motor insurance front, with players competing aggressively in the market. This meant that growth had to be cautious and the portfolio sourcing be aligned to focus on profitable customer segments.

The alignment to the profitable segments also resulted in improved portfolio loss ratio vis-à-vis previous year.

During the year, the Company entered into a Bancassurance arrangement with HDFC Bank Limited. Under the arrangement, over the period the business gained momentum and stabilized.

During the year under review, the "Home Suraksha Plus" product, a packaged product specially designed for home loan borrowers of HDFC gained further momentum.

The Company has expanded its presence to 78 locations across India as against 50 locations at the beginning of the year. This has given the Company a better distribution spread and also the ability to effectively service its channel partners.

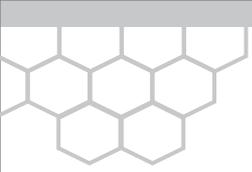
The online platform was successfully used to acquire new customers as well as to service existing customers. On the service front, customers can renew their policies online, view the status of claims and request any changes in the policy. As a result of the convenience provided by the online platform, around 5% of motor policies get renewed online.

Corporate Business Group

During the year, the Company has been able to establish itself as a complete solution provider for commercial insurance. The Company has emerged as one of the key players in the large risks and liability insurance segment. The total premium for the corporate portfolio has grown to Rs. 487.8 crores as against Rs. 171 crores in the previous year. Within the group, a unit has been formed to focus on Government and PSU business. The Company currently participates in the insurance programs of over 30 of the top 50 private sector companies (by market capitalization) across industries ranging from steel, petrochemicals, engineering, construction to aviation and shipping.

Rural and Agri Business Group

Rural India, though has huge potential for non life insurance, yet continues to be heavily underinsured for lack of infrastructure, products and concentrated efforts by the insurers. Reaching to customers across



6,40,000 villages is a huge challenge and given the low ticket size, a technology based distribution approach appears to be the key to success in rural India. The Company is focusing on the rural and agricultural business opportunity through a separate business group. The group has done groundwork in terms of product(s) development, setting up infrastructure, tying up with MFIs across the country etc. The Company will continue to focus in this area in coming years and endeavor to offer affordable solutions to the rural population.

Underwriting

The year under review proved to be another challenging year under de-tariffed environment. The Company continued to practice prudent underwriting practices.

During the year, the Company focused on building internal strengths by investing in upgradation of knowledge for the in-house skills and for the customers and brokers. Few of the large losses in the country led to the tightening of the reinsurance market and reinforced the need for prudent underwriting practices.

The Company continued to draw upon the underwriting skills, product designing and pricing methodology and experience in process improvements of the Joint Venture partner.

Claims Service

During the year, the Company continued its efforts in providing outstanding service to the customers and focus on prompt and efficient settlement of claims. The Company settled over 4,00,000 claims during the year. The Company has been continuously taking necessary steps to further optimise the claims service for customers. The Company introduced the facility of updating the policyholders of the claims status through SMS and the online claims status facility on the portal. During the year under review, claims process of the Company was certified ISO 9001:2008 compliant with competent accreditation of ANAB and NABCB and audited by BSI Management Systems India Private Limited.

Reinsurance

The Company's business portfolio is protected by way of adequate reinsurance arrangements, such that the Company's exposure to a large loss affecting a single risk or a series of losses affecting a number of risks arising out of a single catastrophic event does not substantially impact the Company.

In compliance with the current statutory requirements, the Company mandatorily cedes 10% of its business to the national re-insurer General Insurance Corporation of India (GIC). Other than the statutory cessions the Company also places reinsurance with GIC as well as other reputed international reinsurers.

Information Technology

During the year under review, the Company's Information Technology (IT) infrastructure was further enhanced. Major focus has been on implementation of core insurance platform. The said platform has become partly operational with Company's retail business now largely on the new platform. The new IT platform will ensure faster and better servicing of policyholders for retail business. The platform will also lead to efficient internal processes, Point of Sale capabilities, business intelligence and reporting. Point of Sale capabilities and process automation will further drive business growth and would help the Company optimize cost.

During the year under review, the Company has built and implemented a cost-effective automated solution for its retail accident and health business, enabling seamless and low touch policy issuance capabilities.

Distribution Network

The Company offers its products through a mix of distribution channels comprising of Agents, Brokers, Corporate Agents, Bancassurance tie up and Direct Sales Team.

The Company has expanded its presence to 71 cities with 78 branch offices across India as against 45 cities with 50 branch offices at the beginning of the year. Through the network of these branch offices, the Company's Agents, Brokers, Corporate Agents and Direct Sales Team are able to service customers in

over 200 cities and towns across India. With an intention to spread the Company's geographical reach and give thrust to retail business, the Company has embarked upon plans to strengthen its agency force. Online sale of policies through Company's website viz. www.hdfcergo.com has been well accepted, and has been extended to more retail products during the year. With the multi - channel approach, the Company has in place, a robust distribution model to reach out to wider customer base. The Company has also initiated efforts for leveraging association of group companies for expanding access to desirable segments of the retail and corporate markets.

Operations and Service Group

The Company issued over a million policies during 2009-10 as against 2.6 lacs policies in 2008-09. With the increase in volumes during the year, the focus of the group was on optimizing the existing processes and to implement new policy processing system. During the year, number of customer service initiatives were undertaken by Central Processing Unit in Mumbai. The online policy renewal platform was introduced. With a view to improve the customer servicing and optimize transaction cost, the Company introduced a low-touch policy issuance process in respect of high volume channels.

The Company has an in-house 24 hours call centre catering to customers in six regional languages in addition to Hindi and English.

The current operations set-up is equipped to cater to the growing business requirements and to support growth in volumes and service requirements.

During the year, a Customer Grievance Redressal Unit was created to promptly redress the policy holder grievances. Policyholders can register their grievances using Company's website, www.hdfcergo.com or through e-mail at care@hdfcergo.com.

Human Resources

In any service industry, human capital is the most important asset for the success of a company. Your Company has been able to create a team of committed professionals drawn from diverse

backgrounds suited to the needs of the Company for its growth plans. The demand for resources with domain expertise remained high. The focus continued to be on training and development of the new recruits and the skill development of the existing manpower. The main program largely included product and process training to sales and the service staff. During the year, the HR processes were rationalized and automated.

Authorised Share Capital

During the year under review, the Authorised Share Capital of your Company was increased from Rs. 200 crores to Rs. 600 crores consisting of 60 crores equity shares of Rs. 10 each.

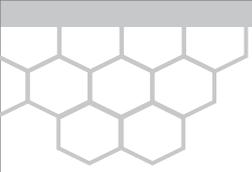
Capital Infusion

During the year under review, in order to fund the planned expansion of the business, the Company allotted 21.5 crores equity shares of Rs. 10 each for cash at par on a right basis. Consequently, the paid-up capital of the Company has increased from Rs. 200 crores to Rs. 415 crores.

Employees Stock Option Plan (ESOP)

With the objective of employee participation in Company's growth, the Company instituted HDFC ERGO Employees Stock Option Plan - 2009 (ESOP-2009). Pursuant to the approval of the Shareholders, during the year the Company granted 26,40,000 stock options at a grant price of Rs. 10 per option, in respect of 26,40,000 equity shares of Rs. 10 each, under ESOP-2009-Tranche-I to eligible employees.

Options granted vest in tranches - 25% on completion of 2 years from grant date, 25% at 3 years from grant date and the balance 50% on completion of 4 years from the grant date and are exercisable within a period of 5 years from the date of respective vesting. None of the said options have vested. As at March 31, 2010, all the said 26,40,000 options were in force.



Accreditations

Rating by ICRA Limited (an associate of Moody's Investors Service) (ICRA)

During the year under review, ICRA has assigned a "iAAA" rating to your Company indicating its highest claim paying ability. The rating denotes Company's fundamentally strong position and prospect of meeting policy holder obligations is the best.

ISO Certification for Claims Services

During the year under review, the Company has received ISO 9001:2008 certification for its claim services. This certification validates Company's conformity with internationally established standards for quality systems and assurance in claim processing (from claim intimation to final payment).

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

The Road Ahead

The Indian economy, with its strong fundamentals, has managed to tide over the global downturn with greater resilience than many other countries, as indicated by GDP growth. Going forward, many economists believe that the economic recovery will be driven by a new phenomenon - growing consumer spending in emerging markets, with India at the forefront. Initiatives undertaken by the Government to develop infrastructure will play a crucial role in establishing the pace of recovery. In what is seen as a positive sign in these tough times, the manufacturing sector has benefitted from the Government's stimulus packages resulting in leaner operating costs and has shown some encouraging numbers. Sectors such as metals, cement, paper and real estate, which have been largely impacted, will be in a phase of consolidation in the coming months. The buoyancy in the automobile industry continues, with car makers and two wheeler companies bettering their sales.

While the growth of the insurance industry was impacted during the first half of the last financial year due to slowdown of the economy, it recovered during

the second half. It is felt that the industrial growth will continue during the current financial year with its corresponding impact on the growth of insurance industry.

While continuing with the objective of profitable growth and the risk based underwriting, the Company would strive to build upon its superior customer service capabilities. Efficient claims management processes and expense management will continue to be important drivers for the overall performance of the Company.

Particulars of Employees

The total employee strength of the Company as on March 31, 2010 was 957 as against 704 at the beginning of the year. During the year, 19 employees employed throughout the year were in receipt of remuneration of Rs. 24 lacs or more per annum and 6 employees employed for part of the year were in receipt of remuneration of Rs. 2 lacs or more per month. Under the provisions of the Section 217(2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annex to this report. In terms of the provisions 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.

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

The Company incurred an expenditure of Rs. 58.2 crores (Previous Year - Rs. 71.3 crores) in foreign exchange during the year under review mainly on account of reinsurance premium.

Earnings in foreign exchange during the year was Rs.11.8 crores (Previous Year - Rs. 17.3 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.

Public 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 and Dr. Jagdish Khattar retire by rotation at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment.

At the 6th Annual General Meeting of the Company held on August 14, 2008, Members had approved the appointment of Mr. Ritesh Kumar as the Managing Director and Chief Executive Officer of the Company for a period of 2 (two) years with effect from June 10, 2008. Accordingly, the present term of Mr. Ritesh Kumar, as Managing Director and Chief Executive Officer of the Company expires on June 9, 2010.

The Board of Directors of the Company at its meeting held on April 24, 2010, pursuant to the recommendations of the Nomination and Remuneration Committee of Directors and subject to the approval of the Members and Insurance Regulatory and Development Authority (IRDA), re-appointed Mr. Ritesh Kumar as the Managing Director and Chief Executive Officer of the Company for a period of 5 (five) years w.e.f. June 10, 2010 and also approved the terms and conditions of re-appointment including remuneration.

The IRDA, vide letter No. 452/1/F&A/MR/32/May-10 dated May 26, 2010, has approved the said reappointment and the terms thereof.

Vide letter dated May 7, 2010, Mr. Stefan Emberger intimated his desire to resign as a Director of the Company, pursuant to change in his role within the Munich Re Group, w.e.f. July 1, 2010. The Board accepted the resignation of Mr. Stefan Emberger as a Director of the Company w.e.f. July 1, 2010. The Board wish to place on record its appreciation for the services rendered and contributions made by Mr. Stefan Emberger during his tenure as a Director of the Company.

Further, vide letter dated May 7, 2010, ERGO International AG, nominated Mr. Mark Lammerskitten

as a Director of the Company in accordance with the provisions of Article X(b)(ii) of the Articles of Association of the Company, in place of Mr. Stefan Emberger, effective July 1, 2010. The Board of Directors vide resolution passed by circulation on June 1, 2010, pursuant to the provisions of Section 260 of the Companies Act, 1956, appointed Mr. Mark Lammerskitten as an additional Director of the Company, to hold office as such upto the date of the ensuing AGM. As required under the provisions of Section 257 of the Companies Act, 1956, the Company has received a notice from a Member proposing the candidature of Mr. Mark Lammerskitten as a Director of the Company. The Board recommends the appointment of Mr. Mark Lammerskitten as a Director of the Company, liable to retire by rotation in terms of the provisions of the Companies Act, 1956 and the Articles of Association of the Company.

All the Directors of the Company have confirmed that they are not disqualified from being appointed as directors in terms of Section 274(1) (g) of the Companies Act, 1956. Further, all the Directors have confirmed that they comply with the 'fit and proper' criteria prescribed under the Corporate Governance Guidelines notified by IRDA and submitted the requisite declarations in the format prescribed under the said Guidelines.

Further, as required under the said Guidelines, each of the Directors and the Company has entered into a Deed of Covenant as per the prescribed format.

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

Auditors

At the Seventh Annual General Meeting of the Company held on August 14, 2009, Members had appointed Messrs B. K. Khare & Co., Chartered Accountants (Registration No. of the firm with the ICAI: FRN105102W), and Messrs. G. M. Kapadia & Co., Chartered Accountants, Mumbai, (Registration No. of the firm with the ICAI:104767W), as Joint Statutory Auditors of the Company, to audit the books of accounts of the Company and to hold office



as such up to the conclusion of eighth Annual General Meeting of the Company.

The Company has received certificates from Messrs. B. K. Khare & Co., Chartered Accountants and Messrs. G. M. Kapadia & Co., Chartered Accountants to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. Further, both of them have confirmed that their re-appointment is in compliance of the provisions of guidelines on appointment of Statutory Auditors by insurance companies, issued by IRDA.

The Board recommends the re-appointment of Messrs. B. K. Khare & Co., Chartered Accountants and Messrs. G. M. Kapadia & Co., Chartered Accountants, Mumbai as the joint Statutory Auditors of the Company.

Necessary resolution for the said re-appointment is contained in the notice of the Eighth Annual General Meeting of the Company circulated to the Members. Members are requested to consider their re-appointment and authorize the Board of Directors to fix their remuneration for the financial year 2010-11.

Report of the Board on Corporate Governance

A brief report of the Board of Directors of the Company detailing the status of compliance of the various provisions of the Corporate Governance Guidelines prescribed by Insurance Regulatory and Development Authority (IRDA) is given in an annexure to this Report.

Directors' Responsibility Statement

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956 and based on the information provided by the management, your directors state that:

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

(ii) Accounting policies selected were applied consistently. Reasonable and prudent judgments 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, 2010 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; and

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

Acknowledgements

The Board wishes to thank the Insurance Regulatory and Development Authority and other regulatory authorities for their continued support and guidance. The Board wish to place on record its sincere thanks for the support and co-operation extended by the Policyholders, Reinsurers, and various channel partners. The directors would also like to express their sincere appreciation to the employees of the Company at all levels for their hard work, dedication and commitment in the growth journey of the Company.

On behalf of the Board of Directors

MUMBAI
June 1, 2010

DEEPAK S. PAREKH
Chairman

Annexure to Directors' Report

Report of the Directors on Corporate Governance

Corporate governance is not only a set of rules that define the relationship between shareholders, management, board of directors and customers of a company but also influences the operations of a company. At its most basic level, corporate governance deals with issues that result from the separation of ownership, management and control.

Good corporate governance ensures that the business environment is fair and transparent and that the companies can be held accountable for their actions. Regardless of the type of venture, only good governance can deliver sustainable good business performance and value to all stakeholders.

Company's Philosophy on Corporate Governance

Right from inception the Company's philosophy on corporate governance has been influenced by its promoter HDFC and the Company's joint venture partners. Corporate Governance at the Company is not just adherence to mandatory rules and guidelines. It lies in observing the spirit behind the letter. A commitment to Policyholder satisfaction and nurturing of shareholder value has been the cornerstone of governance practices at HDFC ERGO. The Company endeavors to adhere to the established and proven practices of HDFC and ERGO in maintaining corporate culture and the spirit in managing the business.

HDFC ERGO's mission is to become a long term trusted and transparent Company to its Policyholders, Shareholders, Channel Partners, Employees and the community it works and operates in.

Given below is the report of the directors on corporate governance in accordance with the provisions of the Corporate Governance Guidelines notified by Insurance Regulatory and Development Authority (IRDA).

Composition of the Board

Sr. No.	Directors	No. of Directorships held in other public companies*
1	Mr. Deepak S. Parekh (Chairman)	11**
2	Mr. Keki M. Mistry	10
3	Ms. Renu S. Karnad	13
4	Mr. Andreas Kleiner	—
5	Mr. Stefan Emberger	—
6	Dr. Jagdish Khattar	1
7	Mr. Bernhard Steinruecke	3
8	Mr. Ritesh Kumar	—

* Directorships held in public companies registered under the provisions of Companies Act, 1956 has been considered.

** Excluding the directorships mentioned above, Mr. Deepak S. Parekh is alternate director in 4 companies.

Sr. Nos. 6 and 7 are independent directors.

Tenure

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

During the year under review, the Board met five (5) times on April 24, 2009, May 26, 2009, August 11, 2009, November 19, 2009 and February 23, 2010. The Board also met on April 24, 2010, for approval of annual accounts of the Company for the financial year 2009-10.

The details of the attendance of the Directors at the said meetings are listed below:

Directors	No. of Meetings Attended	Sitting Fees Paid (Rs.)
Mr. Deepak S. Parekh	5	1,00,000
Mr. Keki M. Mistry	4	80,000
Ms. Renu S. Karnad	5	1,00,000
Mr. Andreas Kleiner	5	—
Mr. Stefan Emberger	4	—
Dr. Jagdish Khattar	5	1,00,000
Mr. Bernhard Steinruecke	5	1,00,000
Mr. Ritesh Kumar	5	—

Board Committees

To enable better and more focused attention on the affairs of the Company and as required under Regulatory provisions, the Board has the following committees.

Audit and Compliance Committee (ACC)

The Audit and Compliance Committee of the Board comprises five (5) members, all of whom are Non-executive Directors. The Chairman of the Committee is an Independent Director. All the members of the Committee have strong financial analysis background. The composition of the Committee is in accordance with the provisions of Section 292A of the Companies Act, 1956 and the Guidelines issued by IRDA. The Committee inter-alia oversees the financial statements and financial reporting before submission to the Board, internal audit function, compliance function and the work of the statutory auditors. It also reviews the reports of the internal auditors and statutory auditors along with the comments and action taken reports of the management. The Committee invites senior executives, as it considers appropriate to be present at the meetings of the Committee.

During the year under review, the ACC met four (4) times on April 24, 2009, August 11, 2009, November 19, 2009 and February 23, 2010. The Committee also met on April 24, 2010, prior to finalization of annual accounts for the financial year 2009-10.

The details of composition of the ACC and the attendance of the Directors at the meetings are listed below:

Members	No. of Meetings Attended	Sitting Fees Paid (Rs.)
Mr. Bernhard Steinruecke* (Chairman)	4	40,000
Mr. Keki M. Mistry@	3	30,000
Ms. Renu Sud Karnad	4	40,000
Mr. Andreas Kleiner	4	—
Mr. Stefan Emberger	3	—

*Chairman w.e.f. November 19, 2009
@Chairman up to November 18, 2009

Investment Committee (IC)

The Investment Committee comprises six (6) members - two non-executive Directors, the Managing Director and CEO, the Chief Financial Officer and Company Secretary, the Appointed Actuary and the Chief Investment Officer. The composition of the Committee is in accordance with the provisions of the IRDA (Investment) Regulations, 2000, as amended and the Guidelines issued by IRDA.

The Committee reviews the investment policy of the Company, its implementation and the operational framework for the investment operations, ensuring liquidity for smooth operations, compliance with prudential regulatory norms on investments, risk management / mitigation strategies to ensure adequate return on investment of Policyholder and Shareholder funds. All members of the Committee are fully conversant with the various responsibilities cast on them by the IRDA (Investment) Regulations, 2000, as amended and Guidelines issued thereunder by IRDA from time to time.

During the year under review, the IC met four (4) times on April 24, 2009, August 11, 2009, November 19, 2009 and February 23, 2010.

The details of composition of the IC and the attendance of the members at the meetings are listed below:

Members	No. of Meetings Attended	Sitting Fees Paid (Rs.)
Mr. Keki M. Mistry (Chairman)	4	40,000
Mr. Stefan Emberger	4	—
Mr. N. Lakshmanan (Appointed Actuary)	4	—
Mr. Ritesh Kumar	4	—
Mr. Samir H. Shah (CFO & Company Secretary)	4	—
Mr. Abhiranjan Gupta (Chief Investment Officer)	4	—

Risk Management Committee (RMC)

The Risk Management Committee comprises seven (7) members. Mr. S Gopalakrishnan, Head-Reinsurance is the Chief Risk Officer of the Company.

The terms of reference of RMC inter alia includes laying down Risk Management Strategy to manage risks across the organization, assisting the Board in the effective operation of the risk management system, maintenance of group-wide and aggregate view of the risks affecting the business of the Company and reporting thereon on various risks and measures taken to minimize the impact of the said risks.

The composition of the RMC is listed below:

Members	Designation
Mr. Ritesh Kumar	Managing Director and CEO
Mr. S. Gopalakrishnan	Head -Reinsurance & Chief Risk Officer
Mr. Tommy Lee Co	Chief Underwriting Officer
Mr. Sanjiv Sharma	Head - Claims
Mr. Ankur Bahorey	Head -Operations and Services Group
Mr. Samir H. Shah	CFO & Company Secretary
Mr. Abhiranjan Gupta	Chief Investment Officer

Mr. Ritesh Kumar is the Chairman of the Committee.

The Committee held its first meeting on April 12, 2010 and all the members of the Committee attended the said meeting.

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

Policyholder Protection and Grievance Redressal Committee (PPGRC)

Policyholder Protection and Grievance Redressal

Committee (PPGRC), was set up in November 2009. The Committee comprises three senior executives of the Company viz. Mr. Mukesh Kumar (Head - Strategy Planning, Human Resources & Marketing), Mr. Sanjiv Sharma (Head - Claims) and Mr. Ankur Bahorey (Head - Operations and Services Group).

The Committee reviews the process being followed by the Company in redressal of Policyholder grievances and the grievance redressal mechanism of the Company and suggests mechanism for speedy redressal of complaints / grievances from Policyholders. The Committee regularly submits its report to the Board inter-alia with regard to complaints / grievances received and resolved, mechanism in place / process being followed for resolution of the complaints / grievances and its observations on the efficacy of the existing mechanism.

During the year under review, the PPGRC met thrice, on November 19, 2009, February 1, 2010 and February 15, 2010. All the members of the Committee attended the said meetings.

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

Nomination and Remuneration Committee (NRC)

The NRC comprises two independent directors and two non-executive directors. The Committee considers and determines the salary and other terms of the compensation package for the Managing Director and CEO. The annual compensation of the Managing Director and CEO is recommended by the Committee, approved by the board subject to approval of the members at the annual general meeting and IRDA. The Committee is also responsible for framing of Employee Stock Option Plan (ESOP), its administration and approving of performance / deferred bonus to employees. During the year, pursuant to the approval of the Shareholders, the Committee approved the grant of 26,40,000 stock options @ Rs. 10 per option representing 26,40,000 equity shares of Rs. 10 each to eligible employees.

The Committee met twice during the year on April 24, 2009 and November 19, 2009.

The details of composition of the NRC and the attendance of the members at the meetings are listed below:

Members	No. of Meetings Attended	Sitting Fees Paid (Rs.)
Ms. Renu Sud Karnad	2	20,000
Mr. Andreas Kleiner	2	—
Dr. Jagdish Khattar	2	20,000
Mr. Bernhard Steinruecke	2	20,000

Capital Expenditure and Technology Review Committee (CETRC)

The CETRC comprise of five (5) members - two non-executive Directors, one independent Director, the Managing Director and CEO and Head of Corporate Development.

The terms of reference of CETRC interalia includes review of existing Technology platform of the Company, its adequacy and the need for upgradation and / or change and approval of major capital expenditure proposals.

During the year the Committee met once on August 11, 2009.

The details of composition of the CETRC and the attendance of the members at the said meeting are listed below:

Members	No. of Meetings Attended	Sitting Fees Paid (Rs.)
Ms. Renu Sud Karnad	Yes	10,000
Mr. Stefan Emberger	Yes	—
Dr. Jagdish Khattar	Yes	10,000
Mr. Ritesh Kumar	Yes	—
Mr. Mark Lammerskitten (Head - Corporate Development)	Yes	—

Remuneration of Non-Executive Directors

During the year under review, other than sitting fees as detailed above, the Company has not paid any remuneration to any of its non executive directors.

On behalf of the Board of Directors

MUMBAI
June 1, 2010

DEEPAK S. PAREKH
Chairman

Compliance Certificate

In accordance with the provisions of Corporate Governance Guidelines issued by Insurance Regulatory and Development Authority, I, Samir H. Shah - CFO & Company Secretary of the Company hereby certify that the Company has complied with the provisions of Corporate Governance Guidelines for Insurance companies notified by IRDA as amended from time to time and to the extent applicable and confirm that, to the best of my knowledge and belief, nothing has been concealed or suppressed.

MUMBAI
June 1, 2010

SAMIR H. SHAH
CFO & Company Secretary

Auditor's 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, 2010 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 valuation are in accordance with the requirements of the Insurance Regulatory and Development Authority ('IRDA') and Actuarial Society of India in concurrence with the IRDA. We have relied on the Actuary's certificate in this regard; and

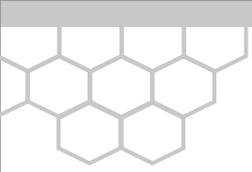
(f) On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the 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, to the extent applicable 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, to the extent applicable;

(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, 2010;
- ii. in the case of the revenue accounts, of the surplus/deficit, as the case may be, for the year ended March 31, 2010;
- iii. in the case of the profit and loss account, of the loss for the year ended March 31, 2010; 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, 2010.

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, 2010 and there is no apparent mistake or material inconsistency with the financial statements; and

(b) Based on our audit procedures, we certify that the Company has complied with the terms and conditions of registration as per subsection 4 of Section 3 of the Insurance Act, 1938.

For B. K. KHARE & CO
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No.: 44784
Firm Regn. No : 105102W

For G. M. KAPADIA & CO
Chartered Accountants

Rajen R. Ashar
Partner
Membership No.:48243
Firm Regn. No : 104767W

MUMBAI
April 24, 2010

Annexure to the Auditor's 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, 2010)

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

Padmini Khare Kaicker
Partner
Membership No.: 44784
Firm Regn. No : 105102W

For G. M. KAPADIA & CO
Chartered Accountants

Rajen R. Ashar
Partner
Membership No.:48243
Firm Regn. No : 104767W

MUMBAI
April 24, 2010

FORM B -BS

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Balance Sheet as at March 31, 2010

	Schedule	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
SOURCES OF FUNDS			
SHARE CAPITAL	5	4,150,000	2,000,000
RESERVES AND SURPLUS	6	—	—
FAIR VALUE CHANGE ACCOUNT		373	130
BORROWINGS	7	7,011	11,973
DEFERRED TAX LIABILITY		—	—
TOTAL		4,157,384	2,012,103
APPLICATION OF FUNDS			
INVESTMENTS	8	6,236,769	2,729,062
LOANS	9	—	—
FIXED ASSETS	10	246,839	169,671
CURRENT ASSETS			
Cash and Bank Balances	11	670,866	514,076
Advances and Other Assets	12	1,820,869	804,908
Sub-Total (A)		2,491,735	1,318,984
CURRENT LIABILITIES	13	3,592,924	1,922,639
PROVISIONS	14	2,896,508	1,011,424
Sub-Total (B)		6,489,432	2,934,063
NET CURRENT ASSETS/ (LIABILITIES) (C) = (A-B)		(3,997,697)	(1,615,079)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	—	—
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		1,671,473	728,449
TOTAL		4,157,384	2,012,103
NOTES TO ACCOUNTS	16		

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

Signature to the Balance Sheet Schedules 5 to 16

As per our report even date

B. K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Regn. No. 105102W

MUMBAI, April 24, 2010

G. M. Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Membership No. 48243
Firm Regn. No. 104767W

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Stefan Emberger

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

FORM B -PL

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Profit & Loss Account for year ended March 31, 2010

Schedule	For the year ended March 31, 2010 (Rs.'000)	For the year ended March 31, 2009 (Rs.'000)
OPERATING PROFIT / (LOSS)		
Fire Insurance	106,663	69,074
Marine Insurance	(14,265)	(18,470)
Miscellaneous Insurance	(1,172,880)	(398,229)
	<u>(1,080,482)</u>	<u>(347,625)</u>
INCOME FROM INVESTMENTS		
Interest, Dividend and Rent – Gross	128,350	84,348
Profit on sale of investments	13,317	11,258
Less: Loss on sale of investments	—	—
Amortisation of debt securities	(5,354)	(125)
	<u>136,313</u>	<u>95,481</u>
OTHER INCOME	<u>—</u>	<u>—</u>
TOTAL (A)	<u>(944,169)</u>	<u>(252,144)</u>
PROVISIONS (OTHER THAN TAXATION)		
For diminution in the value of investment	—	—
For doubtful debts	—	—
Others	—	—
	<u>—</u>	<u>—</u>
OTHER EXPENSES		
Expenses other than those related to insurance business		
Employee's related remuneration and welfare benefits	437	—
Bad debts written off	—	—
Others	—	—
	<u>437</u>	<u>—</u>
TOTAL (B)	<u>437</u>	<u>—</u>
PROFIT / (LOSS) BEFORE TAX	<u>(944,606)</u>	<u>(252,144)</u>
Income Tax Expense :		
— Current Tax	—	—
— Deferred Tax (Refer note 14 of Schedule 16)	—	—
— Fringe Benefits Tax	—	5,325
— Excess provision written back	(1,582)	—
Provision for Taxation		
— Wealth Tax	—	—
	<u>(943,024)</u>	<u>(257,469)</u>
APPROPRIATIONS		
Interim dividends paid during the year	—	—
Proposed final dividend	—	—
Dividend distribution tax	—	—
Transfer to any Reserves or Other Accounts	—	—
Balance of Profit / (Loss) brought forward from previous year	(728,449)	(470,980)
	<u>(1,671,473)</u>	<u>(728,449)</u>
BALANCE CARRIED FORWARD TO BALANCE SHEET	<u>(1,671,473)</u>	<u>(728,449)</u>
EARNINGS PER SHARE (Basic and Diluted) (in Rs.)	<u>(3.01)</u>	<u>(1.52)</u>
(Face Value Rs 10 per share) (Refer note 24 of Schedule 16)		

16

Schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account
Signature to the Profit & Loss Account Schedules 1 to 16

As per our report even date

B. K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Regn. No. 105102W

MUMBAI, April 24, 2010

G. M. Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Membership No. 48243
Firm Regn. No. 104767W

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Stefan Emberger

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

FORM B -RA

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Revenue Account for the year ended March 31, 2010



Particulars	Schedule	FIRE BUSINESS		MARINE BUSINESS		MISCELLANEOUS BUSINESS		TOTAL BUSINESS	
		Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009
1 Premiums Earned (Net)	1	33,210	8,778	30,086	19,150	3,937,261	1,766,803	4,000,557	1,794,731
2 Profit / Loss on Sale / Redemption of Investments (Net)		819	390	301	212	23,555	16,110	24,675	16,712
3 Amortisation of debt securities		(329)	(4)	(121)	(2)	(9,472)	(178)	(9,922)	(184)
4 Other									
Investment Income from Pool (Motor & Terrorism)			4,599			74,489	27,408	74,489	32,007
Miscellaneous Income/Liabilities written back		36		31		3,921	4,495	3,988	4,495
5 Interest and Dividend (Gross of TDS)		7,898	2,925	2,901	1,586	227,043	120,702	237,842	125,213
TOTAL (A)		41,634	16,688	33,198	20,946	4,256,797	1,935,340	4,331,629	1,972,974
1 Claims Incurred (Net)	2	52,157	1,869	46,509	10,814	3,859,968	1,436,262	3,958,634	1,448,945
2 Commission	3	(182,203)	(74,319)	(17,431)	(8,481)	(174,696)	(120,603)	(374,330)	(203,403)
3 Operating Expenses Related to Insurance Business	4	65,017	20,064	18,385	37,083	1,744,405	1,017,910	1,827,807	1,075,057
4 Premium Deficiency									
TOTAL (B)		(65,029)	(52,386)	47,463	39,416	5,429,677	2,333,569	5,412,111	2,320,599
Operating Profit/Loss (A—B)		106,663	69,074	(14,265)	(18,470)	(1,172,880)	(398,229)	(1,080,482)	(347,625)
APPROPRIATIONS									
Transfer to Shareholders Account		106,663	69,074	(14,265)	(18,470)	(1,172,880)	(398,229)	(1,080,482)	(347,625)
Transfer to Catastrophe Reserve									
Transfer to Other Reserves									
TOTAL (C)		106,663	69,074	(14,265)	(18,470)	(1,172,880)	(398,229)	(1,080,482)	(347,625)

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 event date

For and on behalf of the Board of Directors

B. K. Khare & Co.
Chartered Accountants

G. M. Kapadia & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Regn. No. 10/5102W

Deepak S. Parekh
Chairman
Ritesh Kumar
Managing Director & CEO
Samir H. Shah
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Stefan Emberger
Independent Directors
Jagdish Khattar
Bernhard Steinruecke

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

Particulars	Financial Year 2009-10				Financial Year 2008-09				Total
	Fire	Marine		Total	Fire	Marine		Total	
		Marine Cargo	Marine Hull			Marine Cargo	Marine Hull		
Premium from direct business written-net of Service tax,	1,329,678	153,664	95,193	248,857	9,154,022	7,575,487	587,923	82,863	3,392,137
Add: Premium on reinsurance accepted	98,160	1,233	41	1,274	892,135	792,701	59,401	1,348	348,144
Less: Premium on reinsurance ceded	(1,291,583)	(108,864)	(91,131)	(199,995)	(4,159,337)	(2,667,759)	(613,487)	(62,930)	(1,792,608)
Net Premium	136,255	46,033	4,103	50,136	5,886,820	5,700,429	33,837	21,281	1,947,673
Less: Adjustment for changes in reserve for unexpired risks	(103,045)	(15,462)	(4,588)	(20,050)	(1,886,263)	(1,763,168)	(25,059)	(2,131)	(152,942)
Total Premium earned	33,210	30,571	(485)	30,086	4,000,557	3,937,261	8,778	19,150	1,794,731

Particulars	Miscellaneous										Total Miscellaneous					
	Motor					Other										
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmen Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident		Health Insurance	Other Liability	Home	Speciality	Other
Premium from direct business written-net of Service tax	2,009,951	889,264	—	2,899,215	20,174	9,266	9,075	279,396	182,763	728,950	2,687,410	202,504	2,120	436,307	118,307	7,575,487
Add: Premium on reinsurance accepted	—	—	761,992	761,992	—	—	—	13,700	—	—	—	4,402	—	10,102	2,505	792,701
Less: Premium on reinsurance ceded	(214,869)	(607,903)	—	(822,772)	(13,695)	(7,004)	(6,734)	(238,201)	(181,779)	(133,676)	(620,056)	(179,758)	(212)	(411,011)	(52,861)	(2,667,759)
Net Premium	1,795,082	281,361	761,992	2,838,435	6,479	2,262	2,341	54,895	984	595,274	2,067,354	27,148	1,908	35,398	67,951	5,700,429
Less: Adjustment for changes in reserve for unexpired risks	(479,347)	(91,205)	(247,399)	(817,951)	(1,510)	(20)	(1,320)	(24,793)	(401)	(433,050)	(427,224)	(5,632)	(87)	(7,587)	(43,593)	(1,763,168)
Total Premium earned	1,315,735	190,156	514,593	2,020,484	4,969	2,242	1,021	30,102	583	162,224	1,640,130	21,516	1,821	27,811	24,358	3,937,261

* Miscellaneous Premium Breakup for financial year 2009-10

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

**** Miscellaneous Premium Breakup for financial year 2008-09** (Rs. In 000's)

Particulars	Miscellaneous											Total Miscellaneous				
	Motor				Other											
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance		Other Liability	Home	Speciality	Other
Premium from direct business written-net of Service tax	1,241,364	346,394	—	1,587,758	8,135	7,071	3,209	141,740	18,200	76,569	560,132	122,653	1,954	174,331	19,599	2,721,351
Add: Premium on reinsurance accepted	364	—	265,177	265,541	—	—	—	3,353	69	—	—	4,051	—	14,381	—	287,395
Less: Premium on reinsurance ceded	(263,536)	(233,753)	—	(497,289)	(5,400)	(5,418)	(2,579)	(123,610)	(18,233)	(22,289)	(142,975)	(112,076)	(198)	(172,628)	(13,496)	(1,116,191)
Net Premium	978,192	112,641	265,177	1,356,010	2,735	1,653	630	21,483	36	54,280	417,157	14,628	1,756	16,084	6,103	1,892,555
Less: Adjustment for changes in reserve for unexpired risks	(16,058)	(7,232)	(50,777)	(74,067)	9	(123)	(166)	(5341)	(5)	9,559	(53,621)	(2,834)	(303)	1,419	(279)	(125,752)
Total Premium earned	962,134	105,409	214,400	1,281,943	2,744	1,530	464	16,142	31	63,839	363,536	11,794	1,453	17,503	5,824	1,766,803

Schedule 2 CLAIMS INCURRED (NET) FINANCIAL YEAR 2009-10 (Rs. In 000's)

Particulars	Financial Year 2009-10					Financial Year 2008-09				
	Fire	Marine			Total	Fire	Marine			Total
		Marine Cargo	Marine Hull	Marine Total			Marine Cargo	Marine Hull	Marine Total	
Claims paid direct	132,199	46,177	—	46,177	3,322,044	50,659	22,786	22,786	1,391,706	
Add: Claims on Re-insurance accepted	5,225	—	—	—	77,195	1,652	—	—	1,677	
Less: Re-insurance ceded	(114,985)	(22,006)	—	(22,006)	(590,997)	(43,613)	(8,969)	(8,969)	(290,773)	
Net Claims paid	22,439	24,171	—	24,171	2,808,242	8,698	13,817	13,817	1,102,610	
Add: Claims Outstanding at the end of the period	41,502	31,540	849	32,389	2,100,094	11,785	10,051	10,051	949,703	
Less: Claims Outstanding at the beginning of the period	(11,784)	(10,051)	—	(10,051)	(949,702)	(18,614)	(13,054)	(13,054)	(603,368)	
Total Claims Incurred	52,157	45,660	849	46,509	3,958,634	1,869	10,814	10,814	1,448,945	

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

(Rs. in 000's)

Particulars	Miscellaneous													Total Miscellaneous		
	Motor						Other									
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home		Speciality	Other
Claims paid direct	981,992	144,524	—	1,126,516	346	6	—	30,720	7,699	85,926	1,832,548	—	58	10,750	49,099	3,143,668
Add: Claims on Re-insurance accepted	580	—	71,385	71,965	—	—	—	5	—	—	—	—	—	—	—	71,970
Less: Re-insurance ceded	(137,484)	(57,086)	—	(194,570)	(105)	(5)	—	(15,492)	(7,699)	(9,220)	(187,768)	—	(6)	(6,588)	(32,553)	(454,006)
Net Claims paid	845,088	87,438	71,385	1,003,911	241	1	—	15,233	—	76,706	1,644,780	—	52	4,162	16,546	2,761,632
Add: Claims Outstanding at the end of the period	136,435	431,115	934,469	1,502,019	1,212	336	165	12,785	58	68,602	415,453	4,612	389	7,180	13,392	2,026,203
Less: Claims Outstanding at the beginning of the period	102,524	309,076	353,578	765,178	783	153	46	7,231	3	17,286	124,029	1,179	234	7,157	4,588	927,867
Total Claims incurred	878,999	209,477	652,276	1,740,752	670	184	119	20,787	55	128,022	1,936,204	3,433	207	4,185	25,350	3,859,968

* Miscellaneous Claims Incurred (Net) Breakup for financial year 2009-10

(Rs. in 000's)

Particulars	Miscellaneous													Total Miscellaneous		
	Motor						Other									
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home		Speciality	Other
Claims paid direct	801,426	76,616	11,902	889,944	—	—	—	9,807	—	29,812	366,757	—	8	9,344	12,589	1,318,261
Add: Claims on Re-insurance accepted	5	—	—	5	—	—	—	20	—	—	—	—	—	—	—	25
Less: Re-insurance ceded	(152,629)	(13,977)	—	(166,606)	—	—	—	(7,445)	—	(4,199)	(45,049)	—	(1)	(7,338)	(7,553)	(238,191)
Net Claims paid	648,802	62,639	11,902	723,343	—	—	—	2,382	—	25,613	321,708	—	7	2,006	5,036	1,080,095
Add: Claims Outstanding at the end of the period	102,524	309,076	353,578	765,178	783	153	46	7,231	3	17,286	124,029	1,179	234	7,157	4,588	927,867
Less: Claims Outstanding at the beginning of the period	122,502	223,315	99,810	445,627	762	145	29	4,499	—	16,989	80,366	1,080	214	18,179	3,810	571,700
Total Claims incurred	628,824	148,400	265,670	1,042,894	21	8	17	5,114	3	25,910	365,371	99	27	(9,016)	5,814	1,436,262

** Miscellaneous Claims Incurred (Net) Breakup for financial year 2008-09

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

Schedule 3 COMMISSION (Rs. in 000's)

Particulars	Financial Year 2009-10						Financial Year 2008-09					
	Marine			*Miscellaneous	Total	Fire	Marine			**Miscellaneous	Total	
	Marine Cargo	Marine Hull	Marine Total				Marine Cargo	Marine Hull	Marine Total			
Commission paid direct	14,097	2,506	16,603	431,463	524,791	24,260	4,555	1,014	5,569	150,787	180,616	
Add : Commission paid on re-insurance accepted	10	—	10	1,899	7,900	8,445	—	—	—	2,187	10,632	
Less : Commission received on re-insurance ceded	(24,130)	(9,914)	(34,044)	(608,058)	(907,021)	(107,024)	(11,773)	(2,277)	(14,050)	(273,577)	(394,651)	
Net commission paid/ (received)	(10,023)	(7,408)	(17,431)	(174,696)	(374,330)	(74,319)	(7,218)	(1,263)	(8,481)	(120,603)	(203,403)	

* Miscellaneous Commission Breakup for financial year 2009-10

Particulars	Miscellaneous															
	Motor					Other										
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation Accident	Health Liability	Personal Insurance	Other	Home	Speciality	Other	Total Miscellaneous
Commission paid direct	76,648	—	—	76,648	1,521	797	663	20,851	171	161,388	97,418	22,385	240	43,041	6,340	431,463
Add : Commission paid on re-insurance accepted	—	—	—	—	—	—	—	497	—	—	—	242	—	1,160	—	1,899
Less : Commission received on re-insurance ceded	(40,355)	(63,746)	—	(104,101)	(3,788)	(1,357)	(1,286)	(75,384)	(5,908)	(264,941)	(52,572)	(30,699)	(42)	(62,337)	(5,643)	(608,058)
Net commission paid / (received)	36,293	(63,746)	—	(27,453)	(2,267)	(560)	(623)	(54,036)	(5,737)	(103,553)	44,846	(8,072)	198	(18,136)	697	(174,696)

** Miscellaneous Commission Breakup for financial year 2008-09

Particulars	Miscellaneous															
	Motor					Other										
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation Accident	Health Liability	Personal Insurance	Other	Home	Speciality	Other	Total Miscellaneous
Commission paid direct	26,576	—	—	26,576	512	366	324	10,508	523	54,164	9,820	16,037	167	30,021	1,769	150,787
Add : Commission paid on re-insurance accepted	24	—	—	24	—	—	—	231	—	—	—	—	—	1,932	—	2,187
Less : Commission received on re-insurance ceded	(56,059)	(28,258)	—	(84,317)	(1,447)	(677)	(454)	(42,968)	(278)	(64,245)	(9,764)	(23,424)	(49)	(43,861)	(2,093)	(273,577)
Net commission paid / (received)	(29,459)	(28,258)	—	(57,717)	(935)	(311)	(130)	(32,229)	245	(10,081)	56	(7,387)	118	(11,908)	(324)	(120,603)

Schedule - 3 A

COMMISSION PAID - DIRECT

Particulars	Financial Year 2009-2010			Financial Year 2008-2009		
	Fire	Marine	Miscellaneous	Fire	Marine	Miscellaneous
	Total	Total	Total	Total	Total	Total
Agents	2,228	692	28,702	31,622	418	9,638
Brokers	41,930	14,656	169,613	226,199	5,151	138,411
Corporate Agency	12,278	1	79,382	91,661	—	26,691
Referral	20,289	1,254	153,766	175,309	—	—
Others	—	—	—	—	—	—
Total	76,725	16,603	431,463	524,791	5,569	150,787

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

Particulars	(Rs. In 000's)											
	Financial Year 2009-10					Financial Year 2008-09					Total	
	Fire	Marine		*Miscellaneous	Total	Fire	Marine		**Miscellaneous	Total		
		Marine Cargo	Marine Hull				Marine Hull	Marine Total				
Employees' remuneration and welfare benefits	38,962	5,844	1,849	7,693	601,551	648,206	9,939	15,927	5,758	21,685	320,272	351,896
Travel, conveyance and vehicle running expenses	3,167	436	150	586	48,252	52,005	1,069	1,733	598	2,331	28,626	32,026
Training expenses	265	162	1	163	18,832	19,260	16	23	11	34	1,831	1,881
Rents, rates and taxes	2,625	2,301	—	2,301	261,641	266,567	1,654	2,586	1,021	3,607	143,440	148,701
Repairs	331	263	—	263	29,431	30,025	142	216	95	311	24,387	24,840
Printing and stationery	588	283	14	297	32,227	33,112	203	316	128	444	19,442	20,089
Communication	1,062	352	32	384	41,608	43,054	289	456	175	631	17,431	18,351
Legal and professional charges	6,059	2,690	36	2,726	406,549	415,334	1,899	2,863	1,280	4,143	112,483	118,525
Auditors' fees, expenses etc	—	—	—	—	—	—	—	—	—	—	—	—
(a) as auditors	18	16	—	16	1,767	1,801	10	15	7	22	1,768	1,800
(b) as advisor or in any other capacity, in respect of :	—	—	—	—	—	—	—	—	—	—	—	—
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—
(c) in any other capacity	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	3,758	832	221	1,053	62,566	67,377	185	278	126	404	10,305	10,894
Interest and Bank Charges	59	52	—	52	6,771	6,882	43	65	30	95	5,579	5,717
Others :	—	—	—	—	—	—	—	—	—	—	—	—
Electricity expenses	343	300	—	300	34,159	34,802	193	295	125	420	17,633	18,246
Office Expenses	330	23	17	40	2,836	3,206	321	495	204	699	33,694	34,714
Miscellaneous expenses	5,853	622	747	1,369	9,888	17,110	207	324	127	451	7,385	8,043
Service Charges	65	—	—	—	58,406	58,471	3,279	462	—	462	178,620	182,361
Technical Service Charges	—	—	—	—	—	—	—	—	—	—	—	—
Information Technology Expenses	586	495	—	495	56,022	57,103	254	357	197	554	37,940	38,748
Postage & courier	316	205	3	208	22,863	23,387	77	130	39	169	11,710	11,956
Loss on sale of assets (net)	163	22	8	30	2,487	2,680	17	26	12	38	374	429
Depreciation	467	409	—	409	46,549	47,425	267	67	516	583	44,990	45,840
Service Tax Expenditure	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Expenses	65,017	15,307	3,078	18,385	1,744,405	1,827,807	20,064	26,634	10,449	37,083	1,017,910	1,075,057

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

Particulars	Miscellaneous										Other				Total Miscellaneous	
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmen Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality		Other
Employees' remuneration and welfare benefits	228,209	75,779	—	303,988	1,017	408	934	9,077	3,427	42,259	216,400	6,260	375	10,967	6,439	601,551
Travel, conveyance and vehicle running expenses	19,205	7,302	—	26,507	76	30	67	696	274	3,027	15,641	464	25	843	602	48,252
Training expenses	7,332	1,342	—	8,674	27	12	10	160	6	884	8,638	118	10	153	140	18,832
Rents, rates and taxes	100,612	14,541	—	115,153	380	171	78	2,217	45	12,405	125,418	1,645	139	2,127	1,863	261,641
Repairs	11,294	1,655	—	12,949	43	19	9	255	10	1,406	14,075	189	16	249	211	29,431
Printing and stationery	12,578	2,515	—	15,093	47	21	18	303	33	1,625	14,309	215	17	304	242	32,227
Communication	16,413	3,974	—	20,387	60	26	32	408	68	2,225	17,336	286	23	423	334	41,608
Legal and professional charges	123,716	23,139	86,527	233,382	461	195	158	2,774	149	17,058	144,816	1,980	178	2,602	2,796	406,549
Auditors' fees, expenses etc	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) as auditors	679	98	—	777	3	1	1	15	—	84	847	11	1	14	13	1,767
(b) as advisor or in any other capacity, in respect of :	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) In any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	21,179	3,475	—	24,654	111	56	46	1,076	452	3,081	30,124	827	30	1,498	611	62,566
Interest and Bank Charges	2,263	1,212	—	3,475	9	4	2	50	1	279	2,821	37	3	48	42	6,771
Others :-																
Electricity expenses	13,136	1,898	—	15,034	50	22	10	289	6	1,620	16,374	215	18	278	243	34,159
Office Expenses	1,159	685	—	1,844	5	2	9	59	29	317	424	35	2	70	40	2,836
Miscellaneous expenses	1,601	288	—	1,889	7	9	8	1,224	2,137	326	2,497	439	2	659	691	9,888
Service Charges	49,263	—	—	49,263	—	—	—	—	—	4,833	4,310	—	—	—	—	58,406
Information Technology Expenses	21,581	3,195	—	24,776	81	37	18	478	13	2,643	26,733	354	30	461	398	56,022
Postage & courier	8,852	1,452	—	10,304	33	15	9	203	14	1,086	10,665	150	12	203	169	22,863
Loss on sale of assets (net)	990	377	—	1,367	4	2	3	36	14	156	806	24	1	43	31	2,487
Depreciation	17,900	2,587	—	20,487	68	31	14	394	8	2,207	22,313	293	25	378	331	46,549
Total Operating Expenses	657,962	145,514	86,527	890,003	2,482	1,061	1,426	19,714	6,886	97,521	674,547	13,542	907	21,320	15,196	1,744,405

* Miscellaneous Operating expenses related to Insurance business Breakup for financial year 2009-10

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2010

Particulars	Miscellaneous													Total Miscellaneous		
	Motor				Miscellaneous					Other						
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmen Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home		Speciality	Other
Employees' remuneration and welfare benefits	178,496	19,556	—	198,052	3,107	1,732	525	18,277	35	10,792	61,001	13,354	244	5,209	7,944	320,272
Travel, conveyance and vehicle running expenses	14,004	1,534	—	15,538	334	186	56	1,965	4	1,196	5,031	1,436	20	364	2,496	28,626
Training expenses	1,033	113	—	1,146	5	3	1	29	—	68	385	21	2	19	152	1,831
Rents, rates and taxes	85,928	9,414	—	95,342	517	288	87	3,041	6	5,562	31,672	2,222	127	2,238	2,338	143,440
Repairs	15,105	1,655	—	16,760	45	25	8	262	1	1,002	5,701	191	23	274	95	24,387
Printing and stationery	12,825	1,405	—	14,230	64	35	11	374	1	899	2,845	273	218	147	345	19,442
Communication	10,260	1,124	—	11,384	90	50	15	532	1	655	3,601	389	15	258	441	17,431
Legal and professional charges	43,322	4,746	33,147	81,215	594	331	100	3,492	7	3,676	14,586	2,552	58	723	5,149	112,483
Auditors' fees, expenses etc	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) as auditors	1,096	120	—	1,216	3	2	1	18	—	73	414	13	2	20	6	1,768
(b) as advisor or in any other capacity, in respect of :	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(c) in any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	6,577	720	—	7,297	58	32	10	341	1	356	1,695	249	7	82	177	10,305
Interest and Bank Charges	3,789	415	—	4,204	14	8	2	80	—	173	954	58	11	46	29	5,579
Others :-																
Electricity expenses	10,606	1,162	—	11,768	60	34	10	354	1	682	3,886	259	16	294	269	17,633
Office Expenses	20,476	2,243	—	22,719	100	56	17	589	1	1,321	7,525	431	30	443	462	33,694
Miscellaneous expenses	4,083	447	—	4,530	65	36	11	380	1	290	1,531	278	6	84	173	7,385
Service Charges	159,372	17,460	—	176,832	45	39	18	791	102	—	—	684	—	—	109	178,620
Information Technology Expenses	25,010	2,740	—	27,750	79	44	13	467	1	1,298	7,392	341	30	357	168	37,940
Postage & courier	8,718	955	—	9,673	24	13	4	142	—	391	1,204	104	16	76	63	11,710
Loss on sale of assets (net)	223	25	—	248	5	3	1	32	—	7	41	23	—	2	12	374
Depreciation	28,470	3,119	—	31,589	84	47	14	492	1	1,740	9,912	359	40	477	235	44,990
Total Operating Expenses	629,393	68,953	33,147	731,493	5,293	2,964	904	31,658	163	30,181	159,376	23,237	865	11,113	20,663	1,017,910

**Miscellaneous Operating expenses related to Insurance business Breakup for financial year 2008-09

(Rs. in 000's)

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule - 5

SHARE CAPITAL

Particulars	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Authorised Capital		
600,000,000 Equity Shares of Rs 10/- each (Previous Year: 200,000,000 Equity Shares of Rs 10/- each)	6,000,000	2,000,000
Issued Capital		
415,000,000 Equity Shares of Rs. 10/- each (Previous Year: 200,000,000 Equity Shares of Rs 10/- each)	4,150,000	2,000,000
Subscribed Capital		
415,000,000 Equity Shares of Rs. 10/- each (Previous Year: 200,000,000 Equity Shares of Rs 10/- each)	4,150,000	2,000,000
Called—up Capital		
415,000,000 Equity Shares of Rs. 10/- each (Previous Year: 200,000,000 Equity Shares of Rs 10/- each)	4,150,000	2,000,000
Less: Calls unpaid	—	—
Add: Equity Shares forfeited (Amount originally paid up)	—	—
Less: Par Value of Equity Shares bought back	—	—
Less: Preliminary Expenses	—	—
Total	<u>4,150,000</u>	<u>2,000,000</u>

Of the above, 307,100,000 (Previous year 148,000,000) equity shares of Rs.10/- each held by Housing Development Finance Corporation Limited, the holding company.

Schedule - 5A

SHARE CAPITAL

PATTERN OF SHAREHOLDING

[As certified by the Management]	As at March 31, 2010		As at March 31, 2009	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters:				
Indian: Housing Development Finance Corporation Limited	307,100,000	74%	148,000,000	74%
Foreign: ERGO International AG	107,900,000	26%	52,000,000	26%
Others	—	0%	—	0%
Total	<u>415,000,000</u>	<u>100%</u>	<u>200,000,000</u>	<u>100%</u>

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule - 6

RESERVES AND SURPLUS

Particulars	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (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	—	—
Balance of Profit in Profit and Loss Account	—	—
Total	—	—

Schedule - 7

BORROWINGS

Particulars	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Debentures / Bonds	—	—
Banks	—	—
Financial Institutions	—	—
Others:		
Orix Auto Infrastructure & Business Solution Ltd.	7,011	5,357
IBM India Pvt. Ltd.	—	6,616
(Refer note 4 and 13 of Schedule 16)		
Total	7,011	11,973

Schedule - 8

INVESTMENTS (Refer note 9 of Schedule 16)

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills*	1,321,027	880,973
Other Approved Securities:	—	—
Non-Convertible Debentures	—	—
Investments in Housing Bonds	—	—
Other Investment:		
Shares	—	—
— Equity	4,170	—
— Preference	—	—
Mutual Funds	—	—
Derivative Instruments	—	—

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule - 8 (Continued)

INVESTMENTS (Refer note 9 of Schedule 16)

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Debentures / Bonds	1,564,398	834,894
Other Securities	—	—
Subsidiaries	—	—
Investment in Properties-Real Estate	—	—
Investment in Infrastructure and Social Sector Bonds	1,682,952	437,286
Other than Approved Investments - Non-Convertible Debentures	—	—
Sub-total A	4,572,547	2,153,153
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills #	796,612	49,791
Other Approved Securities:	—	—
Non-Convertible Debentures	—	—
Investments in Housing Bonds	—	—
Bank deposits	—	—
Other Investment:		
Shares		
— Equity	—	—
— Preference	—	—
Mutual Funds	—	84,026
Derivative Instruments	—	—
Debentures / Bonds	169,715	50,009
Other Securities (Bank Deposit)	495,572	249,168
Subsidiaries	—	—
Investment in Properties-Real Estate	—	—
Investment in Infrastructure and Social Sector Bonds	30,000	—
Other than Approved Investments		
— Mutual Fund	172,323	142,915
— Corporate Deposits	—	—
Sub-total B	1,664,222	575,909
Total A+B	6,236,769	2,729,062
Note: Aggregate market value of the investments other than Mutual Fund	(Rs.'000)	(Rs.'000)
Long term investments		
— Book Value	4,568,377	2,153,153
— Market Value	4,561,880	2,168,984
Short term investments		
— Book Value	1,491,899	348,968
— Market Value	1,493,857	350,323

*Includes Rs. 130,735 thousand (Previous year Rs. 80,983 thousand) pursuant to Section 7 of the Insurance Act 1938.

Includes Rs. NIL (Previous year Rs. 48,791 thousand) pursuant to Section 7 of the Insurance Act 1938.

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule - 9

LOANS

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (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	<u>—</u>	<u>—</u>
BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	—	—
(b) Banks and Financial Institutions	—	—
(c) Subsidiaries	—	—
(d) Industrial Undertakings	—	—
(e) Others	—	—
Total	<u>—</u>	<u>—</u>
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	<u>—</u>	<u>—</u>
MATURITY-WISE CLASSIFICATION		
(a) Short-term	—	—
(b) Long-Term	—	—
Total	<u>—</u>	<u>—</u>

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule – 10
FIXED ASSETS (Refer note 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	106,101	98,667	—	204,768	86,006	13,133	—	99,139	105,629	20,095
Land-Freehold	—	—	—	—	—	—	—	—	—	—
Leasehold Property	17,457	—	—	17,457	13,473	1,477	—	14,950	2,507	3,984
Building	—	—	—	—	—	—	—	—	—	—
Furniture and Fittings	5,984	1,046	—	7,030	2,264	381	—	2,645	4,385	3,720
Information Technology Equipment	160,086	56,271	178	216,179	97,605	20,128	69	117,664	98,515	62,481
Vehicles	1,175	—	—	1,175	1,088	88	—	1,176	(1)	87
Office Equipment	34,333	2,383	3,227	33,489	6,394	2,036	545	7,885	25,604	27,939
Leased Vehicles	6,792	3,234	500	9,526	2,046	1,651	500	3,197	6,329	4,746
Leased Information Technology Equipment	26,850	—	26,850	—	19,630	7,219	26,850	(1)	1	7,220
Leased Software	6,832	—	6,832	—	5,517	1,314	6,832	(1)	1	1,315
Total	365,610	161,601	37,587	489,624	234,023	47,427	34,796	246,654	242,970	131,587
Capital Work-in-progress	38,084	3,871	38,086	3,869	—	—	—	—	3,869	38,084
Grand Total	403,694	165,472	75,673	493,493	234,023	47,427	34,796	246,654	246,839	169,671
Previous Year	305,685	104,001	5,992	403,694	191,504	45,840	3,321	234,023	169,671	114,181

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule - 11

CASH AND BANK BALANCES

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Cash (including cheques, drafts and stamps)	368,806	449,102
Bank balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	—	—
(bb) Others	—	—
(b) Current Accounts	302,060	64,974
(c) Others	—	—
Money at Call and Short Notice		
(a) With Banks	—	—
(b) With Other Institutions	—	—
Others	—	—
Total	<u>670,866</u>	<u>514,076</u>

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, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
ADVANCES		
Reserve deposits with ceding companies	—	—
Application money for investments	—	—
Prepayments	149,315	13,368
Advance to Directors / Officers	—	—
Advance tax paid and taxes deducted at source (net of provision for taxation)	3,898	1,750
Others:		
Advances to employees	232	322
Advances to suppliers	32,177	23,910
Advance payment for Service Tax	28,379	—
Others	—	—
Sub-total A	<u>214,001</u>	<u>39,350</u>
OTHER ASSETS		
Premium Receivable	—	—
Income accrued on investments	192,491	76,682
Outstanding Premiums	—	—
Agents' Balances	—	—
Foreign Agents' Balances	—	—
Due from other entities carrying on insurance business (including reinsurers)	1,365,904	641,887
Due from subsidiaries / holding	—	—
Deposit with Reserve Bank of India (Pursuant to section 7 of Insurance Act, 1938)	—	—
Others:		
Deposits for premises	46,886	42,924
Deposits with Vendors	—	—
Stock of Salvaged Cars	1,587	4,065
Sub-total B	<u>1,606,868</u>	<u>765,558</u>
Total A+B	<u>1,820,869</u>	<u>804,908</u>

Schedules

Annexed to and forming part of the Balance Sheet for the year ended March 31, 2010

Schedule -13

CURRENT LIABILITIES

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Agents' Balances	21,373	13,690
Balances due to other insurance companies	554,978	371,736
Deposits held on re-insurance ceded	—	—
Premiums received in advance	279,489	306,983
Unallocated Premium	283,393	101,564
Sundry creditors	346,329	169,875
Due to subsidiaries / holding company	—	—
Claims outstanding (Refer Note no. 23(a),27 and 29 of Schedule 16)	2,100,094	949,703
Due to Officers / Directors	—	—
Others:		
Provision for notified claims (net of re-insurance)(refer note 27 & 29 of Schedule 16)	—	—
Provision for Claims IBNR (net of re-insurance)	—	—
Solatium fund (Refer note 23(a) of Schedule 16)	—	—
Service tax liability	—	3,411
Tax deducted payable	7,248	5,615
Other statutory dues	20	62
Superannuation payable	—	—
Bank Overdraft (for book purpose only)	—	—
Total	3,592,924	1,922,639

Schedule -14

PROVISIONS

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Reserve for Unexpired Risk	2,894,991	1,008,728
For taxation (less advance tax paid and taxes deducted at source)	—	—
For proposed dividends	—	—
For dividend distribution tax	—	—
Others:		
Provision for Employee benefits	1,517	2,696
Provision for Gratuity	—	—
Total	2,896,508	1,011,424

Schedule -15

MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

	As at March 31, 2010 (Rs.'000)	As at March 31, 2009 (Rs.'000)
Discount Allowed in issue of shares / debentures	—	—
Others:		
Pre-operative expenses:		
Opening balance	—	—
Incurred during the year	—	—
Less :Amortisation during the year	—	—
Total	—	—



Schedule - 16

Notes to Accounts for the Financial Year Ended March 31, 2010

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'). As on March 31, 2010, the shareholders of the Company are Housing Development Finance Corporation Ltd (HDFC) (74%) and ERGO International AG (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.

The IRDA has renewed the Company's Certificate of Registration to sell general insurance products in India for the year 2010-11 vide its Certificate of Renewal of Registration dated March 10, 2010. The renewed registration is with effect from April 1, 2010 and is valid up to March 31, 2011.

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 notified under the Companies Accounting Standard Rules 2006 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 recognized prospectively in current and future periods.

(c) Revenue Recognition

Premium Income

Premium (net of service tax) is recognized 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 prior to commencement of the risk.

Income earned on investments

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

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

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

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

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(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. Any subsequent revisions to or cancellations of premiums are accounted for in the year in which they occur. Premium on excess of loss reinsurance cover is accounted as per the terms of the reinsurance arrangements.

(e) Commission received

Commission on reinsurance ceded is recognized as income on ceding of reinsurance premium. Profit commission under re-insurance treaties, wherever applicable, is recognized in the year of final determination of the profits and as intimated by the Reinsurer.

(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. Premium Deficiency is calculated at business segment level.

(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.

Claims (net of amounts receivables from reinsurers/coinsurers) are recognized on the date of intimation based on estimates from surveyors/insured in the respective revenue accounts.

The liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (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 of India. The Appointed Actuary has used alternative methods for each product category as considered appropriate depending upon the availability of past data.

The Basic Chain Ladder (BCL) Method has been adopted for those lines of business where claims development in the past years is thought to be representative for the future claims development. The liability has been arrived at by using BCL method for Motor (OD&PA), Personal Accident, Health and Travel Insurance and Bornhuetter-Ferguson Method (BF) for Motor TP where reasonable volume of claims paid data is available.

For other classes of business such as Commercial Insurance (consisting of Fire, Marine, Engineering, Public Liability, Product liability, Workmen compensation 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 such 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.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(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 viz. commission. These costs are expensed in the period in which they are incurred.

(k) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition (including incidental expenses relating to acquisition and installation of assets) and expenses directly attributable to bringing the asset to its working condition for its intended use, less accumulated depreciation and impairment of assets, if any. 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.

Based on the past experience, during the year, the Company has reviewed the estimated useful life of Information Technology Equipments & Computer Software. From the current year, the Company charges Depreciation on such assets calculated on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. The depreciation rates used are as under:

Nature of Asset	Depreciation rate used	Depreciation rate as per Schedule XIV
Computer Software	16.21%	16.21%
Furniture and Fittings	6.33%	6.33%
Information Technology Equipment	16.21%	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 transfers to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the asset and present value of the minimum lease payments at the inception of the lease term and are disclosed as leased assets. Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Revenue Accounts.

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

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(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 balance sheet date monetary items denominated in foreign currencies are converted into rupee equivalents at the exchange rates prevailing at that date.

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 investments made with the specific intention to be disposed off within twelve months from the balance sheet date are classified as short-term investments.

Investments other than short term investments are classified as long 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 accounts and in the profit and loss account over the period of maturity / holding. All mutual fund investments are valued at net asset value as at balance sheet date .

Equities actively traded and convertible preference shares as at the balance sheet date are stated at fair value, being the lowest of last quoted closing price on the National Stock Exchange or Bombay Stock Exchange Limited.

In accordance with the Regulations any unrealized gains / losses arising due to change in fair value of mutual fund investments or listed equity shares are accounted in "Fair Value Change Account" and carried forward in the balance sheet and is not available for distribution.

(p) 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 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.



Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(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.

(v) Other long term benefits

Provision for other long term benefits is accrued and provided for on the basis of an actuarial valuation made at the end of each financial year.

(q) Taxation

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

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

(r) 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.

The Company has ensured that it has created liability, to the extent of premium retroceded to the Company, through reserve for unexpired risks.

(s) 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 multi-lateral 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.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

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.

(t) 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.

(u) 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.

(v) Earnings per Share

Earnings per share is calculated by dividing the Profit after Tax in the Profit and Loss account by the weighted average number of equity shares outstanding during the year.

(w) Provisions and Contingencies

A provision is recognised when the Company has a present legal 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.

(x) Employee Stock Option Plan ("ESOP")

The Company follows the intrinsic method for computing the compensation cost, for options granted under the scheme(s). The difference if any, between the intrinsic value and the grant price, being the compensation cost is amortized over the vesting period of the options.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

3. CONTINGENT LIABILITIES

Sr. No.	Particulars	March 31, 2010 (Rs. '000)	March 31, 2009 (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. 3,871 thousand (Previous year: Rs. 38,084 thousand)] is Rs. 13,755 thousand (Previous year: Rs. 28,500 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.

Particulars	March 31, 2010 (Rs. '000)	March 31, 2009 (Rs. '000)
Outside India	29,616	28,949

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.

The Ageing of claims outstanding (unsettled) is as under :

Particulars	March 31, 2010 (Rs. '000)	March 31, 2009 (Rs. '000)
More than six months	316,262	225,537
Others	1,275,983	270,347

7. PREMIUM

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

(b) Premium income recognized on "Varying Risk Pattern" is Rs. NIL (Previous year: Rs. Nil)

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

8. EXTENT OF RISKS RETAINED AND REINSURED

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

For the year ended March 31, 2010

Particulars	Basis	Gross Premium (Rs. 000's)	Retention (Rs. 000's)	Ceded (Rs. 000's)	Retention %	Ceded %
Motor	Total sum insured	3,661,208	2,852,665	808,543	78	22
Personal Accident	Value at Risk	728,950	603,611	125,339	83	17
Travel & Health	Value at Risk	2,687,410	2,069,251	618,159	77	23
Specialty	Value at Risk	446,409	35,398	411,011	8	92
Home	Total sum insured	2,120	1,908	212	90	10
Fire	Total sum insured	1,427,838	167,045	1,260,793	12	88
Marine	Value at Risk	250,130	57,126	193,004	23	77
Miscellaneous	Value at Risk	842,092	181,576	660,516	22	78

The above excludes Excess of Loss cover reinsurance premium of Rs.81,760 thousand for the year ended March 31, 2010.

For the year ended March 31, 2009

Particulars	Basis	Gross Premium (Rs. 000's)	Retention (Rs. 000's)	Ceded (Rs. 000's)	Retention %	Ceded %
Motor	Total sum insured	1,853,300	1,370,509	482,790	74	26
Personal Accident	Value at Risk	47,289	42,521	4,776	90	10
Travel & Health	Value at Risk	560,132	419,817	140,315	75	25
Specialty	Value at Risk	188,712	16,083	172,628	9	91
Home	Total sum insured	1,954	1,756	198	90	10
Fire	Total sum insured	647,324	44,483	602,841	7	93
Marine	Value at Risk	84,213	21,642	62,571	26	74
Miscellaneous	Value at Risk	357,352	70,134	287,217	20	80

The above excludes Excess of Loss cover reinsurance premium of Rs.39,272 thousand for the year ended March 31, 2009.

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.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

Historical cost of investments which have been valued on a fair value basis :

Mutual Funds – Rs 172,314 thousand (Previous year Rs.226, 811 thousand)

Equity Shares – Rs 3,805 thousand (Previous year Nil)

(Rs. '000)

Particulars	March 31, 2010	March 31, 2009
Aggregate Market value of the Investments other than Mutual fund	6,059,906	2,519,308
Aggregate amortized cost of the Investments other than Mutual fund	6,064,081	2,502,121

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

(Rs. '000)

Particulars	March 31, 2010	March 31, 2009
9.39% Govt. of India Securities (Maturity July 2, 2011)	50,751	51,308
7.99% Govt. of India Securities (Maturity July 9, 2017)	10,146	10,161
6.85% Govt. of India Securities (Maturity April 5, 2012)	50,319	Nil
8.33% Govt. of India Securities (Maturity June 7, 2036)	19,519	19,514
5.87% Govt. of India Securities (Maturity Jan 2, 2010)	Nil	48,791
Total	130,735	129,774

Note : The above Investments are held in the Constituent Subsidiary General Ledger Account with Citi-Bank N.A.

10. MANAGERIAL REMUNERATION

The Managing Director and Chief Executive Officer (MD & CEO) is remunerated in terms of the approval granted by Insurance Regulatory and Development Authority.

Details of the MD & CEO's remuneration included in employee remuneration and welfare benefits are as follows:

(Rs. '000)

Particulars	March 31, 2010	March 31, 2009
Salary, perquisites and bonus	14,880	11,662
Contribution to Provident Fund	557	420
Provision for Superannuation Fund	Nil	Nil
Other allowances and perquisites	Nil	Nil
Total	15,437	12,082

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

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

(Rs. '000)

Business Sector	For the year ended March 31, 2010			For the year ended March 31, 2009		
	GWP	No. of Lives	% of GWP	GWP	No. of Lives	% of GWP
Rural	979,132	—	10.7	204,081	—	6.0
Social	6,549	53,098	0.1	310	38,622	0.0
Urban	8,168,349	—	89.2	3,187,748	—	94.0
Total	9,154,030	53,098	100.0	3,392,139	38,622	100.0

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

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. In terms of IRDA Reinsurance Regulations, the Company has submitted details in respect of its reinsurance treaties including those where the reinsurance support exceeds 10% from overseas reinsurers.

13. ASSETS TAKEN ON LEASE

Vehicles, information technology equipments and software:

(Rs. '000)

Particulars	March 31, 2010	March 31, 2009
Total commitment towards minimum lease payments	9,232	14,043
Present Value of minimum lease payments	7,011	11,983
Minimum Lease payments		
Not later than one year (Present value Rs. 1,743 thousand as on 31-03-2010) (Previous year 8,032 thousands)	2,717	8,670
Later than one year but not later than five years (Present value Rs. 5,268 thousand as on 31-03-2010) (Previous year 3,951 thousands)	6,516	5,373

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, 2010	March 31, 2009
Not later than one year	227,682	166,590
Later than one year but not later than Five Years	445,718	543,909
Later than Five Years	176,654	175,640

The aggregate operating lease rental charged to the Revenue Account in the current year is Rs.145,471 thousand (previous year: Rs. 94, 671 thousand).

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

14. TAXATION

Accounting Standard (AS) 22 – 'Accounting for Taxes on Income', 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)

Particulars	March 31, 2010	March 31, 2009
Deferred Tax Assets:		
Section 43B & 40(a) of Income Tax Act	932	1,341
Unabsorbed Depreciation	28,657	9,907
Total	29,590	11,248
Deferred Tax Liabilities:		
Depreciation	29,590	11,248
Total	29,590	11,248
Net Deferred Tax Liability	Nil	Nil

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

15. EMPLOYEE STOCK OPTION PLAN (ESOP)

During the year, the Company introduced an Employee Stock Option Scheme 2009 ('ESOP 2009'). ESOP 2009 provides that eligible employees are granted options to acquire equity shares of the Company that vest in graded manner. The vested options may be exercised within a specified period.

Under ESOP 2009, during the year 26, 40,000 options were granted at an exercise price of Rs. 10 per option. The options will vest over a period of two to four years from the date of grant as given below and are exercisable over a period of five years from the respective dates of vesting. Hence no options have vested/exercised during the year.

Vesting (%)	Vesting Period
25%	2 years after date of grant
25%	3 years after date of grant
50%	4 years after date of grant

Method used for accounting

The company has adopted intrinsic value method for computing the compensation cost for the options granted. Since intrinsic value of the shares is less than exercise price, value of options is Rs. Nil and accordingly, no compensation cost is recognized in the books.

Had the Company followed the fair value method for valuing its options for the year, the charge to the Revenue and Profit & Loss Account would have been higher by Rs. 11,418 thousand and loss after tax would have been higher by same amount. Consequently Company's basic and diluted earnings per share would have been Rs. (3.01) .

Fair Value Methodology

The fair value of options on date of grant i.e February 10, 2010, has been estimated using Black-Scholes model. The key assumptions used in Black-Scholes model for calculating fair value are as follows:

Risk-free interest rate	7.29%-7.72%
Expected life	4-6 years
Expected volatility*	32%
Expected dividend yield	Nil

*Volatility of BSE Sensex for one year has been considered.

Particulars	Fair Value Method	
	March 31, 2010	March 31, 2009
A Net Profit After Tax (Rs. ' 000)	(943,033)	N.A.
Less Preference dividend		
B Weighted Average number of Equity Shares of Rs.10/- each (Basic) (in'000)	313,068	N.A.
C Weighted Average number of Equity Shares of Rs.10/- each (Diluted) (in 1000)	313,068	N.A.
D Basic Earning per Share (Rs.)	(3.01)	N.A.
E Diluted Earning per Share (Rs.)	(3.01)	N.A.

Information in respect of Option outstanding as at 31st March, 2010

Exercise Price	No. of Options	Weighted Average remaining life
Rs. 10	26,40,000	39 months

Current year being the first year of introduction of ESOPs, previous year figures have not been included.

16. SEGMENT REPORTING

The statement on segment reporting is included in Annexure 1.

17. ACCOUNTING RATIOS

The statement on accounting ratios is provided in Annexure 2.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

18. EMPLOYEE BENEFITS

Disclosures as per AS-15 (Revised) "Employee Benefits" for the year ended on March 31, 2010:

(Rs. '000)

Gratuity			
I. Assumptions	1-4-09 to 31-3-10	1-4-08 to 31-3-09	
Discount Rate as on 31-3-10	8.00%	7.50%	
Rate of increase in Compensation levels as on 31-3-10	6.25%	6.25%	
Rate of Return on Plan Assets p.a.	9.00%	9.00%	
Average Future Working life (years)	30.42	25	
II. Table Showing Change in Benefit Obligation			
Net liability as per books (A)	Nil	Nil	
Fair value of Assets at the beginning of the period (B)	6,358	5,024	
Shortfall/(Excess) in opening liability determined as per actuarial valuation (C)	Nil	(689)	
Opening net Liability as per actuarial valuation (A)+(B)+(C)	6,358	4,335	
Interest Cost for the period	477	325	
Service Cost for the period	6,632	2,842	
Benefits paid during the period	(262)	(1,243)	
Actuarial (gain) / loss on obligations	(86)	99	
Plan Benefit Obligation at the end of the period	13,120	6,358	
III. Tables of Fair value of Plan Assets			
Fair Value of plan Assets at the beginning of the period	6,358	5,024	
Expected Return on Plan Assets for the period	572	452	
Contributions during the period	6,503	2,399	
Benefits Paid during the period	(262)	(1,243)	
Actuarial Gain / (loss) on Plan Assets	(52)	(274)	
Fair Value of Plan Assets at the end of the period	13,120	6,358	
IV. The Amounts to be recognized in balance Sheet			
Present Value of Obligation as on 31-3-10	13,120	6,358	
Fair value of plan assets	(13,120)	(6,358)	
Liability Recognized in Balance Sheet as on 31-3-10	Nil	Nil	
V. Amounts to be recognized in the statement of Profit and Loss (Net Periodic Cost)			
Current Service Cost	6,632	2,842	
Interest Cost	477	325	
Expected Return on Plan assets	(572)	(452)	
Net actuarial gain / (loss) recognized in the period	(33)	373	
Actuarial Determined charge for the year (A)	6,503	3,088	
Shortfall / (Excess) (B)	Nil	Nil	
Total Charge as per books (A+B)	6,503	3,088	

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(Rs. '000)

VI.	Movements in the liability recognised in the balance sheet:		
	Net Liability as per books (A)	Nil	Nil
	Shortfall / (Excess) in opening liability determined as per actuarial valuation (B)	Nil	(689)
	Opening net liability(A+B)	Nil	(689)
	Expense as above	6,503	3,088
	Contribution paid	(6,503)	(2,399)
	Closing net Liability	Nil	Nil
VII.	Actual Return on Plan Assets		
	Expected return on plan assets	572	452
	Actuarial Gain /(Loss) on Plan Assets	(52)	(274)
	Actual return on Plan assets	520	178
VIII.	Experience Adjustments		
	Plan Liabilities	(351)	(542)

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

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

The contribution expected to be made by the Company during the financial year 2010-11, amounts to Rs. 6,620 thousand.

19. RELATED PARTY DISCLOSURE

As per the Accounting Standard (AS) 18 on 'Related Party Disclosures', 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 Property Ventures Limited (HDFC Property Ventures)
HDFC Sales Pvt Ltd
HDFC Asset Management Co Ltd.
GRUH Finance Ltd.

Entities over which control is exercised

HDFC PROPERTY FUND – SCHEME— HDFC IT Corridor Fund
HDFC Investment Trust

Investing Party and its group companies

ERGO International AG
Munich Re

Key Management Personnel

Mr. Ritesh Kumar, Managing Director and CEO

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

(b) Details of Transactions :

(Rs. '000)

Particulars	Holding Company		Fellow subsidiaries		Investing Party and its group Companies		Key Mgmt. Personnel	
	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2009
INCOME								
Interest	7,775	8,688	—	—	—	—	—	—
Insurance Premium	22,893	11,731	115,862	5,858	—	—	—	2
Commission on Reinsurance ceded	—	—	—	—	12,867	24,877	—	—
Total	30,668	20,419	115,862	5,858	12,867	24,877		2
EXPENSES								
Rent paid	3,159	1,579	—	301	—	—	—	—
Claims *	29,486	13,183	125,994	1,570	—	—	—	—
Commission paid	47,927	21,993	43,570	692	—	—	—	—
Technical services	—	—	—	—	—	—	—	—
Premium on Reinsurance ceded	—	—	—	—	57,072	81,115	—	—
Advisory fees	—	—	360	90	—	—	—	—
Remuneration	—	—	—	—	—	—	15,437	9,808
Others	1,600	—	9,338	246	—	—	—	—
Total	82,172	36,755	1,79,262	2,899	57,072	81,115	15,437	9,808
ASSETS (Transactions during the year)								
Interest Accrued	2,011	4,596	—	—	—	—	—	—
Investments made	—	95,000	—	—	—	—	—	—
Investments redeemed	—	(45,000)	—	—	—	—	—	—
Expenses Recoverable	—	—	2,514	2,223	—	—	—	—
Reinsurance	—	—	—	—	2,900	14,644	—	—
Total	2,011	54,596	2,514	2,223	2,900	14,644	—	—
LIABILITIES (Transactions during the year)								
Equity contribution	1,591,000	370,000	—	—	5,59,000	130,000	—	—
Reinsurance	—	—	—	—	10,202	43,298	—	—
Others	4,339	9,868	7,759	511	—	—	—	—
Premium received in Advance	839	401	249	408	—	—	—	—
Total	1,596,178	380,269	8,008	919	5,600,202	173,298	—	—
ASSETS								
Investments	100,000	100,000	—	—	—	—	—	—
Interest accrued	2,011	4,596	—	—	—	—	—	—
Expenses Recoverable	—	—	2,514	2,223	—	—	—	—
Reinsurance	—	—	—	—	2,900	14,644	—	—
Total	102,011	104,596	2,514	2,223	2,900	14,644	—	—
LIABILITIES								
Equity Capital	3,071,000	1,480,000	—	—	1,079,000	520,000	—	—
Reinsurance	—	—	—	—	10,202	43,298	—	—
Balance due	—	—	—	—	—	—	—	—
Others	4,339	9,868	7,759	511	—	—	—	—
Premium received in Advance	839	401	249	408	—	—	—	—
Commission	—	—	—	—	—	—	—	—
Reinsurance	—	—	—	—	—	—	—	—
Total	3,076,178	1,490,269	8,008	919	1,089,202	563,298	—	—

* Includes amount paid to employees under group medical policy.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

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 2009-2010 :

(Rs. '000)

Particulars	Munich Re	ERGO International AG	HDFC Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.	HDFC Sales Pvt. Ltd.
INCOME						
Interest			7,775			
Insurance Premium			22,893	111,850	1,740	1,899
Commission on Reinsurance ceded	12,867					
Total	12,867	NIL	30,668	111,850	1,740	1,899
EXPENSES						
Rent paid			3,159			
Claims *			29,486	124,419		1,575
Commission paid			47,927			43,570
Premium on Reinsurance ceded	57,072					
Advisory fees					360	
Others			1,600	9,287		51
Total	57,072	NIL	82,172	133,706	360	45,196
Assets (Transactions during the year)						
Interest Accrued			2,011			
Investments made						
Investments redeemed						
Expenses Recoverable					2,514	
Others	2,900					
Total	2,900	NIL	2,011	2,514	NIL	NIL
Liabilities (Transactions during the year)						
Equity contribution		559,000	1,591,000			
Premium received in Advance			839	91		158
Reinsurance	10,202					
Others			4,339			7,759
Total	10,202	559,000	1,596,178	91	NIL	7,917
ASSETS						
Interest accrued			2,011			
Expenses Recoverable					2,514	
Reinsurance	2,900					
Investment			100,000			
Total	2,900	NIL	102,011	2,514	NIL	NIL
LIABILITIES						
Equity Capital		1,079,000	3,071,000			
Premium received in Advance			839	91		158
Reinsurance	10,202					
Others			4,339			7,759
Total	10,202	1,079,000	3,076,178	91	NIL	7,917

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

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 2008-2009 :

(Rs. '000)

Particulars	Munich Re	ERGO International AG	HDFC Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.	HDFC Sales Pvt. Ltd.
INCOME						
Interest	—	—	8,688	—	—	—
Insurance Premium	—	—	11,371	2,685	1,650	951
Commission on Reinsurance ceded	24,877	—	—	—	—	—
Total	24,877	—	20,419	2,685	1,650	951
EXPENSES						
Rent paid	—	—	1,579	301	—	—
Claims	—	—	13,183	1,570	—	—
Commission paid	—	—	21,993	—	—	692
Premium on Reinsurance ceded	81,115	—	—	—	—	—
Advisory fees	—	—	—	—	90	—
Others	—	—	—	182	—	65
Total	81,115	—	36,755	2,053	90	757

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 2008-2009 :

(Rs. '000)

Particulars	Munich Re	ERGO International AG	HDFC Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.	HDFC Sales Pvt. Ltd.
ASSETS (Transactions during the year)						
Interest Accrued	—	—	4,596	—	—	—
Investments made	—	—	95,000	—	—	—
Investments redeemed	—	—	(45,000)	—	—	—
Expenses Recoverable	—	—	—	2,223	—	—
Reinsurance	14,644	—	—	—	—	—
Total	14,644	—	54,596	2,223	—	—
LIABILITIES (Transactions during the year)						
Equity Contribution	—	130,000	370,000	—	—	—
Premium received in advance	—	—	401	106	—	302
Reinsurance	43,298	—	—	—	—	—
Others	—	—	9,868	—	—	511
Technical services	—	—	—	—	—	—
Total	43,298	130,000	380,269	106	—	813

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

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 2008-2009 :

(Rs. '000)

Particulars	Munich Re	ERGO International AG	HDFC Ltd.	HDFC Standard Life Insurance Company Ltd.	HDFC Asset Management Co. Ltd.	HDFC Sales Pvt. Ltd.
ASSETS						
Interest accrued	—	—	4,596	—	—	—
Expenses Recoverable	—	—	—	2,223	—	—
Reinsurance	14,644	—	—	—	—	—
Investments	—	—	100,000	—	—	—
Total	14,644	—	104,596	2,223	—	—
LIABILITIES						
Equity Capital	—	520,000	1,480,000	—	—	—
Premium received in Advance	—	—	401	106	—	302
Reinsurance	43,298	—	—	—	—	—
Others	—	—	9,868	—	—	511
Total	43,298	520,000	1,490,269	106	—	813

20. LOAN RESTRUCTURING

The Company has not given any loans during the Financial Year and in previous years.

21. SUMMARY OF FINANCIAL STATEMENTS

The summary of financial statements is provided in Annexure 3.

22. FOREIGN EXCHANGE GAIN / LOSS

- During the year foreign exchange profit earned by the Company is Rs. 2,061 thousand (Previous year Rs.1,539 thousand).
- The year end foreign currency exposures is Nil.

23. (a) 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 2008-09. However the charge to the revenue account has been made on an accrual basis (see accounting policy in paragraph 2(v) above).

(b) Contributions to Environment Fund

An amount of Rs. 634 thousand (previous year Rs 24 thousand) collected towards Environment Fund for public liability policies has been transferred to "United India Insurance Company Limited, Environment Fund Account" as per Notification of Environment Relief Fund (ERF) scheme under the public liability insurance Act 1991/92.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

24. EARNINGS PER SHARE (EPS)

	Particulars	March 31, 2010	March 31, 2009
1)	Net Profit / (Loss) After Tax for the year (Rs. '000)	(943,033)	(257,469)
2)	Weighted Average No. of Equity Shares (in '000)	313,068	169,425
3)	Basic and Diluted Earnings per Share (Rs.)	(3.01)	(1.52)
4)	Nominal Value Per Share (Rs.)	Rs. 10.00	Rs. 10.00

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

- 25.** 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, 2010.
- 26.** Professional fees include payments made for various outsourced services amounting to Rs.107,016 thousand (previous year Rs. 50,311 thousand).

27. MOTOR THIRD PARTY POOL

The Company's share in the Motor Third Party pooling arrangement as at for the twelve months period from 01.03.2009 to 28.02.2010, 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 twelve months period is Rs. 149,721 thousand (previous year Rs.57,009 thousand).

As the data for March 2010, 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 on this account.

28. DEPRECIATION

Based on the past experience, during the year, the Company has reviewed the estimated useful life of Information Technology Equipments & Computer Software. From the current year, the Company charges Depreciation on such assets calculated on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Accordingly the depreciation charged for the year is lower by Rs. 16,469 thousand and loss for the year and accumulated loss at the end of the year is lower by the same amount.

29. THIRD PARTY ADMINISTRATOR (TPA) CHARGES

The Company has been charging TPA charges in respect of servicing mediclaim policies to the Profit & Loss Account as and when incurred. In the current year, these charges have been accrued, over the period of policy. As a result of such change, the charge, for the current year is lower by Rs.35,100 thousand and consequentially, loss for the year and accumulated loss at the end of the year is lower by the same amount.

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2010

30. PENALTIES LEVIED BY VARIOUS GOVERNMENT AUTHORITIES DURING FINANCIAL YEAR 2009-10

(Rs. '000)

Sr. No.	Authority	Non-Compliance/ Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
1	Insurance Regulatory and Development Authority	Social Sector compliance – FY 2007-08 (N.A.)	500 (Nil)	500 (Nil)	Nil (Nil)
2	Service Tax Authorities	Nil (Service tax not paid/ shortpaid for a period from October 2002 to March 2007)	N.A (3,283)	N.A (3,283)	N.A (Nil)
3	Income Tax Authorities	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
4	Any other Tax Authorities	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
6	Registrar of Companies/ NCLT/CLB/ Department of Corporate Affairs or any Authority under Companies Act, 1956	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
7	Penalty awarded by any Court/Tribunal for any matter including claim settlement but excluding compensation	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
8	Securities and Exchange Board of India	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
9	Competition Commission of India	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)
10	Any other Central/State/ Local Government / Statutory Authority	Nil (Nil)	N.A (N.A)	N.A (N.A)	N.A (N.A)

(Previous year's figures are in brackets)

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Stefan Emberger

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

MUMBAI, April 24, 2010

Segment Reporting for the Year Ended March 31, 2010

Annexure 1

Segmental Break up of the Balance Sheet as at March 31, 2010

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	41,502	32,389	2,026,203	2,100,094
(refer note 2 (w) of schedule 16)	(11,785)	(10,051)	(927,867)	(949,703)
Reserve for Unexpired Risk	607,642	90,523	2,196,826	2,894,991
	(38,656)	(10,686)	(959,386)	(1,008,728)

Previous year's figures are in brackets.

Segment Reporting for the Year Ended March 31, 2010

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Specialty*	Others	Total
Premium earned (Net) (Schedule - A)	33,210	30,571	(485)	2,020,484	1,315,735	190,156	514,593	4,969	2,242	1,021	21,516	30,102	583	162,224	1,640,130	1,821	27,811	24,358	4,000,557
Profit on Sale of Investments	819	282	19	16,183	6,247	9,936	—	20	7	7	93	255	2	2,025	4,573	9	136	245	24,675
Interest and Dividend (Net of Amortisation)	7,569	2,602	178	149,465	57,694	91,771	—	186	69	66	860	2,358	16	18,704	42,236	85	1,259	2,267	227,920
Investment Income from Pool (Motor & Terrorism)	—	—	—	74,489	—	—	74,489	—	—	—	—	—	—	—	—	—	—	—	74,489
Other Income	36	32	(1)	2,118	1,379	739	—	5	2	1	23	(175)	1	170	1,719	2	29	26	3,988
Total Segmental Revenue	41,634	33,487	(289)	2,262,739	1,381,055	292,602	589,082	5,180	2,320	1,095	22,492	32,540	602	183,123	1,688,658	1,917	29,235	26,896	4,331,629
Claims incurred (Net) (Schedule - B)	52,157	45,660	849	1,740,752	878,999	209,477	652,276	670	184	119	3,433	20,787	55	128,022	1,936,204	207	4,185	25,350	3,958,634
Commission Paid (Net)	(182,203)	(10,023)	(7,408)	(27,453)	36,293	(63,746)	—	(2,267)	(560)	(623)	(8,072)	(54,036)	(5,737)	44,846	(103,553)	198	(18,136)	697	(374,330)
Operating Expenses Related To Insurance Business	65,017	15,307	3,078	890,003	657,962	145,514	86,527	2,482	1,061	1,426	13,542	19,714	6,686	97,521	674,547	907	21,320	15,196	1,827,807
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Expenditure	(65,029)	50,944	(3,481)	2,603,302	1,573,254	291,245	738,803	885	685	922	8,903	(13,535)	1,004	270,389	2,507,198	1,312	7,369	41,243	5,412,111
Segmental Profit (Loss)	106,663	(17,457)	3,192	(340,563)	(192,199)	1,357	(149,721)	4,295	1,635	173	13,589	46,075	(402)	(87,266)	(818,540)	605	21,866	(14,347)	(1,080,482)

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

SCHEDULE - A to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Specialty*	Others	Total		
PREMIUM EARNED (NET)																					
(Refer note 7 and 8 of Schedule 16)																					
Premium from direct business written	1,329,678	153,664	95,193	2,899,215	2,009,951	889,264	—	20,174	9,266	9,075	202,504	279,396	182,763	728,950	2,687,410	2,120	436,307	118,307	9,154,022		
Add: Premium on reinsurance accepted	98,160	1,233	41	761,992	—	—	761,992	—	—	—	4,402	13,700	—	—	—	—	10,102	2,505	892,135		
Less: Premium on reinsurance ceded	(1,291,583)	(108,864)	(91,131)	(822,772)	(214,869)	(607,903)	—	(13,695)	(7,004)	(6,734)	(179,758)	(238,201)	(181,779)	(133,676)	(620,056)	(212)	(411,011)	(52,861)	(4,159,337)		
Net Premium	136,255	46,033	4,103	2,838,435	1,795,082	281,361	761,992	6,479	2,262	2,341	27,148	54,895	984	595,274	2,067,354	1,908	35,398	67,951	5,886,820		
Less: Adjustment for changes in reserve for unexpired risks	(103,045)	(15,462)	(4,588)	(817,951)	(479,347)	(91,205)	(247,399)	(1,510)	(20)	(1,320)	(5,632)	(24,793)	(401)	(433,050)	(427,224)	(87)	(7,587)	(43,593)	(1,886,263)		
Total Premium earned	33,210	30,571	(485)	2,020,484	1,315,735	190,156	514,593	4,969	2,242	1,021	21,516	30,102	583	162,224	1,640,130	1,821	27,811	24,358	4,000,557		

SCHEDULE - B to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Specialty	Others	Total		
CLAIMS INCURRED (NET)																					
(Refer note 6 of Schedule 16)																					
Claims paid direct	132,199	46,177	—	1,126,516	981,992	144,524	—	346	6	—	—	30,720	7,699	85,926	1,832,548	58	10,750	49,099	3,322,044		
Add: Claims on Re-insurance accepted	5,225	—	—	71,965	580	—	71,385	—	—	—	—	5	—	—	—	—	—	—	77,195		
Less: Re-insurance ceded	(114,985)	(22,006)	—	(194,570)	(137,484)	(57,086)	—	(105)	(5)	—	—	(15,492)	(7,699)	(9,220)	(187,768)	(6)	(6,588)	(32,553)	(590,997)		
Net Claims paid	22,439	24,171	—	1,003,911	845,088	87,438	71,385	241	1	—	—	15,233	—	76,706	1,644,780	52	4,162	16,546	2,808,242		
Add: Claims Outstanding at the end of the period	41,502	31,540	849	1,502,019	136,435	431,115	934,469	1,212	336	165	4,612	12,785	58	68,602	415,453	389	7,180	13,392	2,100,094		
Less: Claims Outstanding at the beginning of the period	11,784	10,051	—	765,178	102,524	309,076	353,578	783	153	46	1,179	7,231	3	17,286	124,029	234	7,157	4,588	949,702		
Total Claims incurred	52,157	45,660	849	1,740,752	878,999	209,477	652,276	670	184	119	3,433	20,787	55	128,022	1,936,204	207	4,185	25,350	3,958,634		

SCHEDULE - C to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool sation	Workmen Compen-	Public Liability	Product Liability	Other Liabilities	Engi- neering	Aviation	Personal Accident	Health	Home	Speci- ality*	Others	Total	
COMMISSION PAID [NET]																				
Commission paid direct	76,725	14,097	2,506	76,648	76,648	—	—	1,521	797	663	22,385	20,851	171	97,418	161,388	240	43,041	6,340	524,791	
Add : Commission paid on re-insurance accepted	5,991	10	—	—	—	—	—	—	—	—	242	497	—	—	—	—	1,160	—	7,900	
Less : Commission received on re-insurance ceded	(264,919)	(24,130)	(9,914)	(40,355)	(63,746)	—	—	(3,788)	(1,357)	(1,286)	(30,699)	(75,384)	(5,908)	(52,572)	(264,941)	(42)	(62,337)	(5,643)	(907,021)	
Net commission paid / (received)	(182,203)	(10,023)	(7,408)	36,293	(63,746)	(63,746)	—	(2,267)	(560)	(623)	(8,072)	(54,036)	(5,737)	44,846	(103,553)	198	(18,136)	697	(374,330)	

SCHEDULE - D to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool sation	Workmen Compen-	Public Liability	Product Liability	Other Liabilities	Engi- neering	Aviation	Personal Accident	Health	Home	Speci- ality	Others	Total	
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS																				
Employees' remuneration and welfare benefits	38,962	5,844	1,849	303,988	228,209	75,779	—	1,017	408	934	6,260	9,077	3,427	42,259	216,400	375	10,967	6,439	648,206	
(Refer note 10 of Schedule 16)																				
Travel, conveyance and vehicle running expenses	3,167	436	150	26,507	19,205	7,302	—	76	30	67	464	696	274	3,027	15,641	25	843	602	52,005	
Training expenses	265	162	1	8,674	7,332	1,342	—	27	12	10	118	160	6	884	8,638	10	153	140	19,260	
Rents, rates and taxes	2,625	2,301	—	115,153	100,612	14,541	—	380	171	78	1,645	2,217	45	12,405	125,418	139	2,127	1,863	266,567	
Repairs	331	263	—	12,949	11,294	1,655	—	43	19	9	189	255	10	1,406	14,075	16	249	211	30,025	
Printing and stationery	588	283	14	15,093	12,578	2,515	—	47	21	18	215	303	33	1,625	14,309	17	304	242	33,112	
Communication	1,062	352	32	20,387	16,413	3,974	—	60	26	32	286	408	68	2,225	17,336	23	423	334	43,054	
Legal and professional charges	6,059	2,690	36	233,382	123,716	23,139	86,527	461	195	158	1,980	2,774	149	17,058	144,816	178	2,602	2,796	415,334	
Auditors' fees, expenses etc as auditors	18	16	—	777	679	98	—	3	1	1	11	15	—	84	847	1	14	13	1,801	
as advisor or in any other capacity, in respect of :																				
(i) Taxation matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
In any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	3,758	832	221	24,654	21,179	3,475	—	111	56	46	827	1,076	452	3,081	30,124	30	1,498	611	67,377	
Interest and Bank Charges	59	52	—	3,475	2,263	1,212	—	9	4	2	37	50	1	279	2,821	3	48	42	6,882	
Others :-																				
Electricity expenses	343	300	—	15,034	13,136	1,898	—	50	22	10	215	289	6	1,620	16,374	18	278	243	34,802	
Office Expenses	330	23	17	1,844	1,159	685	—	5	2	9	35	59	29	317	424	2	70	40	3,206	
Miscellaneous expenses	5,853	622	747	1,889	1,601	288	—	7	9	8	439	1,224	2,137	326	2,497	2	659	691	17,110	
Service Charges	65	—	—	49,263	49,263	—	—	—	—	—	—	—	—	4,833	4,310	—	—	—	58,471	
Technical Service Charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Information Technology Expenses	586	495	—	24,776	21,581	3,195	—	81	37	18	354	478	13	2,643	26,733	30	461	398	57,103	
Postage & courier	316	205	3	10,304	8,852	1,452	—	33	15	9	150	203	14	1,086	10,665	12	203	169	23,387	
Loss on sale of assets (net)	163	22	8	1,367	990	371	—	4	2	3	24	36	14	156	806	1	43	31	2,680	
Depreciation	467	409	—	20,487	17,900	2,587	—	68	31	14	293	394	8	2,207	22,313	25	378	331	47,425	
Service Tax Expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total Operating Expenses	65,017	15,307	3,078	890,003	657,962	145,514	86,527	2,482	1,061	1,426	13,542	19,714	6,686	97,521	674,547	907	21,320	15,196	1,827,807	

Segment Reporting for the Year Ended March 31, 2009

Annexure 1

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Specialty*	Others	Total
Premium earned (Net) (Schedule - A)	8,778	19,150	—	1,281,943	962,134	105,409	214,400	2,744	1,530	464	11,794	16,142	31	63,839	363,536	1,453	17,503	5,824	1,794,731
Profit on Sale of Investments	390	212	—	12,775	6,130	6,645	—	18	9	2	70	164	—	466	2,309	10	212	75	16,712
Interest and Dividend	2,921	1,584	—	95,575	45,861	49,714	—	137	65	14	521	1,226	—	3,484	17,274	74	1,582	572	125,029
Investment Income from Pool (Motor & Terrorism)	4,599	—	—	27,408	—	—	27,408	—	—	—	—	—	—	—	—	—	—	—	32,007
Miscellaneous Income/Liabilities written back	—	—	—	3,037	2,737	300	—	—	—	—	—	—	—	182	1,034	4	50	188	4,495
Total Segmental Revenue	16,688	20,946	—	1,420,738	1,016,862	162,068	241,808	2,899	1,604	480	12,385	17,532	31	67,971	384,153	1,541	19,347	6,659	1,972,974
Claims incurred (Net) (Schedule - B)	1,869	10,814	—	1,042,893	628,824	148,400	265,670	21	8	17	99	5,114	3	25,910	365,371	27	(9,016)	5,814	1,448,944
Commission Paid (Net)	(74,319)	(7,218)	(1,263)	(57,717)	(29,459)	(28,258)	—	(935)	(311)	(130)	(7,387)	(32,229)	245	56	(10,081)	118	(11,908)	(324)	(203,403)
Operating Expenses Related To Insurance Business	20,064	26,634	10,449	731,493	629,393	68,953	33,147	5,293	2,964	904	23,237	31,658	163	30,181	159,376	865	11,113	20,663	1,075,057
Premium Deficiency	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Segmental Expenditure	(52,386)	30,230	9,186	1,716,669	1,228,758	189,095	298,817	4,379	2,661	791	15,949	4,543	411	56,147	514,666	1,010	(9,811)	26,153	2,320,598
Segmental Profit (Loss)	69,074	(9,284)	(9,186)	(295,931)	(211,896)	(27,027)	(57,009)	(1,480)	(1,057)	(311)	(3,564)	12,989	(380)	11,824	(130,513)	531	29,158	(19,494)	(347,624)

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

SCHEDULE - A to Annexure 1

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Specialty*	Others	Total
PREMIUM EARNED (NET)																			
(Refer note 7 and 8 of Schedule 16)																			
Premium from direct business written	587,923	57,568	25,295	1,587,758	1,241,364	346,394	—	8,135	7,071	3,209	122,653	141,740	18,200	76,569	560,132	1,954	174,331	19,599	3,392,137
Add : Premium on reinsurance accepted	59,401	1,348	—	265,541	364	—	265,177	—	—	—	4,051	3,353	69	—	—	—	14,381	—	348,144
Less : Premium on reinsurance ceded	(613,487)	(37,905)	(25,025)	(497,289)	(263,536)	(233,753)	—	(5,400)	(5,418)	(2,579)	(112,076)	(123,610)	(18,233)	(22,289)	(142,975)	(198)	(172,628)	(13,496)	(1,792,608)
Net Premium	33,837	21,011	270	1,356,010	978,192	112,641	265,177	2,735	1,653	630	14,628	21,483	36	54,280	417,157	1,756	16,084	6,103	1,947,673
Less : Adjustment for changes in reserve for unexpired risks	(25,059)	(1,861)	(270)	(74,067)	(16,058)	(7,232)	(50,777)	9	(123)	(166)	(2,834)	(5,341)	(5)	9,559	(53,621)	(303)	1,419	(279)	(152,942)
Total Premium earned	8,778	19,150	—	1,281,943	962,134	105,409	214,400	2,744	1,530	464	11,794	16,142	31	63,839	363,536	1,453	17,503	5,824	1,794,731

SCHEDULE - B to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	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	50,659	22,786	—	889,944	801,426	76,616	11,902	—	—	—	—	9,807	—	29,812	366,757	8	9,344	12,589	1,391,706	
Add: Claims on Re-insurance accepted	1,652	—	—	5	5	—	—	—	—	—	—	20	—	—	—	—	—	—	1,677	
Less: Re-insurance ceded	(43,613)	(8,969)	—	(166,606)	(152,629)	(13,977)	—	—	—	—	—	(7,445)	—	(4,199)	(45,049)	(1)	(7,338)	(7,553)	(290,773)	
Net Claims paid	8,698	13,817	—	723,343	648,802	62,639	11,902	—	—	—	—	2,382	—	25,613	321,708	7	2,006	5,036	1,102,610	
Add: Claims Outstanding at the end of the period	11,785	10,051	—	765,178	102,524	309,076	353,578	783	153	46	1,179	7,231	3	17,286	124,029	234	7,157	4,588	949,703	
Less: Claims Outstanding at the beginning of the period	18,614	13,054	—	445,627	122,502	223,315	99,810	762	145	29	1,080	4,499	—	16,989	80,366	214	18,179	3,810	603,368	
Total Claims incurred	1,869	10,814	—	1,042,894	628,824	148,400	265,670	21	8	17	99	5,114	3	25,910	365,371	27	(9,016)	5,814	1,448,945	

SCHEDULE - C to Annexure 1

(Rs. 000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compensation	Public Liability	Product Liability	Other Liabilities	Engineering	Aviation	Personal Accident	Health	Home	Speciality*	Others	Total	
COMMISSION PAID [NET]																				
Commission paid direct	24,260	4,555	1,014	26,576	26,576	—	—	512	366	324	16,037	10,508	523	9,820	54,164	167	30,021	1,769	180,616	
Add: Commission paid on re-insurance accepted	8,445	—	—	24	24	—	—	—	—	—	—	231	—	—	—	—	1,932	—	10,632	
Less: Commission received on re-insurance ceded	(107,024)	(11,773)	(2,277)	(84,317)	(56,059)	(28,258)	—	(1,447)	(677)	(454)	(23,424)	(42,968)	(278)	(9,764)	(64,245)	(49)	(43,861)	(2,093)	(394,651)	
Net commission paid / (received)	(74,319)	(7,218)	(1,263)	(57,717)	(28,459)	(28,258)	—	(935)	(311)	(130)	(7,387)	(32,229)	245	56	(10,081)	118	(11,908)	(324)	(203,403)	

SCHEDULE - D to Annexure 1

(Rs. '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	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)	9,939	15,927	5,758	198,052	178,496	19,556	—	3,107	1,732	525	13,354	18,277	35	10,792	61,001	244	5,209	7,944	351,896	
Travel, conveyance and vehicle running expenses	1,069	1,733	598	15,538	14,004	1,534	—	334	186	56	1,436	1,965	4	1,196	5,031	20	364	2,496	32,026	
Training expenses	16	23	11	1,146	1,033	113	—	5	3	1	21	29	—	68	385	2	19	152	1,881	
Rents, rates and taxes	1,654	2,586	1,021	95,342	85,928	9,414	—	517	288	87	2,222	3,041	6	5,562	31,672	127	2,238	2,338	148,701	
Repairs	142	216	95	16,760	15,105	1,655	—	45	25	8	191	262	1	1,002	5,701	23	274	95	24,840	
Printing and stationery	203	316	128	14,230	12,825	1,405	—	64	35	11	273	374	1	899	2,845	218	147	345	20,089	
Communication	289	456	175	11,384	10,260	1,124	—	90	50	15	389	532	1	655	3,601	15	258	441	18,351	
Legal and professional charges	1,899	2,863	1,280	81,215	43,322	4,746	33,147	594	331	100	2,552	3,492	7	3,676	14,586	58	723	5,149	118,525	
Auditors' fees, expenses etc as auditors or in any other capacity, in respect of:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(i) Taxation matters	10	15	7	1,216	1,096	120	—	3	2	1	13	18	—	73	414	2	20	6	1,800	
(ii) Insurance matters	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(iii) Management services	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
in any other capacity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Advertisement and publicity	185	278	126	7,297	6,577	720	—	58	32	10	249	341	1	356	1,695	7	82	177	10,894	
Interest and Bank Charges	43	65	30	4,204	3,789	415	—	14	8	2	58	80	—	173	954	11	46	29	5,717	
Others :-	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Electricity expenses	193	295	125	11,768	10,606	1,162	—	60	34	10	259	354	1	682	3,886	16	294	269	18,246	
Office Expenses	321	495	204	22,719	20,476	2,243	—	100	56	17	431	589	1	1,321	7,525	30	443	462	34,714	
Miscellaneous expenses	207	324	127	4,530	4,083	447	—	65	36	11	278	380	1	290	1,531	6	84	173	8,043	
Service Charges	3,279	462	—	176,832	159,372	17,460	—	45	39	18	684	791	102	—	—	—	—	109	182,361	
Technical Service Charges	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Information Technology Expenses	254	357	197	27,750	25,010	2,740	—	79	44	13	341	467	1	1,298	7,392	30	357	168	38,748	
Postage & courier	77	130	39	9,673	8,718	955	—	24	13	4	104	142	—	391	1,204	16	76	63	11,956	
Loss on sale of assets (net)	17	26	12	248	223	25	—	5	3	1	23	32	—	7	41	—	2	12	429	
Depreciation	267	67	516	31,589	28,470	3,119	—	84	47	14	359	492	1	1,740	9,912	40	477	235	45,840	
Service Tax Expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total Operating Expenses	20,064	26,634	10,449	731,493	629,393	68,953	33,147	5,293	2,964	904	23,237	31,658	163	30,181	159,376	865	11,113	20,663	1,075,057	

Ratios for Non-Life Companies

Annexure 2

Sr. No.	Performance Ratio	Ratios as on 31 March 2010			Ratios as on 31 March 2009			
		Fire	Marine	Miscellaneous	Fire	Marine	Miscellaneous	Total
1	Gross premium growth rate Gross Premium for Current Year / Gross Premium for Previous Year	126.17%	200.32%	178.37%	358.31%	152.01%	33.08%	53.77%
2	Gross Premium to shareholders' fund ratio Gross Premium for Current Year / (Paid up Capital plus Free Reserves)	NA	NA	NA	NA	NA	NA	266.77%
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	NA	NA	NA	23.57%
4	Net retention ratio Net Premium / Gross Premium	10.25%	20.15%	75.25%	5.76%	25.68%	69.54%	57.42%
5	Gross commission ratio Gross Commission / Gross Premium	5.77%	6.67%	5.70%	4.13%	6.72%	5.54%	5.32%
6	Expenses of Management to gross direct Premium ratio Expenses of Management + Gross Commission/ Gross Direct Premium	10.66%	14.06%	28.72%	7.54%	51.47%	42.95%	37.02%
7	Combined ratio Net Claim Incurred, Gross Commission plus Expenses of Management / Gross Premium	14.58%	32.75%	79.68%	7.86%	64.52%	95.72%	79.73%
8	Technical reserves to net Premium ratio Reserve for Unexpired Risks plus Deficiency Reserve plus Reserve for Outstanding Claims / Net Premium	133.40%	126.79%	83.27%	144.80%	99.53%	99.69%	100.47%
9	Underwriting balance ratio Underwriting Profit / Net Premium	72.10%	-34.66%	-26.18%	180.76%	-95.23%	-29.66%	-26.72%
10	Operating profit ratio Underwriting Profit plus Investment Income / Net Premium	78.28%	-28.45%	-20.58%	204.14%	-86.79%	-21.04%	-17.85%
11	Liquid assets to liabilities ratio Liquid Assets of the Insurer / Policyholders' Liabilities	NA	NA	NA	NA	NA	NA	55.70%
12	Net earnings ratio Profit after Tax / Net Premium	NA	NA	NA	NA	NA	NA	-13.22%
13	Return on net worth Profit after Tax / Net Worth	NA	NA	NA	NA	NA	NA	-20.25%
14	Reinsurance ratio Risk Reinsured (Premium on Reinsurance Ceded) / Gross Premium	89.75%	79.85%	24.75%	94.24%	74.32%	30.46%	42.58%

Notes:

1. Gross Premium represents Gross Direct Premium
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	2009-10 (Rs. '000)	2008-09 (Rs. '000)	2007-08 (Rs. '000)	2006-07 (Rs. '000)	2005-06 (Rs. '000)	2004-05 (Rs. '000)
	OPERATING RESULTS						
1	Gross Written Premium	10,046,157	3,740,281	2,396,874	1,967,826	2,068,954	1,842,473
2	Net Premium Income	5,886,820	1,947,673	1,675,823	1,331,126	1,436,550	1,342,533
3	Income from Investments (net)	252,595	141,741	80,003	60,513	54,965	47,072
4	Other Income (includes provision written back)	78,477	36,502	36,649	4,981	23,731	75
5	Total Income	6,217,892	2,125,916	1,792,475	1,396,620	1,515,246	1,389,680
6	Commission (net)	(374,330)	(203,403)	(45,112)	48,411	78,008	107,072
7	Operating Expenses	1,827,807	1,075,057	740,944	639,512	576,713	460,760
8	Claims, increase in Unexpired Risk Reserve and other outflows	5,844,897	1,596,360	1,323,036	728,517	850,356	941,283
9	Operating Profit / (Loss)	(1,080,482)	(342,098)	(226,393)	(19,820)	10,169	(119,435)
	NON-OPERATING RESULTS						
10	Total Income under shareholder's account	136,313	95,481	63,115	52,968	45,970	47,703
11	Profit / (Loss) before tax	(944,606)	(252,144)	(167,708)	25,017	48,009	(79,862)
12	Provision for tax	(1,582)	5,325	2,284	4,993	3,945	8
13	Profit / (Loss) after tax	(943,024)	(257,469)	(169,992)	20,025	44,064	(79,870)
	MISCELLANEOUS						
14	Policyholders' Account :						
	Total Funds	—	—	—	—	—	—
	Total Investments	—	—	—	—	—	—
	Yield on Investments	—	—	—	—	—	—
15	Shareholders' Account :						
	Total Funds	2,478,527	1,271,551	1,029,021	944,582	916,429	814,234
	Total Investments	6,236,769	2,729,062	2,213,002	1,781,437	1,868,224	1,769,639
	Yield on Investments	8.1%	9.5%	7.2%	6.2%	600.0%	900.0%
16	Paid up equity capital	4,150,000	2,000,000	1,500,000	1,250,000	1,250,000	1,200,000
17	Net worth	2,478,527	1,271,551	1,029,021	944,582	916,429	814,234
18	Total Assets	2,478,527	1,271,551	1,029,021	944,582	916,429	814,234
19	Yield on Total Investments	8.1%	9.5%	7.2%	6.2%	5.6%	5.2%
20	Earnings per Share (Rs.)	(3.01)	(1.52)	(1.36)	0.16	0.36	(0.67)
21	Book Value per Share (Rs.)	5.97	6.36	6.87	7.56	7.33	6.79
22	Total Dividend	—	—	—	—	—	—
23	Dividend per Share (Rs.)	—	—	—	—	—	—

IRDA Registration No: 125

Date of Registration with the IRDA : September 27, 2002

Receipts and Payments Account for the Year Ended March 31, 2010

Particulars	For the year ended March 31, 2010 (Rs. '000)	For the year ended March 31, 2009 (Rs. '000)
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	11,279,298	4,345,927
Other receipts	113,518	61,073
Payments to the re-insurers, net of commission and claims	(2,671,413)	(871,638)
Payments to co-insurers, net of claims recovery	104,415	4,498
Payments of claims	(3,608,657)	(1,491,084)
Payments of commission and brokerage	(531,270)	(190,385)
Payments of other operating expenses	(2,675,126)	(1,457,029)
Deposits, advances and staff loans	(140,167)	(49,799)
Income taxes paid (Net)	4,656	(5,108)
Service tax paid	(500,262)	(65,999)
Net cash flow from operating activities	1,374,992	280,456
Cash flows from investing activities		
Purchase of fixed assets	(127,276)	(102,952)
Proceeds from sale of fixed assets	—	1,194
Purchase of investments	(5,915,605)	(1,962,014)
Sale of investments	2,356,952	1,620,370
Rents / Interests / Dividends received	250,317	201,069
Investments in money market instruments and in liquid mutual funds (Net)	73,907	(149,535)
Expenses related to investments	(360)	(90)
Net cash flow from investing activities	(3,362,065)	(391,958)
Cash flows from financing activities		
Proceeds from issuance of share capital	2,150,000	500,000
Proceeds from borrowing	2,980	4,174
Repayments of borrowing	(7,941)	(12,371)
Interest / Dividend paid	(1,176)	(924)
Net cash flow from financing activities	2,143,863	490,879
Net increase in cash and cash equivalents	156,790	379,377
Cash and cash equivalents at the beginning of the year	514,076	134,699
Cash and cash equivalents at the end of the year	670,866	514,076
Book overdraft at the end of the year	—	—
Net increase in cash and cash equivalents	156,790	379,377

Refer Schedule 11 for components of cash and cash equivalents

As per our report even date

B. K. Khare & Co.
Chartered Accountants

Padmini Khare Kaicker
Partner
Membership No. 44784
Firm Regn. No. 105102W

MUMBAI, April 24, 2010

G. M. Kapadia & Co.
Chartered Accountants

Rajen Ashar
Partner
Membership No. 48243
Firm Regn. No. 104767W

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Stefan Emberger

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

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, 2011.
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, 2010 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. We confirm that the Company has maintained the required solvency margins laid down by Insurance Regulatory and Development Authority.
6. We certify that all assets of the Company have been reviewed on the date of the Balance Sheet

10. Details of payments to individuals, firms, Companies and organizations in which directors are interested during the year ended on March 31, 2010:

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 & CEO	82,172
		HDFC BANK LIMITED *	Director	775,269
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Director	360
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED *	Director	133,706
		SUN PHARMACEUTICALS INDUSTRIES LIMITED	Director	164
		TORRENT POWER LIMITED	Director	523

and to the best of our knowledge and belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realizable or market value under the several headings – “Loans”, “Agents balances”, “Outstanding Premiums”, “Interest, Dividends and Rents outstanding”, “Interest, Dividends and Rents accruing but not due”, “Amounts due from other persons or Bodies carrying on insurance business”, “Sundry Debtors”, “Bills Receivable”, “Cash” and the several items specified under “Other Accounts”.

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 claim settlement time during preceding five Financial Years ended March 31, 2010 is included in Annexure 1.



Sr. No.	Name of the Director	Entity in which Director is interested	Interested as	Payment during the year (Rs.'000)
2.	DEEPAK S. PAREKH	HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED *	Chairman	82,172
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Chairman	360
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED *	Chairman	133,706
		GLAXOSMITHKLINE PHARMACEUTICALS LIMITED	Chairman	1,958
		MAHINDRA & MAHINDRA LIMITED	Director	272
		THE INDIAN HOTELS COMPANY LIMITED	Director	109
		EXIDE INDUSTRIES LTD	Alternate Director	2
3.	RENU SUD KARNAD	HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED *	Director & MD	82,172
		HDFC BANK LIMITED *	Director	775,269
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Director	360
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED *	Director	133,706
		HDFC SALES PRIVATE LIMITED	Chairperson	45,196
4.	BERNHARD STEINRUECKE	INDO-GERMAN CHAMBER OF COMMERCE	Director - General	1,463
5.	DR. JAGDISH KHATTAR	CARNATION AUTO INDIA PVT LTD	Chairman & MD	19
		GENPACT Limited	Director	29

* Payments made include Claims paid to employees under group medical policy

11. We certify that the Investments in Government securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortization. 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.

Listed equity shares as at the balance sheet date are stated at fair value being the lower of last quoted closing price on the National Stock Exchange or Bombay Stock Exchange Limited.

Mutual fund investments are stated at fair value being the closing net asset value as at the balance sheet date.

In accordance with the regulation, unrealized gain / loss arising due to changes in fair value of listed equity shares and mutual fund investments are not taken to revenue(s)/Profit and loss account but are taken to the Fair Value change Account.

12. The Company has adopted a prudent investment policy with emphasis on optimizing return with minimum risk. Emphasis was towards low risk investments such as Government securities and other rated debt instruments. Investments are managed in consonance with the investment policy laid down by the board from time to time and are within the investment regulation and guidelines of IRDA. 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, 2010 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

Directors
KEKI M. MISTRY
RENU SUD KARNAD
ANDREAS KLEINER
STEFAN EMBERGER

Independent Directors
JAGDISH KHATTAR
BERNHARD STEINRUECKE

RITESH KUMAR
Managing Director & CEO

SAMIR H. SHAH
CFO and Company Secretary

MUMBAI
April 24, 2010

Annexure to Management Report

Annexure 1: Claim Settlement Time

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
2009-10																
30 days	271	34,262,787	621	23,999,641	—	—	42,487	522,454,545	2	339,180	—	—	1	360,971	69	902,908
30 days to 6 months	89	49,109,535	348	18,061,129	—	—	9,251	476,418,589	1	3,536	—	—	1	5,388,261	1	339
6 months to 1 year	38	42,321,290	118	2,306,790	—	—	580	61,521,472	1	3,000	1	1,820	1	5,388,261	—	—
1 year to 5 years	10	11,730,099	30	1,809,325	—	—	582	64,218,256	—	—	—	—	1	134,225	—	—
5 years and above	—	—	—	—	—	—	24	2,939,206	—	—	—	—	—	—	—	—
2008-09																
Period																
30 days	95	18,068,382	128	3,586,616	—	—	32,738	421,081,383	—	—	—	—	—	—	—	—
30 days to 6 months	32	17,371,528	165	9,064,031	—	—	8,614	362,594,590	—	—	—	—	—	—	—	—
6 months to 1 year	21	10,385,400	50	2,166,105	—	—	666	51,253,132	—	—	—	—	—	—	—	—
1 year to 5 years	10	9,912,877	29	7,969,449	—	—	560	56,851,460	—	—	—	—	—	—	—	—
5 years and above	—	—	—	—	—	—	3	64,750	—	—	—	—	—	—	—	—
2007-08																
Period																
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																
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																
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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Annexure 1: Claim Settlement Time

Period	Engineering		Aviation		Personal Accident		Health		Home		Specialty		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
2009-10														
30 days	269	6,114,256	5	5,895,006	1,013	37,369,463	186,618	1,161,367,474	1	16,500	1	164,390	208	19,834,609
30 days to 6 months	290	9,614,206	1	688,011	371	40,726,920	41,704	549,331,760	3	15,500	1	3,617,330	108	27,016,328
6 months to 1 year	99	14,642,510	3	1,019,830	39	6,866,610	485	28,984,366	2	23,707	—	—	47	1,940,443
1 year to 5 years	14	354,164	2	95,925	17	962,905	95	3,618,825	1	1,835	2	185,511	29	307,345
5 years and above	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2008-09														
Period	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	56	1,329,225	—	—	203	6,556,968	30839	297,780,650	0	—	0	—	204	6,132,922
30 days to 6 months	130	2,490,806	—	—	257	14,751,406	950	41,879,658	3	8,102	4	8,928,784	196	5,127,324
6 months to 1 year	23	5,010,860	—	—	50	3,122,083	115	11,700,350	0	—	1	109,125	161	1,835,822
1 year to 5 years	9	978,675	—	—	16	3,571,391	48	3,393,100	0	—	2	306,467	54	505,446
5 years and above	—	—	—	—	—	—	0	—	—	—	—	—	—	—
2007-08														
Period	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	114,428	—	—	—	—	19	329,269
5 years and above	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2006-07														
Period	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	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	—	—	—	—	—	—	—	—	—	—	—	—	—	—

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 1 0

II. Capital raised during the year (Amount in Rs. '000)

Public Issue

N I L

Rights Issue

2 1 5 0 0 0 0

Bonus Issue

N I L

Private Placement

N I L

III. Position of mobilization and Deployment of Funds (Amount in Rs. '000)

Total Liabilities

4 1 5 7 3 8 4

Total Assets

4 1 5 7 3 8 4

SOURCES OF FUNDS

Paid-up Capital

4 1 5 0 0 0 0

Reserves and Surplus

N I L

Fair Value Change Account

3 7 3

Secured Loans

7 0 1 1

Unsecured Loans

N I L

APPLICATION OF FUNDS

Net Fixed Assets

2 4 6 8 3 9

Investments

6 2 3 6 7 6 9

Net Current Assets

(3 9 9 7 6 9 7)

Miscellaneous Expenditure

N I L

Debit balance in P&L A/c

1 6 7 1 4 7 3

IV. Performance of Company (Amount in Rs. '000)

Turnover

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

4 4 6 7 9 4 2

Total Expenditure

5 4 1 2 5 4 8

Profit/(Loss) before Tax

(9 4 4 6 0 6)

Profit/(Loss) after Tax

(9 4 3 0 2 4)

Earnings per Share (in Rs.)

(3 . 0 1)

Dividend (%)

N I L

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

Item Code No. (ITC Code)

N A

Product Description

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

Glossary

Sr No.	Terms	Description
1	Accretion	Incremental growth over a period of time.
2	Actuary	Professional person who applies probability and other statistical theories to insurance. His work covers rates, reserves, and other valuation while also conducting statistical studies, making reports and advising on solvency.
3	Appropriations	Money set aside for specific purpose.
4	Bad debts written off	Accounts receivable that will likely remain uncollectable and will be written off.
5	Book Value Per Share	This is computed as networth divided by number of outstanding shares.
6	Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
7	Claim Disposal Ratio	Ratio of number of Claims settled to total number of claims reported.
8	Co-insurance	Sharing of same risk by multiple insurance companies.
9	Combined Ratio	Incurred claims ratio plus Expense Ratio (defined here under).
10	Commission paid	Amount paid to intermediaries for acquiring business.
11	Deferred Tax Asset	An asset that is used to represent lower amount of tax that a company will have to pay in a later tax period.
12	Deferred tax liability	A tax liability that a company owes and does not pay at the current point, although it will be responsible for paying it in the later tax period.
13	EPS	Earning Per Share (EPS) is arrived at by dividing Net Profit After Tax by the number of weighted average shares.
14	Expense ratio	The percentage of premium used to pay all the costs of acquiring, writing and servicing insurance and reinsurance. Expense ratio is a ratio of all expenses (acquisition & operating) net commission received on reinsurance and net written premium expressed as a percentage.
15	Fair Value Change Account	It represents unrealized gains or losses at the end of the period with respect to listed equity securities, derivative instruments and mutual funds investments.
16	Gross Written Premium (GWP)	Gross Written Premium is the sum of gross direct premium and the reinsurance premium accepted.
17	<ul style="list-style-type: none"> • Incurred But Not Reported (IBNR) • Incurred But Not Enough Reported (IBNER) 	<p>IBNR : A reserve created by insurer and certified by an Actuary to cover the estimated cost of losses that have incurred but not yet reported.</p> <p>IBNER: Losses that have incurred but have not yet been enough reported.</p>
18	Incurred Claims	It is claims paid during the period plus the change in outstanding claims at the end of the period vs at the beginning of the period.
19	Incurred Claims Ratio	Percentage of incurred claims to premiums earned during a period.



Glossary

20	Industry Market Share	Ratio of gross written premium of respective insurer to the total gross premium written of the general insurance industry.
21	IRDA	Insurance Regulatory and Development Authority (IRDA) established under IRDA Act, 1999 to protect the interests of the policyholders, to regulate, develop, promote and ensure orderly growth of the insurance industry.
22	Loss on sale	Is a loss on sale of assets when an asset is sold below its book value.
23	Net Premiums Earned	Net premium written adjusted for the change in unexpired risk reserve.
24	Net Premiums Written	Gross written premium less reinsurance premium ceded.
25	Net Worth	Paid up share capital (+/-) reserves / accumulated losses (-) preliminary expenses.
26	Operating Expenses	Expenses for carrying out insurance / reinsurance business.
27	Operating Profit or Loss	Surplus/Deficit from carrying out insurance business activities i.e. profit before tax excluding investment income and other income.
28	Policy	A written contract or certificate of insurance.
29	Policy Holder [Insured]	The person/entity whose risk of financial loss from an insured peril is protected by a policy.
30	Premium Deficiency	Premium deficiency is recognised if the sum of expected claim costs, related expenses and maintenance cost exceeds related reserve for unexpired risk.
31	Premium Received in Advance	Represents premium received prior to the commencement of the risk.
32	Reinsurance	A means by which a reinsurer agrees to indemnify an insurer, the cedant, against all or part of the loss that the latter may sustain under the original policy or policies it has issued.
33	Retention	The amount of risk retained by the insurer as its own account after taking reinsurance into account.
34	Solvency Margin	A ratio of Available Solvency Margin (ASM)/ Required Solvency Margin (RSM) (calculated as per IRDA guidelines).
35	Technical reserves	Amount set aside in the balance sheet to meet liabilities arising out of insurance contracts, including claims provision (whether reported or not) and reserve for unexpired risks.
36	Treaty Reinsurance	Under treaty arrangements, the cedant agrees to offer and the reinsurer agrees to accept all risks of a defined class. This enables the cedant to grant immediate cover for risks without first seeking the reinsurer's consent.
37	Underwriting	The process of reviewing application proposals submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
38	Unexpired Risk Reserve	Portion of premium with respect to the unexpired insurance contracts as at the end of the period.

Key Products

The image displays seven promotional cards for HDFC ERGO insurance products, arranged in a collage. Each card features the HDFC ERGO logo and a specific product name with a brief description and a representative image.

- MOTOR Insurance:** Comprehensive cover for your Vehicle. Image: A red car driving on a road.
- Health Suraksha:** Wellness for a happy family. Image: A family jumping joyfully in a field.
- TRACTOR Insurance:** Securing your assets, Safeguarding happiness. Image: A man sitting on a tractor in a field of yellow flowers.
- TRAVEL Insurance:** Your safety net beyond boundaries. Image: A man with a suitcase walking through an airport.
- CRITICAL ILLNESS:** Your companion in critical times. Image: A man with his arms crossed, smiling.
- CORPORATE PORTFOLIO:** Complete Business Insurance Solutions. Image: A man in a suit and tie, smiling.



Har pal aapke saath

HDFC ERGO General Insurance Company Limited

Registered Office: Ramon House, H T Parekh Marg 169, Backbay Reclamation, Mumbai 400 020.
Corporate Office: 6th Floor, Leela Business Park, Andheri-Kurla Road, Andheri East, Mumbai 400059
Toll-free Number: 1800 2 700 700 • **E-mail:** care@hdfcergo.com • **Website:** www.hdfcergo.com

Insurance is the subject matter of the solicitation. IRDA Reg No. 125