

ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

4th ANNUAL REPORT AND ACCOUNTS 2003-2004

Directors

K. V. Kamath, Chairman
R. Athappan
B. V. Bhargava
Dileep Chokshi
James Dowd
Lalita D. Gupte
Kalpana Morparia
S. Mukherji
Chandran Ratnaswami
H. N. Sinor
Sandeep Bakhshi, Managing Director & CEO

Auditors

Bharat S. Raut & Co.
Chartered Accountants

Lodha & Co.
Chartered Accountants

Registered Office

ICICI Bank Towers
Bandra-Kurla Complex
Mumbai - 400 051

directors' report

to the members

Your Directors have pleasure in presenting the Fourth Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2004.

INDUSTRY OVERVIEW

It has now been a little over three years since the insurance industry was liberalised. The general insurance industry is growing at around 13% per annum over the last three years. The gross premium of the industry for the eleven months period ended February 2004 was Rs. 144.5 billion of which 85.8% was contributed by public sector companies and 14.2% by private sector companies. Among the private players, ICICI Lombard is leading with a market share of 22.2% in the private sector and an overall market share of 3.2%. The final premium figures for the full financial year are yet to be published as on the date of this report.

FINANCIAL HIGHLIGHTS

	Fiscal 2004	<i>Fiscal 2003</i>
Number of policies sold	249,531	<i>98,293</i>
		(Rs. in million)
Gross written premium (net of service tax)	5067.2	<i>2079.2</i>
Earned premium	790.8	<i>272.3</i>
Underwriting surplus/(deficit)	167.9	<i>(107.1)</i>
Profit before tax	422.4	<i>41.9</i>
Profit after tax	317.8	<i>33.0</i>

The profit after tax for the year ended March 31, 2004 was Rs.317.8 million. After taking into account the balance of brought forward loss of Rs.59.8 million, the profit available for appropriation is Rs.258.0 million.

Dividend

Reflecting the strong financial performance, the Board declared the interim dividend of 10% (pro rata) in the month of March 2004 resulting in an outflow of Rs.198.7 million, including dividend tax of Rs.22.6 million. Your Directors have not recommended any final dividend for the year.

OPERATIONAL REVIEW

Company Performance

The gross written premium increased by 144%, from Rs.2,079.2 million in fiscal 2003 to Rs. 5,067.2 million in fiscal 2004. The profit before tax has grown by 908% to Rs.422.4 million, as against Rs.41.9 million during fiscal 2003. The Company sold 249,531 policies during fiscal 2004, registering a growth of 154% over the 98,293 policies sold during fiscal 2003.

Information Technology

Technological advances have significantly changed the way insurance policies are sold and processed. ICICI Lombard has successfully used technology in its various business operations, to gain competitive advantage and to improve overall productivity and efficiency of the organisation. Keeping in mind the growing sophistication of the Indian customer, the Company is setting up retail kiosks in different parts of the country to facilitate 'on-line' access for policy issuance by the sales force. The systems are operated from a state-of-the-art data center with robust connectivity and support. Security of the applications and systems has been a primary focus.

Customer Service

Customer satisfaction is the route to enhance business performance and sustain growth on continued basis. The Company has forged a country-wide tie-up with Cunningham Lindsey, the world's second largest survey firm with its network in 80 locations, which helps us to have a surveyor on site in less than 24 hours. The Company has settled 23,487 claims during the fiscal 2004 with a claim disposal ratio of about 89%. On-line intimation of claims is also provided through Company's website, which has resulted in increased customer convenience and improved efficiency for the Company.

Reinsurance

The reinsurance programme of the Company is formulated in line with the guidelines laid down by Insurance Regulatory and Development Authority (IRDA), which aims at optimum retention of premium within the country and adequate risk coverage. The Company has successfully completed its reinsurance placements for fiscal 2005.

Outlook

The industry is expected to grow at around 15% during the current year. The share of private sector general insurance companies in the market is expected to grow to 20% from about 14% currently. With motor detariffing around the corner, price pressure could be felt in this business category. However, cost effective distribution will hold the key in the long run and the Company is focusing on distributing retail products through agency, bancassurance and on-line channels to increase its reach.

Capital

In order to enhance the risk retention capacity and to maintain healthy solvency ratio, the Company made a rights issue of Rs.1,100.0 million in July 2003, which was fully subscribed by the shareholders. The paid up capital of the Company as on March 31, 2004 was Rs. 2,200.0 million, the highest amongst private sector general insurance companies.

PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposit from the public.

DIRECTORS

H. N. Sinor, who had been nominated on the Board of the Company by ICICI Bank Limited (ICICI Bank), retired from ICICI Bank effective June 1, 2003. The Board, at its Meeting held on October 10, 2003, decided that he be continue as an independent Director. As such, H.N. Sinor holds office up to the date of the forthcoming Annual General Meeting but is eligible for appointment. In terms of the provisions of the Articles of Association of the Company, B. V. Bhargava and Chandran Ratnaswami, would retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

AUDITORS

The Joint Statutory Auditors, Bharat S. Raut & Co. and Lodha & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. As recommended by the Audit Committee, the Board, at its Meeting held on April 26, 2004, has proposed the appointment of Bharat S. Raut & Co. and Lodha & Co., Chartered Accountants, Mumbai, as Joint Auditors to audit the accounts of the Company for fiscal 2005. You are requested to consider their appointment.

FOREIGN EXCHANGE EARNING AND EXPENDITURE

During fiscal 2004 expenditure in foreign currencies amounted to Rs.1,064.4 million and earnings in foreign currencies amounted to Rs.569.9 million.

PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence not given.

AUDIT COMMITTEE

The Audit Committee consists of three Directors - S. Mukherji, James Dowd and Dileep Chokshi and is chaired by S. Mukherji.

directors' report



Continued

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Company is grateful to the Insurance Regulatory and Development Authority, Tariff Advisory Committee, Reserve Bank of India and other regulatory authorities for their support and advice.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Bank and its group companies and Fairfax Financial Holdings Limited.

The Directors would also like to place on record their appreciation for the commitment and team effort shown by the employees of the Company.

For and on behalf of the Board

K. V. KAMATH
Chairman

Mumbai, April 26, 2004

management report

In accordance with the provisions of the Insurance Regulatory & Development Authority (IRDA) (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the following Management Report is submitted:

1. The Certificate of Registration under Section 3 of the Insurance Act, 1938 was granted by IRDA on August 03, 2001. The Company has obtained renewal of registration certificate from IRDA for the financial year 2004-2005 as required under Section 3A of the Insurance Act, 1938.
2. We certify that all the dues payable to the statutory authorities have been duly paid.
3. We confirm that the shareholding pattern is in accordance with the statutory or regulatory requirements. We further confirm that there was no transfer of shares during the period.
4. We declare that the management has not directly or indirectly invested outside India the funds of the holders of policies issued in India.
5. We confirm that the required solvency margins have been maintained.
6. We certify that the values of all the assets have been reviewed on the date of the Balance Sheet and that in our belief the assets set forth in the Balance Sheets are shown in the aggregate at amounts not exceeding their realizable or market value.
7. Gross risk exposure upto March 31, 2004 is Rs.2865.51 billion (Previous year: Rs. 592.24 billion) in property insurance. The entire portfolio is a balanced one consisting of Fire, Engineering, Personal and Casualty lines of business. The exposure is spread over various sectors like Power, Textiles, Heavy and Light Engineering, Paper, Services, Fast Moving Consumer Goods, Auto components to name the major ones.
The business underwritten pertains to the various products filed by us with IRDA, as per the File and Use Procedure.
While the net retention has not exceeded Rs.60 million (Previous year: Rs. 50 million) in any single risk, this has in fact been graded down to between Rs. 5 million to Rs.60 million (Previous year: between Rs. 35 million to Rs. 40 million) in most cases, on a case-to-case basis. The Excess of Loss Treaties adequately protect the accumulation of the net retentions.
The strategy has been to assess and analyze each risk from all aspects and then underwrite them charging appropriate premium.
Further, before underwriting any major risks, a risk inspection is carried out, and only on being satisfied about the acceptability of risk, the same is accepted. Also, various loss prevention / risk-mitigating measures are suggested to the clients.

8. We confirm that there are no operations of the Company outside India.

9. a) Ageing analysis for claims outstanding :

(Rs. in million)

	As on March 31, 2004	As on March 31, 2003
More than six months	433.9	29.8
Others	572.7	241.0

b) Average Claims settlement time

Period	No. of Days
2002-03	25
2003-04	26

10. We certify that the Investments made in debt securities have been valued at historical cost subject to amortisation of premium / discount. The same is in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002.

For the purpose of comparison, the fair value of debt securities have been arrived on a Yield to maturity (YTM) basis by using the appropriate discount rates derived from the yield curve data provided by the Fixed Income and Money Market Dealers Association (FIMMDA) in respect of Government Securities and Crisil Bond Valuer in respect of other debt instruments.

11. Investments as on March 31, 2004 amount to Rs. 3.33 billion (Previous year: Rs. 2.1 billion). Income from Investments amounted to Rs.254.53 million (Previous year: Rs 148.91 million). Unrealised gains on the balance sheet date amounted to Rs 74.31 million (Previous year: Rs.37.69 million). Investments other than in deposits with the banks/loans are only in regularly traded instruments in the secondary markets. Of the investments held in other than in government securities, Nil (Previous year: 2.82%) is secured additionally by central government guarantees, 58.64% (Previous year 78.05%) is in AAA and equivalent rated securities and 6.39% (Previous year 19.13%) is in AA+/P1 rated security and the balance in equity, deposits and Mutual funds. All are performing investments with no arrears of any payments due. Investments are managed in consonance with the investment policy framed from time to time by the board, a conservative approach is adopted having regard to low risk tolerance level at the initial stage.
12. We confirm that:
 - a) in the preparation of financial statements, the applicable accounting standards, principles and policies have been followed along with proper explanations relating to material departures, if any;
 - b) the management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the operating profit and of the profit of the company for the year;
 - c) the management has taken proper and sufficient care for the maintenance of adequate accounts 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;
 - d) the management has prepared the financial statements on a going concern basis;
 - e) the management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.
13. For payments, which have been made to individuals, firms, companies and organizations in which Directors of the insurer are interested, please refer to Annexure 1.

For and on behalf of the Board

K.V.KAMATH
Chairman

LALITA D. GUPTA
Director

KALPANA MORPARIA
Director

S. MUKHERJI
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAKESH JAIN
Head Finance & Accounts

Mumbai, April 26, 2004

RAJESH SAXENA
Company Secretary

Annexure 1

Payments made to parties in which Directors are interested

The schedule of payments made to parties in which Directors are interested is shown as under: -
(Rs. in '000s)

Name of the Company	2003-04	2002-03
ICICI Bank Limited	320,824	188,997
ICICI Venture Funds Management Company Limited	480	33
ICICI Securities Limited	1,366	1,271
ICICI Prudential Life Insurance Company Limited	609	14
ICICI Home Finance Company Limited	—	5,000
ICICI Brokerage Services Limited	608	—

auditors' report

to the Members of ICICI Lombard General Insurance Company Limited

We have audited the attached Balance Sheet of ICICI Lombard General Insurance Company Limited ('the Company') as at March 31, 2004, the Revenue Accounts of Fire, Marine and Miscellaneous Insurance (collectively known as the 'Revenue Accounts'), the Profit and Loss Account and the Receipts and Payments Account, for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and Receipts and Payments Account, have been drawn up in accordance with the Insurance Regulatory and Development Authority ('IRDA') (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations') read with Section 211(3C) of the Companies Act, 1956 ('the Act').

As required by the Regulations, we enclose in the Annexure a statement certifying the matters specified in paragraphs 3 and 4 of Schedule C to the Regulations.

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
- As the Company's accounting system is centralized, no returns for the purposes of our audit are prepared at the branches and other offices;
- The Balance Sheet, the Revenue Accounts, Profit and Loss Account and the Receipts and Payments Account in this report are in agreement with the books of account;
- The Company has provided for the estimated liability for claims Incurred But Not Enough Reported (IBNER) and those Incurred But Not Enough Reported (IBNER) as at March 31, 2004 on the basis of actuarial valuation report obtained from the Appointed Actuary in this regard and relied upon by us. In the opinion of the Actuary, the assumptions considered by him for such valuation are in accordance with the guidelines and norms issued by the IRDA and the Actuarial Society of India in concurrence with the Authority; and

- On the basis of the written representations received from the Directors, as at March 31, 2004 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2004 from being appointed as a Director under Section 274 (1)(g) of the Act.

In our opinion and according to the information and explanations given to us, we further report that:

- Investments have been valued in accordance with the provisions of the Insurance Act, 1938, the Regulations and orders / directions issued by IRDA in this behalf;
- The accounting policies selected by the Company are appropriate and are in compliance with the Accounting Standards referred to in Section 211(3C) of the Act to the extent applicable and with the accounting principles prescribed by the Regulations and orders & directions issued by IRDA in this behalf;
- Proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books; and
- The Balance Sheet, Revenue Accounts, Profit and Loss Account and Receipts and Payments Account read together with the notes thereon are prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Act to the extent applicable, and in a manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - in the case of the Revenue Accounts, of the surplus for the year ended on that date;
 - in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - in the case of the Receipts and Payments Account, of the receipts and payments for the year ended on that date.

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number : 46768
Mumbai, April 26, 2004

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
Membership Number: 7642

annexure

to the Auditors' Report of even date to the Members of ICICI Lombard General Insurance Company Limited

(Referred to in the Auditors' Report to the members of ICICI Lombard General Insurance Company Limited ('the Company') on the financial statements for the year ended March 31, 2004).

Based on the information and explanations given to us and to the best of our knowledge and belief, we certify that:

- We have reviewed the management report and there are no apparent mistakes or material inconsistencies with the financial statements;
- Based on the information and explanations received during the normal course of our audit and management representation by officers of the Company charged with compliance, nothing has come to our attention which causes us to believe that the Company has not complied with the terms and conditions of registration as per sub section 4 of Section 3 of the Insurance Act, 1938;
- No cash balance has been maintained by the Company. As regards the securities relating to the Company's investments, the same have been verified

with the dematerialised statement/confirmation received from the custodian;

- The Company is not the trustee of any trust; and
- No part of the assets of the policyholders' fund has been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938 relating to the application and investment of the policyholders' funds.

For BHARAT S. RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner
Membership Number : 46768
Mumbai, April 26, 2004

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
Membership Number: 7642

balance sheet profit and loss account



as at March 31, 2004

for the year ended March 31, 2004

Registration No. 115

Date of Registration with IRDA : August 3, 2001

Schedule	(Rs. in '000s)	March 31, 2003	Schedule	(Rs. in '000s)	March 31, 2003
SOURCES OF FUNDS			PARTICULARS		
Share capital	5	2,200,000	1,095,980	1. Operating profit/(loss)	
Reserves and Surplus	6	59,324	—	(a) Fire Insurance	383,131 (47,099)
Fair value change account		33,171	420	(b) Marine Insurance	(70,243) (17,395)
Total		2,292,495	1,096,400	(c) Miscellaneous Insurance	(43,009) (5,921)
APPLICATION OF FUNDS			2. Income from investments		
Investments	7	3,328,671	2,100,085	(a) Interest /Dividend – Gross	119,904 88,825
Loans	8	—	25,000	(b) Profit on sale/redemption of investments	46,420 29,821
Fixed assets	9	106,599	44,861	Less: loss on sale/redemption of investments	(169) (2,582)
Deferred Tax Asset		35,000	28,600	3. Other income	
Current assets				(a) Interest income on tax refund	404 —
Cash and Bank Balances	10	629,271	326,749	(b) Gain / (Loss) on sale of fixed assets	4 —
Advances and Other Assets	11	1,369,719	271,712	(c) Professional Fees	— 479
Sub-Total (A)		1,998,990	598,461	Total (A)	436,442 46,128
Current liabilities	12	2,292,337	1,485,837	4. Other expenses	
Provisions	13	884,428	274,599	(a) Expenses other than those related to Insurance Business	
Sub-Total (B)		3,176,765	1,760,436	i) Employees' remunerations and welfare benefits	2,193 2,654
Net current assets (C) = (A - B)		(1,177,775)	(1,161,975)	ii) Directors' fees	90 63
Debit balance in profit and loss account		—	59,829	iii) Share issue expenses	7,700 —
Total		2,292,495	1,096,400	(b) Preliminary expenses written off (Refer Note 17.1.10)	4,020 1,558
Significant accounting policies and notes to accounts	14			Total (B)	14,003 4,275
				Profit Before Tax	422,439 41,853
				Provision for Taxation:	
				(a) Current tax	111,000 3,600
				(b) Deferred tax	(6,400) 5,273
				Profit After Tax	317,839 32,980
				Balance of loss brought forward from last year	59,829 92,809
					258,010 (59,829)
				APPROPRIATIONS	
				(a) Interim dividends paid during the year	176,120 —
				(b) Dividend distribution tax	22,566 198,686
				Balance carried forward to Balance Sheet	59,324 (59,829)
				Significant accounting policies and notes to accounts	14

As per our report attached of even date

For BHARAT S RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, April 26, 2004

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner

For and on behalf of the Board

K.V.KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALIT D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

revenue accounts

for the year ended March 31, 2004

Registration No. 115

Date of Registration with IRDA : August 3, 2001

(Rs. in '000s)

Particulars	Schedule	Fire		Marine		Miscellaneous		Total	
		2003-04	<i>2002-03</i>	2003-04	<i>2002-03</i>	2003-04	<i>2002-03</i>	2003-04	<i>2002-03</i>
1. Premium earned (net)	1	238,789	<i>74,442</i>	64,869	<i>16,877</i>	487,174	<i>181,026</i>	790,832	<i>272,345</i>
2. Profit/(loss) on sale/redemption of Investments (net)		6,998	<i>2,301</i>	3,020	<i>426</i>	14,582	<i>4,980</i>	24,600	<i>7,707</i>
3. Others- Foreign exchange gain/(loss)		427	<i>—</i>	(2)	<i>82</i>	679	<i>1,437</i>	1,104	<i>1,519</i>
4. Interest and Dividend on investments – Gross		18,142	<i>7,505</i>	7,829	<i>1,390</i>	37,803	<i>16,240</i>	63,774	<i>25,135</i>
Total (A)		264,356	<i>84,248</i>	75,716	<i>18,775</i>	540,238	<i>203,683</i>	880,310	<i>306,706</i>
1. Claims Incurred (net)	2	93,567	<i>15,107</i>	127,451	<i>19,658</i>	479,531	<i>143,474</i>	700,549	<i>178,239</i>
2. Commission (net)	3	(716,254)	<i>(142,594)</i>	(57,717)	<i>(3,719)</i>	(242,467)	<i>(25,795)</i>	(1,016,438)	<i>(172,108)</i>
3. Operating Expenses related to Insurance Business	4	503,912	<i>258,834</i>	68,256	<i>17,231</i>	321,968	<i>143,425</i>	894,136	<i>419,490</i>
4. Others – Premium Deficiency		—	<i>—</i>	7,969	<i>3,000</i>	24,215	<i>(51,500)</i>	32,184	<i>(48,500)</i>
Total (B)		(118,775)	<i>131,347</i>	145,959	<i>36,170</i>	583,247	<i>209,604</i>	610,431	<i>377,121</i>
Operating Profit/(Loss) C = (A - B)		383,131	<i>(47,099)</i>	(70,243)	<i>(17,395)</i>	(43,009)	<i>(5,921)</i>	269,879	<i>(70,415)</i>
APPROPRIATIONS									
Transfer to Shareholders' Account		383,131	<i>(47,099)</i>	(70,243)	<i>(17,395)</i>	(43,009)	<i>(5,921)</i>	269,879	<i>(70,415)</i>
Total (C)		383,131	<i>(47,099)</i>	(70,243)	<i>(17,395)</i>	(43,009)	<i>(5,921)</i>	269,879	<i>(70,415)</i>

Significant accounting policies and notes to accounts

14

As required by Section 40C(2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Company's books of accounts, all expenses of management, wherever incurred, whether directly or indirectly, have been fully debited in the Revenue Accounts as expense.

Schedules referred to herein form an integral part of the Revenue Accounts.

As per our report attached of even date

For BHARAT S RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, April 26, 2004

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner

For and on behalf of the Board

K.V.KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

schedules



forming part of the financial statements

Continued

SCHEDULE - 1
Premium earned (net)

(Rs. in '000s)

Particulars	Fire		Marine				Miscellaneous																Total								
			Marine-Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/ Product Liability		Personal Accident		Health Insurance		Aviation		Others		Miscellaneous		Total				
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03			
Premium from direct business written	2,638,975	1,286,921	236,420	62,708	234,615	30,035	471,035	92,735	191,989	28,143	543,905	229,896	24,006	4,480	193,357	13,468	110,276	53,980	358,456	134,138	—	—	—	79,811	13,833	708,064	267,770	745,798	5,319,874	2,125,454	
Add: Premium on reinsurance accepted	30,023	33,075	23	—	1,596	—	1,619	—	—	—	1,899	2,176	—	—	28	22	11,333	284	—	—	—	—	—	—	—	23	2	13,283	2,484	44,925	35,559
Less: Premium on reinsurance ceded	2,044,437	1,107,230	123,836	25,666	208,044	26,752	331,880	54,412	41,884	13,951	346,467	169,897	5,280	903	181,542	10,291	54,703	36,524	62,037	25,544	71,658	12,591	474,186	193,739	1,237,757	463,430	3,614,074	1,625,072	—	—	
Less: Refunds	114,054	5,013	4,117	1,281	—	—	4,117	1,280	—	—	16,829	2,158	—	—	—	—	—	—	19,981	—	—	—	—	—	—	—	404	36,810	2,562	154,981	8,855
Less: Service tax	130,291	44,448	14,256	2,037	16,783	200	31,039	2,327	14,001	1,331	35,553	11,542	1,552	201	5,730	435	5,883	1,187	25,756	6,193	3,884	616	43,909	13,580	136,248	35,025	297,778	81,800	—	—	
Net premium	380,216	163,305	94,234	33,723	11,384	993	105,618	34,716	136,104	12,861	146,955	48,575	17,194	3,376	6,113	2,764	61,023	16,553	250,682	102,461	4,269	626	189,992	60,049	812,332	247,285	1,298,166	445,286	—	—	
Adjustment for change in reserve for unexpired risks	141,427	88,863	30,359	16,846	10,390	993	40,749	17,839	84,815	(51,385)	49,252	24,129	6,237	2,296	2,499	1,238	15,872	8,650	70,379	42,712	1,807	327	94,297	38,272	325,158	66,239	507,334	172,941	—	—	
Total premium earned (Net)	238,789	74,442	63,875	16,877	994	—	64,869	16,877	51,289	64,246	97,103	24,446	10,957	1,080	3,614	1,526	45,151	7,903	180,303	59,749	2,462	239	95,695	21,777	487,174	181,026	790,832	272,345	—	—	

SCHEDULE - 2
Claims incurred (net)

(Rs. in '000s)

Particulars	Fire		Marine				Miscellaneous										Total								
	Marine-Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/ Liability		Personal Accident		Health Insurance		Aviation		Others		Miscellaneous		
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	
Claims paid- Direct	497,114	52,504	171,608	14,144	3,033	—	174,641	14,144	20,681	106,324	15,899	1,983	1	19	—	55,108	7,903	308,660	72,892	1,700	—	40,718	4,898	535,103	155,976
Add: Re-insurance accepted	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,321	100	—	—	—	—	—	—	5,321	100
Less: Re-insurance Ceded	454,197	47,177	81,949	2,986	2,362	—	84,311	2,986	4,199	68,680	12,158	379	—	17	—	25,796	6,734	61,652	14,578	1,666	—	18,448	1,952	180,797	46,299
Net Claims paid	42,917	5,327	89,659	11,158	671	—	90,330	11,158	16,522	37,644	3,741	1,514	1	2	—	34,833	1,269	247,008	58,314	34	—	22,270	2,946	359,827	109,777
Add: Claims Outstanding at the end of the year	61,662	11,012	42,936	8,408	2,694	102	45,630	8,510	32,944	42,666	8,899	424	112	598	—	9,588	680	34,950	13,526	308	214	42,987	2,878	164,465	44,761
Less: Claims Outstanding at the beginning	11,012	1,232	8,407	1,0	102	—	8,509	1,0	18,061	8,899	492	112	—	391	24	680	—	13,526	1,259	214	—	2,978	148	44,761	11,064
Total claims incurred	93,567	15,107	124,188	19,556	3,263	102	127,451	19,658	31,405	71,111	12,148	1,826	113	209	367	43,741	1,949	268,432	70,582	128	214	62,379	5,676	479,531	143,474
																								700,549	178,239

SCHEDULE - 3
Commission

Particulars	Fine			Marine			Miscellaneous												Total								
	Marine-Cargo			Marine-Total			Motor	Engineering		Workmen Compensation		Public/ Product Liability		Personal Accident		Health Insurance		Aviation			Others		Miscellaneous				
	2003-04	2002-03	2003-04	2003-04	2002-03	2003-04		2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Commission paid-Direct	33,695	135	29	216	—	29	216	15	88	48	97	—	—	151	1	38	—	18	—	—	—	283	1,026	553	1,212	34,237	1,863
Add: Commission on Re-insurance Accepted	1,418	1,478	3	—	324	—	327	—	—	—	—	—	—	5	6	1,248	—	—	—	—	—	4	71	1,257	77	3,002	1,555
Less: Commission on Re-insurance Ceded	751,327	144,207	30,138	2,657	27,935	1,284	58,073	3,895	911	103,040	9,968	1,250	85	21,621	714	21,762	2,632	19,157	2,854	4,064	382	64,163	9,538	244,277	27,084	1,053,677	175,226
Net Commission	(716,254)	(142,594)	(30,106)	(2,435)	(27,611)	(1,284)	(57,717)	(3,719)	(8,205)	(102,992)	(9,871)	(1,250)	(85)	(21,465)	(707)	(20,476)	(2,632)	(19,139)	(2,854)	(4,064)	(382)	(63,876)	(8,441)	(24,247)	(25,395)	(1,016,438)	(172,108)

SCHEDULE - 4
Operating expenses related to insurance business

[illegible]

schedules



forming part of the financial statements

Continued

SCHEDULE – 5

Share capital

Particulars	(Rs in '000s)	
	As at March 31, 2004	As at March 31, 2003
Authorised Capital 220,000,000 (Previous year: 110,000,000) Equity Shares of Rs. 10 each	<u>2,200,000</u>	<u>1,100,000</u>
Issued Capital 220,000,000 (Previous year: 110,000,000) Equity Shares of Rs 10 each	<u>2,200,000</u>	<u>1,100,000</u>
Subscribed Capital 220,000,000 (Previous year: 110,000,000) Equity Shares of Rs 10 each	<u>2,200,000</u>	<u>1,100,000</u>
Called up Capital 220,000,000 (Previous year: 110,000,000) Equity Shares of Rs 10 each	<u>2,200,000</u>	<u>1,100,000</u>
Less: Preliminary Expenses to the extent not written off	<u>—</u>	<u>4,020</u>
Total	<u>2,200,000</u>	<u>1,095,980</u>

Note:

Of the above, 162,800,000 shares (Previous year: 81,400,000 shares) are held by the holding company, ICICI Bank Limited and its nominees.

SCHEDULE – 5A

Share Capital

Pattern of shareholding

[As certified by the management]

Shareholder	As at March 31, 2004		As at March 31, 2003	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
- Indian	162,800,000	74%	81,400,000	74%
- Foreign	57,200,000	26%	28,600,000	26%
Total	220,000,000	100%	110,000,000	100%

SCHEDULE – 6

Reserves and Surplus

Particulars	(Rs in '000s)	
	As at March 31, 2004	As at March 31, 2003
Balance of Profit in Profit and Loss Account	<u>59,324</u>	<u>—</u>
Total	<u>59,324</u>	<u>—</u>

SCHEDULE – 7

Investments

Particulars	(Rs in '000s)	
	As at March 31, 2004	As at March 31, 2003
Long term investments		
Government securities and Government guaranteed bonds including Treasury Bills (note 3 below) Other Approved Securities	1,102,079	413,834 32,303
Other Investments		
(a) Debentures/ Bonds (note 4 below)	534,660	303,852
Investments in Infrastructure and Social Sector	475,114	139,987
Other than Approved Investments	60,659	128,489
Short term investments		
Government securities and Government guaranteed bonds including Treasury Bills	389,271	534,187
Other Investments		
(a) Equity shares	441,768	15,133
(b) Mutual Fund units	40,010	102,820
(c) Debentures/ Bonds (note 4 below)	206,703	275,552
Investments in Infrastructure and Social Sector	—	153,928
Other than Approved Investments	78,407	—
Total investments	<u>3,328,671</u>	<u>2,100,085</u>

- Notes: 1. Aggregate book value of investments (other than listed equities) is Rs. 2,808,496,106 (previous year: Rs. 2,084,952,216).
2. Aggregate market value of investments (other than listed equities) is Rs. 2,848,030,982 (previous year: Rs. 2,129,266,022).
3. Includes investment pursuant to Section 7 of Insurance Act, 1938 Rs. 110,000,000 (previous year: Rs. 10,000,000).
4. Includes investment at cost in ICICI Bank Limited, the holding company of Rs. 15,666,049 (previous year : Rs. 48,873,541).

SCHEDULE – 8

Loans

Particulars	(Rs in '000s)	
	As at March 31, 2004	As at March 31, 2003
Security-wise Classification		
Secured		
(a) On mortgage of property		
(aa) In India	<u>—</u>	25,000
Total	<u>—</u>	<u>25,000</u>
Borrower-wise Classification		
(a) Others (Body corporate)	<u>—</u>	25,000
Total	<u>—</u>	<u>25,000</u>
Performance-wise Classification		
(a) Loans classified as standard		
(aa) In India	<u>—</u>	25,000
Total	<u>—</u>	<u>25,000</u>
Maturity-wise Classification		
(a) Short Term	<u>—</u>	25,000
Total	<u>—</u>	<u>25,000</u>

schedules

forming part of the financial statements

Continued

SCHEDULE - 9

Fixed Assets

(Rs in '000s)

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	April 1, 2003	Additions	Deductions	March 31, 2004	April 1, 2003	For the Year Ended	On Sales/ Adjust- ments	March 31, 2004	March 31, 2004	March 31, 2003
Buildings	4,251	21	—	4,272	30	70	—	100	4,172	4,221
Furniture & Fittings	5,562	23,343	410	28,495	166	1,787	39	1,914	26,581	5,396
Information Technology Equipment	16,268	21,758	—	38,026	3,791	7,685	—	11,476	26,550	12,477
Computer Software	25,809	19,567	—	45,376	7,512	9,482	—	16,994	28,382	18,297
Vehicles	—	992	—	992	—	64	—	64	928	—
Office Equipment	3,308	9,709	54	12,963	699	1,102	10	1,791	11,172	2,609
Total	55,198	75,390	464	130,124	12,198	20,190	49	32,339	97,785	43,000
Work in Progress	—	—	—	—	—	—	—	—	8,814	1,861
Grand total	55,198	75,390	464	130,124	12,198	20,190	49	32,339	106,599	44,861
Previous year	24,933	30,291	26	55,198	2,147	10,053	2	12,198	43,000	—

SCHEDULE - 10

Cash and bank balances

Particulars	As at March 31, 2004	(Rs in '000s) As at March 31, 2003
Cheques in hand (including stamps)	237,777	165,966
Balances with scheduled banks:		
(a) Deposit Accounts - Short-term (due within 12 months)	70,000	55,000
(b) Current Accounts	321,494	105,783
Total	629,271	326,749

SCHEDULE - 11

Advances and other assets

Particulars	As at March 31, 2004	(Rs in '000s) As at March 31, 2003
Advances		
Application money for investments	9,742	—
Prepayments	2,229	774
Advances to Officers/ Directors	—	—
Advance tax paid and taxes deducted at source (net of provisions for tax)	—	13,264
Others		
- Sundry Deposits	21,471	7,935
- Advances to Employees	1,664	791
	23,135	8,726
Total (A)	35,106	22,764
Other assets		
Income accrued on investments/ deposits	59,769	33,919
Outstanding Premiums	—	41,316
Due from other Entities carrying on Insurance business (net) (including reinsurers)	1,182,848	172,314
Deposit with Reserve Bank of India [Pursuant to section 7 of Insurance Act, 1938]	1,000	1,000
Others		
- Inter Corporate Deposits	90,000	—
- Deposit with IRDA	48	91
- Other Receivables	948	308
	90,996	399
Total (B)	1,334,613	248,948
Total (A+B)	1,369,719	271,712

SCHEDULE - 12

Current liabilities

Particulars	As at March 31, 2004	(Rs in '000s) As at March 31, 2003
Agents' Balances	45	45
Balances due to other insurance companies (net)	488,265	272,982
Premiums received in advance	493,392	557,618
Unallocated Premium	114,878	16,852
Sundry Creditors	118,603	91,041
Due to holding company	23,318	77,000
Claims Outstanding	1,006,635	270,764
Others-		
a. Statutory Dues	30,188	13,976
b. Salary Payable	243	39
c. Collections- Environment Relief fund	8,674	2,892
d. Unearned commission	8,019	182,500
e. Miscellaneous	77	128
	47,201	199,535
Total	2,292,337	1,485,837

SCHEDULE - 13

Provisions

Particulars	As at March 31, 2004	(Rs in '000s) As at March 31, 2003
Reserve for unexpired risk	762,856	267,472
Reserve for premium deficiency	35,185	3,000
For taxation (less advance tax paid and taxes deducted at source)	52,694	—
For dividend distribution tax	22,565	—
Others		
(a) Leave Encashment	6,704	2,750
(b) Gratuity	4,424	1,377
	11,128	4,127
Total	884,428	274,599

schedules



forming part of the financial statements

Continued

SCHEDULE: 14

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

1. Background

ICICI Lombard General Insurance Company Limited ('the Company') was incorporated on October 30, 2000. The Company obtained regulatory approval to undertake General Insurance business on August 3, 2001 from the Insurance Regulatory and Development Authority ('IRDA').

2. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting except as otherwise stated, and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'), and in accordance with the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies Regulations), 2002 ('the Regulations') and orders / directions issued by the IRDA in this behalf, the Companies Act, 1956 to the extent applicable and in the manner so required.

3. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent liabilities on the date of the financial statements. Actual results may differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4. Revenue recognition

Premium income

Premium earned is recognised as income over the period of risk or the contract period based on 1/365 method, whichever is appropriate on a gross basis. Any subsequent revision to premium is recognised over the remaining period of risk or contract period.

Adjustments to premium income arising on cancellation of policies is recognized in the year in which it is cancelled.

Income from reinsurance business

Commission on reinsurance business is recognized at the inception of the contract as income in the year of ceding the risk.

During the current year, the Company has changed its accounting policy relating to reinsurance commission income. In the previous year, the Company recognized commission on reinsurance ceded over the contract period. Had the Company continued to follow the accounting policy followed in the previous year, the commission income, transfer to shareholders' account, operating profit, profit before tax would have been lower by Rs 335,936 thousand and unearned commission would have been higher by Rs 335,936 thousand.

Profit commission under re-insurance treaties is recognized as income in the year of determination of profits.

Income earned on investments

Interest income on investments is recognized on an accrual basis. Accretion of discount and amortisation of premium relating to debt securities is recognised over the holding/maturity period on a straight-line basis.

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

Realised gain / loss on securities, which is the difference between the sale consideration and the carrying value in the books of the Company is recognised on the date of sale. In determining the realised gain / loss, cost of securities is arrived at on 'First in First Out' basis. However in case of listed equity shares, the profit or loss also includes the accumulated changes in the fair value previously recognised under the

heading Fair Value Change Account in respect of the particular security, which is transferred to the profit and loss account on the date of sale.

5. Premium received in advance

This represents premium received during the year, where the risk commences subsequent to the Balance Sheet date.

6. Reinsurance premium

Insurance premium on ceding of the risk is recognised in the year in which the risk commences, over the period of contract or period of risk, whichever is appropriate. Any subsequent revision to premium ceded is recognised over the remaining period of risk or contract period. Adjustment to reinsurance premium arising on cancellation of policies is recognised in the year in which it is cancelled.

7. Reserve for unexpired risk

Reserve for unexpired risk is recognised net of reinsurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the Company under contractual obligations. It is calculated on a daily pro-rata basis subject to a minimum of 50% of the premium written during the twelve months preceding the balance sheet date for fire, marine cargo and miscellaneous business and 100% for marine hull business, in accordance with section 64 V(1) (ii) (b) of the Insurance Act, 1938.

8. Claims

Claims comprise the claims made for losses incurred and those estimated or anticipated under the policies following a loss occurrence and specific claim settlement costs such as survey / legal fees and other directly attributable costs.

Estimated liability for claims after adjusting claims recoverable from / payable to reinsurers / co-insurers are accounted for as and when intimated/reported, upto the end of the financial year.

Provisions for claims are based on individual case estimates received. The estimates are regularly reviewed and updated as additional information on the estimated claims becomes known.

Estimated liability for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') is based on actuarial estimate duly certified by the appointed Actuary. Assumptions used by the Actuary are disclosed in note 17.1.13 below.

9. Acquisition costs

Acquisition costs are those costs that vary with, and are primarily costs related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses, etc. These costs are expensed in the year in which they are incurred.

10. Premium deficiency

Premium deficiency is recognised when the sum of expected claim costs, related expenses and maintenance costs exceed the reserve for unexpired risks and is computed business segment wise.

11. Investments

Investments are recorded at cost on trade date and include brokerage, transfer charges, stamps etc, if any, and excludes interest accrued up to the date of purchase.

Classification

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

All other investments are classified as 'long term investments'.

Valuation

All debt securities including government securities are considered as 'held to maturity' and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on a straight line basis over the holding/maturity period.

schedules

forming part of the financial statements

Continued

Listed equity 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 The Stock Exchange, Mumbai.

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

Unrealized gain / loss arising due to changes in fair value of listed equity shares is not taken to profit and loss account but is taken to the Fair value change account. This balance in the fair value change account is not available for distribution, pending realisation.

12. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes the purchase price and any cost directly attributable to bringing the asset to its working condition for its intended use.

Depreciation on assets added/disposed off during the year is provided on prorata basis with reference to the month of additions / deductions.

Depreciation is provided on a straight-line basis, pro-rata for the period of use at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in the cases set out below where depreciation is provided at a rate higher than those prescribed under Schedule XIV to the Companies Act, 1956.

Depreciation on information technology equipment is provided @ 25 percent.

Depreciation on computer software is provided @ 20 percent except for expenditure below Rs. 500,000, which is fully depreciated in the year in which incurred.

Other assets individually costing less than Rs 5,000 are fully depreciated in the year in which they are acquired.

13. Retirement benefits

Provident fund

This is a defined contribution scheme and contributions payable to the Regional Provident Fund Authority is provided on the basis of specified percentage of salary and is charged to Profit and Loss account and Revenue account(s).

Gratuity

Gratuity, which is a defined benefit scheme is made on the basis of by actuarial valuation and is charged to Profit and Loss account and Revenue account(s).

Leave encashment

Leave encashment, which is a defined benefit scheme, is determined on the basis of accumulated leave balances as at year end and is charged to Profit and Loss account and Revenue account(s).

Basis of allocation

Retirement benefit expense are allocated to profit and loss account and revenue account on the basis as explained in paragraph 17.1.8.

14. Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rates prevailing on the date of the transaction. Foreign exchange denominated current assets and liabilities, are translated at the rates prevalent at the date of the Balance Sheet. The resultant gains/ losses are recognized in the Profit and Loss Account and Revenue Account(s).

15. Taxation

Current tax

The Company provides for income tax on the basis of estimated taxable income for the current accounting period in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences between the accounting income as per the Company's financial statements and the taxable income for the year.

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 if there is virtual certainty of realisation of such assets.

Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realised.

16. Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties etc. are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

17. Notes to accounts

Statutory disclosures as required by IRDA

17.1.1 Contingent liabilities

Particulars	(Rs. in 000's)	
	As at March 31, 2004	As at March 31, 2003
Partly-paid up investments	NIL	NIL
Underwriting commitments outstanding	NIL	NIL
Claims, other than those under policies, not acknowledged as debts	NIL	NIL
Guarantees given by or on behalf of the company	NIL	NIL
Statutory demands/liabilities in dispute, not provided for	NIL	NIL
Reinsurance obligations to the extent not provided for in accounts	NIL	NIL
Others	NIL	NIL

17.1.2 The assets of the Company are free from all encumbrances.

17.1.3 Commitments made and outstanding for Loans, Investments and Fixed Assets

Commitments in respect of loans and investments is Rs Nil (Previous year Rs Nil).

Estimated amount of commitments pertaining to contracts remaining to be executed on fixed assets (net of advances) is Rs 5,332 thousand (Previous year Rs. 5,435 thousand).

17.1.4 Claims

Claims, less reinsurance, paid to claimants in / outside India are as under:

Particulars	(Rs. in 000's)	
	For the year ended March 31, 2004	For the year ended March 31, 2003
In India	493,074	126,262
Outside India	NIL	Nil

The Company does not have any liability relating to claims, where the claim payment period exceed four years.

schedules



forming part of the financial statements

Continued

Ageing of claims

Ageing of claims is set out in the table below.

Particulars	(Rs. in 000's)	
	As at March 31, 2004	As at March 31, 2003
More than six months	433,941	29,756
Others	572,694	241,008

Claims settled and remaining unpaid for more than six months is Rs Nil (Previous year: Rs Nil).

17.1.5 Premium

Premium, less reinsurance, written from business in/outside India is given below:

Particulars	(Rs. in 000's)	
	For the year ended March 31, 2004	For the year ended March 31, 2003
In India	1,298,166	445,286
Outside India	Nil	Nil

The Company has recognised 0.2 percent (previous year 1 percent) of the total premium earned from Miscellaneous - Engineering class of business based on varying risk pattern. The risk pattern is determined based on underwriting estimates, which are in turn based on project related information received from the customers, and these are relied upon by the Company.

Sector wise details of the policies are given below:

Sector	For the year ended March 31, 2004				For the year ended March 31, 2003			
	GWP Rs. 000's	No. of policies	No. of lives	No. of lives as % of GWP	GWP Rs. 000's	No. of policies	No. of lives	No. of lives as % of GWP
Rural	267,129	58,603	—	—	47,535	147	—	—
Social	1,173	7	119,724	2.4	734	4	16,660	0.8
Urban	4,643,938	190,921	—	—	2,022,089	98,142	—	—
Total	4,912,240	249,531	119,724	2.4	2,070,358	98,293	16,660	0.8

17.1.6 Extent of risks retained and reinsured is set out below:

Particulars	Basis	As at March 31, 2004		As at March 31, 2003	
		Retention	Ceded	Retention	Ceded
Fire	Total sum insured	16%	84%	14%	86%
Marine – Cargo	Value at risk	47%	53%	57%	43%
Miscellaneous - Engineering	Total sum insured	32%	68%	25%	75%
- Motor	Total sum insured	80%	20%	80%	20%
- Workmen Compensation	Value at risk	80%	20%	80%	20%
- Public Liability	Value at risk	3%	97%	25%	75%
- Personal Accident	Value at risk	58%	42%	32%	68%
- Health	Value at risk	80%	20%	80%	20%
- Others	Value at risk	30%	70%	25%	75%

17.1.7 Investments

Value of contracts in relation to investments for:

- Purchases where deliveries are pending Rs Nil (Previous year Rs 54,166 thousand); and
- Sales where payments are overdue Rs Nil (Previous year Rs Nil).

Historical cost of investments that are valued on fair value basis is Rs. 527,014 thousand (Previous year Rs 117,533 thousand).

All investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000 and are performing investments.

The Company does not have any investment property as at March 31, 2004 (previous year: Rs Nil).

17.1.8 Allocation of income and expenses

Allocation of investment income

Investment income has been allocated between revenue accounts and profit and loss account on the basis of the ratio of average policyholders funds to average shareholders funds respectively, average being the balance at the beginning of the year and that at the end of the year.

Allocation of expenses

Operating expenses relating to insurance business are allocated to specific classes of business on the following basis:

- Expenses that are directly identifiable to a business class are allocated on actuals.
- Other expenses, that are not directly identifiable, are broadly allocated on the basis of gross written premium earned in each business class.

17.1.9 Details of managerial remuneration paid as per the terms of appointment approved by the IRDA are as under:

Particulars	(Rs. in 000's)	
	For the year ended March 31, 2004	For the year ended March 31, 2004
Salaries and allowances	6,271	3,449
Contribution to provident and other funds	273	245
Perquisites	803	436

Other disclosures

17.1.10 Changes in accounting Policies

Leave encashment

Leave encashment liability has been provided for on the basis of actual leave balance as at the year end as against the earlier policy of being provided for on the basis of actuarial valuation. The impact of the change is presently not quantifiable, but in the opinion of the management, it is not expected to be material.

Preliminary expenses

During the year, preliminary expenses to the extent not written off have been fully written off as compared to the earlier policy of being amortised over a period of five years, resulting in preliminary expenses to the extent not written off and profit for the year before tax being lower by Rs 2,462 thousand.

17.1.11 Contribution to terrorism pool

The Company in accordance with the requirements of IRDA has participated in contributing to 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, subject to conditions and an overall limit of Rs. 2 billion.

In accordance with the terms of the agreement, GIC retrocedes, to the Company, terrorism premium to the extent of the Company's share in

schedules

forming part of the financial statements

Continued

the risk, which is recorded as reinsurance accepted. Such reinsurance accepted is recorded based on quarterly intimation/confirmation received from GIC. Accordingly, reinsurance accepted on account of the Terrorism Pool has been recorded only upto September 30, 2003 as per the last confirmation received and which has been carried forward to the subsequent accounting period as Unexpired Risk Reserve for subsequent risks, if any.

17.1.12 An amount of Rs. 8,674 thousand (Previous year Rs. 2,892 thousand) collected towards Environment Relief fund under Public Liability policies has been disclosed under current liabilities and the same is invested in Government Securities.

17.1.13 Assumptions made by the Actuary for determining provision required for IBNR/IBNER

The Appointed Actuary has certified that the requirements of Guidance Note 21 of the Actuarial Society of India have been complied with to the extent applicable in respect of determination of IBNR including IBNER and to the extent that IBNR has been arrived at following Mukherji Committee recommendations, no assumptions with regard to future scenario are required to be made.

17.1.14 Segmental reporting

Primary reportable segments

The Company's primary reportable segments are business segments, which have been identified in accordance with AS 17 – Segment Reporting read with the Regulations. The income and expenses attributable to the business segments are allocated as mentioned in paragraph 17.1.8 above.

Segmental Assets & Liabilities

(Rs. in 000's)					
Segment	Year	Current Liabilities			Current Assets
		Unearned Commission	Claims Outstanding	Unallocated Premium	Outstanding Premium
Fire	2003-04	1,757	566,038	5,000	—
	2002-03	128,010	137,569	—	37,402
Engineering	2003-04	5,932	104,363	—	—
	2002-03	27,206	38,767	642	3,869
Marine Cargo	2003-04	34	111,192	—	—
	2002-03	1,766	12,103	—	14
Marine Hull	2003-04	—	21,489	—	—
	2002-03	884	3,394	—	—
Motor	2003-04	—	38,833	—	—
	2002-03	1,047	24,715	—	—
Workmen Compensation	2003-04	—	—	—	—
	2002-03	127	141	—	—
Liabilities	2003-04	—	—	—	—
	2002-03	1,398	1,679	—	—
Personal Accident	2003-04	—	31,862	—	—
	2002-03	6,392	2,733	6	—
Aviation	2003-04	296	246	—	—
	2002-03	813	9,819	—	—
Health	2003-04	—	41,494	—	—
	2002-03	3,520	16,905	—	—
Others	2003-04	—	91,118	—	—
	2002-03	11,336	22,939	16,203	31
Total Amount	2003-04	8,019	1,006,635	5,000	—
	2002-03	182,500	270,764	16,851	41,316

Fixed assets, investments & other current assets & liabilities are not identifiable to any business segment. Unallocated premium (other than mentioned above) is not identifiable to any business segment.

Secondary reportable segments

There are no reportable geographical segments since the Company provides services to customers in the Indian market only and does not distinguish any reportable regions within India.

17.1.15 Related party

Related parties, nature of relationship and description of transactions

Name of the related Party	Nature of relationship
ICICI Bank Limited	Holding Company
ICICI Venture Funds Management Company Limited	Fellow subsidiary
ICICI Securities Limited	Fellow Subsidiary
ICICI Prudential Life Insurance Company Limited	Fellow Subsidiary
ICICI Home Finance Company Limited	Fellow Subsidiary
ICICI Brokerage Services Limited	Fellow Subsidiary
ICICI Web Trade Limited	Fellow Subsidiary
Key Management Personnel (with whom transactions have taken place)	K.V.Kamath, Chairman Kalpana Morparia, Director Sandeep Bakhshi, Managing Director & CEO
Relatives of key managerial personnel (with whom transactions have taken place)	Mona Bakhshi, Wife of Managing Director & CEO

Details of transactions with related parties for the year ended March 31, 2004 are given below.

(Rs. in 000's)				
Particulars	With Holding company	With Fellow subsidiaries	With Key Management Personnel	Relatives of key management personnel
Income				
Premium Income	156,570 (163,754)	62,428 (42,535)	159 (160)	0.6 (0.1)
Income from Interest & Dividend	16,414 (6,741)	— (—)	— (—)	— (—)
Expenses				
Claim Payments	85,563 (58,003)	9,855 (1,320)	— (—)	— (—)
Salary to deputation staff	13,727 (10,334)	— (—)	— (—)	— (—)
Establishment & Other Expenditure	91,205 (65,385)	— (5,000)	— (—)	— (—)
Brokerages	— (—)	608 (—)	— (—)	— (—)
Dividend Paid	130,329 (—)	— (—)	— (—)	— (—)

Figures in brackets represent previous year figures.

schedules



forming part of the financial statements

Continued

Balances with related parties at March 31, 2004, are as under:

(Rs. in 000's)				
Particulars	With Holding company	With Fellow subsidiaries	With Key Management Personnel	Relatives of key management personnel
Assets				
Fixed Assets	— (—)	— (—)	— (—)	— (—)
Investments	15,666 (48,873)	— (—)	— (—)	— (—)
Cash & Bank Balances	387,733 (130,782)	— (—)	— (—)	— (—)
Income accrued on investments	3,535 (584)	— (—)	— (—)	— (—)
Liabilities				
Capital	1,628,000 (814,000)	— (—)	— (—)	— (—)
Advance Premium	138,373 (159,648)	338 (18,644)	— (—)	— (—)
Others liabilities/ Payables	51,413 (84,267)	2,063 (296)	— (—)	— (—)

Figures in brackets represent previous year figures

17.1.16 Leases

In respect of premises taken on operating lease, the lease agreements are mutually renewable/cancelable by the lessor / lessee.

17.1.17 Deferred taxes

The major components of temporary differences that account for deferred tax assets are as under:

(Rs. in 000's)		
	Deferred tax asset as at March 31, 2004	Deferred tax asset as at March 31, 2003
Carried forward business loss	—	17,253
Timing differences on account of:		
Reserve for Unexpired Risks	34,599	11,288
Depreciation	—	59
Preliminary Expenditure	401	—
Total	35,000	28,600
Net deferred tax asset/(liability)	35,000	28,600
Deferred tax expense/(income) recognised in the Profit and loss account	(6,400)	5,273

17.1.18 Prior year figures have been regrouped, reclassified wherever necessary, to conform with current year classifications.

For and on behalf of the Board

K.V.KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

Mumbai, April 26, 2004

receipts & payment account

for the year ended March 31, 2004

(Rs. in '000)

		Year ended March 31, 2004		Year ended March 31, 2003
CASH FLOW FROM OPERATING ACTIVITIES				
Cash received from operating activities				
- Premium received from customers (net of service tax paid)	4,838,103		2,521,266	
- Reinsurance claims received	342,834		133,217	
- Deposit from customers (net)	98,027		16,259	
- Commission received	915,803		258,412	
- Deposits matured	—		80,000	
- Income tax refund	5,856		—	
- Other receipts	—	6,200,623	479	3,009,633
Cash paid towards operating activities				
- Claims paid to customers	(1,326,096)		(314,173)	
- Reinsurance premium paid	(3,194,466)		(1,238,158)	
- Commission paid	(34,778)		(4,268)	
- Taxes Paid	(50,493)		(3,717)	
- Other advances paid	(14,545)		(2,373)	
- Expenses	(1,029,757)	(5,650,135)	(280,232)	(1,842,921)
Net cash from operating activities		550,488		1,166,712
CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets:				
- Purchase of fixed assets	(82,343)		(31,624)	
- Proceeds from sale of fixed assets	419	(81,924)	—	(31,624)
Investment:				
- Purchase of securities	(7,978,410)		(5,334,212)	
- Loans (given) / taken	25,000		(25,000)	
- Inter corporate deposits	(90,000)		—	
- Interest received (net of TDS)	205,166		124,835	
- Proceeds from sale of investment	6,748,322	(1,089,922)	4,380,246	(854,131)
Net cash from investing activities		(1,171,846)		(885,755)
CASH FLOW FROM FINANCING ACTIVITIES				
- Proceeds from issuance of share capital	1,100,000		—	
- Interim dividend paid	(176,120)		—	
Net cash used in financing activities		923,880		—
Net increase/(decrease) in cash and cash equivalents		302,522		280,957
Cash and cash equivalents at the beginning of the period		326,749		45,792
Cash and cash equivalents at end of the period*		629,271		326,749

* Cash and cash equivalents at end of the period includes short term deposits of Rs. 70,000 thousand (Previous Year Rs. 55,000 thousand) , balances with banks in current account Rs. 321,494 thousand (Previous Year Rs. 105,783 thousand) and cheques in hand Rs. 237,777 thousand (Previous Year Rs. 165,966 thousand).

As per our report attached of even date

For BHARAT S RAUT & CO.
Chartered Accountants

AKEEL MASTER
Partner

Mumbai, April 26, 2004

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner

For and on behalf of the Board

K.V.KAMATH
Chairman

KALPANA MORPARIA
Director

SANDEEP BAKHSHI
Managing Director & CEO

RAJESH SAXENA
Company Secretary

LALITA D. GUPTA
Director

S. MUKHERJI
Director

RAKESH JAIN
Head Finance & Accounts

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration Number

1	1	-	1	2	9	4	0	8
---	---	---	---	---	---	---	---	---

 State Code

1	1
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	0	4
---	---	---	---

Date Month Year

II. Capital Raised during the Year (Amount in Rs. Thousand)

Public Issue

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

 Rights Issue

		1	1	0	0	0	0	0
--	--	---	---	---	---	---	---	---

Bonus Issue

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

 Private Placement

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

III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousand)

Total Liabilities

--	--	--	--	--	--	--	--	--

 Total Assets

--	--	--	--	--	--	--	--	--

Sources of Funds

Paid-up Capital

		2	2	0	0	0	0	0
--	--	---	---	---	---	---	---	---

 Reserves and Surplus

--	--	--	--	--	--	--	--	--

Secured Loans

--	--	--	--	--	--	--	--	--

 Unsecured Loans

--	--	--	--	--	--	--	--	--

Application of Funds

Net Fixed Assets & WIP

--	--	--	--	--	--	--	--	--

 Investments

--	--	--	--	--	--	--	--	--

Net Current Assets

--	--	--	--	--	--	--	--	--

 Miscellaneous Expenditure

--	--	--	--	--	--	--	--	--

Accumulated Losses

--	--	--	--	--	--	--	--	--

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

Turnover

--	--	--	--	--	--	--	--	--

 Total Expenditure

--	--	--	--	--	--	--	--	--

Profit/Loss Before Tax

--	--	--	--	--	--	--	--	--

 Profit/Loss After Tax

--	--	--	--	--	--	--	--	--

Earning Per Share in Rs.

--	--	--	--	--	--	--	--	--

 Dividend Rate %

--	--	--	--	--	--	--	--	--

V. Generic Names of Principal Products/Services of the Company

(as per monetary terms)

Product Description

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

Item Code No.

					N	.	A
--	--	--	--	--	---	---	---

Note:

The Company being a general insurance company, the accounts of the company are not required to be made in accordance with Schedule VI. Further, the Insurance Act, 1938, requires the accounts of the company to be split between policyholders' & shareholders' funds. In view of the above, it is not possible to give the information required in Para III and Para IV of the above statement.

section 217

Statement of Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2004

Sl. No.	Name, Qualification and Age (in years)	Designation/ Nature of Duties	Remuneration received (Gross) (Rs.)	Experi- -ence (in Years)	Date of Commencement of Employment	Last Employment
1	Rakesh Jain, B.Com, CA, ICWA, 33	Head - Customer Service, Operations & Accounts	2,520,212	9	Jan 01, 2002	ICICI Limited
2	S. Gopalakrishnan, B.Com, CA, 41	Head - Investments	2,798,456	20	May 02, 2001	BNP Paribas Equities India Pvt. Limited
3	Sandeep Bakhshi, B.Sc, PGDBM, 43#	Managing Director & CEO	7,347,494	20	March 19, 2002	ICICI Limited
4	Subhash Dhavale, B.Com, CA, DMA, 58*	Head - Internal Audit & Grievance Redressal	2,191,228	33	Apr 05, 2002	ICICI Securities Limited
5	Sudhir Salian, B.Com, CA, 33	Head - IT & Retail	2,422,044	10	Jan 01, 2002	ICICI Limited

The nature of employment is contractual

* Employed for part of the year

Notes:

1. Remuneration as above includes salary, taxable allowances, LTA, Value of perquisites as per the Income-Tax Rules, 1962 and Company's Contribution to Provident Fund and Pension Fund.
2. None of the employees mentioned above is a relative of any Director of the Company.

For and on behalf of the Board

K.V. KAMATH
Chairman

Mumbai, April 26, 2004