HDFC ERGO
GENERAL INSURANCE
Har pal aapke saath

DECADE OF DELIVERING
RIGHT SOLUTIONS

10th Annual Report 2011-12

HDFC ERGO General Insurance Company Limited

Content

Highlights

HDFC ERGO
GENERAL INSURANCE
Har pal aapke saath

- Grew at 56.9% CAGR over the last 5 years
- Market leader in personal accident insurance in the general insurance industry
- Amongst the leading capacity providers to the large and complex risks in property and liability segments
- Successfully piloted Weather Based Crop Insurance Scheme (WBCIS) in 10 states insuring nearly 200,000 farmers covering more than 346,000 hectares
- Present across geographies and industries of both domestic and multinational clientele
- Customer service enhancement through process automation of policy issuance and claim management
- Significantly low number of grievances (0.075% of policies issued) compared to 3.4% market share
- Employee productivity grew by 80% in the last 5 years
- Rated iAAA by ICRA (an associate of Moody's Investors Service) indicating highest claims paying ability for three consecutive years
- ISO 9001:2008 certified claim settlement process

Deepak S, Parekh
Chairman

Message from the Chairman

HDFC ERGO GENERAL INSURANCE
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Last few years have been a story of expectation that the global economy will come out of the crises sooner than later. We also thought that despite the global uncertainties, the Indian economy will continue to do well on the back of strong domestic consumption. Though it's not gloom and doom situation but it would be fair to say that the expectations have not proven correct.

While the US seems to be over with its worst period and beginning to see signs of improvement, the confidence necessary to take the stride forward is still missing. The Euro crisis gets deeper by the day and the unity of the Eurozone is being severely tested. It's unlikely that the Eurozone would be able to stay intact without making major sacrifices. All efforts made till date have not yielded desired results.

With a strong domestic market and demographic advantage, we had an unique opportunity to further our economy given our strong fundamentals. We have been unable to capitalize on this advantage in the last few year. Today, given the uncertainties -both economic and political, the climate does look far from promising. Given this backdrop, it is encouraging to see the non-life sector growing at a robust pace. One must keep in mind that this growth has been partly helped by the increase in the Third Party premium, an advantage which will not be available this year. Discounting this growth trigger, the growth in other lines of businesses is still impressive. Despite this growth, the industry continues to struggle with the underwriting losses again largely contributed by the Third Party Pool losses. During the last five years, the industry has accumulated losses which it found unable to bear. The shareholders had to bring in additional capital to fund these losses in the hope that this anomaly would be corrected. I am happy that the Regulator has taken note of financial distress caused by the Pool and have decided to disband it. The new mechanism of Declined Risk Pool will go a long way in addressing the supply side and the pricing constraints of the Third Party business. Leaving aside the Pool losses, the industry seems to be coming out of the impact of the de-tariffing as the combined ratios (profitability) across a major part of the industry is beginning to show a positive trend.

The Company during these trying times has done well to grow at 44%. It is encouraging to see that this growth has been achieved by maintaining a judicious mix of business. We see overall improvement in all the performance indices. The loss and expense ratios have seen improvement over last year leading to an improved combined ratio before motor pool of 92.1% over 99.5% last year. Overall I see the performance of the company is on track and actually better than the plan, which is commendable. With the pool losses behind us, I look forward to better results from the business in future.

The FY 12-13, is going to be an interesting year for the company. Having built scale, the company needs to maintain the growth momentum while ensuring profitability targets. Large accumulated losses and the tightening Reinsurance terms are expected to enforce price correction which was long overdue. These developments coupled with the disbanding of the Pool is expected to result in better underwriting performance for the industry at large.

I take this opportunity to appreciate the hard work put in by the team. The team has delivered better than the planned results setting itself even more challenging targets for the next year. I am confident that they will prove more than equal to the task and set benchmarks for the industry going forward.

Ritesh Kumar
MD & CEO

Message from the CEO

HDFC ERGO GENERAL INSURANCE
Har pal aapke saath

It has been a very eventful year globally. The year saw the downgrade in rating of the financial power house, the United States of America by rating agencies and the continued crisis in the Euro Zone. In India, we saw a slowdown on reforms impacting new project off-take resulting in moderation of our GDP growth rate.

The year has been a stressful year for the insurance industry with a number of major natural catastrophes in the Asia Pacific region- from earthquakes in New Zealand, floods in Australia and Thailand to earthquake and tsunami in Japan. These events led not only to a lot of loss of lives but also economic losses running into over $100 billion and the resultant insurance losses. This has impacted reinsurance appetite and pricing in 2012-13 renewals.

Despite these factors the Indian general insurance industry has grown at 24% in FY 2012. The Company grew at 44% completing Rs.1874 crores in FY2012, up from Rs.1302 crores in FY 2011. This has helped the Company to increase it's market share to 3.4% from 3% last year. The Company continues to have a balanced business portfolio with about 1/3rd of business coming from each of the three major business lines, namely Motor, Accident & Health and Corporate lines. As a result, the Company has been able to bring down the loss ratio to 67% from 72% in FY 2011.

The Company's twin strategy of balanced portfolio steering accompanied by tight focus on expenses (productivity and automation) over the last three years has shown very positive results. The Company's combined ratio before motor pool has improved to 92.1% in FY 2012 as compared to 99.5% a year back. Having said this, the Motor Pool continued to give a tough time to the industry and the company had to provide Rs 181.6 crores of losses. The Company has infused adequate capital to maintain solvency above 1.5 times as on March 31, 2012. This positions the Company very strongly in the market place and shows our strong commitment to the non life industry in the country.

The Company's high level of corporate governance and transparency has won independent recognition with The Institute of Chartered Accountants of India adjudging our Annual Report and Accounts for the year ended March 31, 2011, as a winner of an award under the Category IV – Insurance Sector of the 'ICAI Awards for Excellence in Financial Reporting'.

During the year, the manpower of the Company has increased from 996 to 1234. Optimal use of technology has helped us make our processes more robust and faster to take servicing and policy issuance closer to the customers.

Entering into 10th year of operation, the Company will continue to focus on the "Right Insurance Solution" for all. We will continue to strive towards enhanced customer experience in our quest to emerge as the leading private sector general insurer and living by our brand promise of "Har pal aap ke saath".

In line with this strategy, certain initiatives have been undertaken which will see fruition in the coming years. These initiatives are in the areas of underwriting, Customer Experience Management, in-housing of health claims, loss mitigation efforts to name a few.

There are challenges yet the future looks exciting. I am confident that our efforts will take us forward and the next year is going to be more fulfilling and rewarding than the last one.

Awards & Recognition

ISO 9001 : 2008

ISO Certification for Claim Services

iAAA

Rating by ICRA
Highest Claims Paying ability

iAAA Rating by ICRA

ICAI Awards for Excellence in Financial Reporting
by the institute of Chartered Accounts of India (ICAI)
under the category IV - Insurance

Best Investor Education & Category Enhancement – Insurance
by UTV Bloomberg - Financial Leadership Awards 2012

Personal Lines Growth Leadership Award
at The Indian Insurance Awards 2012

Board of Directors

Chairman

Mr. Deepak S. Parekh

Directors

Mr. Keki M. Mistry

Ms. Renu Sud Karnad

Mr. Andreas Kleiner

Mr. Mark Lammerskitten

Dr. Jagdish Khattar

Mr. Bernhard Steinruecke

Mr. Ritesh Kumar
Managing Director and Chief Executive Officer

Auditors

G. M. Kapadia & Co.
Chartered Accountants

A.F. Ferguson Associates
Chartered Accountants

Senior Management

Mr. Ankur Bahorey

Mr. Karan Chopra

Mr. Tommy Lee Co

Mr. S. Gopalakrishnan

Mr. Mukesh Kumar

Mr. Mehmood Mansoori

Mr. Samir H. Shah

Mr. Sanjiv Sharma

Mr. Anuj Tyagi

Appointed Actuary

Mr. Narayanan Lakshmanan

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

Mr. Deepak S. Parekh is the Chairman of the Company. He is a fellow of the Institute of Chartered Accountants in (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. He retired as the Managing Director of HDFC with effect from the close of business hours on December 31, 2009.

Mr. Keki M. Mistry

Mr. Keki M. Mistry

Mr. Keki M. Mistry, the Vice Chairman & Chief Executive Officer of the 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. He was re-appointed as the Managing Director designated as the Vice Chairman and Chief Executive Officer of HDFC Limited for a period of 5 years w.e.f. November 14, 2010.

Ms. Renu Sud Karnad

Ms. Renu Sud Karnad

Ms. Renu Sud Karnad is the Managing Director of HDFC. Ms. Karnad 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 was re-designated as its Joint Managing Director in October 2007 and thereafter appointed as its Managing Director for a period of 5 years with effect from January 1, 2010.

Mr. Andreas Kleiner

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 18 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. Mark Lammerskitten

Mr. Mark Lammerskitten

Mr. Mark Lammerskitten is Managing Director India and Turkey for ERGO International AG. He holds a Business Administration degree of Otto Beisheim Graduate School of Management, Germany. Mr. Lammerskitten has over 17 years 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

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 administrative service he held various positions including Managing Director of 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. In 2008, Dr. Khattar founded Carnation Auto India Private Limited, a pioneer in multi brand auto solution hub and serving as its CMD & CEO.

Mr. Bernhard Steinruecke

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.

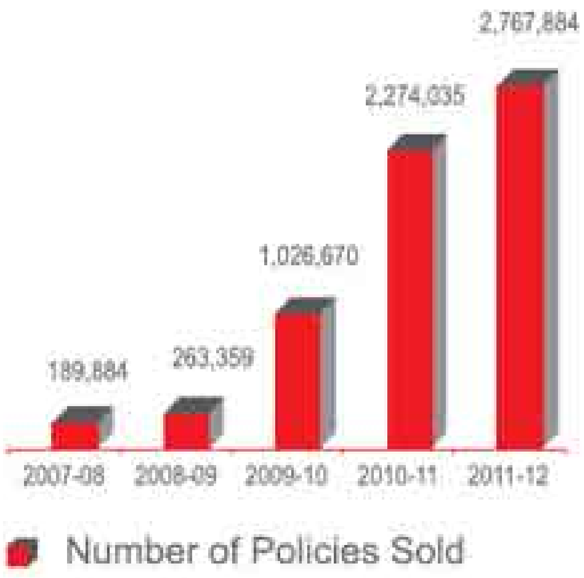
Mr. Ritesh Kumar

Mr. Ritesh Kumar

Mr. Ritesh Kumar is the Managing Director and CEO of the Company. Mr. Kumar has about 20 years of experience in the Financial Services Industry, of which the first 10 years were in Banking and the last about 10 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

Policies

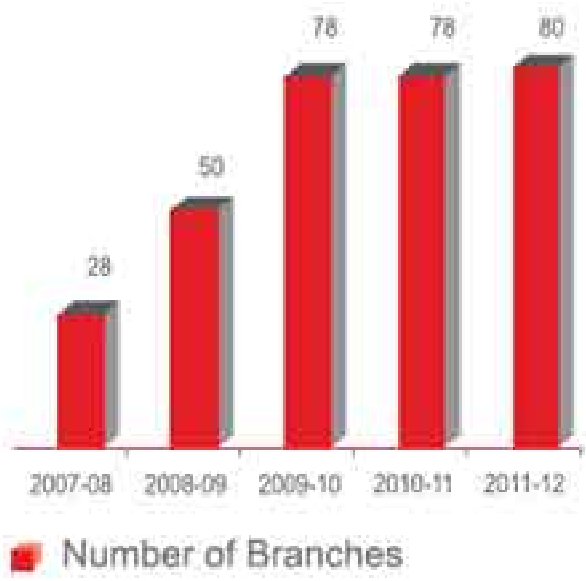


Revenue

(₹ in crores)

Claims Handled

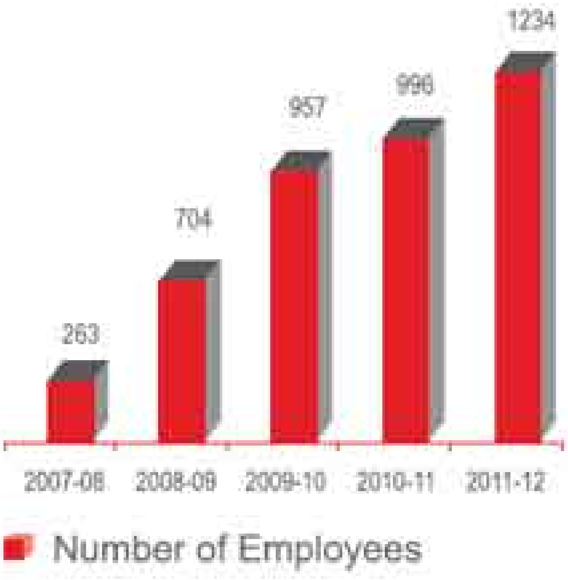
Branch Network



Market Share

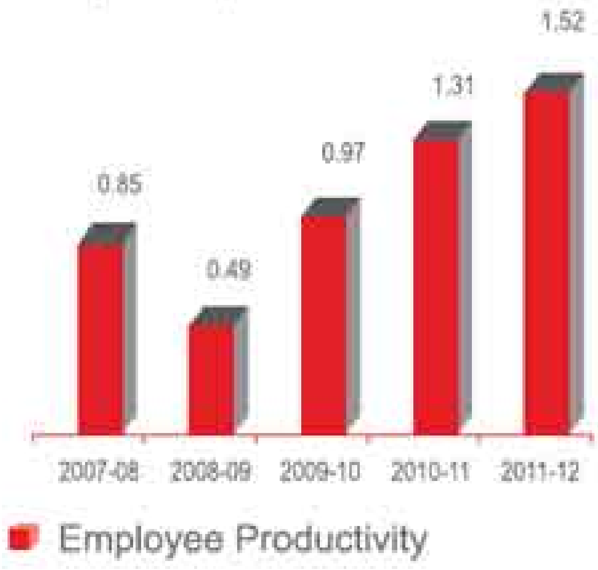
Private Sector Market Share

Employee Base



Employee Productivity

(₹ in crores)



Directors' Report

TO THE MEMBERS

Your Directors are pleased to present the Tenth Annual Report of your Company together with the audited accounts for the year ended on March 31, 2012.

FINANCIAL RESULTS

(₹ in Crores)

Particulars	Year ended	
	March 31, 2012	March 31, 2011
Gross Written Premium	2,074.4	1,407.8
Net Written Premium	1,163.9	775.1
Net Earned Premium	914.4	606.4
Other Income/Liabilities written back	0.8	4.6
Net Incurred Claims (Other than Exceptional Losses)	766.4	509.9
Net Commission (Income) / Expenses	(43.6)	(38.6)
Expenses of Management	290.8	229.5
Investment Income – Policyholders	97.0	50.8
General Insurance Result (Before Exceptional Losses)	(1.4)	(39.1)
Exceptional Motor Pool Losses	77.9	22.4
General Insurance Result (After Exceptional Losses)	(79.3)	(61.5)
Investment Income – Shareholders	39.6	25.1
Profit/(Loss) after Tax	(39.7)	(36.4)

PERFORMANCE

The gross written premium of the Company rose by 47% from ₹ 1,407.8 crores to ₹ 2,074.4 crores. The Company achieved a Profit before Tax of ₹ 141.9 (PY: ₹ 32.7 crores) before considering the losses from the Indian Motor Third Party Insurance Pool (IMTPIP). The losses from IMTPIP were ₹ 181.6 crores (PY: ₹ 69.1 crores). The IMTPIP losses include additional loss provisioning in respect of business written during FY08-FY11 to the extent of ₹ 77.9 crores (PY: ₹ 22.4 crores). The overall loss for the year is ₹ 39.7 crores as against loss of ₹ 36.4 crores in the previous year. The net earned premium increased to ₹ 914.4 crores from ₹ 606.4 crores in the previous year.

DIVIDEND

Due to unavailability of profit your Directors did not recommend any dividend for the year ended March 31, 2012.

CAPITAL INFUSION

During the year under review, in order to fund the planned expansion of the business, the Company allotted 3.7 crores equity shares of ₹ 10 each for cash at a premium of ₹ 40 per share, on a right basis in accordance with the provisions of Section 81(1) of the Companies Act, 1956. Consequently, the paid-up capital of the Company has increased from ₹ 486 crores as on April 1, 2011 to ₹ 523 crores as on March 31, 2012.

EMPLOYEES STOCK OPTION PLAN (ESOP)

During the year, the Company granted 10,70,000 stock options at a grant price of ₹ 50 per option, in respect of 10,70,000 equity shares of ₹ 10 each, under ESOP-2009-Tranche-III to eligible employees.

The Options granted vest in tranches – 25% on completion of 2 years from grant date, 25% at the end of 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.

During the year, 6,17,250 options were vested under Tranche-I. As at March 31, 2012 none of the options were exercised. Options lapsed during the year aggregated to 75,000 and the options in force as on March 31, 2012 were 64,03,000.

AWARDS & RECOGNITIONS

The Company has been adjudged as the winner of an award under Category IV – Insurance Sector of the 'ICAI Awards for Excellence in Financial Reporting' by The Institute of Chartered Accountants of India (ICAI) for commendable Annual Report for the year ended March 31, 2011.

The Company has also been declared as a winner under "Best Investor Education & Category Enhancement – Insurance" category by UTV Bloomberg - Financial Leadership Awards 2012.

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

The Company is the receiver of 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 amongst the best.

PARTICULARS OF EMPLOYEES

The total employee strength of the Company as on March 31, 2012 was 1,234 as against 996 at the beginning of the year. During the year, 7 employees employed throughout the year were in receipt of remuneration of ₹ 60 lacs or more per annum and there were no employees employed for a part of the year at a remuneration of ₹ 5 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 annexure 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 annexure. Any shareholder interested in obtaining a copy of the annexure 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 ₹ 89.7 crores (PY: ₹ 59.1 crores) in foreign exchange during the year under review mainly on account of reinsurance premium.

Earnings in foreign exchange during the year was ₹ 33.4 crores (PY: ₹ 18.7 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. Deepak S. Parekh and Ms. Renu Sud Karnad retire by rotation at the ensuing Annual General Meeting and being eligible, they have offered themselves for re-appointment. Further, as required under the provisions of Corporate Governance Guidelines (Guidelines) notified by IRDA, the Company and the said Directors respectively, would enter into a Deed of Covenant as per the prescribed format.

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 of the Company have confirmed that they comply with the 'fit and proper' criteria prescribed under the said Guidelines and submitted the requisite declarations in the format prescribed therein.

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

AUDITORS

At the ninth Annual General Meeting of the Company held on July 25, 2011, Members had appointed Messrs. G. M. Kapadia & Co., Chartered Accountants, Mumbai (Registration No. of the firm with the ICAI : 104767W) and Messrs. A. F. Ferguson Associates, Chartered Accountants, Mumbai (Registration No. of the firm with the ICAI : 102849W), 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 tenth Annual General Meeting of the Company.

The Company has received certificates from Messrs. G. M. Kapadia & Co., Chartered Accountants and Messrs. A. F. Ferguson Associates, 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, the said firms have confirmed that their re-appointment, if made, would be 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. G. M. Kapadia & Co., Chartered Accountants and Messrs. A. F. Ferguson Associates, Chartered Accountants as the joint Statutory Auditors of the Company.

Necessary resolution for the said re-appointment is contained in the notice of the Tenth Annual General Meeting of the Company circulated to the Members. Members are requested to consider their re-appointment and approve the payment of remuneration.

REPORT OF THE BOARD ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Report of the Board of Directors on Corporate Governance inter-alia detailing the status of compliance of the various provisions of the Corporate Governance Guidelines prescribed by Insurance Regulatory and Development Authority (IRDA) and the Management Discussion and Analysis Report form part of 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, 2012 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, Insurance Act, 1938, Insurance Rules, 1939 and IRDA Regulations, Orders, Circulars and Guidelines 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 wishes 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
April 24, 2012

DEEPAK S. PAREKH
Chairman

Annexure to Directors' Report

REPORT OF THE DIRECTORS ON CORPORATE GOVERNANCE

Corporate governance framework while defining the relationship between shareholders, management, Board of Directors and customers of a company also influences the operations of a company. At its basic level, corporate governance deals with issues that result from the separation of ownership, management and control.

The corporate sector in the last decade has witnessed a paradigm shift not only in terms of size, complexity and sophistication but also in terms of growing expectations from all the stakeholders. The world has moved from "Trust Me" to a "Show me" philosophy. 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 business performance and value to all stakeholders.

Good corporate governance inter-alia aims for sustainable development of all stakeholders; equitable distribution of wealth; compliance of laws in letter and spirit; discharge of social responsibility and adoption and adherence to ethical practices in both good and bad times.

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on corporate governance has been influenced by its promoter, Housing Development Finance Corporation Limited (HDFC) and joint venture partner ERGO International, AG (ERGO). 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. The Board of Directors fully support and endorse the guidelines on Corporate Governance for the Insurance Sector (the Guidelines) prescribed by the Insurance Regulatory and Development Authority (IRDA). The Company has complied with the mandatory requirements of the Guidelines and certain provisions of the non-mandatory requirements and listed below is the status with regard to the same.

BOARD OF DIRECTORS

The Company has a multi – tier management structure, comprising the Board of Directors at the apex and followed by employees at senior management, middle management and junior management positions. Through this, it is ensured that strategic supervision is provided by the Board; control and implementation of Company's strategy is achieved effectively, operational management remains focused on implementation; information regarding the Company's operations and financial performance is made available promptly; delegation of decision making with accountability is achieved; financial and operating control and integrity are maintained at an optimal level; and risks are suitably evaluated and dealt with.

COMPOSITION

The Board comprises of eight members, of which seven are non-executive directors. Of the seven non-executive directors, three Directors represent HDFC, two Directors represent ERGO and two Directors are independent directors. The independent directors have confirmed that they satisfy the criteria laid for an independent director in the listing agreement notified by the Securities and Exchange Board of India. The directors bring to the Board a wide range of experience and skills. Brief profiles of the Directors are set out elsewhere in the annual report.

The Composition of the Board is in conformity with the provisions of the Guidelines and is as under:

Sr. No.	Directors	Category	No. of Directorships held *
1	Mr. Deepak S. Parekh	Chairman (Non-Executive)	10**
2	Mr. Keki M. Mistry	Non-Executive Director	13
3	Ms. Renu Sud Karnad	Non-Executive Director	13
4	Mr. Andreas Kleiner	Non-Executive Director	-
5	Mr. Mark Lammerskitten	Non-Executive Director	-
6	Dr. Jagdish Khattar	Independent Director	3
7	Mr. Bernhard Steinruecke	Independent Director	4
8	Mr. Ritesh Kumar	Managing Director and CEO	-

*Directorships held in public companies registered under the provisions of Companies Act, 1956 (excluding HDFC ERGO) have been considered.

**Other than the directorships mentioned above, Mr. Deepak S. Parekh is alternate director in 2 companies.

RESPONSIBILITIES

The Board of Directors represents the interests of the Company's shareholders in optimizing long-term value by providing the management with guidance and strategic direction on shareholders behalf. The Board's mandate is to oversee the Company's strategic direction, review corporate performance, authorise and monitor strategic investments, ensure regulatory compliance and safeguard interest of all stakeholders. The Board plays a pivotal role in ensuring good governance and creating value for all stakeholders.

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 re-appointment.

BOARD MEETINGS AND PROCEDURES

All Directors participate in discussing the strategies, performance, financials and risk management of the Company. The Board follows a set of appropriate standard procedures in the conduct of Board meetings of the Company, which can be summarised as below.

The meetings of the Board of Directors are normally held at the Company's registered office in Mumbai. Meetings are generally scheduled well in advance and the notice of each Board meeting is given in writing to each Director. The Board meets at least once a quarter to review the quarterly performance and the financial results of the Company.

The Company Secretary in consultation with the Managing Director and CEO prepares a detailed agenda for the meetings. All departments communicate with the Company Secretary in advance with regard to matters requiring the approval of the Board to enable inclusion of the same in the agenda for the Board meetings. With the objective of transparent information flow from the management, detailed agenda notes are sent to all Directors in advance. The members of the Board are also free to recommend inclusion of any matter in the agenda for discussion. In case of matters requiring urgent consideration by the Board and arising post the dispatch of agenda, the same is taken up for discussion by the Board as part of any other business with the permission of the Chairman.

The members of the Board have access to all information of the Company. Senior management is invited to attend the Board meetings so as to provide additional inputs on the items being discussed by the Board. Urgent matters are also considered and approved by passing resolution through circulation, which are noted at the next meeting of the Board. The brief minutes of each Board meeting are circulated to the Board members within two working days from the date of meeting and the detailed minutes are finalised within thirty days and thereafter recorded in the Minutes Book. The minutes of the Board meetings, summary of the key decisions taken by the Board and the details of significant transactions or arrangements entered into by the Company, if any, are submitted to the holding company on a regular basis.

During the year under review, the Board met four (4) times on May 2, 2011, July 25, 2011, November 15, 2011 and February 1, 2012. The attendance of the Directors at the said meetings is listed below:

Directors	No.of Meetings held	No. of Meetings attended	Sitting Fees Paid (₹)
Mr. Deepak S. Parekh	4	4	80,000
Mr. Keki M. Mistry	4	4	80,000
Ms. Renu Sud Karnad	4	4	80,000
Mr. Andreas Kleiner	4	4	-
Mr. Mark Lammerskitten	4	4	-
Dr. Jagdish Khattar	4	3#	60,000
Mr. Bernhard Steinruecke	4	4	80,000
Mr. Ritesh Kumar	4	4	-

Leave of absence granted.

The Board also met on April 24, 2012, for approval of audited accounts of the Company for the financial year 2011-12.

The Appointed Actuary was invited to all meetings of the Board. He could not attend the meetings held on July 25, 2011 and November 15, 2011 due to health reasons.

COMMITTEES

To enable better and more focused attention on the affairs of the Company and as required under Regulatory provisions, the Company has set up various Committees. These Committees prepare the groundwork for decision-making and report at the subsequent Board meeting. The terms of reference of the Committees are approved by the Board. Meetings of the Committees are held on a regular basis depending upon the business to be transacted by the Committee. Minutes of the Committee's meetings / report on the activities of the Committee are submitted to the Board on a periodical basis. Matters requiring the Board's attention / approval are generally placed in the form of notes to the Board from the respective Committee.

The role and composition of various Committees, including the number of meetings held during the year and the related attendance of the Committee members at the said meetings, are given below.

AUDIT AND COMPLIANCE COMMITTEE (ACC)

The Audit and Compliance Committee of the Board comprise 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 gives appropriate directions to the management in areas that need to be strengthened. The Committee invites senior executives, as it considers appropriate to be present at the meetings of the Committee. Senior management and auditors are invited to participate in the meetings of the Committee as and when necessary. The Committee recommends to the Board, the appointment or re-appointment of the statutory auditors, internal auditors, concurrent auditors, risk management auditors and their remuneration. The Committee and statutory auditors discuss the nature and scope of audit prior to the commencement of the audit and areas of concern, if any, arising post audit.

During the year under review, the ACC met four (4) times on May 2, 2011, July 25, 2011, November 15, 2011 and February 1, 2012. The Committee also met on April 24,2012, prior to finalization of accounts of the Company for the financial year 2011-12.

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

Directors	No. of Meetings held	No. of Meetings attended	Sitting Fees Paid (₹)
Mr. Bernhard Steinruecke (Chairman)	4	4	40,000
Mr. Keki M. Mistry	4	4	40,000
Ms. Renu Sud Karnad	4	4	40,000
Mr. Andreas Kleiner	4	4	-
Mr. Mark Lammerskitten	4	4	-

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 thereunder 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. The Committee regularly apprises the Board on the performance and analysis of Company's investment portfolio.

During the year under review, the IC met four (4) times on May 2, 2011, July 25, 2011, November 15, 2011 and February 1, 2012.

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

Directors	No. of Meetings held	No. of Meetings attended	Sitting Fees Paid (₹)
Mr. Keki M. Mistry (Chairman)	4	4	40,000
Mr. Mark Lammerskitten	4	4	-
Mr. N. Lakshmanan (Appointed Actuary)	4	2#	-
Mr. Ritesh Kumar	4	4	-
Mr. Samir H. Shah (Member of Executive Management, CFO & Company Secretary)	4	4	-
Mr. Abhiranjan Gupta (Chief Investment Officer)	4	3#	-

Leave of absence granted.

RISK MANAGEMENT COMMITTEE (RMC)

The Risk Management Committee comprises seven (7) members. Mr. Ritesh Kumar, Managing Director and CEO of the Company is the Chairman of the Committee and Mr. Samir H. Shah, Member of Executive Management, CFO & Company Secretary is the Chief Risk Officer (CRO) of the Company.

The terms of reference of RMC inter-alia includes laying down the 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 thereof on various risks and measures taken to minimize the impact of the said risks.

During the year, the Company has created and embedded an effective risk culture supported by a sustainable and effective control framework. Constant reiteration and formal training were used as critical tools to instill risk culture and an understanding of a risk appetite across the Company. The Company has systematically and comprehensively identified material risks and assessed their impacts.

During the year under review, the RMC met 6 times on April 13, 2011, June 28, 2011, August 30, 2011, November 4, 2011, January 27, 2012 and March 27, 2012.

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

Members	No. of Meetings held	No. of meetings attended
Mr. Ritesh Kumar (Managing Director & CEO)	6	6
Mr. S. Gopalakrishnan (Head – Reinsurance)	6	4*
Mr. Tommy Lee Co (Chief Underwriting Officer)	6	3*
Mr. Sanjiv Sharma (Head – Claims)	6	6
Mr. Ankur Bahorey (Head - Operation and Services Group, Administration & Facilities)	6	5*
Mr. Samir H. Shah (Member of Executive Management, CFO & Company Secretary) - CRO	6	6
Mr. Abhiranjan Gupta (Chief Investment Officer)	6	6

*Leave of absence granted.

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

The Board at its meeting held on April 24, 2012, re-constituted the RMC to comprise of Ms. Renu Sud Karnad and Mr. Andreas Kleiner, non-executive directors, Mr. Bernard Steinruecke, independent director and Mr. Ritesh Kumar, Managing Director and CEO.

POLICYHOLDER PROTECTION AND GRIEVANCE REDRESSAL COMMITTEE – (PPGRC)

The Committee comprises three senior executives of the Company. 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. The Complaints and Grievance

Redressal Policy (The Policy) of the Company is available on the website of the Company. The key objective of the Policy is to provide for a mechanism to speedily redress the grievance and complaints of the Policyholders to their satisfaction in accordance with the applicable laws. A designated email id viz. grievance@hdfcergo.com was created for enabling Policyholders to submit their grievance / complaint and its speedy redressal.

During the year, the PPGRC met twelve (12) times. The meetings were held on April 14, 2011, May 13, 2011, June 17, 2011, July 15, 2011, August 24, 2011, September 19, 2011, October 14, 2011, November 10, 2011, December 20, 2011, January 13, 2012, February 14, 2012 and March 19, 2012. The composition of the PPGRC and the attendance of the members at the said meetings are listed below:

Members	No. of Meetings held	No. of meetings attended
Mr. Mukesh Kumar (Member of Executive Management, Head - Strategy Planning, HR CEM & Marketing)	12	9*
Mr. Sanjiv Sharma (Head – Claims)	12	10*
Mr. Ankur Bahorey (Head - Operation and Services Group, Administration & Facilities)	12	12

*Leave of absence granted.

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

The Board at its meeting held on April 24, 2012, re-constituted the PPGRC to comprise of Mr. Keki M. Mistry and Mr. Mark Lammerskitten, non-executive directors, Dr. Jagdish Khattar, independent director and Mr. Ritesh Kumar, Managing Director and CEO.

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 Shareholders and IRDA. The Committee is also responsible for framing of Employee Stock Option Plan (ESOP), its administration and approving of variable pay / deferred bonus to employees. During the year, the Committee approved the grant of 10,70,000 stock options @ ₹ 50 per option representing 10,70,000 equity shares of ₹ 10 each to eligible employees.

During the year, the Committee met three (3) times on May 2, 2011, July 25, 2011 and February 1, 2012.

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

Directors	No.of meetings held	No.of meetings attended	Sitting Fees Paid (₹)
Dr. Jagdish Khattar (Chairman)**	3	3	30,000
Ms. Renu Sud Karnad*	3	3	30,000
Mr. Andreas Kleiner	3	3	-
Mr. Bernhard Steinruecke	3	3	30,000

*Chairperson upto February 1, 2012. **Chairman from February 1, 2012.

CAPITAL EXPENDITURE AND TECHNOLOGY REVIEW COMMITTEE (CETRC)

The CETRC comprise of four (4) members – two non-executive directors, one independent director and the Managing Director and CEO.

The terms of reference of CETRC inter-alia 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 May 2, 2011.

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

Members	Whether attended the Meeting	Sitting Fees Paid (₹)
Ms. Renu Sud Karnad (Chairperson)	Yes	10,000
Mr. Mark Lammerskitten	Yes	-
Dr. Jagdish Khattar	Yes	10,000
Mr. Ritesh Kumar	Yes	-

ALLOTMENT COMMITTEE

At the meeting held on February 1, 2012, the Board of Directors has constituted an Allotment Committee of Directors. The terms of reference of the Committee is to consider and approve allotment of shares either pursuant to exercise of stock options by eligible employees or in case the Board approves the issue of fresh capital from time to time.

The Committee comprises Ms. Renu Sud Karnad and Mr. Andreas Kleiner, non-executive directors, Dr. Jagdish Khattar, independent director and Mr. Ritesh Kumar, Managing Director and CEO. The Company Secretary of the Company acts as the Secretary to the Committee.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

During the year under review, other than sitting fees detailed herein above, the Company did not pay any remuneration to any of its non-executive directors.

RELATED PARTY TRANSACTIONS

There were no materially significant transactions with the Directors, the management, the promoters or the relatives of the Directors that have a potential conflict with the interest of the Company at large. Details of related party transactions entered into by the Company in the normal course of business are included in the Notes to Accounts.

WHISTLEBLOWER POLICY

The Company promotes ethical behaviour in all its dealings, business or otherwise and has put in place a Whistleblower Policy (Policy) for reporting of illegal or unethical behaviour. In terms of the Policy, any person including employees, vendors and customers may report violations of laws, rules, regulations or unethical conduct to the Whistleblower Committee constituted for the purpose. The Policy provides for maintaining confidentiality of such reporting and ensures that the Whistleblowers are protected and not subject to any discriminatory practices. During the year, the Committee did not receive any communication or disclosure about any illegal or unethical behaviour or fraud from any person. Further, the Company confirms that, during the year it has not denied access to any person to the Whistleblower Committee.

CODE OF CONDUCT

The Company has framed and adopted a Code of Conduct, which is applicable to all Directors and employees of the Company. All the members of the Board and senior management personnel confirm on an annual basis the adherence to the provisions of the Code of Conduct.

On behalf of the Board of Directors

Mumbai
April 24, 2012

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 – Member of Executive Management, CFO and 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 nothing has been concealed or suppressed.

Mumbai
April 24, 2012

SAMIR H. SHAH
Member of Executive Management, CFO and Company Secretary

Annexure to Directors' Report

Management Discussion And Analysis Report

MACRO ECONOMIC SCENARIO

With a somber global outlook, sustained slowdown in Indian GDP growth, high inflation, elevated deficits and low investor confidence, FY12 has been testing for the Indian economy. While FY12 commenced on an optimistic note ushering in an impressive growth in exports and foreign exchange inflows; the economy experienced moderation as the year progressed. As per current estimates, the GDP growth for FY12 is estimated at below 7% (6.9%) for the first time after global crisis of 2008; down from 8.4% growth in FY11. The setback on the growth front has been partly due to the Global economic downturn and partly due to perceived policy uncertainty and high interest rates. While the industrial growth was adversely impacted, GDP growth was led by the Services sector. Investment environment during FY12 was also impacted due to lukewarm entrepreneurial sentiments.

The year witnessed global economic slowdown in general and turmoil in the Eurozone. While some recovery in output and jobs were visible in the US, the global economic environment on the whole remains uncertain.

GENERAL INSURANCE INDUSTRY

Despite slowdown in the economy, during FY12, the Indian General Insurance Industry grew in terms of Gross Written Premium (GWP) by 24.1% as against 23.5% in the previous year from ₹ 44,127 crores to ₹ 54,762 crores. The market share of the private sector companies was 44.2% compared to 43.3% in the previous year. The key drivers of the growth have been Motor and Health portfolios. Motor portfolio grew by 23.2% (PY: 19.0%) and Health by 17.1% (PY: 33.6%). Growth in Motor has been largely due to revision in Motor Third Party rates in April 2011. Motor and Health are also the two major components of the premiums written in the industry with Motor being 41.7% (PY: 41.1%) and Health 22.5% (PY: 25.2%).

During the year, no new players commenced operations. The pricing pressures on the premiums continued during the year.

During the year, IRDA initiated number of measures for orderly growth of the industry and protection of the interests of the policyholders. The significant measures were in the areas of Portability of Health insurance policies, dismantling of Indian Motor Third Party Insurance Pool (IMTPIP) and revision in the Motor Third Party Liability premium rates. With the dismantling of the IMTPIP, in order to ensure availability of the mandatory third party liability insurance covers for the commercial vehicles, Indian Motor Third Party Declined Risk insurance Pool (IMTPDRIP) has been formed.

Dismantling of the IMTPIP will require the industry players to provide for additional losses aggregating to ₹ 4,800 crores in respect of earlier years thereby affecting their solvency adversely. While IRDA has provided certain reliefs in terms of accounting and solvency requirements by allowing companies to spread the impact over next three years and reduced solvency margins, it has imposed certain restrictions on the companies availing such reliefs.

PERFORMANCE REVIEW

The Company completed its ninth full year of operations. During the year, despite tough competition, the Company improved its market position amongst private players from 5th to 4th. The GWP of the Company (excluding retro ceded premiums from IMTPIP) rose by 43.9% from ₹ 1,302.1 crores to ₹ 1,873.6 crores. The market share of the Company grew from 3.0% to 3.4%.

During the year, the Company achieved a Profit before Tax of ₹ 141.9 crores (PY: ₹ 32.7 crores) before considering the losses from IMTPIP. The losses from IMTPIP were ₹ 181.6 crores (PY: ₹ 69.1 crores). The IMTPIP losses include additional loss provisioning in respect of business written in FY08-FY11 to the extent of ₹ 77.9 crores (PY: ₹ 22.4 crores). The overall loss for the year is ₹ 39.7 crores as against loss of ₹ 36.4 crores in the previous year. The net earned premium increased to ₹ 914.4 crores from ₹ 606.4 crores in the previous year. During the year, the Company achieved further improvement in operating efficiencies resulting in improved productivity and cost ratios.

BUSINESS AND OPERATIONAL OVERVIEW

During the year, the Company continued its focus on growth in profitable segments, portfolio balancing and improving customer experience. During the year, in line with the long term strategy of the Company, the share of retail business has gone up to 62.4% as against

56.5% in the previous year. Premium from motor business excluding the Motor Pool was at ₹ 671.0 crores as against ₹ 420.7 crores in the previous year and the non-motor business was at ₹ 1,202.6 crores as against ₹ 881.4 crores in the previous year. Premium from accident and health insurance business was at ₹ 630.4 crores as against ₹ 478.4 crores in the previous year. During the year under review, the Company continued its focus on risk based underwriting.

RETAIL BUSINESS GROUP

FY12 saw the retail business cross the milestone of ₹ 1,000 crores. Growth was registered across all lines of business and the retail business grew by 58.7%, with the premium for the year being ₹ 1,168.2 crores as compared with ₹ 736.3 crores for the previous year. The Company issued 27.7 lakh policies during the year, with the retail group contributing most of it. Premium from the motor business grew from ₹ 420.7 crores to ₹ 671.0 crores, representing a growth of 59.5%. The environment continued to be turbulent on the motor insurance front this year as well, with the market seeing host of regulatory changes towards the end of FY12 and tough competition. The disciplined and bottom line focused approach of the Company will help withstand the changes and adjust without adversely impacting the operations. The premium from non-motor retail products grew from ₹ 316.8 crores to ₹ 476.8 crores, representing a growth of 50.5%. The continued focus on portfolio steering has resulted in an improved portfolio loss ratio vis-à-vis previous year.

CORPORATE BUSINESS GROUP

During the year, the Corporate Business Group continued its strategy of being a technically capable and complete solution provider. The Company has over the years invested in underwriting and risk management functions to offer value added solutions to the customers and has emerged as a key corporate solution provider in the country. The Company has established itself amongst the leading lead capacity providers to the large and complex risks in property and liability segments and is present across geographies, industries and in to both domestic and multinational clientele. The Company has seen satisfactory growth in the corporate portfolio inspite of the challenges on pricing and increased complexity of exposures. The total corporate business during FY12 has grown to ₹ 650.2 crores from ₹ 533.4 crores in FY11. The Broking channel has been a significant contributor of the corporate business.

RURAL AND AGRI BUSINESS GROUP

The Company continued to invest in developing the rural non life insurance portfolio, beyond the compliance requirements. The Company has been focusing on product development, market creation, awareness and channel development to develop value creating business opportunities in this market segment. Considering the vast potential and benefits it gives to the farmers, in Weather Based Crop Insurance Scheme (WBCIS), during FY11, the Company made a modest start in 3 states (3 districts) and insured 36,988 farmers (75,087 hectares). During the year, the Company operated in 10 states (36 districts) and insured nearly 2,00,000 farmers (approx. 3,46,000 hectares).

INVESTMENTS

The Investment function supports the core business of the Company. The investments of the Company are made in accordance with the Investment Policy of the Company as approved by the Board of Directors. The Investment Committee oversees the implementation of the Investment Policy. Investment strategy reflects the coordination between Assets and Liabilities given the nature of business of the Company while keeping in perspective the Regulatory framework. The Investment Policy mandate includes maintaining high degree of safety, optimizing the level of returns and consistency of returns commensurate with the level of risk undertaken.

As on March 31, 2012, the Investment Assets of the Company stood at ₹ 1,887.8 crores (PY: ₹ 1,223.6 crores). The Investment Regulations requires Non-Life companies to invest 30% of their Investment Assets in Government and approved Securities, 10% in Infrastructure sector and 5% in Housing sector. The Company held ₹ 595.6 crores (31.5%) in Government securities, ₹ 327 crores (17.3%) in securities of the infrastructure sector and ₹ 120 crores (6.4%) in the securities of housing sector. The Company held 94% of its assets in Sovereign and AAA or equivalent rated assets, reflecting high degree of safety. Further, the Company held ₹ 636 crores in assets maturing within one year. The total investment income for the year ended March 31, 2012 stood at ₹ 137.0 crores.

UNDERWRITING

Challenging market conditions continued to beset the General insurance industry as the lingering soft market persisted for most part of the year. The Company continued to adhere to its philosophy of staying clear of unprofitable business segments whilst continuing to institutionalize mitigation measures including stepped-up investments in new generation IT tools to further reinforce its risk selection capability. Realizing that most of the issues facing the insurance industry today can only be resolved collectively by the market, the Company continued to play an active contributor to numerous underwriting initiatives and working committees organized by the market association as it believes that irrespective of competition, all players should share the responsibility of ensuring a healthy and sustainable marketplace.

Moving ahead, the Company believes that due to a confluence of developments such as the need for capital infusion arising out of increased provisioning under IMTPIP and subsequent structural corrections introduced combined with the hardening of the reinsurance environment resulting in escalation of reinsurance costs for most companies, a return to underwriting discipline is imminent. As a result, the Company is cautiously optimistic that market conditions shall turn favorable in FY13 and is well positioned to seize this opportunity.

CLAIMS SERVICE

The Company believes that outstanding claims service delivery is central to any insurance company's existence. Accordingly, all the claims systems are designed to provide better customer experience at every stage of claims settlement. The claims management systems ensure sharing claims information with the insured at every stage of claim settlement. This is done through regular SMS's/ e-mails to the insured at all stages of claim settlement. A team of in-house Surveyors ensure simple and hassle free settlement of small value motor claims. Large corporate clients are provided with dedicated claim portals wherein the progress of their claims can be tracked.

During the year, the Company has launched its own health claims services division out of Chennai. It is intended to provide the best-in-class health claim assistance and settlement services to both retail and corporate clients. Currently, the Company has over 3,100 hospitals in the cashless network and it is proposed to widen this network. The claims settlement is completely automated and net based for real time decision making, regardless of where the claim has occurred across the country. The health claims services division has started providing health insurance services to below poverty line population by insuring four districts in Bihar under Rashtriya Swasthya Bima Yojna (RSBY).

The Company will continue its focus on providing best-in-class and consistent claims experience to its insured.

REINSURANCE

The calendar year 2011 was marked by a series of major natural catastrophes namely, floods in Australia, earthquakes in New Zealand, earthquake and tsunami in Japan, tornadoes in the US, major floods in Thailand and tropical storm Washi in the Philippines that caused insured losses estimated to US $ 115 billion. This was ranked as the second highest in terms of insured losses after the year 2005 (Hurricanes Katrina, Wilma, Stan and Rita in the USA and earthquake in South Asia). The consequent burden on the reinsurers worldwide had resulted in severe capacity shrinkage and hardening of reinsurance prices, especially for catastrophe loss protections against natural perils such as floods, storms and earthquake.

The Company's business portfolio is protected by way of Reinsurance programme that optimizes the Company's retentions and ensures protection against (a) Company's exposure to a large loss affecting a single risk and (b) a series of losses affecting a number of risks arising from a single catastrophe loss event such as an earthquake, flood, storms etc. As per statutory requirements, the Company cedes to the national reinsurer, General Insurance Corporation of India (GIC) 10% of its business subject to monetary limits prescribed by IRDA. The Company's Reinsurance Programme other than the statutory cessions is placed with GIC as well as other reputed international reinsurers of superior financial strength.

INFORMATION TECHNOLOGY

During the year, the Company continued to invest in information technology and further strengthened its technology set up by implementation of initiatives for customer service, channel efficiency and employee efficiency improvement. These initiatives help reduce manual touch points and strengthen controls in the organization. To further strengthen its underwriting, the Company has invested in solutions for Actuarial analytics. Further, during the year, the Company developed and institutionalized Business Continuity Management framework and has set up an IT Disaster Recovery (DR) site.

The Company has during the year launched customer centric services using mobile technology for tracking customer portfolio and claims while on the move. The Company has also launched its 'mobile website' for providing array of services, including online quotes. Focusing on internal efficiencies, most of Company's applications are tablet compatible providing executives, ability to review qualitative information and approving system based decisions, while on move.

DISTRIBUTION NETWORK

During the year, the Company continued to offer its products through a mix of distribution channels comprising of agents, brokers, corporate agents, bancassurance and Direct Sales Team. The Company has presence in 71 cities with 80 branch offices across India. Through the network of these branch offices, the Company's channels are able to service the expanding customer base across India. With an intention to spread the Company's geographical reach and give thrust to retail business, the Company continues to focus on strengthening 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. The multi – channel approach and a robust distribution model enables the Company to reach out to wider customer base. The Company has also leveraged the distribution network of its group companies for expanding access to desirable segments of the retail and corporate markets.

CUSTOMER EXPERIENCE MANAGEMENT

The age old adage "Customer is the King" is perennially true to all businesses and it is more so in services sector like insurance. In line with the philosophy, the Company has during the year created a dedicated function named Customer Experience Management (CEM), which focuses on enhancing customer service by providing better, efficient and value added service. The CEM manages the end to end lifecycle of the customers at various stages from prospecting, acquisition, policy servicing, claims servicing, renewals, cross sell, up-sell, customer education initiatives etc.

During the year, the Company has gone live with Integrated Grievance Management System (IGMS), where all the complaints and grievances of the Policyholders can be seen on IRDA's portal on a real time basis and vice versa. All the complaints and grievances reported to and reported from IRDA during FY12 were resolved by the Company within the prescribed Turn-around-Time (TAT).

As advised by IRDA, Policyholders' protection guidelines inter-alia stating the TAT for various services, have been communicated to employees and channel partners and has been displayed in all branches and uploaded on the website of the Company.

The Company has carried out a root cause analysis of all requests, complaints and grievances from the customers with the objective of identifying the nature of process, system, technology or implementation gaps leading to customer grievances and corrective measures have been implemented to avoid grievances of repetitive nature.

OPERATIONS AND SERVICE GROUP

During the year, the Company issued 27.7 lakh policies, registering a growth of 22% vis-à-vis previous year. The growth in policy issuance has been largely witnessed and managed at Point-of-Sale and Branch Operations & Services Group, requiring minimal manual intervention.

During the year, Branch Operations & Services Group has grown to be an important services rendering platform in meeting corporate goals. In addition, the year has seen the set up of Regional Corporate Operations Unit, primarily focused in meeting corporate clientele requirements in North & East. A similar set-up is also envisaged for South. Facilities Group demonstrated its commitment towards cost efficiency by effective utilization of electronic platform for procurement resulting in cost reduction.

With the intention to continually improvise and overcome consequences of convention the Operations

& Services Group has been renewing its thrust on service delivery by reexamining processes and operational approach, which in due course shall lead to progressive automation and transference of processes to end customers with prerequisite monitoring & controls.

HUMAN RESOURCES INITIATIVES

In keeping with the business growth, the Company increased its manpower from 996 last year to 1,234 as at March 31, 2012, registering a growth of 24% against the business growth of 44%. Resultantly, the manpower productivity of the Company has further improved during the year and today remains amongst the best in the industry. Special efforts have been taken to improve the technical and professional competence of the employees in view of the emerging complexity of the business. A lot of skills development and technical programs were conducted during the year. The Company also refined the Job roles and KRAs with the help of experts to bring in objectivity and transparency in goal setting and performance management. The Company continued to automate its HR processes.

RISK MANAGEMENT

Risk governance is one of the most significant components of Corporate Governance. The Risk Management Committee of the Company believes that effective management of risks across the Company requires both astute oversight of the Management of the risk paradigm of the Company and an active involvement across the organization in risk mitigation.

During the year, the Company formulated a comprehensive Risk Management framework for monitoring Insurance risk, Asset risk and Operational risks. The framework includes identification of risk control points within the various processes in the organization, identifying risks, assessment of controls operating within the system and monitoring the measures. During the year, the Company has created and embedded an effective risk culture supported by a sustainable and effective control framework. Constant reiteration and formal training were used as critical tools to instill risk culture and an understanding of a risk appetite across the Company. The Company has systematically and comprehensively identified material risks and assessed their impacts.

The mandate of Internal Audit in the Company is to add value and improve operations and processes of the Company. This is done by independently and objectively evaluating the effectiveness of the processes, internal control systems and adherence to the compliance policies in a systematic and disciplined manner. While the in-house internal audit team carries out its mandate, independent firm of internal auditors also evaluates and assesses the effectiveness of the processes and systems.

To deliver the mandate, the Internal Audit department develops an internal audit plan using appropriate consultative and risk-based approach to ensure optimal audit coverage at a reasonable overall cost. The reports of the internal audit are reported to the Audit Committee on a quarterly basis

SOLVENCY

The solvency ratio of an insurance company indicates its claim paying ability. An insurance company is deemed solvent if its assets are adequate and liquid to pay off claims or liabilities as and when arise. The Company has a solvency of 1.57 as at March 31, 2012 as against the minimum regulatory requirement of 1.50, which has been relaxed to 1.30 considering the impact of Motor Pool losses for FY08 to FY12. The Company has opted to provide for the entire additional Motor Pool losses in FY12 and not spread the charge over three years as permitted by IRDA.

FUTURE OUTLOOK

The current state of the economy with moderated growth rate and high inflation is expected to continue during the next financial year. For the general insurance industry, past few years has been challenging largely on account of detariffing and intense competition. The IMTPIP which was created in April 2007 has also been significant contributor to the adverse underwriting performance of the industry. Recognizing, the severity of the impact of the IMTPIP's existing framework and inefficiencies in the claim settlement, IRDA ordered for dismantling of the IMTPIP's with effect from March 31, 2012 and creation of Indian Motor Third Party Declined Risk Insurance Pool (IMTPDRIP) from April 1, 2012. Accordingly, the pool would only be created in respect of risks which are considered uninsurable. This is expected to shrink the overall size of the pool and would also provide greater flexibility to the insurers to steer their motor business. The price hike in respect of third party liability premiums with effect from April 1, 2012 is also likely to have positive impact on the overall results of the industry. After witnessing pressure on the prices post detariffing, rates in respect of fire risks and engineering risks are showing signs of stabilization. Reinsurance market is expected to remain challenging in view of the large losses experienced by the reinsurers in the international markets due to catastrophes in last one year. Further, the economic slowdown is also likely to impact the growth of the industry to a certain extent.

Despite uncertain economic scenario and challenges, the Company is committed to continue with its strategy of growth with profitability. The Company's diverse portfolio strategy with clear focus on the governance and efficiency improvement is expected to help in retaining its market position and grow profitably.

Note: This report contains forward – looking statements based on beliefs of HDFC ERGO's management. The word 'expected', 'estimate' and 'intend' used to identify forward-looking statements, reflects the Company's current views with respect to the future events and are subject to risks and uncertainties. Many factors could cause the actual result to be materially different, including, amongst others, changes of competitors / competing product, lack of acceptance of new products and may vary materially from those projected here. HDFC ERGO does not intend to assume any obligation to update these forward looking statements.

HDFC ERGO GENERAL INSURANCE

Har pal aapke saath

Auditors' Report

TO THE MEMBERS OF HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

1. We have audited the attached Balance Sheet of HDFC ERGO General Insurance Company Limited (the 'Company') as at March 31, 2012, the related Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account of the Company for the year ended on that date, annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. 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, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the Insurance Act, 1938 and the 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.

4. 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 satisfactory;

   (b) As the Company's accounting system is centralised, no returns for the purposes of our audit are prepared at the branches of the Company;

   (c) 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;

   (d) The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported(IBNER), included under Claims Outstanding as at March 31,2012, has been duly certified by the Company's Appointed Actuary, and in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority (the 'Authority') and the Actuarial Society of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of the Company;

   (e) On the basis of written representations received from the Directors as at March 31, 2012 and taken on record by the Board of Directors of the Company, none of the Directors is disqualified, as at March 31,2012 from being appointed as a Director in terms of clause (g) of sub-section 274 of the Companies Act, 1956;

   (f) In our opinion, and to the best of our information and according to the explanations given to us, proper books of account as required by law have been maintained by the Company, so far as appears from our examination of those books;

   (g) In our opinion, and to the best of our information and according to the explanations given to us, the investments have been valued in accordance with the provisions of the Insurance Act, 1938, the Regulations and orders/ directions issued by the Insurance Regulatory and Development Authority in this behalf;

   (h) In our opinion, and to the best of our information and according to the explanations given to us, the accounting policies selected by the Company are appropriate and are in compliance with applicable accounting standards referred to under sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable and with accounting principles as prescribed in the Regulations and orders/directions issued by the Insurance Regulatory and Development Authority in this behalf. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the accounting standards referred to under sub-section (3C) of Section 211 of the Companies Act,1956 to the extent applicable;

(i) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account together with the notes thereon and attached thereto are prepared in accordance with the provisions of the Regulations, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act,1999 and the Companies Act, 1956, to the extent applicable and in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

  (i) of the state of affairs of the Company in so far as it relates to the Balance Sheet as at March 31, 2012;

  (ii) of the operating profit in so far as it relates to the Fire Revenue Account and the operating loss in so far as it relates to the Marine Revenue Account and Miscellaneous Revenue Account for the year ended March 31, 2012;

  (iii) of the loss in so far as it relates to the Profit and Loss Account for the year ended March 31, 2012;and

  (iv) of the receipts and payments in so far as it relates to the Receipts and Payments Account for the year ended March 31, 2012.

5. Further,we certify to the best of our knowledge and belief that:

  (i) On the basis of our examination of books and records of the Company and according to the information and explanations given to us, we have reviewed the management report and have found no apparent mistake or material inconsistencies with the financial statements;

  (ii) On the basis of our examination of books and records of the Company and according to the information and explanations given to us, and based upon management representations / compliance certificates noted by the audit committee, nothing has come to our attention which causes us to believe that the Company has not complied with the terms and conditions of registration stipulated by the Insurance Regulatory and Development Authority.

6. The Financial Statements of the Company for the year ended March 31, 2011 were audited by the joint auditors of the Company, one of which is the predecessor audit firm, and have expressed an unmodified opinion dated May 2, 2011 on such financial statements.

For G. M. Kapadia & Co.	For A.F. Ferguson Associates
Chartered Accountants	Chartered Accountants
Rajen R. Ashar	Rupen K. Bhatt
Partner	Partner
Membership No.: 48243	Membership No.: 46930
Firm Regn. No: 104767W	Firm Regn. No : 102849W

Mumbai
April 24, 2012

Auditors' Certificate

In accordance with the information and explanations given to us and to the best of our knowledge and belief and based on our examination of the books of account and other records maintained by HDFC ERGO General Insurance Company Limited (the 'Company') for the year ended March 31, 2012, we certify that:

1. We have verified the cash balances, to the extent considered necessary, and securities relating to the Company's investments as at March 31, 2012, by actual inspection or on the basis of certificates/confirmations received from the depository participant appointed by the Company as the case may be;

2. The Company is not the trustee of any trust; and

3. No part of the assets of the policyholders' funds has been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938, relating to the application and investments of the policyholders funds.

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

For G. M. Kapadia & Co.	For A.F. Ferguson Associates
Chartered Accountants	Chartered Accountants
Rajen R. Ashar	Rupen K. Bhatt
Partner	Partner
Membership No.: 48243	Membership No.: 46930
Firm Regn. No: 104767W	Firm Regn. No: 102849W

Mumbai
April 24, 2012

FORM B - BS
IRDA Registration No: 125
Date of Registration with the IRDA : September 27, 2002

Balance Sheet as at March 31, 2012

	Schedule		As at March 31, 2012 (₹ '000)		As at March 31, 2011 (₹ '000)
SOURCES OF FUNDS					
SHARE CAPITAL	5		5,230,000		4,860,000
SHARE APPLICATION MONEY			-		370,000
RESERVES AND SURPLUS	6		2,520,000		1,040,000
FAIR VALUE CHANGE ACCOUNT			(2,707)		3,871
BORROWINGS	7		3,129		6,086
TOTAL			7,750,422		6,279,957
APPLICATION OF FUNDS					
INVESTMENTS	8		18,877,613		12,236,121
LOANS	9		-		-
FIXED ASSETS	10		997,103		832,673
CURRENT ASSETS					
Cash and Bank Balances	11	1,968,106		1,032,457	
Advances and Other Assets	12	1,966,075		1,187,590	
Sub-Total (A)			3,934,181		2,220,047
CURRENT LIABILITIES	13	11,391,876		6,454,740	
PROVISIONS	14	7,099,305		4,589,892	
Sub-Total (B)			18,491,181		11,044,632
NET CURRENT ASSETS/ (LIABILITIES) (C) = (A-B)			(14,557,000)		(8,824,585)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15		-		-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT			2,432,706		2,035,748
TOTAL			7,750,422		6,279,957
NOTES TO ACCOUNTS	16				

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

In terms of our report attached

G. M. Kapadia & Co.
Chartered Accountants

Rajen R. Ashar
Partner

A.F. Ferguson Associates
Chartered Accountants

Rupen K. Bhatt
Partner

Mumbai
April 24, 2012

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
Member of Executive Management,
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Mark Lammerskitten

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

FORM B - PL
IRDA Registration No: 125
Date of Registration with the IRDA : September 27, 2002

HDFC ERGO GENERAL INSURANCE
Har pal aapke saath

Profit & Loss Account for the year ended March 31, 2012

	Schedule	For the year ended March 31, 2012 (₹ '000)	For the year ended March 31, 2011 (₹ '000)
OPERATING PROFIT / (LOSS)			
Fire Insurance		166,170	103,580
Marine Insurance		(126,366)	4,835
Miscellaneous Insurance		(823,222)	(719,931)
		(783,418)	(611,516)
INCOME FROM INVESTMENTS			
Interest, Dividend and Rent – Gross		369,806	239,883
Profit on sale of investments		30,212	17,369
Less: Loss on sale of investments		-	-
Amortisation of Debt Securities		(4,168)	(6,795)
		395,850	250,457
OTHER INCOME		-	-
TOTAL (A)		(387,568)	(361,059)
PROVISIONS (OTHER THAN TAXATION)			
For dimunition in the value of investments		-	-
For doubtful debts		-	-
Others		-	-
		-	-
OTHER EXPENSES			
Expenses other than those related to insurance business			
Employee's related remuneration and welfare benefits (Refer note 10 of Schedule 16)		9,321	3,216
Bad debts written off		-	-
Others - Wealth Tax		69	-
TOTAL (B)		9,390	3,216
PROFIT / (LOSS) BEFORE TAX		(396,958)	(364,275)
Income Tax Expense :			
- Current Tax		-	-
- Deferred Tax (Refer note 14 of Schedule 16)		-	-
Provision for Taxation			
PROFIT / (LOSS) AFTER TAX		(396,958)	(364,275)
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		(2,035,748)	(1,671,473)
BALANCE CARRIED FORWARD TO BALANCE SHEET		(2,432,706)	(2,035,748)
EARNINGS PER SHARE (Basic and Diluted) (in ₹) (Face Value ₹10 per share) (Refer note 24 of Schedule 16)		(0.79)	(0.78)
NOTES TO ACCOUNTS	16		

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

In terms of our report attached

G. M. Kapadia & Co.
Chartered Accountants

Rajen R. Ashar
Partner

A.F. Ferguson Associates
Chartered Accountants

Rupen K. Bhatt
Partner

Mumbai
April 24, 2012

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
Member of Executive Management,
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Mark Lammerskitten

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

IRDA Registration No: 125
Date of Registration with the IRDA : September 27, 2002

Receipts and Payments Account for the year ended March 31, 2012

Particulars	For the year ended March 31, 2012 (₹ '000)	For the year ended March 31, 2011 (₹'000)
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	23,037,641	16,200,025
Payments to the re-insurers, net of commission and claims	(4,218,787)	(2,778,663)
Payments to co-insurers, net of claims recovery	(511,437)	(124,092)
Payments of claims	(7,358,089)	(5,463,164)
Payments of commission and brokerage	(1,496,013)	(960,255)
Payments of other operating expenses	(3,100,768)	(2,111,180)
Deposits, advances and staff loans	(2,547)	(30,250)
Income taxes paid (Net)	(6,868)	(4,326)
Service tax paid	(1,115,819)	(467,209)
Net cash flow from operating activities	5,227,313	4,260,886
Cash flows from investing activities		
Purchase of fixed assets	(247,866)	(646,353)
Proceeds from sale of fixed assets	1,159	605
Purchase of investments	(18,062,013)	(12,825,181)
Sale of investments	11,640,406	6,774,516
Rents / Interests / Dividends received	727,593	592,224
Investments in money market instruments and in liquid mutual funds (Net)	172,653	86,818
Net cash flow from investing activities	(5,768,068)	(6,017,371)
Cash flows from financing activities		
Proceeds from issuance of share capital & share premium	1,480,000	1,750,000
Receipt of Share application money pending allotment	-	370,000
Proceeds from borrowing	-	894
Repayments of borrowing	(2,957)	(1,818)
Interest / Dividend paid	(639)	(1,000)
Net cash flow from financing activities	1,476,404	2,118,076
Net increase in cash and cash equivalents	935,649	361,591
Cash and cash equivalents at the beginning of the year	1,032,457	670,866
Cash and cash equivalents at the end of the year	1,968,106	1,032,457
Book overdraft at the end of the year	-	-
Net increase in cash and cash equivalents	935,649	361,591

Refer Schedule 11 for components of cash and cash equivalents

In terms of our report attached

G. M. Kapadia & Co.
Chartered Accountants

Rajen R. Ashar
Partner

A.F. Ferguson Associates
Chartered Accountants

Rupen K. Bhatt
Partner

Mumbai
April 24, 2012

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
Member of Executive Management,
CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Mark Lammerskitten

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, 2012

(₹'000)

	Particulars	Schedule	FIRE INSURANCE		MARINE INSURANCE		MISCELLANEOUS INSURANCE		TOTAL	
			Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2012	Year Ended March 31, 2011
1	Premiums Earned (Net)	1	270,752	140,068	150,195	77,745	8,723,779	5,845,768	9,144,726	6,063,581
2	Profit / Loss on Sale / Redemption of Investments (Net)		4,006	1,698	1,168	487	68,830	33,032	74,004	35,217
3	Amortisation of Debt Securities		(553)	(664)	(161)	(191)	(9,495)	(12,922)	(10,209)	(13,777)
4	Other									
	Investment Income from Pool (Motor & Terrorism)		4,740	4,446	-	-	1,073	37,109	5,813	41,555
	Miscellenous Income/Liabilities written back		85	21	51	63	2,445	4,003	2,581	4,087
5	Interest, Dividend and Rent – Gross		49,036	23,454	14,289	6,732	842,501	456,189	905,826	486,375
	TOTAL (A)		328,066	169,023	165,542	84,836	9,629,133	6,363,179	10,122,741	6,617,038
1	Claims Incurred (Net)	2	161,990	137,023	245,798	63,292	7,256,470	4,898,523	7,664,258	5,098,838
2	Commission	3	(152,319)	(173,384)	(11,487)	(20,653)	(272,121)	(192,409)	(435,927)	(386,446)
3	Operating Expenses Related to Insurance Business	4	152,225	101,804	57,597	37,362	2,688,577	2,152,870	2,898,399	2,292,036
4	Premium Deficiency		-	-	-	-	-	-	-	-
	TOTAL (B)		161,896	65,443	291,908	80,001	9,672,926	6,858,984	10,126,730	7,004,428
	Operating Profit/(Loss) (A-B) before exceptional item		166,170	103,580	(126,366)	4,835	(43,793)	(495,805)	(3,989)	(387,390)
	Exceptional Item (Refer note 27 of Schedule 16)		-	-	-	-	779,429	224,126	779,429	224,126
	Operating Profit/(Loss) after exceptional item		166,170	103,580	(126,366)	4,835	(823,222)	(719,931)	(783,418)	(611,516)
	APPROPRIATIONS									
	Transfer to Shareholders Account		166,170	103,580	(126,366)	4,835	(823,222)	(719,931)	(783,418)	(611,516)
	Transfer to Catastrophe Reserve		-	-	-	-	-	-	-	-
	Transfer to Other Reserves		-	-	-	-	-	-	-	-
	TOTAL (C)		166,170	103,580	(126,366)	4,835	(823,222)	(719,931)	(783,418)	(611,516)

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

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 Accounts as expenses.

In terms of our report attached

G. M. Kapadia & Co.
Chartered Accountants

Rajen R. Ashar
Partner

A.F. Ferguson Associates
Chartered Accountants

Rupen K. Bhatt
Partner

Mumbai
April 24, 2012

For and on behalf of the Board of Directors

Deepak S. Parekh
Chairman

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
Member of Executive Management, CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Mark Lammerskitten

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

Schedule - 1
PREMIUM

(₹ '000)

Particulars	Financial Year 2011-12						Financial Year 2010-11					
	Fire	Marine			*Miscellaneous	Total	Fire	Marine			**Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total				Marine Cargo	Marine Hull	Marine Total		
Premium from direct business written-net of Service tax	2,675,365	418,718	190,247	608,965	15,110,267	18,394,597	1,801,694	300,792	183,378	484,170	10,513,279	12,799,143
Add : Premium on Re-insurance accepted	234,978	6,391	440	6,831	2,108,007	2,349,816	141,553	252	770	1,022	1,136,486	1,279,061
Less : Premium on Re-insurance ceded	(2,379,824)	(250,959)	(173,167)	(424,126)	(6,301,656)	(9,105,606)	(1,602,463)	(197,926)	(169,901)	(367,827)	(4,356,507)	(6,326,797)
Net Premium	530,519	174,150	17,520	191,670	10,916,618	11,638,807	340,784	103,118	14,247	117,365	7,293,258	7,751,407
Less : Adjustment for changes in reserve for unexpired risks	(259,767)	(38,026)	(3,449)	(41,475)	(2,192,839)	(2,494,081)	(200,716)	(29,301)	(10,319)	(39,620)	(1,447,490)	(1,687,826)
Total Premium Earned (Net)	**270,752**	**136,124**	**14,071**	**150,195**	**8,723,779**	**9,144,726**	140,068	73,817	3,928	77,745	5,845,768	6,063,581

* Miscellaneous Premium Breakup for financial year 2011-12

(₹ '000)

Particulars	Miscellaneous															
	Motor											Others				
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Specialty	Others	Total Miscellaneous
Premium from direct business written-net of Service tax	4,405,826	2,304,553	-	6,710,379	54,603	15,623	23,720	651,627	226,485	1,871,942	4,114,975	450,048	6,011	456,716	528,138	15,110,267
Add : Premium on Re-insurance accepted	-	-	2,008,003	2,008,003	-	5,163	-	63,265	8,811	500	-	4,539	-	15,491	2,235	2,108,007
Less : Premium on Re-insurance ceded	(468,559)	(1,590,375)	-	(2,058,934)	(6,475)	(15,660)	(20,909)	(576,133)	(258,163)	(227,771)	(1,866,724)	(400,661)	(1,038)	(422,175)	(447,013)	(6,301,656)
Net Premium	3,937,267	714,178	2,008,003	6,659,448	48,128	5,126	2,811	138,759	(22,867)	1,644,671	2,248,251	53,926	4,973	50,032	83,360	10,916,618
Less : Adjustment for changes in reserve for unexpired risks	(669,642)	(152,852)	(477,795)	(1,300,289)	(18,188)	74	(54)	(24,557)	(8,552)	(543,835)	(286,131)	(10,223)	(2,514)	(7,459)	8,889	(2,192,839)
Total Premium Earned (Net)	3,267,625	561,326	1,530,208	5,359,159	29,940	5,200	2,757	114,202	(31,419)	1,100,836	1,962,120	43,703	2,459	42,573	92,249	8,723,779

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2012

** Miscellaneous Premium Breakup for financial year 2010-11

(₹'000)

Particulars	Miscellaneous															
	Motor											Others				
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Premium from direct business written-net of Service tax	3,042,587	1,164,412	-	4,206,999	36,758	15,466	21,751	475,204	326,079	1,291,727	3,287,267	263,404	2,218	408,683	177,723	10,513,279
Add : Premium on Re-insurance accepted	-	-	1,057,664	1,057,664	-	100	-	63,449	-	-	2	5,608	-	9,663	-	1,136,486
Less : Premium on Re-insurance ceded	(328,187)	(738,518)	-	(1,066,705)	(29,845)	(11,488)	(19,192)	(444,671)	(325,177)	(163,187)	(1,571,812)	(237,009)	(411)	(384,812)	(102,198)	(4,356,507)
Net Premium	2,714,400	425,894	1,057,664	4,197,958	6,913	4,078	2,559	93,982	902	1,128,540	1,715,457	32,003	1,807	33,534	75,525	7,293,258
Less : Adjustment for changes in reserve for unexpired risks	(450,431)	(79,533)	(145,501)	(675,469)	(281)	(852)	169	(19,922)	171	(584,586)	(168,052)	(2,086)	170	(1,392)	4,636	(1,447,490)
Total Premium Earned (Net)	2,263,969	346,361	912,163	3,522,489	6,632	3,226	2,728	74,060	1,073	543,954	1,547,405	29,917	1,977	32,142	80,161	5,845,768

Schedule - 2

CLAIMS INCURRED (NET)

(₹'000)

Particulars	Financial Year 2011-12						Financial Year 2010-11					
	Fire	Marine			*Miscellaneous	Total	Fire	Marine			**Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total				Marine Cargo	Marine Hull	Marine Total		
Claims paid direct	1,168,068	315,110	55,055	370,165	5,437,357	6,975,590	492,170	96,022	84,510	180,532	4,534,513	5,207,215
Add: Claims on Re-insurance accepted	34,813	-	-	-	442,201	477,014	49,713	-	-	-	226,312	276,025
Less: Claims on Re-insurance ceded	(1,098,249)	(148,704)	(53,572)	(202,276)	(1,370,556)	(2,671,081)	(497,049)	(55,322)	(83,562)	(138,884)	(1,463,096)	(2,099,029)
Net Claims paid	104,632	166,406	1,483	167,889	4,509,002	4,781,523	44,834	40,700	948	41,648	3,297,729	3,384,211
Add: Claims Outstanding at the end of the year	191,049	120,887	11,065	131,942	6,598,590	6,921,581	133,691	48,845	5,188	54,033	3,626,997	3,814,721
Less: Claims Outstanding at the beginning of the year	(133,691)	(48,845)	(5,188)	(54,033)	(3,851,122)	(4,038,846)	(41,502)	(31,540)	(849)	(32,389)	(2,026,203)	(2,100,094)
Total Claims Incurred	**161,990**	**238,448**	**7,350**	**245,798**	**7,256,470**	**7,664,258**	137,023	58,005	5,287	63,292	4,898,523	5,098,838

* Miscellaneous Claims Incurred (Net) Breakup for financial year 2011-12

(₹ '000)

Particulars	Miscellaneous																
	Motor											Others					
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Claims paid direct	2,342,985	613,013	-	2,955,998	1,929	105	-	230,182	82,675	422,394	1,564,597	1,324	14	22,021	156,118	5,437,357
Add: Claims on Re-insurance accepted	-	-	436,228	436,228	-	-	-	3,347	2,626	-	-	-	-	-	-	442,201
Less: Claims on Re-insurance ceded	(234,836)	(440,631)	-	(675,467)	(1,166)	(7)	-	(164,084)	(82,634)	(42,505)	(290,214)	(1,291)	(1)	(21,407)	(91,780)	(1,370,556)
Net Claims paid	2,108,149	172,382	436,228	2,716,759	763	98	-	69,445	2,667	379,889	1,274,383	33	13	614	64,338	4,509,002
Add: Claims Outstanding at the end of the year	423,321	1,073,208	4,450,060	5,946,589	8,150	780	3,621	60,206	2,092	203,861	301,850	14,427	600	16,244	40,170	6,598,590
Less: Claims Outstanding at the beginning of the year	(327,913)	(695,988)	(2,328,313)	(3,352,214)	(1,449)	(484)	(421)	(47,008)	(565)	(158,699)	(251,196)	(8,149)	(320)	(11,110)	(19,507)	(3,851,122)
Total Claims Incurred	2,203,557	549,602	2,557,975	5,311,134	7,464	394	3,200	82,643	4,194	425,051	1,325,937	6,311	293	5,748	86,001	7,256,479

** Miscellaneous Claims Incurred (Net) Breakup for financial year 2010-11

(₹ '000)

Particulars	Miscellaneous																
	Motor											Others					
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Claims paid direct	1,566,417	249,485	-	1,815,902	461	-	-	51,864	576,656	236,206	1,720,066	18,032	84	42,628	72,614	4,534,513
Add: Claims on Re-insurance accepted	-	-	224,540	224,540	-	-	-	1,772	-	-	-	-	-	-	-	226,312
Less: Claims on Re-insurance ceded	(157,182)	(157,875)	-	(315,057)	(314)	-	-	(31,496)	(576,369)	(25,112)	(450,125)	(17,854)	(8)	(39,158)	(7,603)	(1,463,096)
Net Claims paid	1,409,235	91,610	224,540	1,725,385	147	-	-	22,140	287	211,094	1,269,941	178	76	3,470	65,011	3,297,729
Add: Claims Outstanding at the end of the year	327,913	695,988	2,104,187	3,128,088	1,449	484	421	47,008	565	158,699	251,196	8,149	320	11,110	19,508	3,626,997
Less: Claims Outstanding at the beginning of the year	(136,435)	(431,115)	(934,469)	(1,502,019)	(1,212)	(336)	(165)	(12,785)	(58)	(68,602)	(415,453)	(4,812)	(389)	(7,180)	(13,392)	(2,026,203)
Total Claims Incurred	1,600,713	356,483	1,394,258	3,351,454	384	148	256	56,363	794	301,191	1,105,684	3,715	7	7,400	71,127	4,898,523

HDFC ERGO GENERAL INSURANCE
Har pal aapke saath

Schedule - 3
COMMISSION

(₹ '000)

Particulars	Financial Year 2011-12						Financial Year 2010-11					
	Fire	Marine			*Miscellaneous	Total	Fire	Marine			**Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total				Marine Cargo	Marine Hull	Marine Total		
Commission paid direct	176,131	44,787	9,010	53,797	1,308,096	1,538,024	132,173	27,568	11,754	39,322	859,256	1,030,751
Add : Commission paid on Re-insurance accepted	11,073	985	45	1,030	11,372	23,475	5,353	113	15	128	11,241	16,722
Less : Commission received on Re-insurance ceded	(339,523)	(49,553)	(16,761)	(66,314)	(1,591,589)	(1,997,426)	(310,910)	(43,129)	(16,974)	(60,103)	(1,062,906)	(1,433,918)
Net commission paid / (received)	(152,319)	(3,781)	(7,706)	(11,487)	(272,121)	(435,927)	(173,384)	(15,448)	(5,205)	(20,653)	(192,409)	(386,446)

* Miscellaneous Commission Breakup for financial year 2011-12

(₹ '000)

Particulars	Miscellaneous															
	Motor											Others				
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Commission paid direct	344,809	-	-	344,809	5,073	1,711	3,300	47,843	6,617	261,478	526,862	41,336	779	55,737	12,551	1,308,096
Add : Commission paid on Re-insurance accepted	-	-	-	-	-	735	-	7,879	427	-	-	1,018	-	1,491	22	11,372
Less : Commission received on Re-insurance ceded	(92,663)	-	-	(92,663)	(1,386)	(3,634)	(2,078)	(135,790)	(4,063)	(53,172)	(1,051,122)	(60,050)	(131)	(86,991)	(100,509)	(1,591,589)
Net commission paid / (received)	252,146	-	-	252,146	3,687	(1,188)	1,222	(80,068)	2,981	208,306	(524,260)	(17,696)	648	(29,763)	(87,936)	(272,121)

** Miscellaneous Commission Breakup for financial year 2010-11

(₹ '000)

Particulars	Miscellaneous															
	Motor											Others				
	Motor-OD	Motor-TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Commission paid direct	197,115	-	-	197,115	3,386	1,013	2,714	39,167	5,970	175,952	352,462	26,202	255	45,240	9,780	859,256
Add : Commission paid on re-insurance accepted	-	-	-	-	-	-	-	8,618	-	-	-	1,473	-	1,150	-	11,241
Less : Commission received on Re-insurance ceded	(64,037)	-	-	(64,037)	(8,324)	(8,601)	(2,324)	(132,964)	(256)	(30,080)	(700,049)	(32,987)	(51)	(61,416)	(21,817)	(1,062,906)
Net commission paid / (received)	133,078	-	-	133,078	(4,938)	(7,588)	390	(85,179)	5,714	145,872	(347,587)	(5,312)	204	(15,026)	(12,037)	(192,409)

Schedule - 3 A
COMMISSION PAID - DIRECT

(₹ '000)

Particulars	Financial Year 2011-2012				Financial Year 2010-2011			
	Fire	Marine	Miscellaneous	Total	Fire	Marine	Miscellaneous	Total
Agents	2,777	1,271	154,009	158,057	2,085	221	52,149	54,455
Brokers	50,859	35,115	252,437	338,411	35,555	25,145	181,997	242,697
Corporate Agency	122,495	17,411	901,650	1,041,556	55,297	9,328	470,060	534,685
Referral	-	-	-	-	39,236	4,628	155,050	198,914
Others	-	-	-	-	-	-	-	-
Total	176,131	53,797	1,308,096	1,538,024	132,173	39,322	859,256	1,030,751

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2012

Schedule - 4

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

(₹ '000)

Particulars	Financial Year 2011-12						Financial Year 2010-11					
	Fire	Marine			*Miscellaneous	Total	Fire	Marine			**Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total				Marine Cargo	Marine Hull	Marine Total		
Employees' remuneration and welfare benefits	66,990	16,971	3,871	20,842	882,680	970,512	52,712	11,785	3,765	15,550	727,179	795,441
Travel, conveyance and vehicle running expenses	6,928	1,396	422	1,818	66,474	75,220	4,391	798	346	1,144	44,731	50,266
Training expenses	1,122	336	54	390	21,190	22,702	822	268	39	307	19,512	20,641
Rents, rates and taxes	7,914	4,139	428	4,567	219,639	232,120	6,939	3,968	211	4,179	265,050	276,168
Repairs	2,508	545	99	644	44,141	47,293	2,183	408	84	492	43,163	45,838
Printing and stationery	2,611	1,038	127	1,165	61,203	64,979	1,576	603	68	671	42,843	45,090
Communication	2,492	819	125	944	48,599	52,035	1,801	603	84	687	43,687	46,175
Legal and professional charges	23,277	9,743	1,097	10,840	591,385	625,502	10,917	4,692	275	4,967	404,750	420,634
Auditors' fees, expenses etc												
(a) as auditors	102	53	6	59	2,839	3,000	50	29	2	31	1,919	2,000
(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	27	14	1	15	758	800	18	10	1	11	671	700
Advertisement and publicity	10,394	3,510	505	4,015	212,841	227,250	6,501	2,187	464	2,651	121,639	130,791
Interest and Bank Charges	6,635	3,429	354	3,783	183,700	194,118	2,887	1,651	88	1,739	110,272	114,898
Others :												
Electricity expenses	1,165	610	63	673	32,339	34,177	762	436	23	459	29,111	30,332
Office Expenses	791	349	40	389	19,552	20,732	291	141	11	152	9,451	9,894
Miscellaneous expenses	10,589	1,839	828	2,667	23,744	37,000	5,154	1,003	575	1,578	17,825	24,557
Service Charges	-	-	-	-	46,537	46,537	-	-	-	-	96,879	96,879
Information Technology Expenses	3,758	1,936	203	2,139	102,834	108,731	2,144	1,225	65	1,290	81,835	85,269
Postage & courier	2,036	874	107	981	47,998	51,014	1,066	501	37	538	34,945	36,549
Loss on sale of assets (net)	15	8	1	9	408	432	119	21	9	30	1,216	1,365
Depreciation	2,872	1,502	155	1,657	79,716	84,245	1,471	841	45	886	56,192	58,549
Total Operating Expenses	**152,225**	**49,111**	**8,486**	**57,597**	**2,688,577**	**2,898,399**	101,804	31,170	6,192	37,362	2,152,870	2,292,036

HDFC ERGO GENERAL INSURANCE Har pal aapke saath

* Miscellaneous Operating expenses related to Insurance business Breakup for financial year 2011-12

(₹ '000)

Particulars	Miscellaneous															
	Motor												Others			
	Motor OD	Motor TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Employees' remuneration and welfare benefits	354,333	95,298	-	449,631	3,210	737	558	19,977	3,408	126,362	236,130	10,055	327	10,220	22,065	882,680
Travel, conveyance and vehicle running expenses	23,829	7,526	-	31,355	235	63	57	1,871	446	8,950	17,152	1,050	24	1,079	4,192	66,474
Training expenses	8,914	2,358	-	11,272	71	15	9	362	31	3,111	5,656	150	8	150	355	21,190
Rents, rates and taxes	99,363	17,069	-	116,432	910	158	84	3,411	-	33,475	59,665	1,329	75	1,295	2,805	219,639
Repairs	17,742	6,019	-	23,761	116	27	15	709	72	6,333	11,545	272	19	274	998	44,141
Printing and stationery	26,629	5,768	-	32,397	226	42	23	964	33	9,133	16,364	377	22	371	1,251	61,203
Communication	20,605	4,972	-	25,577	173	34	20	836	66	7,156	12,958	352	18	351	1,058	48,599
Legal and professional charges	255,319	54,698	10,066	320,083	2,150	394	204	8,850	156	87,230	156,015	3,338	211	3,271	9,483	591,385
Auditors' fees, expenses etc																
(a) as auditors	1,284	221	-	1,505	12	2	1	44	-	433	771	17	-	17	37	2,839
(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	342	59	-	401	3	1	-	12	-	115	206	5	-	4	11	758
Advertisement and publicity	91,509	22,302	-	113,811	751	148	84	3,552	233	31,620	57,314	1,442	80	1,434	2,372	212,841
Interest and Bank Charges	82,514	14,250	-	96,764	754	131	69	2,831	-	27,866	49,549	1,101	62	1,073	3,500	183,700
Others :																
Electricity expenses	14,631	2,513	-	17,144	134	23	12	502	-	4,929	8,786	196	11	191	411	32,339
Office Expenses	8,654	1,713	-	10,367	76	14	7	309	7	2,946	5,274	122	7	120	303	19,552
Miscellaneous expenses	3,826	1,409	-	5,235	216	78	105	2,738	1,016	2,371	7,599	1,964	4	2,041	377	23,744
Service Charges	28,845	-	-	28,845	-	-	-	-	-	10,519	7,173	-	-	-	-	46,537
Information Technology Expenses	46,341	7,989	-	54,330	425	74	40	1,603	5	15,634	27,854	628	35	613	1,593	102,834
Postage & courier	21,209	4,181	-	25,390	189	35	19	784	28	7,225	12,971	318	17	313	709	47,998
Loss on sale of assets (net)	185	32	-	217	2	-	-	6	-	62	111	2	-	2	6	408
Depreciation	36,064	6,195	-	42,259	330	57	30	1,238	-	12,150	21,655	482	27	470	1,018	79,716
Total Operating Expenses	**1,142,138**	**254,572**	**10,066**	**1,406,776**	**9,983**	**2,033**	**1,337**	**50,599**	**5,501**	**397,620**	**714,748**	**23,200**	**947**	**23,289**	**52,544**	**2,688,577**

Schedules

Annexed to and forming part of the Revenue Account for the year ended March 31, 2012

**Miscellaneous Operating expenses related to Insurance business Breakup for financial year 2010-11

(₹ '000)

Particulars	Miscellaneous															
	Motor				Others											
	Motor OD	Motor TP	Motor Pool	Motor Total	Workmens Compensation	Public Liability	Product Liability	Engineering	Aviation	Personal Accident	Health Insurance	Other Liability	Home	Speciality	Others	Total Miscellaneous
Employees' remuneration and welfare benefits	294,083	69,588	-	363,671	1,363	563	639	16,939	6,165	87,009	217,867	7,532	235	10,462	14,734	727,179
Travel, conveyance and vehicle running expenses	16,917	4,655	-	21,572	97	39	49	1,279	592	5,293	12,733	587	12	862	1,616	44,731
Training expenses	8,533	1,710	-	10,243	29	12	12	320	51	2,304	5,917	130	7	158	329	19,512
Rents, rates and taxes	121,705	18,619	-	140,324	356	173	147	3,816	58	29,241	83,184	1,608	106	1,728	4,309	265,050
Repairs	18,098	4,978	-	23,076	62	19	20	654	123	5,709	12,367	223	14	280	616	43,163
Printing and stationery	19,055	3,513	-	22,568	61	27	25	671	76	4,943	13,110	276	16	322	748	42,843
Communication	19,180	3,772	-	22,952	64	27	26	710	107	5,110	13,213	291	16	350	821	43,687
Legal and professional charges	172,929	31,633	22,204	226,766	500	218	187	5,243	118	43,889	114,845	2,037	144	2,190	8,613	404,750
Auditors' fees, expenses etc																
(a) as auditors	880	135	-	1,015	3	1	1	28	-	212	602	12	1	13	31	1,919
(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	308	47	-	355	1	-	-	10	-	74	211	4	-	4	12	671
Advertisement and publicity	52,341	8,978	-	61,319	211	100	103	2,573	698	13,460	38,403	1,190	45	1,548	1,989	121,639
Interest and Bank Charges	50,634	7,747	-	58,381	148	72	61	1,587	24	12,166	34,608	669	44	719	1,793	110,272
Others :																
Electricity expenses	13,367	2,045	-	15,412	39	19	16	419	6	3,212	9,136	177	12	190	473	29,111
Office Expenses	4,287	694	-	4,981	13	6	5	143	9	1,054	2,944	61	4	68	163	9,451
Miscellaneous expenses	3,587	753	-	4,340	99	51	69	1,559	1,014	1,458	6,711	859	4	1,332	329	17,825
Service Charges	80,196	-	-	80,196	-	-	-	-	-	12,241	4,442	-	-	-	-	96,879
Information Technology Expenses	37,575	5,751	-	43,326	110	54	45	1,178	18	9,030	25,682	496	33	533	1,330	81,835
Postage & courier	15,822	2,673	-	18,495	48	22	19	515	27	3,957	10,831	212	14	235	570	34,945
Loss on sale of assets (net)	459	126	-	585	3	1	1	35	16	144	346	16	-	23	46	1,216
Depreciation	25,802	3,947	-	29,749	76	37	31	809	12	6,199	17,635	341	23	366	914	56,192
Total Operating Expenses	955,758	171,364	22,204	1,149,326	3,283	1,441	1,456	38,488	9,114	246,705	624,787	16,721	730	21,383	39,436	2,152,870

HDFC ERGO
GENERAL INSURANCE
Har pal aapke saath

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 5

SHARE CAPITAL

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Authorised Capital		
600,000,000 Equity Shares of ₹ 10/- each (Previous Year: 600,000,000 Equity Shares of ₹ 10/- each)	**6,000,000**	6,000,000
Issued Capital		
523,000,000 Equity Shares of ₹ 10/- each (Previous Year: 486,000,000 Equity Shares of ₹10/- each)	**5,230,000**	4,860,000
Subscribed Capital		
523,000,000 Equity Shares of ₹ 10/- each (Previous Year: 486,000,000 Equity Shares of ₹10/- each)	**5,230,000**	4,860,000
Called-up Capital		
523,000,000 Equity Shares of ₹ 10/- each (Previous Year: 486,000,000 Equity Shares of ₹ 10/- each)	**5,230,000**	4,860,000
Less: Calls unpaid	-	-
Add: Equity Shares forfeited (Amount originally paid up)	-	-
Less: Par Value of Equity Shares bought back	-	-
Less: Preliminary Expenses	-	-
Total	**5,230,000**	4,860,000

Of the above, 387,020,000 (Previous year 359,640,000) equity shares of ₹10/- each are 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, 2012		As at March 31, 2011	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters:				
Indian: Housing Development Finance Corporation Limited	**387,020,000**	**74%**	359,640,000	74%
Foreign: ERGO International AG	**135,980,000**	**26%**	126,360,000	26%
Others	-	-	-	-
Total	**523,000,000**	**100%**	486,000,000	100%

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 6

RESERVES AND SURPLUS

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Capital Reserve	-	-
Capital Redemption Reserve	-	-
Share Premium	2,520,000	1,040,000
General Reserves	-	-
Less: Debit balance in Profit and Loss Account	-	-
Less: Amount utilised for buy-back	-	-
Contingency Reserve for Unexpired Risk	-	-
Catastrophe Reserve	-	-
Other Reserves	-	-
Balance of Profit in Profit and Loss Account	-	-
Total	2,520,000	1,040,000

Schedule - 7

BORROWINGS

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Debentures / Bonds	-	-
Banks	-	-
Financial Institutions	-	-
Others:		
OAIS Auto Financial Services Limited	3,129	6,086
(formerly known as ORIX Auto Infrastructure & Business Solution Limited)		
(Refer note 4 and 13 of Schedule 16)		
Total	3,129	6,086

Schedule - 8

INVESTMENTS (Refer note 9 of Schedule 16)

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills	3,806,825	2,451,743
Other Approved Securities	278,187	-
Other Investment:		
Shares		
- Equity	70,720	40,642
- Preference	-	-
Mutual Funds	-	-

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 8 (Continued)

INVESTMENTS (Refer note 9 of Schedule 16)

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
LONG TERM INVESTMENTS		
Derivative Instruments	-	-
Debentures / Bonds	4,665,367	3,318,267
Other Securities (Bank Deposits)	600,000	500,000
Subsidiaries	-	-
Investment Properties-Real Estate	-	-
Investments in Infrastructure and Social Sector Bonds	3,072,480	2,114,410
Other than Approved Investments - Equity	21,486	4,295
Sub-total (A)	12,515,065	8,429,357
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including treasury bills	1,871,045	1,316,509
Other Approved Securities	-	-
Other Investment		
Shares		
- Equity	-	-
- Preference	-	-
Mutual Funds	-	-
Derivative Instruments	-	-
Debentures / Bonds	250,574	215,000
Other Securities (Commercial Papers & Certificate of Deposits)	3,990,477	2,023,056
Subsidiaries	-	-
Investment Properties-Real Estate	-	-
Investments in Infrastructure and Social Sector Bonds	200,937	119,659
Other than Approved Investments		
- Mutual Fund	49,515	132,540
- Corporate Deposits	-	-
Sub-total (B)	6,362,548	3,806,764
Total (A+B)	18,877,613	12,236,121

Note:

a) Aggregate value of the investments other than equity shares and Mutual Fund		(₹ '000)	(₹ '000)
Long term investments	- Book Value	12,422,859	8,384,420
	Market Value	12,211,159	8,209,723
Short term investments	- Book Value	6,313,033	3,674,225
	Market Value	6,306,092	3,672,697

b) Aggregate cost of Investments in Debentures issued by Housing Development Finance Corporation Limited (Holding Company) for the year ended March 31, 2012 was ₹ 550,000 thousand (Previous year ₹ 350,000 thousand).

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 9

LOANS

Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
SECURITY-WISE CLASSIFICATION		
Secured		
(a) On mortgage of property		
(aa) In India	-	-
(bb) Outside India	-	-
(b) On Shares, Bonds, Govt. Securities	-	-
(c) Others	-	-
Unsecured	-	-
Total	-	-
BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	-	-
(b) Banks and Financials Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	-	-
(e) Others	-	-
Total	-	-
PERFORMANCE-WISE CLASSIFICATION		
(a) Loans classified as standard		
(aa) In India	-	-
(bb) Outside India	-	-
(b) Non-performing loans less provisions		
(aa) In India	-	-
(bb) Outside India	-	-
Total	-	-
MATURITY-WISE CLASSIFICATION		
(a) Short-term	-	-
(b) Long-Term	-	-
Total	-	-
Total	-	-

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule – 10

FIXED ASSETS (Refer note 4, 5 and 13 of Schedule 16)

(₹'000)

Particulars	Cost / Gross Block				Depreciation / Amortisation				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	254,818	104,029	-	358,847	123,075	35,258	-	158,333	200,514	131,743
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	13,017	12,184	190	25,011	11,525	2,355	165	13,715	11,296	1,492
Building	575,856	-	-	575,856	5,940	9,386	-	15,326	560,530	569,916
Furniture and Fittings	8,360	2,005	655	9,710	3,239	1,263	362	4,140	5,570	5,121
Information Technology Equipment	206,649	100,500	1,195	305,954	122,703	30,752	1,169	152,286	153,668	83,946
Vehicles	-	9,868	-	9,868	-	1,024	-	1,024	8,844	-
Office Equipment	35,460	12,597	295	47,762	8,256	2,565	98	10,723	37,039	27,204
Leased Vehicles	9,996	-	3,649	6,347	4,739	1,642	2,600	3,781	2,566	5,257
Total	**1,104,156**	**241,183**	**5,984**	**1,339,355**	**279,477**	**84,245**	**4,394**	**359,328**	**980,027**	**824,679**
Capital Work-in-progress (Refer Note 5 of schedule 16)	7,994	17,076	7,994	17,076	-	-	-	-	17,076	7,994
Grand Total	**1,112,150**	**258,259**	**13,978**	**1,356,431**	**279,477**	**84,245**	**4,394**	**359,328**	**997,103**	**832,673**
Previous Year	493,493	650,225	31,568	1,112,150	246,655	58,549	25,727	279,477	832,673	246,839

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 11

CASH AND BANK BALANCES Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Cash (including cheques, drafts and stamps)	733,586	557,938
Bank balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	450,000	150,000
(bb) Others	-	-
(b) Current Accounts	784,520	324,519
(c) Others	-	-
Money at Call and Short Notice		
(a) With Banks	-	-
(b) With Other Institutions	-	-
Others	-	-
Total	1,968,106	1,032,457

Schedule - 12

ADVANCES AND OTHER ASSETS Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
ADVANCES		
Reserve deposits with ceding companies	-	-
Application money for investments	-	-
Prepayments	111,544	157,678
Advance to Directors / Officers	-	-
Advance tax paid and taxes deducted at source (net of provision net of taxation)	15,023	8,224
Others:		
Advances to employees	1,554	1,588
Advances to suppliers	27,595	47,802
Advances payment for Service Tax	25,873	-
Sub-total (A)	181,589	215,292
OTHER ASSETS		
Income accrued on investments	565,288	326,524
Outstanding Premiums	93,208	45,585
Agents' Balances	-	-
Foreign Agents' Balances	-	-
Due from other entities carrying on insurance business (including reinsurers)	1,065,632	552,814
Due from subsidiaries / holding company	14	14
Deposit with Reserve Bank of India (Pursuant to section 7 of Insurance Act, 1938)	-	-
Others:		
Deposits for premises	59,189	46,036
Stock of Salvaged Cars	1,155	1,325
Sub-total (B)	1,784,486	972,298
Total (A+B)	1,966,075	1,187,590

Schedules

Annexed to and forming part of the Balance Sheet as at March 31, 2012

Schedule - 13

CURRENT LIABILITIES Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Agents' Balances	165,860	96,709
Balances due to other insurance companies	2,905,721	594,538
Deposits held on re-insurance ceded	-	-
Premiums received in advance	928,109	512,652
Unallocated Premium	554,976	594,814
Unclaimed amount of Policy holder's (Refer note 28 of Schedule 16)	58,879	29,777
Sundry creditors	832,448	520,722
Due to subsidiaries / holding company	-	-
Claims outstanding (Refer note 23(b) and 27 of Schedule 16)	5,916,710	4,038,848
Due to Officers / Directors	-	-
Others:		
Service tax liability	-	44,348
Tax deducted payable	28,838	22,070
Other statutory dues	335	262
Total	11,391,876	6,454,740

Schedule - 14

PROVISIONS Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
Reserve for Unexpired Risk	7,076,898	4,582,816
For taxation (less advance tax paid and taxes deducted at source)	-	-
For proposed dividends	-	-
For dividend distribution tax	-	-
Others:		
Provision for Employee benefits	22,407	7,076
Total	7,099,305	4,589,892

Schedule - 15

MISCELLANEOUS EXPENDITURE Particulars	As at March 31, 2012 (₹ '000)	As at March 31, 2011 (₹ '000)
(To the extent not written off or adjusted)		
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, 2012

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, 2012, the shareholders of the Company are HDFC (74%) and ERGO (26%). The Company is registered with the Insurance Regulatory and Development Authority ('IRDA') and continues to be in the business of underwriting general insurance policies and has launched general insurance products in Motor, Home, Accident & Health, Commercial and Specialty business lines.

The IRDA has renewed the Company's Certificate of Registration to sell general insurance products in India for the year 2012-13 vide its Certificate of Renewal of Registration dated March 16, 2012. The renewed registration is with effect from April 1, 2012 and is valid up to March 31, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These 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 Act, 1956 to the extent applicable.

(b) Use of Estimates

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

(c) Revenue Recognition

Premium income

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

Income Earned on Investments

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

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

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 accounts or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.

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

(d) Reinsurance Ceded

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

(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 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
Building	1.63%	1.63%
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%
Vehicles	20.00%	9.50%

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

Impairment of Assets

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

(l) Finance Leases

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

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

(m) Operating Leases

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

(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(the Regulation) 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.

(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. 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 till year ended March 31, 2010. Further General Insurance Council in its meeting held on April 1, 2010 recommended the contribution should be a percentage of gross written third party premium including premium ceded to IMTPIP (Indian Motor Third Party Insurance Pool)

(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 Plan. 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.

3. CONTINGENT LIABILITIES

(₹ '000)

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
1.	Partly paid up investments	Nil	135,000
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, which constitutes the security in respect of the Company's finance lease arrangement.

5. COMMITMENTS

There are commitments made and outstanding of ₹ 50,000 thousand (previous year ₹ 50,000 thousand) for investments and no commitments made and outstanding for loans.

Estimated amount of contracts remaining to be executed on capital account and not provided for, [net of payments of ₹ 17,076 thousand (Previous year ₹ 7,994 thousand)] is ₹ 39,299 thousand (Previous year ₹ 50,127 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.

(₹ '000)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Outside India	160,225	46,045

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:

(₹ '000)

Particulars	As at March 31, 2012	As at March 31, 2011
More than six months	3,238,622	1,148,704
Others	2,536,864	2,562,042

7. PREMIUM

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

(b) Premium income recognized on "Varying Risk Pattern" is ₹ NIL (Previous Year ₹ Nil).

8. EXTENT OF RISKS RETAINED AND REINSURED

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

For the year ended on March 31, 2012

Particulars	Basis	Gross Premium (₹ '000)	Retention (₹ '000)	Ceded (₹ '000)	Retention %	Ceded %
Fire	Total sum insured	2,910,343	588,923	2,321,420	20	80
Marine	Value at Risk	615,796	203,766	412,030	33	67
Miscellaneous	Value at Risk	2,034,257	379,053	1,655,204	19	81
Motor	Total sum insured	8,718,382	6,685,510	2,032,872	77	23
Specialty	Value at Risk	472,207	50,032	422,175	11	89
Personal Accident	Value at Risk	1,872,442	1,684,168	188,274	90	10
Travel & Health	Value at Risk	4,114,975	2,252,331	1,862,644	55	45
Home	Total sum insured	6,011	4,973	1,038	83	17

The above excludes Excess of Loss cover reinsurance premium of ₹ 209,953 thousand for the year ended on March 31, 2012.

For the year ended on March 31, 2011

Particulars	Basis	Gross Premium (₹ '000)	Retention (₹ '000)	Ceded (₹ '000)	Retention %	Ceded %
Fire	Total sum insured	1,943,247	378,771	1,564,476	19	81
Marine	Value at Risk	485,192	125,013	360,179	26	74
Miscellaneous	Value at Risk	1,385,541	245,196	1,140,345	18	82
Motor	Total sum insured	5,264,663	4,221,139	1,043,524	80	20
Specialty	Value at Risk	418,346	33,534	384,812	8	92
Personal Accident	Value at Risk	1,291,727	1,158,596	133,131	90	10
Travel & Health	Value at Risk	3,287,269	1,718,162	1,569,107	52	48
Home	Total sum insured	2,218	1,807	411	81	19

The above excludes Excess of Loss cover reinsurance premium of ₹130,812 thousand for the year ended on March 31, 2011.

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.

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

Mutual Funds – ₹ 49,500 thousand (Previous year ₹ 132,500 thousand)

Equity Shares – ₹ 94,928 thousand (Previous year ₹ 41,106 thousand)

(₹ '000)

	As at March 31, 2012	As at March 31, 2011
Aggregate Market value of the Investments other than Mutual fund	18,609,457	11,927,357
Aggregate amortized cost of the Investments other than Mutual fund	18,830,819	12,099,750

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

(₹ '000)

Particulars	As at March 31, 2012	As at March 31, 2011
9.39% Government of India Securities (Maturity July 2, 2011)	-	50,141
7.99% Government of India Securities (Maturity July 9, 2017)	10,113	10,131
6.85% Government of India Securities (Maturity April 5, 2012)	50,001	50,165
8.33% Government of India Securities (Maturity June 7, 2036)	19,529	19,524
5.59% Government of India Securities (Maturity June 4, 2016)	45,176	-
TOTAL	124,819	129,961

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 IRDA.

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

(₹ '000)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Salary, perquisites and bonus	23,546	17,559
Contribution to Provident Fund	775	657
Total	24,321	18,216

Out of the above ₹15,000 thousand (previous year ₹15,000 thousand) remuneration has been charged to Revenue Accounts and balance has been transferred to Profit and Loss Account. Expenses towards gratuity funding and leave encashment provision are determined actuarially on an overall Company basis annually and accordingly have not been considered in the above information.

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

Business Sector	For the year ended March 31, 2012		For the year ended March 31, 2011	
	GWP (₹ '000)	% of GWP	GWP (₹'000)	% of GWP
Rural	1,668,351	9	1,150,159	9
Urban	16,726,246	91	11,648,984	91
Total	18,394,597	100	12,799,143	100

Social Sector	For the year ended March 31, 2012	For the year ended March 31, 2011
No. of lives	339,654	205,223

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 reinsurer.

13. ASSETS TAKEN ON LEASE

Finance Lease Commitments - Vehicles :

(₹ '000)

Particulars	As at March 31, 2012	As at March 31, 2011
Total commitment towards minimum lease payments	3,650	7,406
Present Value of minimum lease payments	3,129	6,086
Minimum Lease payments		
Not later than one year (Present value ₹1,522 thousand as on 31-03-2012) (Previous year ₹1,924 thousand)	1,790	2,690
Later than one year but not later than five years (Present value ₹1,607 thousand as on 31-03-2012) (Previous year ₹4,164 thousand)	1,860	4,716

Operating Lease Commitments - Premises and Furniture:

The Company takes premises; both commercial and residential on lease (includes furniture taken on lease). The minimum lease payments to be made in future towards non-cancellable lease agreements are as follows:

(₹ '000)

Particulars	As at March 31, 2012	As at March 31, 2011
Not later than one year	153,758	132,581
Later than one year but not later than Five Years	191,353	133,293
Later than Five Years	-	706

The aggregate operating lease rental, charged to the Revenue Accounts in the current year is ₹178,153 thousand (previous year: ₹174,801 thousand).

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

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 losses 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.

The component of the deferred tax is as under:

(₹ '000)

	As at March 31, 2012	As at March 31, 2011
Deferred Tax Assets:		
Section 43B of Income Tax Act, 1961	5,241	2,296
Unabsorbed Depreciation	92,611	57,609
Total	97,852	59,905
Deferred Tax Liabilities:		
Depreciation	97,852	59,905
Total	97,852	59,905
Deferred Tax (Net)	Nil	Nil

15. EMPLOYEE STOCK OPTION PLAN (ESOP)

The Company had introduced an Employee Stock Option Plan 2009 ('ESOP 2009') in financial year 2009-10. 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 1,070,000 options (Previous year 2,984,000 options) were granted at an exercise price of ₹ 50 per option (Previous year ₹ 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. Accordingly, during the year 617,250 options (Previous year NIL options) were vested out of Tranche I.

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 the exercise price is more than the fair value of shares on the date of grant, value of options is ₹ 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 ₹19,929 thousand (previous year ₹10,768 thousand) and loss after tax would have been higher by same amount. Consequently, the Company's basic and diluted earnings per share would have been ₹(0.83) (Previous year ₹(0.81)).

Movement in the options under ESOP 2009:

(No. of Options)

Particulars	Tranche III		Tranche II		Tranche I	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Outstanding at the beginning of the year	-	-	2,924,000	-	2,484,000	2,540,000
Granted during the year	1,070,000	-	-	2,984,000	-	-
Exercise during the year	-	-	-	-	-	-
Lapsed during the year	-	-	60,000	60,000	15,000	156,000
Outstanding at the end of the year	1,070,000	-	2,864,000	2,924,000	2,469,000	2,484,000
Unvested at the end of the year	1,070,000	-	2,864,000	2,924,000	1,851,750	2,484,000
Vested at the end of the year	-	-	-	-	617,250	-
Weighted average price per option (₹)	50	-	10	10	10	10

The component of the deferred tax is as under:

(₹ '000)

	As at March 31, 2012	As at March 31, 2011
Deferred Tax Assets:		
Section 43B of Income Tax Act, 1961	5,241	2,296
Unabsorbed Depreciation	92,611	57,609
Total	97,852	59,905
Deferred Tax Liabilities:		
Depreciation	97,852	59,905
Total	97,852	59,905
Deferred Tax (Net)	Nil	Nil

15. EMPLOYEE STOCK OPTION PLAN (ESOP)

The Company had introduced an Employee Stock Option Plan 2009 ('ESOP 2009') in financial year 2009-10. 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 1,070,000 options (Previous year 2,984,000 options) were granted at an exercise price of ₹ 50 per option (Previous year ₹ 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. Accordingly, during the year 617,250 options (Previous year NIL options) were vested out of Tranche I.

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25%	2 years after date of grant
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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 the exercise price is more than the fair value of shares on the date of grant, value of options is ₹ 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 ₹19,929 thousand (previous year ₹10,768 thousand) and loss after tax would have been higher by same amount. Consequently, the Company's basic and diluted earnings per share would have been ₹(0.83) (Previous year ₹(0.81)).

Movement in the options under ESOP 2009:

(No. of Options)

Particulars	Tranche III		Tranche II		Tranche I	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Outstanding at the beginning of the year	-	-	2,924,000	-	2,484,000	2,540,000
Granted during the year	1,070,000	-	-	2,984,000	-	-
Exercise during the year	-	-	-	-	-	-
Lapsed during the year	-	-	60,000	60,000	15,000	156,000
Outstanding at the end of the year	1,070,000	-	2,864,000	2,924,000	2,469,000	2,484,000
Unvested at the end of the year	1,070,000	-	2,864,000	2,924,000	1,851,750	2,484,000
Vested at the end of the year	-	-	-	-	617,250	-
Weighted average price per option (₹)	50	-	10	10	10	10

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2012

(₹ '000)

b) Defined Benefit Plan

Disclosures as per AS-15 (Revised) "Employee Benefits" for the year ended on March 31, 2012:

	Gratuity	As at March 31, 2012	As at March 31, 2011
I.	**Assumptions**		
	Discount Rate	8.50%	8.00%
	Rate of increase in Compensation levels	7.00%	6.50%
	Rate of Return on Plan Assets p.a.	8.25%	8.00%
	Average Future Working life (years)	31.52	31.27
II.	**Table Showing Change in Benefit Obligation**		
	Net liability as per books (A)	Nil	Nil
	Fair value of Assets at the beginning of the year (B)	19,966	13,120
	Shortfall/(Excess) in opening liability determined as per actuarial valuation (C)	Nil	Nil
	Opening net Liability as per actuarial valuation (A)+(B)+(C)	19,966	13,120
	Interest Cost for the year	1,597	1,050
	Service Cost for the year	9,151	7,391
	Benefits paid during the year	(400)	(613)
	Actuarial (gain) / loss on obligations	(738)	(982)
	Plan Benefit Obligation at the end of the year	29,576	19,966
III.	**Tables of Fair value of Plan Assets**		
	Fair Value of plan Assets at the beginning of the year	19,940	13,120
	Expected Return on Plan Assets for the year	1,645	1,050
	Contributions during the year	8,513	6,855
	Benefits Paid during the year	(400)	(613)
	Actuarial Gain / (loss) on Plan Assets	(122)	(470)
	Fair Value of Plan Assets at the end of the year	29,576	19,940
IV.	**The Amounts to be recognised in balance Sheet**		
	Present Value of Obligation	29,576	19,966
	Fair value of plan assets	29,576	(19,940)
	Liability Recognised in Balance Sheet	-	26
V.	**Amounts to be recognised in the Revenue Accounts (Net Periodic Cost)**		
	Current Service Cost	9,151	7,392
	Interest Cost	1,597	1,050
	Expected Return on Plan assets	(1,645)	(1,050)
	Net actuarial gain / (loss) recognised in the year	(616)	(511)
	Actuarial Determined charge for the year (A)	8,487	6,881
	Shortfall / (Excess) (B)	Nil	Nil
	Total Charge as per books (A+B)	8,487	6,881
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	Nil
	Opening net liability(A+B)	26	Nil
	Expense as above	8,487	6,881
	Contribution paid	(8,513)	(6,855)
	Closing net Liability	-	26

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2012

(₹ '000)

	Gratuity	As at March 31, 2012	As at March 31, 2011
VII.	**Actual Return on Plan Assets**		
	Expected return on plan assets	**1,645**	1,050
	Actuarial Gain /(Loss) on Plan Assets	**(122)**	(470)
	Actual return on Plan assets	**1,523**	579

Experience adjustments

(₹ '000)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009
Defined Benefit Obligation	**29,576**	19,966	13,120	6,358
Plan assets	**29,576**	19,940	13,120	6,358
Surplus / (Deficit)	-	(26)	-	-
Experience Adjustment on Plan Liabilities	**34**	2,307	(351)	(542)
Experience Adjustment on Plan Assets	**(122)**	(470)	(52)	(274)

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 2012-13, amounts to ₹ 9,771 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 Limited)

Fellow subsidiaries
HDFC Standard Life Insurance Company Limited
HDFC Property Ventures Limited (HDFC Property Ventures)
HDFC Sales Private Limited
HDFC Asset Management Company Limited
Gruh Finance Limited
HDFC Developers Limited

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
Mr. Amish Kumar Agarwal (Brother of Key Management Personnel)
Mrs. Reena Kumar (Spouse of Key Managerial Personnel)

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2012

(b) Details of Transactions:

(₹ '000)

Particulars	Holding Company		Fellow subsidiaries		Investing Party and its group companies		Key Mgmt. Personnel (incl. relatives)	
	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
INCOME								
Interest	38,194	9,952	-	-	-	-	-	-
Insurance Premium	38,239	50,263	16,014	55,629	-	-	52	21
Commission on Reinsurance ceded	-	-	-	-	20,383	19,509	-	-
TOTAL	**76,433**	60,215	**16,014**	55,629	**20,383**	19,509	**52**	21
EXPENSES								
Rent and Electricity	3,723	3,516	-	-	-	-	-	-
Claims	627	943	869	12,115	-	-	-	-
Commission paid	42	7,624	181,665	125,267	-	-	-	-
Premium on Reinsurance ceded	-	-	-	-	79,299	85,531	-	-
Advisory fees	-	-	270	360	-	-	-	-
Remuneration			-	-	-	-	24,321	18,216
Expenses	-	-	6,374	3,329	-	-	-	-
Reinsurance claims Recovery	-	-	-	-	(544)	(147)	-	-
Brokerage Paid	-	-	1,209	-	-	-	-	-
TOTAL	**4,392**	12,083	**190,387**	141,071	**78,755**	85,384	**24,321**	18,216
ASSETS								
Investments	550,000	350,000	-	-	-	-	-	-
Interest accrued	17,903	11,556	-	-	-	-	-	-
Expenses Recoverable	14	14	-	-	-	-	-	-
Others	-	-	-	-	210	4,919	-	-
TOTAL	**567,917**	381,570	-	-	**210**	4,919	-	-
LIABILITIES								
Transactions during the year:								
- Equity Capital	273,800	525,400	-	-	96,200	184,600	-	-
- Share Premium	1,095,200	769,600	-	-	384,800	270,400	-	-
- Share Application Money	-	370,000	-	-	-	-	-	-
Reinsurance Balance due	-	-	-	-	-	18,529	-	-
Premium received in Advance	5,116	8	743	205	-	-	10	-
Commission	-	-	21,909	11,710	-	-	-	-
TOTAL	**1,374,116**	1,665,008	**22,652**	11,915	**481,000**	473,529	**10**	-

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2012

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 2011-2012 :

(₹ '000)

Particulars	Munich Re	ERGO International AG	HDFC Limited	HDFC Standard Life Insurance Company Limited	HDFC Asset Management Company Limited	HDFC Sales Private Limited
INCOME						
Interest	-	-	38,194	-	-	-
Insurance Premium	-	-	38,239	3,473	5,500	5,978
Commission on Reinsurance ceded	20,383	-	-	-	-	-
TOTAL	**20,383**	**-**	**76,433**	**3,473**	**5,500**	**5,978**
EXPENSES						
Rent and Electricity	-	-	3,723	-	-	-
Claims	-	-	627	769	-	100
Commission paid	-	-	42	-	-	181,665
Premium on Reinsurance Ceded	79,299	-	-	-	-	-
Reinsurance claims Recovery	(544)	-	-	-	-	-
Others	-	-	-	6,374	270	1,209
TOTAL	**78,755**	**-**	**4,392**	**7,143**	**270**	**182,974**
ASSETS						
Interest accrued	-	-	17,903	-	-	-
Expenses Recoverable	-	-	14	-	-	-
Investments	-	-	550,000	-	-	-
Others	210		-	-	-	-
TOTAL	**210**	**-**	**567,917**	**-**	**-**	**-**
LIABILITIES						
Transactions during the year:						
- Equity Capital	-	96,200	273,800	-	-	-
- Share Premium	-	384,800	1,095,200	-	-	-
- Share Application Money	-	-	-	-	-	-
Premium received in Advance	-	-	5116	133	-	584
Commission	-	-	-		-	21,909
TOTAL	**-**	**481,000**	**1,374,116**	**133**	**-**	**22,493**

Schedule - 16 (Continued)

Notes to Accounts for the Financial Year Ended March 31, 2012

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 2010-2011 :

(₹ '000)

Particulars	Munich Re	ERGO International AG	HDFC Limited	HDFC Standard Life Insurance Company Limited	HDFC Asset Management Company Limited	HDFC Sales Private Limited
INCOME						
Interest	-	-	9,952	-	-	-
Insurance Premium	-	-	50,263	45,625	5,500	3,446
Commission on Reinsurance ceded	19,509	-	-	-	-	-
TOTAL	**19,509**	**-**	**60,215**	**45,625**	**5,500**	**3,446**
EXPENSES						
Rent and Electricity	-	-	3,516	-	-	-
Claims	-	-	943	610	11,334	170
Commission paid	-	-	7,624	-	-	125,267
Premium on Reinsurance ceded	85,531	-	-	-	-	-
Advisory fees	-	-	-	-	360	-
Others	-	-	-	3,329	-	-
Reinsurance claims Recovery	(147)	-	-	-	-	-
TOTAL	**85,384**	**-**	**12,083**	**3,939**	**11,694**	**125,437**
ASSETS						
Interest accrued	-	-	11,556	-	-	-
Expenses Recoverable	-	-	14	-	-	-
Reinsurance	4,919	-		-	-	-
Investments	-	-	350,000	-	-	-
TOTAL	**4,919**	**-**	**361,570**	**-**	**-**	**-**
LIABILITIES						
Transactions during the year:						
- Equity Capital	-	184,600	525,400	-	-	-
- Share Premium	-	270,400	769,600	-	-	-
- Share Application Money	-	-	370,000	-	-	-
Premium received in Advance	-	-	8	91	-	112
Reinsurance Balance Due	18,529	-	-	-	-	-
Commission	-	-		-	-	11,710
TOTAL	**18,529**	**455,000**	**1,665,008**	**91**	**-**	**11,822**

20. LOAN RESTRUCTURING

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

21. SUMMARY OF FINANCIAL STATEMENTS

The summary of financial statements is provided in Annexure 3.

22. FOREIGN EXCHANGE GAIN / LOSS

(a) During the year foreign exchange Profit/(Loss) earned by the Company is ₹ 6,980 thousand (Previous year ₹ 935 thousand).

(b) The year end foreign currency exposure is ₹ Nil.

23. (a) CONTRIBUTION TO TERRORISM POOL

The company is a participant in and has received the Terrorism Pool retrocession of premium in the current financial year. Accordingly, as per the statement received from the Pool managers, the Company has recognized the pool retrocession for one quarter ended 31st March 2011 and for the three quarters ended 30th June 2011, 30th September 2011 and 31st December 2011, the accounts of which were received till the end of the financial year.

Schedule - 16 (Continued)

(b) SOLATIUM FUND

The IRDA had asked the General Insurance Council ('the 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 has decided that New India Assurance Company Ltd would administer 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.

Vide letter dated July 26, 2010, the Council recommended the companies w.e.f. April 1, 2010 to contribute of 0.10% of all the third party premium written as Solatium Fund to the administrator on demand. However during the year the Company has provided charge to the revenue account on an accrual basis (see accounting policy in paragraph 2(v) above) and disclosed under Current Liabilities.

(c) CONTRIBUTIONS TO ENVIRONMENT FUND

During the year, an amount of ₹ 2,629 thousand (previous year ₹ 1,791 thousand) was collected towards Environment Fund for public liability policies. Out of which the amount of ₹ 2,513 thousand (previous year ₹ 1,422 thousand) 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. The balance amount of ₹ 485 thousand (previous year ₹ 369 thousand) is included under Sundry Creditors in schedule 13.

24. EARNINGS PER SHARE (EPS)

	Particulars	March 31, 2012	March 31, 2011
1)	Net Profit / (Loss) After Tax for the year (₹ '000)	(396,958)	(364,275)
2)	Weighted Average No. of Equity Shares (₹ '000)	499,850	464,625
3)	Basic and Diluted Earnings per Share (₹)	(0.79)	(0.78)
4)	Nominal Value Per Share (₹)	10.00	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, 2012.

26. Professional fees include payments made for various outsourced services amounting to ₹ 141,888 thousand (previous year ₹ 133,333 thousand).

27. INDIAN MOTOR THIRD PARTY INSURANCE POOL (IMTPIP)

(a) IRDA vide their Order numbers IRDA/NL/ORD/MPL/277/12/2011 dated December 23, 2011, IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012, IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012 and IRDA/NL/ORD/MPI/72/03/2012 dated March 22, 2012 has ordered for dismantling of IMTPIP w.e.f. April 1, 2012. Based on actuarially estimated liabilities, IRDA has directed the Insurance Companies to recognize IMTPIP losses at the prescribed percentages of loss ratios for the underwriting years commencing from April 1, 2007 and ending with March 31, 2012.

Based on the unaudited financial statements received from the Pool Manager for the period March 1, 2011 to February 29, 2012, the Company has accounted the share of the loss of the Motor Third Party pooling arrangement. The retro ceded premiums for the month of March, 2012 are based on the management estimates. The Company's share of the loss for the thirteen month period ended March 31, 2012 amounts to ₹ 1,816,189 thousand (Previous year ₹ 691,316 thousand for the period March 1, 2010 to February 28, 2011).

The above loss includes additional IMTPIP liabilities related to previous underwriting years 2007-08 to 2010-11 amounting to ₹ 779,429 (Previous year ₹ 224,126 thousand for the underwriting years 2007-08 to 2009-10). Such losses being exceptional in nature have been disclosed separately under the head

"Exceptional Item" under the Miscellaneous segment in the Revenue Account (Form B-RA). The losses pertaining to the current year amounting to ₹ 1,036,760 thousand (Previous year ₹ 467,190 thousand) have been included under the head "Claims Incurred (Net)" under the Miscellaneous segment in the Revenue Account (Form B-RA).

(b) Further, as directed vide Order number IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012, the Company has classified the liability of ₹ 1,784,299 thousand (previous year ₹ NIL), arising out of clean cut settlement of IMTPIP, as Balance due to other insurance companies from claims outstanding.

28. STATEMENT SHOWING THE AGE-WISE ANALYSIS OF THE UNCLAIMED AMOUNT OF POLICYHOLDERS

The statement of age-wise analysis of the unclaimed amount of policyholder's is provided in Annexure 4

29. PENALTIES LEVIED BY VARIOUS GOVERNMENT AUTHORITIES DURING FINANCIAL YEAR 2011-12

(₹ '000)

Sr. No.	Authority	Non-Compliance/ Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
1	Insurance Regulatory and Development Authority	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
2	Service Tax Authorities	N.A. (Service tax short paid for the period from April 2005 March 2006.)	Nil (276)	Nil (276)	Nil (Nil)
3	Income Tax Authorities	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4	Any other Tax Authorities	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
6	Registrar of Companies/ NCLT/CLB/ Department of Corporate Affairs or any Authority under Companies Act, 1956	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
7	Penalty awarded by any Court/ Tribunal for any matter including claim settlement but excluding compensation	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8	Securities and Exchange Board of India	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
9	Competition Commission of India	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)
10	Any other Central/State/ Local Government / Statutory Authority	N.A. (N.A.)	Nil (Nil)	Nil (Nil)	Nil (Nil)

(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
Member of Executive Management, CFO & Company Secretary

Directors
Keki M. Mistry
Renu Sud Karnad
Andreas Kleiner
Mark Lammerskitten

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

Mumbai
April 24, 2012

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2012

Annexure 1

Segmental Breakup of the Balance Sheet as at March 31, 2012

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

(₹ '000)

Particulars	Fire	Marine	Miscellaneous	Total
Claims Outstanding	191,049	131,942	5,593,720	**5,916,711**
(refer note 2 (w) and 27 of schedule 16)	(133,691)	(54,033)	(3,851,123)	**(4,038,847)**
Reserve for Unexpired Risk	619,418	112,140	6,345,339	**7,076,897**
	(359,651)	(70,665)	(4,152,500)	**(4,582,816)**

(Previous year's figures are in brackets.)

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2012

Annexure 1

(₹ '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
Premium earned (Net) (Schedule - A)	270,752	136,124	14,071	5,359,159	3,267,825	561,326	1,530,208	29,940	5,200	2,757	43,703	114,202	(31,419)	1,100,836	1,962,120	2,459	42,573	92,249	9,144,726
Profit on Sale of Investments	4,006	1,011	157	50,097	13,683	36,414	-	106	14	22	199	785	37	9,468	7,436	16	219	431	74,004
Interest Rent and Dividend (Net of Amortisation)	48,483	12,233	1,895	606,288	165,595	440,693	-	1,284	173	263	2,413	9,505	447	114,579	89,991	197	2,650	5,216	895,617
Investment Income from Pool (Motor & Terrorism)	4,740	-	-	1,073	-	-	1,073	-	-	-	-	-	-	-	-	-	-	-	5,813
Other Income	85	46	5	1,298	1,106	190	-	10	2	1	15	38	-	373	664	1	14	30	2,581
Total Segmental Revenue	328,066	149,414	16,128	6,017,913	3,448,009	1,038,623	1,531,281	31,340	5,389	3,043	46,330	124,530	(30,935)	1,225,256	2,060,211	2,673	45,456	97,926	10,122,741
Claims Incurred (Net) (Schedule - B)	161,990	238,448	7,350	5,311,134	2,203,557	549,602	2,557,975	7,464	394	3,200	6,311	82,643	4,194	425,051	1,325,037	293	5,748	85,001	7,664,258
Commission Paid (Net) (Schedule - C)	(152,318)	(3,781)	(7,706)	252,146	252,146	-	-	3,687	(1,188)	1,222	(17,696)	(80,268)	2,981	208,306	(524,260)	648	(29,763)	(87,308)	(435,927)
Operating Expenses Related To Insurance Business (Schedule - D)	152,225	49,111	8,486	1,406,776	1,142,138	254,572	10,066	9,983	2,033	1,337	23,200	50,599	5,501	397,620	714,748	947	23,289	52,544	2,898,399
Premium Deficiency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Segmental Expenditure	161,896	283,778	8,130	6,970,056	3,597,841	804,174	2,568,041	21,134	1,239	5,759	11,815	52,974	12,676	1,030,977	1,515,525	1,888	(726)	49,609	10,126,730
Segmental Profit / (Loss) (before exceptional item)	**166,170**	**(134,364)**	**7,998**	**(952,143)**	**(149,832)**	**234,449**	**(1,036,760)**	**10,206**	**4,150**	**(2,716)**	**34,515**	**71,556**	**(43,611)**	**194,279**	**544,686**	**785**	**46,182**	**48,317**	**(3,989)**
Exceptional Item (Refer Note no: 27 of Schedule 16)				779,429			779,429												779,429
Segmental Profit / (Loss) (after exceptional item)	**166,170**	**(134,364)**	**7,998**	**(1,731,572)**	**(149,832)**	**234,449**	**(1,816,189)**	**10,206**	**4,150**	**(2,716)**	**34,515**	**71,556**	**(43,611)**	**194,279**	**544,686**	**785**	**46,182**	**48,317**	**(783,418)**

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

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2012

SCHEDULE - A to Annexure 1

(₹ '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
PREMIUM EARNED [NET]																			
(Refer note 7 and 8 of Schedule 16)																			
Premium from direct business written	2,675,365	418,718	190,247	6,710,379	4,405,826	2,304,553	-	54,603	15,623	23,720	450,046	651,627	228,485	1,871,942	4,114,975	6,011	456,718	528,138	18,394,597
Add : Premium on reinsurance accepted	2 34,378	6,391	440	2,008,003	-	-	2,008,003	-	5,163	-	4,539	63,285	8,811	500	-	-	15,491	2,235	2,349,816
Less : Premium on reinsurance ceded	(2,379,224)	(250,959)	(173,167)	(2,058,934)	(468,559)	(1,590,375)	-	(6,475)	(15,660)	(20,909)	(400,661)	(576,133)	(258,163)	(227,771)	(1,866,724)	(1,038)	(422,175)	(447,013)	(9,105,606)
Net Premium	530,519	174,150	17,520	6,659,448	3,937,267	714,178	2,008,003	48,128	5,126	2,811	53,926	138,759	(22,867)	1,644,671	2,248,251	4,973	50,032	83,360	11,638,807
Less : Adjustment for changes in reserve for unexpired risks	(259,767)	(38,026)	(3,449)	(1,300,289)	(669,642)	(152,852)	(477,795)	(18,188)	74	(54)	(10,223)	(24,557)	(8,552)	(543,835)	(286,131)	(2,514)	(7,459)	8,889	(2,494,081)
Total Premium earned	270,752	136,124	14,071	5,359,159	3,267,625	561,326	1,530,208	29,940	5,200	2,757	43,703	114,202	(31,419)	1,100,836	1,962,120	2,459	42,573	92,249	9,144,726

SCHEDULE - B to Annexure 1

(₹ '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	1,168,068	315,110	55,055	2,955,998	2,342,985	613,013	-	1,929	105	-	1,324	230,182	82,675	422,394	1,564,597	14	22,021	156,118	6,975,590
Add: Claims on Re-insurance accepted	34,813	-	-	436,228	-	-	436,228	-	-	-	-	3,347	2,626	-	-	-	-	-	477,014
Less :Re-insurance ceded	(1,098,249)	(148,704)	(53,572)	(675,467)	(234,836)	(440,631)	-	(1,166)	(7)	-	(1,291)	(164,084)	(82,634)	(42,505)	(290,214)	(1)	(21,407)	(91,780)	(2,671,081)
Net Claims paid	104,632	166,406	1,483	2,716,759	2,108,149	172,382	436,228	763	98	-	33	69,445	2,667	379,889	1,274,383	13	614	64,338	4,781,523
Add: Claims Outstanding at the end of the period	191,049	120,887	11,065	5,946,589	423,321	1,073,208	4,450,060	8,150	780	3,621	14,427	60,206	2,092	203,661	301,850	600	16,244	40,170	6,921,581
Less: Claims Outstanding at the beginning of the period	133,691	48,845	5,188	3,352,214	327,913	695,988	2,328,313	1,449	484	421	8,149	47,008	565	158,699	251,196	320	11,110	19,507	4,038,846
Total Claims Incurred	161,990	238,448	7,360	5,311,134	2,203,557	549,602	2,557,975	7,464	394	3,200	6,311	82,643	4,194	425,851	1,325,037	293	5,748	85,001	7,664,258

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2012

SCHEDULE -C to Annexure 1

(₹ '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	176,131	44,787	9,010	344,809	344,809	-	-	5,073	1,711	3,300	41,336	47,843	6,617	261,478	526,862	779	55,737	12,551	1,538,024
Add : Commission paid on re-insurance accepted	11,073	985	45	-	-	-	-	-	735	-	1,018	7,679	427	-	-	-	1,491	22	23,475
Less : Commission received on re-insurance ceded	(339,523)	(49,553)	(16,761)	(92,663)	(92,663)	-	-	(1,386)	(3,634)	(2,078)	(60,050)	(135,790)	(4,063)	(53,172)	(1,051,122)	(131)	(86,991)	(100,509)	(1,997,426)
Net commission paid / (received)	(152,319)	(3,781)	(7,706)	252,146	252,146	-	-	3,687	(1,188)	1,222	(17,696)	(80,268)	2,981	208,306	(524,260)	648	(29,763)	(87,936)	(435,927)

SCHEDULE - D to Annexure 1

(₹ '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)	98,090	16,971	3,871	449,631	354,333	95,298	-	3,210	737	558	10,055	19,077	3,403	128,362	236,130	327	10,220	22,065	973,512
Travel, conveyance and vehicle running expenses	6,928	1,396	422	31,355	23,829	7,526	-	235	63	57	1,050	1,871	446	8,050	17,152	24	1,079	4,192	75,220
Training expenses	1,122	336	54	11,272	8,914	2,358	-	71	15	9	150	342	31	3,111	5,656	9	150	355	22,702
Rents, rates and taxes	7,914	4,139	428	116,432	99,363	17,069	-	910	158	84	1,329	3,411	-	33,475	59,665	75	1,236	2,805	232,120
Repairs	2,506	545	99	23,761	17,742	6,019	-	116	27	15	272	709	72	6,333	11,545	19	274	998	47,293
Printing and stationery	2,611	1,038	127	32,397	26,629	5,768	-	226	42	23	377	964	33	9,133	16,364	22	371	1,251	64,979
Communication	2,492	819	125	25,577	20,605	4,972	-	173	34	20	352	836	66	7,156	12,958	18	351	1,058	52,035
Legal and professional charges	23,277	9,743	1,097	320,083	255,319	54,695	10,068	2,150	394	204	3,338	8,850	156	87,230	156,015	211	3,271	9,483	625,502
Auditors' fees, expenses etc																			
(a) as auditors	192	53	6	1,505	1,284	221	-	12	2	1	17	44	-	433	771	-	17	37	3,000
(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	27	14	1	401	342	59	-	3	1	-	5	12	-	115	206	-	4	11	800
Advertisement and publicity	10,394	3,510	505	113,811	91,509	22,302	-	751	148	84	1,442	3,552	233	31,620	57,316	80	1,434	2,372	227,250
Interest and Bank Charges	6,635	3,429	354	96,764	82,514	14,250	-	754	131	69	1,101	2,831	-	27,886	49,549	62	1,073	3,500	194,118
Others :-																			
Electricity expenses	1,165	610	63	17,144	14,631	2,513	-	134	23	12	198	502	-	4,929	8,798	11	191	411	34,177
Office Expenses	791	349	40	10,367	8,654	1,713	-	76	14	7	122	309	7	2,946	5,274	7	120	303	20,732
Miscellaneous expenses	10,589	1,839	828	5,235	3,826	1,409	-	216	78	106	1,964	2,739	1,016	2,371	7,599	4	2,041	377	37,000
Service Charges	-	-	-	28,845	28,845	-	-	-	-	-	-	-	-	10,519	7,173	-	-	-	46,537
Information Technology Expenses	3,758	1,806	203	54,330	46,341	7,989	-	425	74	40	628	1,603	5	15,634	27,854	35	613	1,593	108,731
Postage & courier	2,036	874	107	25,390	21,209	4,181	-	189	35	19	316	784	28	7,225	12,971	17	313	709	51,014
Loss on sale of assets (net)	15	8	1	217	185	32	-	2	-	-	2	6	-	62	111	-	2	8	432
Depreciation	2,872	1,502	155	42,259	36,064	6,195	-	330	57	30	482	1,238	-	12,150	21,655	27	470	1,018	84,245
Total Operating Expenses	152,225	49,111	8,486	1,406,776	1,142,138	254,572	10,068	9,983	2,033	1,337	23,200	50,599	5,501	397,620	714,748	947	23,289	52,544	2,898,399

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2011

Annexure 1

(₹ '000)

	Fire	Marine - Cargo	Marine - Hull	Motor	Motor OD	Motor TP	Motor Pool	Workmen Compen-sation	Public Liability	Product Liability	Other Liabilities	Engi-neering	Aviation	Personal Accident	Health	Home	Speci-ality*	Others	Total
Premium earned (Net) (Schedule - A)	140,068	73,817	3,928	3,522,493	2,263,969	346,361	912,163	6,632	3,226	2,728	29,917	74,060	1,073	543,964	1,547,406	1,977	32,142	80,161	6,060,581
Profit on Sale of Investments	1,036	421	66	22,347	7,540	14,807	-	21	9	9	106	405	3	4,474	5,200	7	133	318	35,217
Interest, Rent and Dividend (Net of Amortisation)	22,790	5,655	886	299,887	101,181	198,706	-	282	115	123	1,420	5,429	44	60,038	69,707	90	1,782	4,270	472,598
Investment Income from Pool (Motor & Terrorism)	4,446	-	-	37,109	-	-	37,109	-	-	-	-	-	-	-	-	-	-	-	41,555
Other Income	21	60	3	2,119	1,858	261	-	5	3	2	24	58	1	442	1,256	2	26	65	4,087
Total Segmental Revenue	168,023	79,953	4,883	3,883,955	2,374,528	560,155	949,272	6,940	3,353	2,862	31,467	79,952	1,121	608,908	1,623,648	2,076	34,083	84,814	6,617,038
Claims Incurred (Net) (Schedule - B)	137,023	58,006	5,287	3,351,454	1,600,713	356,483	1,394,258	384	148	256	3,716	56,363	794	301,191	1,106,684	7	7,400	71,127	5,038,838
Commission Paid (Net) (Schedule - C)	(173,384)	(15,448)	(5,206)	133,078	133,078	-	-	(4,938)	(7,588)	330	(5,312)	(65,179)	5,714	145,872	(347,587)	204	(15,026)	(12,037)	(336,446)
Operating Expenses Related To Insurance Business (Schedule - D)	101,804	31,170	6,192	1,149,326	955,758	171,364	22,204	3,283	1,441	1,456	16,721	38,488	9,114	246,705	624,787	730	21,383	39,432	2,290,036
Premium Deficiency	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Segmental Expenditure	65,443	73,727	6,274	4,633,858	2,689,549	527,847	1,416,462	(1,271)	(5,999)	2,102	15,124	9,672	15,622	693,768	1,382,884	941	13,757	98,522	7,004,428
Segmental Profit / (Loss)	103,580	6,226	(1,391)	(749,903)	(315,021)	32,308	(467,190)	8,211	9,352	760	16,343	70,280	(14,501)	(84,860)	240,764	1,135	20,326	(13,708)	(387,390)
Exceptional item (refer note 27 of schedule 16)				224,126			224,126												224,126
Segmental Profit / (Loss) (after exceptional item)	103,580	6,226	(1,391)	(974,029)	(315,021)	32,308	(691,316)	8,211	9,352	760	16,343	70,280	(14,501)	(84,860)	240,764	1,135	20,326	(13,708)	(611,516)

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

SCHEDULE - A to Annexure 1

(₹ '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
PREMIUM EARNED [NET] (Refer notes 7 and 8 of Schedule 16)																			
Premium from direct business written	1,801,694	300,792	163,378	4,206,999	3,042,587	1,164,412	-	36,758	15,466	21,751	263,404	475,204	326,079	1,291,727	3,287,267	2,218	408,683	177,723	12,799,143
Add : Premium on reinsurance accepted	141,553	252	770	1,057,664	-	-	1,057,664	-	100	-	5,608	63,449	-	-	2	-	9,663	-	1,279,061
Less : Premium on reinsurance ceded	(1,602,463)	(197,926)	(149,901)	(1,066,705)	(328,187)	(738,518)	-	(29,845)	(11,488)	(19,192)	(237,009)	(444,671)	(325,177)	(163,187)	(1,571,812)	(411)	(384,812)	(102,198)	(6,326,797)
Net Premium	340,784	103,118	14,247	4,197,958	2,714,400	425,894	1,057,664	6,913	4,078	2,559	32,003	93,982	902	1,128,540	1,715,457	1,807	33,534	75,525	7,751,407
Less : Adjustment for changes in reserve for unexpired risks	(200,716)	(29,301)	(10,319)	(675,465)	(450,431)	(79,533)	(145,501)	(281)	(852)	169	(2,086)	(19,922)	171	(584,586)	(168,052)	170	(1,392)	4,636	(1,687,826)
Total Premium earned	140,068	73,817	3,928	3,522,493	2,263,969	346,361	912,163	6,632	3,226	2,728	29,917	74,060	1,073	543,954	1,547,405	1,977	32,142	80,161	6,063,581

SCHEDULE - B to Annexure 1

(₹ '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	492,170	96,022	84,510	1,815,902	1,566,417	249,483	-	461	-	-	18,032	51,864	576,656	236,206	1,720,066	84	42,628	72,614	5,207,215
Add: Claims on Re-insurance accepted	49,713	-	-	224,540	-	-	224,540	-	-	-	-	1,772	-	-	-	-	-	-	276,025
Less Re-insurance ceded	(497,049)	(55,322)	(83,562)	(315,057)	(157,182)	(157,873)	-	(314)	-	-	(17,854)	(31,496)	(576,369)	(25,112)	(450,125)	(8)	(39,158)	(7,603)	(2,099,029)
Net Claims paid	44,834	40,700	948	1,725,385	1,409,235	91,610	224,540	147	-	-	178	22,140	287	211,094	1,269,941	76	3,470	65,011	3,384,211
Add: Claims Outstanding at the end of the period	133,691	48,845	5,188	3,128,088	327,013	695,988	2,104,187	1,449	484	421	8,149	47,008	565	158,099	251,196	320	11,110	19,508	3,814,721
Less: Claims Outstanding at the beginning of the period	41,502	31,540	849	1,502,019	136,435	431,115	934,469	1,212	336	165	4,612	12,765	58	68,002	415,453	389	7,180	13,392	2,100,094
Total Claims Incurred	137,023	58,005	5,287	3,351,454	1,600,713	356,483	1,394,258	384	148	256	3,715	56,383	794	301,191	1,105,684	7	7,400	71,127	5,098,838

SCHEDULE - C to Annexure 1

(₹ '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	132,173	27,568	11,754	197,115	197,115	-	-	3,386	1,013	2,714	26,202	39,167	5,970	175,952	352,462	255	45,266	9,780	1,030,751
Add : Commission paid on re-insurance accepted	5,353	113	15	-	-	-	-	-	-	-	1,473	8,618	-	-	-	-	1,150	-	16,722
Less : Commission received on re-insurance ceded	(310,910)	(43,129)	(16,974)	(64,037)	(64,037)	-	-	(8,324)	(8,601)	(2,324)	(32,987)	(132,964)	(256)	(30,080)	(700,049)	(51)	(61,416)	(21,817)	(1,433,919)
Net commission paid/(received)	(173,384)	(15,448)	(5,205)	133,078	133,078	-	-	(4,938)	(7,588)	390	(5,312)	(85,179)	5,714	145,872	(347,587)	204	(15,000)	(12,037)	(386,446)

Schedule - 16 (Continued)

Segment Reporting for the Year Ended March 31, 2011

SCHEDULE - D to Annexure 1

(₹ '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)	52,712	11,755	3,760	363,671	294,083	69,588	-	1,363	563	630	7,532	96,039	6,168	87,009	217,867	235	10,462	14,734	795,441
Travel, conveyance and vehicle running expenses	4,391	798	346	21,572	16,917	4,655	-	97	39	40	587	1,279	592	5,293	12,733	12	862	1,616	50,286
Training expenses	822	268	39	10,243	8,533	1,710	-	29	12	12	130	320	31	2,304	5,917	7	158	329	20,641
Rents, rates and taxes	6,938	3,968	211	140,324	121,705	18,619	-	356	173	147	1,608	3,816	58	29,241	83,184	106	1,728	4,309	276,168
Repairs	2,183	408	94	23,076	18,098	4,978	-	62	19	20	225	654	123	5,709	12,367	14	280	616	45,838
Printing and stationery	1,576	403	68	22,568	19,055	3,513	-	61	27	25	276	671	76	4,943	13,110	16	322	748	45,030
Communication	1,801	603	94	22,952	19,180	3,772	-	64	27	28	291	710	107	5,110	13,213	16	350	821	46,175
Legal and professional charges	10,917	4,692	275	226,766	172,929	31,633	22,204	500	218	187	2,037	5,243	118	43,889	114,845	144	2,190	8,613	420,634
Auditors' fees, expenses etc																			
(a) as auditors	50	29	2	1,015	880	135	-	3	1	1	12	28	-	212	602	1	13	30	2,000
(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	18	10	1	355	308	47	-	1	-	-	4	10	-	74	211	-	4	11	700
Advertisement and publicity	6,501	2,187	484	61,319	52,341	8,978	-	211	100	100	1,190	2,573	698	13,460	38,403	45	1,948	1,989	130,791
Interest and Bank Charges	2,887	1,651	98	58,381	50,634	7,747	-	148	72	81	689	1,587	24	12,186	34,608	44	719	1,793	114,838
Others :-																			
Electricity expenses	762	436	23	15,412	13,367	2,045	-	39	19	16	177	419	6	3,212	9,136	12	190	473	30,332
Office Expenses	291	141	11	4,981	4,287	694	-	13	6	5	61	143	9	1,094	2,944	4	68	162	9,894
Miscellaneous expenses	5,154	1,003	575	4,340	3,587	753	-	99	51	60	859	1,559	1,014	1,458	6,711	4	1,332	329	24,557
Service Charges	-	-	-	80,196	80,196	-	-	-	-	-	-	-	-	12,241	4,442	-	-	-	96,879
Information Technology Expenses	2,144	1,225	65	43,326	37,575	5,751	-	110	54	45	496	1,178	18	9,030	25,682	33	533	1,330	85,269
Postage & courier	1,066	501	37	18,495	15,822	2,673	-	48	22	19	212	515	27	3,957	10,831	14	235	570	36,549
Loss on sale of assets (net)	119	21	9	585	459	126	-	3	1	1	16	35	16	144	348	-	23	45	1,365
Depreciation	1,471	841	45	29,749	25,802	3,947	-	76	37	31	341	809	12	6,199	17,635	23	366	914	58,549
Total Operating Expenses	101,884	31,170	6,132	1,149,326	955,758	171,364	22,204	3,283	1,441	1,436	16,721	38,488	9,114	246,705	624,787	730	21,383	39,432	2,292,036

Schedule - 16 (Continued)

Ratios for Non-Life Companies

Annexure 2

Sr. No.	Performance Ratio	As on March 31, 2012 Fire	Marine	Miscellaneous	Total	As on March 31, 2011 Fire	Marine	Miscellaneous	Total
1	Gross premium growth rate	48.49%	25.78%	43.73%	43.72%	35.50%	94.56%	38.78%	39.82%
	Gross Premium for Current Year / Gross Premium for Previous Year								
2	Gross Premium to shareholders' fund ratio	NA	NA	NA	346.12%	NA	NA	NA	302.00%
	Gross Premium for Current Year / (Paid up Capital plus Free Reserves)								
3	Growth rate of shareholders' funds	NA	NA	NA	25.40%	NA	NA	NA	70.97%
	Shareholders' funds as at the current balance sheet date / Shareholders' funds at the previous balance sheet date								
4	Net retention ratio	19.83%	31.47%	72.25%	63.27%	18.91%	24.24%	69.37%	60.56%
	Net Premium / Gross Premium								
5	Net commission ratio	-28.71%	-5.99%	-2.49%	-3.75%	-50.88%	-17.60%	-2.64%	-4.99%
	Net Commission / Net Premium								
6	Expenses of Management to gross direct Premium ratio	12.27%	18.29%	26.45%	24.12%	12.99%	15.84%	28.65%	25.96%
	Operating Expenses + Gross Commission/ Gross Premium								
7	Combined ratio	18.33%	58.66%	79.63%	70.02%	20.59%	28.91%	77.38%	67.55%
	Net Incurred Claim, Gross Commission plus Operating Expense / Gross Premium								
8	Technical reserves to net Premium ratio	149.25%	127.42%	125.85%	126.94%	139.29%	106.36%	109.98%	111.21%
	Reserve for Unexpired Risks plus Deficiency Reserve plus Reserve for Outstanding Claims / Net Premium								
9	Underwriting balance ratio	20.52%	-73.94%	-15.83%	-15.13%	21.90%	-1.92%	-16.97%	-15.03%
	Underwriting Profit / Net Premium								
10	Operating profit ratio	31.32%	-65.93%	-7.54%	-6.73%	30.39%	4.12%	-9.87%	-7.89%
	Underwriting Profit plus Investment Income / Net Premium								
11	Liquid assets to liabilities ratio	NA	NA	NA	56.39%	NA	NA	NA	56.14%
	Liquid Assets of the Insurer / Policyholders' Liabilities								
12	Net earnings ratio	NA	NA	NA	-3.41%	NA	NA	NA	-4.70%
	Profit after Tax / Net Premium								
13	Return on net worth	NA	NA	NA	-7.47%	NA	NA	NA	-8.60%
	Profit After Tax / Net Worth								
14	Reinsurance ratio	80.17%	68.53%	27.75%	36.73%	81.09%	75.76%	30.63%	39.44%
	Risk Reinsured (Premium on Reinsurance Ceded) / Gross Premium								

Notes:

1. Gross Premium represents Gross Direct Premium
2. Net Premium represents Gross Direct Premium including Premium accepted on reinsurance less reinsurance ceded
3. Underwriting Profit represents Segmental Profit / (Loss) excluding Investment Income
4. Liquid Assets represent Cash and Cash Equivalents and Short Term Investments.

HDFC ERGO
GENERAL INSURANCE
Har pal aapke saath

Schedule - 16 (Continued)

Summary of Financial Statements

Annexure 3

Sr. No.	Particulars	2011-12 (₹ '000)	2010-11 (₹ '000)	2009-10 (₹ '000)	2008-09 (₹ '000)	2007-08 (₹ '000)
	OPERATING RESULTS					
1	Gross Written Premium	**20,744,413**	14,078,204	10,046,157	3,740,281	2,396,874
2	Net Premium Income	**11,638,807**	7,751,407	5,886,820	1,947,673	1,675,823
3	Income from Investments (net)	**969,621**	507,815	252,595	141,741	80,003
4	Other Income (includes provision written back)	**8,394**	45,642	78,477	36,502	36,649
5	**Total Income**	**12,616,822**	8,304,864	6,217,892	2,125,916	1,792,475
6	Commission (net)	**(435,927)**	(386,446)	(374,330)	(203,403)	(45,112)
7	Operating Expenses	**2,898,399**	2,292,036	1,827,807	1,075,057	740,944
8	Claims, increase in Unexpired Risk Reserve and other outgoes	**10,937,768**	7,010,790	5,844,897	1,596,360	1,323,036
9	**Operating Profit / (Loss)**	**(783,418)**	(611,516)	(1,080,482)	(342,098)	(226,393)
	NON-OPERATING RESULTS					
10	Total Income under shareholder's account	**386,460**	247,241	136,313	95,481	63,115
11	Profit / (Loss) before tax	**(396,958)**	(364,275)	(944,606)	(252,144)	(167,708)
12	Provision for tax	-	-	(1,582)	5,325	2,284
13	Profit / (Loss) after tax	**(396,958)**	(364,275)	(943,024)	(257,469)	(169,992)
	MISCELLANEOUS					
14	Policyholders' Account :					
	Total Funds	-	-	-	-	-
	Total Investments	-	-	-	-	-
	Yield on Investments	-	-	-	-	-
15	Shareholders' Account :					
	Total Funds	**5,317,294**	4,234,252	2,478,527	1,271,561	1,029,021
	Total Investments	**18,877,613**	12,236,121	6,236,769	2,729,062	2,213,002
	Yield on Investments	**8.7%**	7.8%	8.1%	9.5%	7.2%
16	Paid up equity capital	**5,230,000**	4,860,000	4,150,000	2,000,000	1,500,000
17	Net worth	**5,317,294**	4,234,252	2,478,527	1,271,551	1,029,021
18	Total Assets	**5,317,294**	4,234,252	2,478,527	1,271,551	1,029,021
19	Yield on Total Investments	**8.7%**	7.8%	8.1%	9.5%	7.2%
20	Earnings per Share (₹)	**(0.79)**	(0.78)	(3.01)	(1.52)	(1.36)
21	Book Value per Share (₹)	**10.17**	8.71	5.97	6.36	6.87
22	Total Dividend	-	-	-	-	-
23	Dividend per Share (₹)	-	-	-	-	-

Schedule - 16 (Continued)

Statement Showing the Age-wise Analysis of the Unclaimed Amount of Policyholders

Annexure 4

(₹ '000)

Particulars Amount (₹ '000)	Total	AGE-WISE ANALYSIS						
	1-6 months*	7-12 months	13-18 months	19-24 months	25-30 months	31-36 months	Beyond 36 Months	
claims settled but not paid to the policyholders /insured's due to any reasons except under litigation from the insured / policyholders	-	-	-	-	-	-	-	-
sum due to the insured / policyholders on maturity or otherwise	-	-	-	-	-	-	-	-
Any excess collection of the premium / tax or any other charges which is refundable to the policyholders either as terms of conditions of the policy or as per law or as may be directed by the Authority but not refunded so far	7,347 (4,192)	2,133 (1,883)	1,501 (1,616)	1,426 (684)	1,601 (9)	677 -	9 -	- -
Cheques issued but not encashed by the policyholder/ insured								
– Premium	8,167 (4,712)	- -	2,392 (726)	1,148 (948)	714 (1,157)	948 (259)	1,085 (233)	1,880 (1,388)
– Claims	43,365 (20,873)	- -	12,600 (6,973)	11,466 (5,044)	5,566 (3,021)	4,893 (1,507)	3,016 (1,150)	5,824 (3,177)
Total	58,879 (29,777)	2,133 (1,883)	16,493 (9,315)	14,040 (6,677)	7,881 (4,187)	6,518 (1,767)	4,110 (1,383)	7,704 (4,565)

Note: Above excludes an amount of ₹ 307,878 thousand (Previous year ₹ 229,636 thousand) under ageing 1-6 months in respect of cheques issued but not encashed by the policyholders

(Previous year's figures are in brackets)

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, 2013.

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, 2012 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 the all assets of the Company have been reviewed on the date of the Balance Sheet and to the best of our knowledge and belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realizable or market value under the several headings – "Loans", "Agents balances", "Outstanding Premiums", "Interest, Dividends and Rents outstanding", "Interest, Dividends and Rents accruing but not due", "Amounts due from other persons or Bodies carrying on insurance business", "Sundry Debtors", "Bills Receivable", "Cash" and the several items specified under "Other Accounts".

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. a. For ageing analysis of claims outstanding (excluding provision for IBNR / IBNER and claims relating to inward re-insurance from terrorism pool and the Indian Motor Pool Third Party Insurance Pool) during the preceding five years, please refer Annexure 1.
   b. For average claims settlement time during the preceding five years, please refer Annexure 2.

10. Details of payments to individuals, firms, Companies and organizations in which directors are interested during the year ended on March 31, 2012:

Sr. No.	Name of the Director	Entity in which Director is interested	Interested as	Payment during the year (₹ '000)
1	Mr. DEEPAK S. PAREKH	HDFC LIMITED	Chairman	4,393
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Chairman	270
		GLAXOSMITHKLINE PHARMACEUTICALS LIMITED	Chairman	7,563
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	Chairman	7,143
		MAHINDRA & MAHINDRA LIMITED	Director	6,311
		THE INDIAN HOTELS COMPANY LIMITED	Director	3,698
		EXIDE INDUSTRIES LIMITED	Alternate Director	748
		WNS GLOBAL SERVICES PRIVATE LIMITED	Chairman	15

Management Report (continued)

Sr. No.	Name of the Director	Entity in which Director is Interested	Interested as	Payment during the year (₹ '000)
2	Mr. KEKI M. MISTRY	HDFC LIMITED	Vice Chairman and CEO	4,393
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Director	270
		HDFC BANK LIMITED	Director	1,241,216
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	Director	7,143
		NEXT GEN PUBLISHING LIMITED	Director	1,485
		TORRENT POWER LIMITED	Director	718
3	Ms. RENU SUD KARNAD	HDFC LIMITED	Director	4,393
		HDFC BANK LIMITED	Director	1,241,216
		HDFC ASSET MANAGEMENT COMPANY LIMITED	Director	270
		HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	Director	7,143
		HDFC SALES PRIVATE LIMITED	Director	182,974
4	Dr. JAGDISH KHATTAR	STEEL AUTHORITY OF INDIA LIMITED	Director	33,011
		HINDALCO INDUSTRIES LIMITED	Director in casual Vacancy	19
5	Mr. BERNHARD STEINRUECKE	APOLLO MUNICH HEALTH INSURANCE COMPANY LIMITED	Director	237,918
		INDO -GERMAN CHAMBER OF COMMERCE	Director General	1,269

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

Management Report (continued)

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 as at March 31, 2012 and of the operating loss for the year ended on that date.

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
Mark Lammerskitten

Independent Directors
Jagdish Khattar
Bernhard Steinruecke

Ritesh Kumar
Managing Director & CEO

Samir H. Shah
Member of Executive Management,
CFO and Company Secretary

Mumbai,
April 24, 2012

Annexure 1

Outstanding Ageing Analysis as on 31.03.2012 (F.Y. 2011-12)

(₹ '000)

Period	Fire		Marine		Marine - others		Motor OD		Motor TP		Health		Others		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
0-30 days	51	65,919	758	37,783	1	231	3,792	186,891	1,027	206,740	2,037	68,476	703	70,973	8,369	637,013
31days to 6 months	157	778,644	589	109,527	4	2,907	1,824	172,289	3,205	623,492	963	46,267	726	166,725	7,468	1,899,851
6 months to 1 year	57	154,821	115	146,737	2	9,797	112	48,302	2,968	579,345	9	136	155	397,684	3,416	1,336,822
1 year to 5 years	5	324,296	23	26,495	0	13,232	49	21,444	4,579	947,590	2	122	89	522,600	4,747	1,855,779
5 years and above	1	2,500	1	22	0	0	-	-	235	43,498	-	-	-	-	237	46,020
Total	271	1,326,180	1,486	320,564	7	26,167	5,777	428,926	12,012	2,400,665	3,011	115,001	1,673	1,157,982	24,237	5,775,486

Outstanding as on 31.03.2011 (F. Y. 2010-11)

Period	Fire		Marine		Marine - others		Motor OD		Motor TP		Health		Others		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
0-30 days	27	232,576	246	24,287	0	0	3,021	98,459	717	146,628	3,083	161,800	606	86,485	7,700	750,235
31days to 6 months	65	911,719	199	31,409	4	68,428	1,614	116,532	2,769	476,807	1,143	41,867	663	165,044	6,457	1,811,807
6 months to 1 year	35	133,172	44	13,439	0	0	99	35,068	1,474	241,898	68	3,296	184	137,498	1,904	564,372
1 year to 5 years	13	184,419	6	12,902	0	0	41	17,015	1,966	306,820	6	242	28	38,925	2,060	560,323
5 years and above	-	-	2	5,022	0	0	-	-	173	18,987	-	-	-	-	175	24,009
Total	140	1,461,886	497	87,059	4	68,428	4,775	267,075	7,099	1,191,140	4,300	207,206	1,481	427,952	18,296	3,710,747

Outstanding as on 31.03.2010 (F. Y. 2009-10)

Period	Fire		Marine		Marine - others		Motor OD		Motor TP		Health		Others		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
0-30 days	23	145,124	101	11,433	1	180,056	1,709	44,694	194	28,356	4,869	253,313	349	28,305	7,246	691,280
31days to 6 months	31	221,403	94	25,951	1	1,010	745	52,070	606	126,504	1,693	55,856	389	103,096	3,759	585,903
6 months to 1 year	15	18,105	35	4,256	0	-	28	10,280	479	71,544	88	1,648	101	23,345	746	129,179
1 year to 5 years	3	19,242	4	7,252	0	-	25	2,119	892	131,180	-	-	23	20,003	947	179,796
5 years and above	-	-	-	-	0	-	-	-	50	7,287	-	-	-	-	50	7,287
Total	72	403,875	234	48,902	2	181,066	2,507	109,163	2,421	364,871	6,650	310,819	862	174,749	12,748	1,593,445

Outstanding as on 31.03.2009 (F. Y. 2008-09)

Period	Fire		Marine		Marine - others		Motor OD		Motor TP		Health		Others		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
0-30 days	5	28,497	19	2,587	-	-	959	24,486	102	8,961	559	20,030	206	20,936	1,850	105,517
31days to 6 months	6	34,862	48	3,223	-	-	390	28,461	280	27,137	52	22,119	411	41,696	1,187	157,498
6 months to 1 year	5	4,312	47	4,523	-	-	69	13,526	372	34,585	2	86	144	13,246	639	70,278
1 year to 5 years	2	5,991	38	5,312	-	-	21	11,859	815	113,718	9	136	48	5,525	933	142,541
5 years and above	-	-	-	-	-	-	6	13	1	5,217	-	-	-	-	7	5,230
Total	18	73,662	152	15,645	-	-	1,445	78,345	1,570	189,639	622	42,372	809	81,402	4,616	481,065

Outstanding as on 31.03.2008 (F. Y. 2007-08)

Period	Fire		Marine		Marine - others		Motor OD		Motor TP		Health		Others		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
0-30 days	4	2,576	15	3,188	-	-	1,113	28,300	16	3,798	641	25,140	125	6,641	1,914	71,643
31days to 6 months	5	5,449	38	10,671	-	-	643	26,577	241	27,145	5	1,829	290	14,591	1,222	86,462
6 months to 1 year	5	3,339	43	5,091	-	-	237	14,467	201	29,044	-	-	93	58,393	579	110,335
1 year to 5 years	4	13,525	9	1,041	-	-	243	10,291	649	84,598	-	-	35	4,574	940	114,027
5 years and above	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	18	24,889	105	20,191	-	-	2,236	79,635	1,107	144,584	646	26,969	543	86,199	4,655	382,467

Annexures to Management Report

Annexure 2

Average Claim Settlement Time

	F.Y 2011-12		F.Y 2010-11		F.Y 2009-10		F.Y 2008-09		F.Y 2007-08	
Line of Business	**No. of Claims**	**Average Settlement Time (Days)**	No. of Claims	Average Settlement Time (Days)	No. of Claims	Average Settlement Time (Days)	No. of Claims	Average Settlement Time (Days)	No. of Claims	Average Settlement Time (Days)
Fire	397	161	345	142	114	152	28	153	36	81
Marine (Cargo)	5,105	68	3,116	69	628	123	123	148	173	102
Marine (Hull)	3	419	11	137	-	-	-	-	-	-
Motor OD	87,219	30	74,761	33	54,236	31	41,590	28	40,125	29
Workmens compensation	16	121	3	262	3	109	-	-	2	189
Public liability	5	136	-	-	1	191	-	-	10	10
Product Liability	-	-	-	-	-	-	-	-	-	-
Speciality / Other Liability	11	52	163	16	87	39	1	75	3	147
Engineering	997	56	824	75	707	106	112	79	53	94
Personal Accident	4,431	46	2,236	60	1,548	51	1,198	27	2,687	35
Health	51,079	32	127,841	37	151,821	25	28,442	6	11,850	3
Travel Insurance	3,604	54	920	78	2,042	85	629	63	446	30
Home	2	339	7	176	7	189	1	111	4	98
Others	7,905	10	1,175	33	433	127	367	150	594	83
Total	**160,774**		**211,402**		**211,625**		**72,491**		**55,983**	

Notes : The above ageing does not include Motor Third Party claims which have to be settled through MACT and other judicial bodies

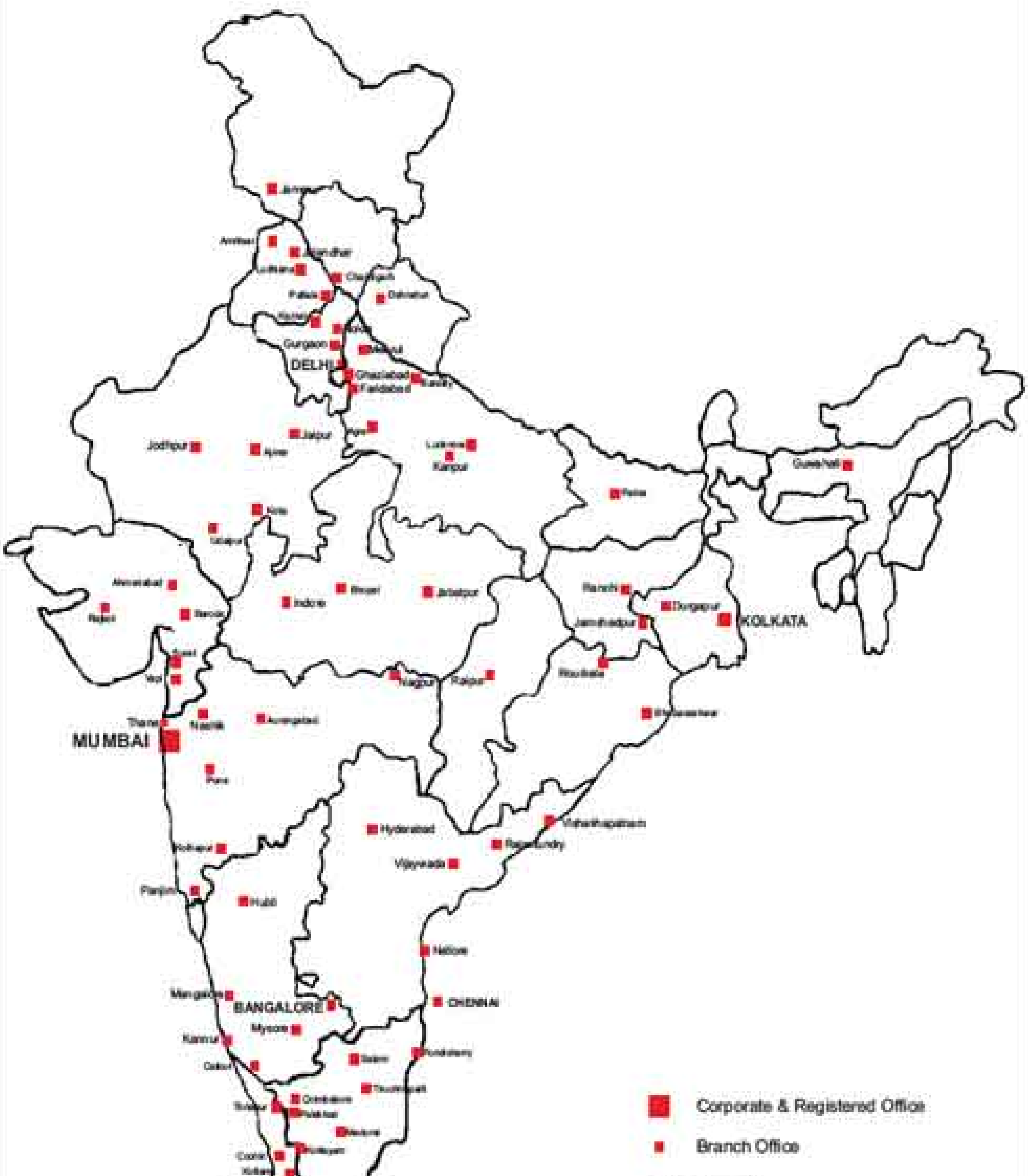
Glossary

Sr No.	Terms	Description
1	Accretion	Incremental growth over a period of time.
2	Actuary	A qualified professional who applies probability and other statistical theories to insurance. His work covers rates, reserves and other valuations, 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 uncollectible 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	Proportion of number of claims settled to total number of claims reported.
8	Co-insurance	Sharing of the 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 a later tax period.
13	EPS	Earning Per Share (EPS) is arrived at by dividing Net Profit After Tax by the weighted average number of shares.
14	Expense ratio	Expense ratio is a proportion of the sum of all expenses (acquisition & operating) and net commission received on reinsurance to 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	• Incurred But Not Reported (IBNR) • Incurred But Not Enough Reported (IBNER)	IBNR : A reserve created by insurer and certified by an Actuary to cover the estimated cost of losses that might have incurred but not yet reported. IBNER: Losses that might have incurred but have not yet been enough reported.
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	Proportion of incurred claims to premiums earned during a period.

20	Industry Market Share	Proportion of gross written premium of an insurer to the total gross premium written of the general insurance industry - expressed as a percentage.
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	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 risks 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 an insurance policy.
30	Premium Deficiency	Premium deficiency is recognised as the sum of expected claim costs, related expenses and maintenance cost exceeds related reserve for unexpired risks.
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
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 a Reinsurance Treaty, 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 applications/proposals submitted for insurance or reinsurance coverage and deciding whether to provide all or part of the coverage requested and determining the applicable premium.
38	Unexpired Risks Reserve	Portion of premium with respect to the unexpired insurance contracts as at the end of the period.

Branch Network

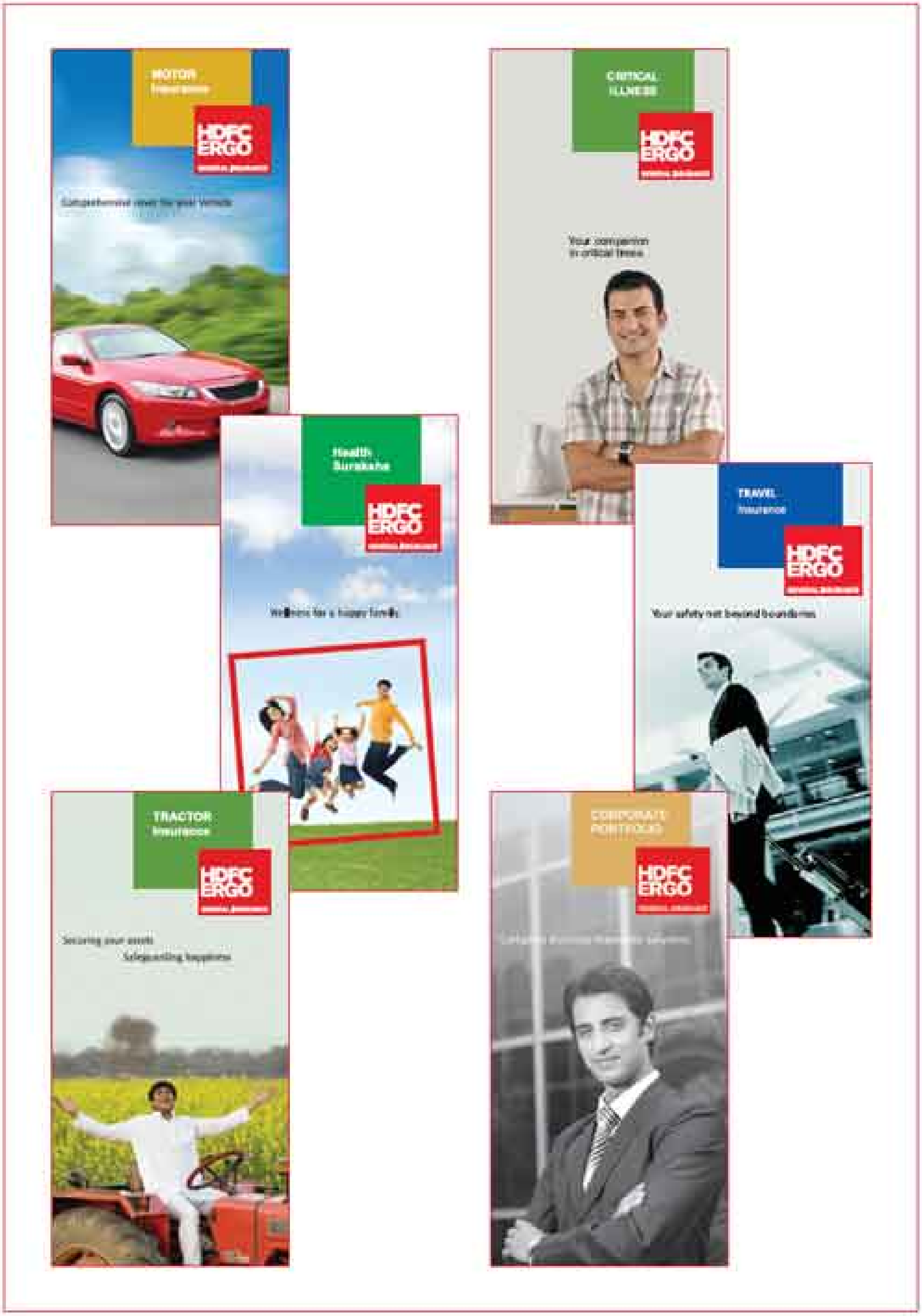
HDFC ERGO's Network - 80 Branches



- 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.

Key Products



HDFC ERGO
GENERAL INSURANCE

Har pal aapke saath

HDFC ERGO General Insurance Company Limited

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Corporate Office: 6th Floor, Leela Business Park, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059.
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