बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

2nd ANNUAL REPORT 2001-2002

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Chairman

N. Rangachary

Whole-time Members

H.O. Sonig
S.D. Mohile (till 26th February, 2002)
Harbhajan Singh (till 31st March, 2002)
R.C. Sharma (from 1st October, 2001)
P.A. Balasubramanian (from 15th March, 2002)

Part-time Members

T.K. Vishwanathan
Ashok Chandak
A.R. Barwe
Manisha Mohan Andhansare

Team of Officers of the Authority

Prabodh Chander
K. Subrahmanyam
Suresh Mathur
Arup Chatterjee
Rakesh Bajaj
Randip S. Jagpal
Kamal Kumar Choudhary
Mukesh Sharma
Anil Kumar Arora
S.N. Jayasimhan
A.R. Nithiyanathan
Mamta Suri
Dinesh Khansili
R.C. Sharma
B. Raghavan
Suresh Nair
Raj Kumar Sharma
Deepak Khanna
Manju Arora
Sonia Singh
Kamal Chowla
Jyoti Bhagat
Nimisha Srivastava
D. Srinivasa Murthy
Sushpal
Shashipal

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CHAIRMAN'S STATEMENT

I have pleasure in presenting the Second Annual Report of the Authority in terms of Section 20 of the IRDA Act, 1999. The report encapsulates the performance of the Authority during the year 2001-02, including inter-alia, the efforts aimed at the promotion and the development of the insurance business in the country. The ensuing paragraphs briefly highlight the activities of the Authority during the financial year 2001-02. A more detailed presentation is made in parts I to IV of the Report.

Constitution of the Authority:

Section 4 of the IRDA Act, 1999 provides that the Authority shall consist of a Chairman, five whole-time members and four part-time members. The composition of the Authority underwent changes during the financial year under report. While Shri Harbhajan Singh, former Chairman, Allahabad Bank, retired from the services of IRDA on expiry of his term as Member on 31st March, 2002, the sad demise of Shri S.D. Mohile, on 26th February, 2002, too created a vacancy in the Authority.

Shri R.C.Sharma who was previously a General Manager with The Oriental Insurance Company Limited and joined the Authority as a whole-time member on 1st October, 2001 has vast experience in general insurance. Shri P.A. Balasubramanian joined the Authority as whole-time member on 15th March, 2002. He was previously an Executive Director of Life Insurance Corporation of India (LIC) and brings with him vast experience in actuarial sciences. At present the Authority consists of the Chairman, three whole-time members, and the four part-time members viz. Shri T. K. Vishwanathan, Shri A. R. Barwe, Shri Ashok Chandak and Ms. Manisha Mohan Andhansare.

The second year of the functioning of the Authority will be regarded as the year of consolidation upon the foundation of the regulatory framework laid down in the year 2000-01. The year witnessed a growth of players in the insurance industry, both in terms of the number of players in the life and non-life segments, and in the volume of business underwritten. I am hopeful that as the different players in the insurance industry develop, many an issue would be thrown up that would not only test the regulator's skill and acumen but also challenge the regulatory and developmental framework.

Evolving market conditions:

Today the insurance industry is facing varied challenges such as acts of terrorism, hardening of reinsurance rates and, more importantly, coming to grip with a fundamentally changed global risk architecture. Besides, it has to reflect the traditional need to review the underlying assumptions of underwriting decisions. Other than terrorism, natural calamities contributed to underwriting losses during 2001-02. This was the trend worldwide. The damage caused by natural calamities and disasters posed a big strain on the profitability of our insurers.

The Authority took an initiative for setting up of a terrorism cover pool in the country under the aegis of the General Insurance Corporation of India (GIC) with the voluntary support of the insurers. 2001-02 has been a learning experience for the industry and especially the new players, who can now be expected to review and re-position their exposure to various lines of business.

Gains of the new dawn:

The sector was opened up to cater to the market demands of choice and competition. Such forces which unleashed a resurgent demand for products and innovation had to be built on the gains of the nationalization, viz., market spread, the natural reach of the business across the length and breadth of the country and its consolidation. Besides providing affordable insurance protection against risks, the business sought to achieve an economic perspective – of raising funds to meet the needs of infrastructure development. The assessment of the future will have to address the players' achievements in terms of their sensitivity to the needs of the market through introduction of tailor-made products aimed at specific segments of the society, adoption of modern practices to upgrade technical skills, and a deeper penetration of the insurance market in terms of gross domestic product. It is hoped that such activities will enlarge the pie rather than result in fractionalization of the same pie among a larger number of players. Ability to serve the policyholders in an innovative manner together with competitive pricing of the products must be the mantras adopted by the insurers.

Regulations:

A significant step towards protection of the interests of policyholders was initiated with the notification of the specific regulations in this regard. The IRDA (Preparation of Financial Statements and Auditor's report of Insurance Companies) Regulations, 2000 were also amended and insurance companies were required to submit the financial statements for the year 2001-02 in the revised format. The investment regulations were also modified during the year to reflect market conditions. In the two years of its existence, the Authority has been particularly responsive to the needs of the fledgling industry to grow at a fast pace. Possibly, the evolution in the regulatory mechanism in the last two years in the country will be unmatched globally for its sheer coverage, pace and relevance.

A number of regulations have been notified in the current financial year (2002-2003) which reflect the Authority's progress towards liberalization of the environment in which the insurers and various intermediaries operate. These Regulations are:

– Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002
– Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002
– Insurance Regulatory and Development Authority (Manner of Payment of Premium) Regulations, 2002
– Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) (Amendment) Regulations, 2002

The above notifications followed the enactment of the eagerly awaited Insurance (Amendment) Act, 2002, which envisaged the carrying on of insurance business by co-operatives; modification of the training requirements for directors of corporate agencies; amendment to Section 40 of the Insurance Act, 1938 to recognise the insurance broker as an insurance intermediary; modification of Section 49 of the Insurance Act to provide for an enhanced distribution of a part of the surplus to the shareholders and an amendment to Section 64VB of the Insurance Act, 1938, permitting the payment of premium through modes other than cash. The Authority has continued to follow its practice of prior consultation with the different groups and interested bodies to elicit a broad consensus in the making of the regulations. This has ensured a ready acceptance of the different regulations made and has also led to the growth of the market along sound and healthy lines. The objective of the Authority, of course, is to move towards globally accepted standards pertaining to the insurance industry. The membership of the Authority of the International Association of Insurance Supervisors (IAIS) has somewhat helped it in the process of harmonization of the practices and procedures followed in the Indian market with the world standards.

Sequel to regulation:

As pointed out in the early part of this statement, activity regarding registration of new insurers has taken a secondary place and this year has been substantially devoted to the supervision of the institutions already established. In addition, the development of intermediation in the market, its manifestation in different forms and their entry into the market have been the principal activities. The recognition of new institutions like third party administrators in the general insurance area has strengthened the intermediary market and by this, a step towards the provision of a much-required facility to the insured public has been achieved. 'On-site' inspection which began this year will gain in importance in the years to come. Underwriting and investment activities are inter-related and inter-connected. While on-site inspection assumes the proper adoption of underwriting skills, an audit of investment activities helps the Authority to satisfy itself that there has been an integrated development of the activities of an insurer. While investment guidelines are in place and insurers are required to submit periodic returns on investments held, a sequel proposed by the Authority is that of investment audit. The Authority has been utilizing the services of chartered accountants to conduct inspections in this area.

Role of professionals/professional bodies:

In the pursuit of its objective of professionalizing the insurance sector and promoting excellence therein, the Authority in association with the Government of Andhra Pradesh has founded the Institute of Insurance & Risk Management (IIRM) at Hyderabad. This institution is expected to engage in research in financial areas, more particularly concerning the field of insurance. The IIRM shall be developed as a centre of excellence and act as a role model for the Asia-Pacific region. Simultaneously, efforts in the private sector, aimed at promoting the profession of insurance are being encouraged by the Authority. As a step in this direction, the Authority has approved the syllabus of four institutes conducting diploma courses in insurance.

The role of actuaries has evolved over the years in the financial sector. From being number-crunching shadowy figures, they have emerged to provide a competitive edge to insurers worldwide in terms of profitable pricing of risk, corporate strategy and marketing. And yet an arm's length relationship between the underwriter and the actuary in his capacity as an employee and a valuator is critical. Further, the profession has to grow in terms of peer review, where actuaries develop a healthy spirit of assessing or commenting upon each other's work. Such practices would go a long way in building up healthy professional practices. Such professional role models would also go a long way in building up faith in the profession, especially in difficult times when trust has been shaken on account of many a scam surfacing in the financial sector, casting a cloud on the ethics and practices within these sectors.

Appointed actuaries are a new breed of professionals on the horizon, more because they have kept a low profile till a couple of years ago. The profession is suddenly in sync with the opening of the insurance sector. It is in this regard that there has been an initiative to provide statutory status to the Actuarial Society of India, Mumbai, which is still an un-incorporated body.

Standardization of professional practices not only goes a long way in the development of the profession but also lays a strong foundation for the development of ethical practices. In this regard, the Institute of Chartered Accountants of India has issued guidance notes for its members for conduct of audit of both life and non-life companies. The Authority was closely associated with the efforts of the Institute.

Customer organisations are being tapped to create public knowledge and awareness on insurance coverage in the country, both for life and non-life risks. The Authority is in continuous touch with consumers' organizations, and their representatives have been made part of the Insurance Advisory Committee that helps the Authority to make regulations, as also on all committees and groups formed to look into various aspects of governance. A Consumer Advisory Committee has been formed by the Authority to enable it to feel the pulse of the general public and the insurance consumer.

Issues pertaining to solvency:

The promoters of the new insurance companies have demonstrated their long term resolve and commitment to the market through steps such as infusion of fresh capital into the companies promoted by them. While accepting that the initial years of operations would witness an accumulation of losses (till such time as the insurers stabilize their operations and establish a foot-hold in the industry), insurers must continuously commit resources to support their growth in the initial years. The issue is of particular importance at times when solvency margins are likely to face a strain during the initial years as the insurers grapple to come to terms with the stiff market conditions in the country. Self-imposed discipline would play a crucial role in this regard. Floating competitive schemes to capture the market, particularly those with assured returns in the regime of softening interest rates, may not only strain the solvency of the insurers but also harm the interests of the policyholders in the long term. The Authority has from time to time been cautioning life insurers about the pitfalls that may have to be faced by them if they persist with guaranteed return schemes in the face of a falling interest regime, and it is gratifying to note that the insurers have heeded the advice.

Issues pertaining to customer protection:

Having settled the mechanism of a regulatory environment to convert a wholly regulated and controlled sector into one that is market-driven, it is the concern of the regulator to ensure that the systems and mechanisms in position enable the customer to get the best in terms of packages offered to meet his needs, speedy settlement of claims, and protection of his interest. While the insurers have in place in-house customer grievance cells, the regulations pertaining to protection of policyholders' interests along with the existing institution of Ombudsman should go a long way in the adoption of healthy market practices alert to the knowledge that a fall-back is available through the grievance settlement machinery fully backed by adequate penal provisions.

Reporting practices:

All insurers are required to submit information pertaining to their performance to the Authority in the prescribed formats within six months of the closure of the financial year. The requirement is, however, not in congruence with the practices prevalent in the other segments of the financial sector. The objective thus is to inculcate a practice of periodic reporting, be it half-yearly, quarterly or even monthly, to bring in a higher level of probity and transparency in financial transactions and in financial reporting. The Authority would like to, as a first step, introduce half-yearly limited review of accounts by qualified auditors.

Other than this, all insurers are required to comply with the practice of 'file and use', a unique concept, where under the insurer keeps the Authority informed of the products proposed to be launched. This philosophy of management by exception has worked well in the prevailing environment. At the other end of the spectrum, the Authority keeps a strict vigil on the insurers abiding by the philosophy coined under the phrase 'fit and proper'. A strict vigil is maintained on the profile of the management and the promoters, and any deviation there from will be discouraged and discountenanced.

Registration of new insurers:

At the beginning of the financial year the head count of the number of insurers who had been granted registration to undertake insurance business in the country was ten; six in life and four in non-life. Registrations have been granted to six more companies in the life segment, and to five companies in non-life segment. Thus, as on date, the number of private companies which have been granted registration has gone up to twenty one, although at least a couple of them have to initiate operations as yet.

Agents and insurance intermediaries:

In a country where the population count has gone well beyond a billion, the percentage in terms of insurance density and penetration is woefully low at US$9.9 and 2.32% of the gross domestic product. With a view to increase insurance penetration, the Authority has been concerned with tapping additional channels of distribution of insurance products. The introduction into the market of brokers and corporate agents would tend to help this process. For these intermediaries to act on the best professional lines, they must not only be equipped in terms of minimum qualifications, but also be imparted practical training.

As on 31st March, 2002 the cumulative total of individuals and corporates granted licenses to operate as agents stood at 510647 in both life and non-life segments. Of these 197646 agents have been granted license to operate in the rural areas. The growth of insurance business in the country, particularly through the ever increasing number of agents, would not only impact the ratio of premium written to gross domestic product, but also provide lucrative employment opportunities to the youth of the country. These agents, to provide top quality professional services to the insureds, have willingly adopted the new pattern of training prescribed by the Authority. While the Insurance Institute of India had already been recognized by the Authority for conduct of qualifying examination for the agents and to bring out books and training material in various regional languages, the National Stock Exchange has also been given the mandate to conduct agents' examinations online. In addition, there are a number of accredited agents' training institutes in the country.

Surveyors and loss assessors:

The year also witnessed the Authority taking steps to rationalise the process of licensing of surveyors and loss assessors. Efforts were also taken to categorise these specialists who have now been divided into three classifications – viz. A, B and C. Incidentally, I may mention that the entire process of categorisation was handled in a very transparent manner by a committee headed by a retired judge, and aggrieved surveyors, if any, were given adequate opportunities to represent against the categorisation granted to them. As on 31st March, 2002, 23069 individuals and 1137 firms have been categorised as surveyors and loss assessors. However, in the spirit of delegating authority to professional bodies, the Authority would prefer to restrict itself to management by exception and encourage the establishment of self-regulating organisations. A Bill proposing to grant statutory status to the surveyors and loss assessors is in the pipeline.

Third party administrators:

Another intermediary which was introduced in the insurance market was the system of third party administrators – health services (TPAs). Based on stringent entry level requirements laid down in this regard fourteen companies were granted licences on 21st March, 2002 to operate as TPAs in the health sector. As on date, 20 TPAs have been granted a licence by the Authority and they are required to conform to requirements pertaining to minimum net worth, have qualified medical practitioners on their boards, establish linkages with hospitals/nursing homes/diagnostic centres, ensure minimum standards of services, and the CEO/CAO has to obtain minimum professional qualification and training. Introduction of TPAs is expected not only to help the popularization of health insurance schemes but also to improve customer service standards.

Tariff Advisory Committee (TAC):

The TAC under the aegis of the Authority has taken steps to energize itself to meet the need for availability of statistical information, be it on the lines of business, coverage, territory, premium or claims paid and outstanding. The process of collating information in an electronic form has already commenced; in the words of TAC, it hopes to soon become a warehouse of statistical data for the industry. The motor tariff was revised w.e.f. 1st July, 2002; prior to this the existing rating guidelines in respect of the marine hull tariff were revised to bring within its ambit all ocean going vessels, irrespective of their value. In respect of fire business, tariffs have been fine-tuned and tariffs pertaining to petrochemicals have also been revised. In its efforts to promote discipline in the market the TAC's Breach of Tariff Committee has been active in punishing defaulters.

Self regulatory bodies:

The Authority does not perceive itself as playing the role of a policeman, where the actions of the insurers and the other intermediaries in the market are expected to be minutely examined by it. Rather, the Authority has been propagating the process of consultation where issues and problems of concern are discussed between the regulator and the players and a consensus evolved. Interventions, if any, need to be the exception, rather than the rule. Besides, the industry councils – the Life Insurance Council and the General Insurance Council of the Insurance Association of India constituted under Section 64 C of the Insurance Act – have played a catalytic role in evolving opinion on issues of concern in the area of market conduct and adoption of ethical practices that are of relevance to the industry. CEOs of all registered insurers of the life and non-life companies find representation on the respective councils. With time, the Councils can be expected to regulate the performance of the intermediaries as is the prevalent practice in many a developed country, to become a platform for dissemination of information and to play a critical role on issues pertaining to market conduct of the players in the industry.

Rural and social sector obligations:

In a developing country like India, the corporate sector also has to play an important role in fulfilling its social obligations. Towards this end, while defining the terms 'social sector' and 'rural sector', the Authority requires that all insurers shall fulfill their obligations for rural and social sector on an annual basis; it has also laid down stringent penal provisions for non-compliance thereof. It is satisfying to note that the insurers in both life and non life business have been taking their obligations seriously and are adopting novel ways to reach the targets. The Authority has recently notified amendments to the regulations. Under the amendments, the term "rural sector" has been redefined, and the words "agricultural pursuits", elaborated. The amendments also dwell on the "informal sector". Simultaneously, the obligations for life insurers towards the rural sector have been raised. In keeping with the need for insurers to meet their obligations to the society, the Authority has further stipulated that in terms of volume of business, no insurer shall write rural/social sector business less than what was recorded for the accounting year ended 31st March, 2002. The amendments will be effective from the financial year 2002-03.

Obligations of life insurers:

Rural Sector:

New Companies: On the basis of the statistics filed by individual insurers, it is noted that 10 out of 11 companies have substantially performed in this area and their percentage of policies issued in the rural sector is higher than the 5% level mentioned for the first year of operations. In some cases companies had started their business during the close of the previous accounting year. Where the requirement of policies issued was higher than 5%, this has also been achieved. In one case, there has been a marginal deficiency and notice to that company has been issued.

Public Sector: The one company in the public sector was required to comply with the regulations in the manner that the percentage of policies issued for the year did not fall below the percentage achieved in the previous year. It is noted from the figures furnished by the insurer that there was a fall in the achievement under this head. Possibly, the difference in performance arose due to the wrong interpretation placed by the insurer on the term "rural sector". As pointed out in the early part of this paragraph, based on the representations received from insurers and on the basis of a research study carried out by the Indian Institute of Management, Bangalore, the Authority has in the recent past (October, 2002) redefined the term "rural sector". In other words, the obligation on the part of the life insurers to serve the rural sector has been substantially achieved by them.

Social Sector:

The yardstick for performance in this area was the total number of lives to be insured by the insurer. In this area, the performance of the insurance companies has been slightly less than satisfactory in the rural sector area. Five out of eleven companies had not achieved the required number of lives. Some of these companies started operations during the year and some had, even after the grant of registration, taken a considerable time to train their agency force. Information is sought from them as to the deficiencies in this area and after completion of the enquiry, action, if necessary, will be taken soon.

Obligations of non-life insurers:

Rural Sector: Most of the companies had achieved the base level of 2% of gross premium from this sector except one company which had difficulties in organizing itself in this area. As regards, the performance in the second year, there has been a slight short fall in some cases due to start of operations later than the accounting year itself. Substantial business in this area has been done by one company. The performance of the public sector companies has been rather tepid in this area. The satisfaction level varies from 1.5% to 4.3%. Necessary enquiries are being made with these companies about the compelling circumstances which had affected their performance.

Social Sector: In regard to the social sector area, two of the six companies in the private sector had not attended to this segment. To them notices have been issued seeking explanations for non performance. In other cases, there has been a substantial compliance with the requirements of the regulations.

The performance of the public sector companies under social sector obligations has been good.

Role of technology:

All those who have embraced technology early shall vouch for the fact that it has played a pivotal role in enhancing services, establishing an effective and efficient delivery system, led to greater customization of products and lent itself to greater transparency. Realizing the need for introduction of information technology systems early, most insurers have taken steps towards setting up national level call centers, interactive voice response systems and websites providing interactive tools to help customers in planning their needs. At the other end of the spectrum, the Authority itself has facilitated the on-site registration of agents, surveyors and loss assessors, and the conduct of approved training programmes. The Authority has also adopted a lead in ensuring not just computerization of all its operations, but also that all returns submitted to it by the insurers are in the electronic format which will enable an online review and quick analysis of the information furnished.

International co-operation:

With a view to benefit from the experience of other countries and regulators, the Authority deputes its officials to various conferences, seminars and training programmes. The officials of the Authority were exposed to various international practices on life insurance and pensions, insurance standards, experiences of the non-life industry with particular references to motor portfolio, regulating insurance industry in the evolving environment, customer service, solvency of insurers, on-site inspection, insurance broking, to name a few. These programmes were organized by World Bank, International Association of Insurance Supervisors, Asian Development Bank, Monetary Authority of Singapore, Bank Negara Malaysia, Australian APEC Study Centre, National Association of Insurance Commissioners, Financial Services Authority and Asia Pacific Risk and Insurance Association. It is gratifying to note that all our officers attending these courses have been rated to have performed well.

The insurance regulators of South Asian countries, in December 2001, met at Colombo and established the South Asian Insurance Regulators' Forum. Sri Lanka is currently the chairman of the Forum and India is the senior vice chairman.

Simultaneously, the Authority also took an initiative to organize training programmes and conferences. The first such training programme was organized by the Authority for the officers of regulators from SAARC (South Asian) countries. Regulators of Sri Lanka, Bhutan, Nepal and Maldives, besides India, nominated their officers for the four week programme. Recently, the IIRM and the

Authority held an International Conference on IAIS Core Principles which attracted middle level executives from the regulators' offices of SAARC and ASEAN countries. This was followed by the Pension Conference which was targeted towards life insurers, banks and other financial institutions in India to impress upon them the need for early reforms in the sector. Both the conferences were addressed by international experts/speakers and were well received.

Headquarters of the Authority:

Consequent upon the decision of the Central Government, in terms of Section 3 of the IRDA Act, to locate the headquarters of the Authority at Hyderabad in the state of Andhra Pradesh, and the laying of the foundation stone of the office premises by the Hon'ble Prime Minister of India on 2nd December, 2001, the Actuarial Department of the Authority started operations at Parisrama Bhavanam, Hyderabad, effective 1st April, 2002. The process of shifting of the office from New Delhi to Hyderabad was completed on 12th August, 2002. The State Government of Andhra Pradesh has allotted 5 acres of land to the Authority in the financial district of the Hi-tech city for location of its offices. A committee consisting of three members of the Authority has been formed to monitor the development work at the site. The committee has already short-listed some architects for consultancy work pertaining to the design of the proposed corporate headquarters. It has also finalized its present requirements of space for the proposed headquarters. It is expected that the construction work will be started very soon to complete the construction in early 2004.

In-house journal:

With a view to disseminating information about the activities of the Authority, an in-house journal is proposed to be brought out shortly. The journal would, besides other things, provide statistical data about the insurance industry. The editorial board for the journal comprises eminent persons drawn from a wide spectrum of fields and specialisations.

Acknowledgements:

The Authority would like to place on record its appreciation and sincere thanks to the members of the Insurance Advisory Committee, the Reinsurance Advisory Committee, Insurance Division (Ministry of Finance), all insurers and intermediaries for their valuable help and co-operation in its proper functioning; and to the compact team of its officers and employees of the Authority for efficient discharge of their duties. The Authority also records its special thanks to the members of the public, the press, all the professional bodies and international agencies connected with the insurance profession, for their valuable contribution from time to time.

I would like to end this report on a personal note. I shall be laying down my office, in terms of the Government Order, by the beginning of June 2003. It would mark the completion of a long association of seven years with the duty of regulation of the insurance sector – a period equally divided between the organization set up under the Executive Order of the Government and as a statutory body. This period has seen a pace of development unmatched in its complexities, strains and problems. It has been my good fortune to head an organization during the days of fundamental changes and it has been gratifying to note that the Authority as a regulator has established world-wide credentials and credibility. Not a little, is due to the understanding, guidance and forbearance of all concerned – the representatives of the Government of India, the Government of Andhra Pradesh, world insurers, reinsurers, academics, and last but not the least, the insuring public and the discerning consumers. To all of them, I owe a debt of gratitude and thanks.

N. Rangachary

31st October, 2002
Hyderabad

MISSION STATEMENT OF IRDA

- To protect the interest of and secure fair treatment to policyholders;
- To bring about speedy and orderly growth of the insurance industry (including annuity and superannuation payments), for the benefit of the common man, and to provide long term funds for accelerating growth of the economy;
- To set, promote, monitor and enforce high standards of integrity, financial soundness, fair dealing and competence of those it regulates;
- To ensure that insurance customers receive precise, clear and correct information about products and services and make them aware of their responsibilities and duties in this regard;
- To ensure speedy settlement of genuine claims, to prevent insurance frauds and other malpractices and put in place effective grievance redressal machinery;
- To promote fairness, transparency and orderly conduct in financial markets dealing with insurance and build a reliable management information system to enforce high standards of financial soundness amongst market players;
- To take action where such standards are inadequate or ineffectively enforced;
- To bring about optimum amount of self-regulation in day to day working of the industry consistent with the requirements of prudential regulation.

PART – I

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POLICIES AND PROGRAMMES

The need for insurance is felt in the Indian public. This has been sought to be achieved by a definitive action by setting up a process of insurance reforms with the passage of the Insurance Regulatory and Development Authority (IRDA) Act, 1999. The reforms procedure recognized simultaneously the need for development of the sector in addition to the traditional concept of regulation and thus conferred on the Authority the obligation to develop the sector as well. The Second Annual Report of the Authority covers the developments that have taken place in the industry over the last one year; it also details the efforts taken by it to channelise the growth of the industry on global standards. Efforts taken by the Authority in the area of regulation and development are expected to result in an orderly growth of the insurance business on a national scale. It should, in the process, serve the long-term interests of the consumers as well.

The Authority has the task of establishing and promoting fair competition in the industry to fulfill the national socio-economic aspirations in a manner that will generate sustainable growth in the Indian insurance market: In the final analysis, it shall generate the national economic growth. The availability of insurance services to the customer, particularly of the rural, social and unorganized sectors, together with the pricing of the products have engaged the attention of the Authority.

The initial efforts of the Authority have been to set up policy guidelines in the various areas by way of prudential regulations. These have been followed by the introduction of the different levels of intermediation in the market that shall help the consumers at large and facilitate them to raise their levels of insurance consciousness. In this regard, the Authority has facilitated the establishment of third party administrators in the field of health insurance and professionalisation of surveyors and loss assessors. Lately, the systems of broking and corporate agencies have also been recognized.

The process of regulation making has been continuous and the priority is to reflect the needs of the market. The gradual familiarization of the insurers and insureds together with the intermediaries to the rules of the game, as witnessed by the regulations brought into force by the Authority, has occasionally demanded a review of the extant regulations. This has been done in time to enable the market to grow healthily over a period of time. No hiccups were noticed during the year that should cause concern to the regulator.

The review of the state of the industry and its performance over the last year that follows has been prepared with a view to reflect truthfully the developments that have taken place in the industry since its broad-basing and the level of achievements in the background of the parameters that have been set.

a. REVIEW OF GENERAL ECONOMIC ENVIRONMENT

The Indian economy in line with the global developments is passing through a period of stress and strain with several factors, both domestic and external, impacting its performance. The growth of Gross Domestic Product (GDP) at 5.4% was a perceptible improvement over the growth rate of 4% for the previous year. This growth was facilitated by a 5.7% growth in the agricultural and allied sectors, 3.3% growth in the industrial area and 6.5% growth in the services sector. The growth in GDP was somewhat affected by the poor performance of the agricultural sector (globally, the sector recorded a mere 2.4% growth). Combined with the aftermath of September 11 terrorist attack, both industrial production and growth in exports suffered. Simultaneously, the commodity and product prices were affected. Interestingly, despite the less than satisfactory growth in the domestic GDP, the present growth is amongst the highest in the world in 2001-02. To achieve such a growth level despite several constraints in the shape of natural calamities and pressures on industrial and economic development, is a near miracle.

There are a number of issues that concern us, viz.: slow down in the economy, decrease in industrial production (from 8.5% average, to 4.8% in the last few years); decline in the growth of value-addition in the agriculture sector; the lack of desirable development in the infrastructure sector, more particularly, in power generation, etc. The continuance of fiscal deficit at 5% or more is also a cause for worry. Today, the prime need of the industry is to garner funds to meet the requirements of infrastructure financing to leverage higher economic growth levels. In this regard, the insurance sector can play a crucial role.

One should not overlook the requirement of the social sector whose development on sound principles would ensure the spread of wealth in the country into the hands of the deserving and needy. Such a development will help to keep the social balance in a proper condition.

Current developments, however, enable us to breathe a little freely since during the first quarter of the financial year 2002-03, the economy has grown at a rate of 6% p.a., as against the 3.5% during the corresponding period in the previous year. Positive signs are emanating from the traditional sectors, viz., agriculture, mining, manufacture and construction. The manufacturing sector, which is also the indicator of industrial growth, exhibited a rate of growth of 3.8% in the current fiscal as against 2.7% during the corresponding period in the previous year. Further, the reforms process is also firmly on track with the Tenth Plan document getting the approval of the Planning Commission. The Commission has given a strong push and support to the reforms agenda, including disinvestment of public sector undertakings, tax reforms, creation of a national market, and foreign direct investment as a major resource supplement to propel the country on a 8% growth-track.

TABLE – 1

INDIA'S PROFILE

Total Area	3287590 Sq. Kms
Land Area	2973190 Sq. Kms
Coastline	7000 Kms
States	29
Union Territories	6
Districts	463
Population	1.04 Billion (as on July 2002)
Urban Population	27%
Population Growth	1.51% (2002)
Sex Ratio 2002	927 females per 1000 males
Density of Population	312 persons per Sq. Km
Literacy Rate	52.10% (Male 65.5% Female 37.7%)
Life Expectancy (2002-est.)	Total Population 63.23 F=63.93 M=62.55

TABLE – 2

Gross Domestic Saving and Investment

Item	Percent of GDP (at current market prices)				(Rs. in Crores)		
	2000-01*	1999-00 @	1998-99@	1994-95 to 1997-98	2000-01*	1999-00 @	1998-99@
1 Household Saving	20.9	20.3	18.9	18.1	4,35,926	3,92,632	3,29,414
of which:							
a) Financial assets	11	10.7	10.5	10.2	2,28,862	2,07,538	1,82,958
b) Physical assets	9.9	9.6	8.4	7.9	2,07,064	1,85,094	1,46,456
2 Private Corporate Sector	4.2	3.7	3.7	4.3	86,881	71,882	65,026
3 Public Sector	-1.7	-0.9	-1.0	1.7	-34,479	-17,326	-17,169
4 Gross Domestic Saving	**23.4**	**23.2**	**21.7**	**24.1**	**4,88,328**	**4,47,188**	**3,77,271**
5 Net Capital Inflow	0.6	1.1	1.0	1.4	12,977	21,988	18,090
6 Gross Domestic Capital Formation	**24**	**24.3**	**22.7**	**25.5**	**5,01,305**	**4,69,176**	**3,95,361**
7 Errors and Omissions	1.1	1	1.3	1.9	23,113	20,025	23,152
8 Gross Capital Formation	**22.9**	**23.3**	**21.4**	**23.6**	**4,78,192**	**4,49,151**	**3,72,209**
of which:							
a) Public sector	7.1	7.1	6.6	7.5	1,48,106	1,37,670	1,14,545
b) Private corporate sector	5.9	6.5	6.4	8.1	1,23,022	1,26,387	1,11,208
c) Household sector	9.9	9.6	8.4	7.9	2,07,064	1,85,094	1,46,456

* Quick Estimates. @ Provisional Estimates.

Source: Central Statistical Organisation.

TABLE – 3

Financial Saving of the Household Sector (Gross): Percentage Distribution

Item	2000-01*	1999-00@	1998-99@	1997-98	1996-97	1995-96	1994-95	1993-94
Financial Saving (Gross)	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
	(12.7)	**(12.6)**	**(12.0)**	**(11.3)**	**(11.6)**	**(10.5)**	**(14.4)**	**(12.8)**
a) Currency	6.4	8.6	10.4	7.4	8.6	13.3	10.9	12.2
	(0.8)	(1.1)	(1.3)	(0.8)	(1.0)	(1.4)	(1.6)	(1.6)
b) Deposits: -	44.3	39.2	39.2	46.6	48.1	42.5	45.5	42.6
	(5.6)	(4.9)	(4.7)	(5.3)	(5.6)	(4.5)	(6.5)	(5.4)
with banks	38.8	35.1	32.1	37.8	25.7	26.3	35.3	27.9
with non-banking companies	3.4	2.6	3.7	3.9	16.4	10.6	7.9	10.6
with co-operative banks & Societies	2.5	1.9	3.9	5.3	6.4	5.8	3	5.2
Trade debt (net)	-0.4	-0.5	-0.5	-0.4	-0.4	-0.2	-0.8	-1.1
c) Shares and debentures	2.7	6.4	3.6	2.9	6.6	7.3	11.9	13.5
	(0.3)	(0.8)	(0.4)	(0.3)	(0.8)	(0.8)	(1.7)	(1.7)
Private corporate business	1.3	1.4	1.6	1.3	3.6	6.6	8	7.5
Co-operative banks and societies	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Units of UTI	-0.5	0.7	0.9	0.3	2.4	0.2	2.7	4.3
Bonds of PSUs	–	–	–	0.1	0.1	0.1	0.1	0.5
Mutual funds (other than UTI)	1.8	4.2	1	1.1	0.3	0.3	1.1	1.2
d) Claims on government	13.1	11.9	13.5	12.9	7.4	7.7	9.1	6.3
	(1.7)	(1.5)	(1.6)	(1.5)	(0.9)	(0.8)	(1.3)	(0.8)
Investment in government Securities	1.6	0.9	0.6	1.6	0.4	0.4	0.1	0.4
Investment in small savings, *etc*.	11.6	11	12.8	11.3	7	7.4	9	5.9
e) Insurance funds	12.8	11.8	11.2	11.3	10.2	11.2	7.8	8.7
	(1.6)	(1.5)	(1.3)	(1.3)	(1.2)	(1.2)	(1.1)	(1.1)
Life insurance funds	12.2	11.1	10.5	10.6	9.5	10.4	7.2	8
Postal insurance	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2
State insurance	0.5	0.4	0.5	0.4	0.4	0.5	0.5	0.5
f) Provident and pension funds	20.7	22.2	22.1	18.8	19.2	18	14.7	16.7
	(2.6)	(2.8)	(2.7)	(2.1)	(2.2)	(1.9)	(2.1)	(2.1)

* Quick Estimates. @ Provisional Estimates.

Notes: 1. Figures in brackets are percentages to GDP at current market prices.
2. Constituents may not add up to the totals due to rounding off.

Source: Central Statistical Organisation.

TABLE – 4

India's Overall Balance of Payments

Item	(Rs. in Crores)				(US $ million)			
	2001-02	2000-01	1999-00	1998-99	2001-02	2000-01	1999-00	1998-99
1	2	3	4	5	6	7	8	9
A. Current Account								
Exports, f.o.b.	2,14,351	2,05,287	1,62,753	1,44,436	44,915	44,894	37,542	34,298
Imports, c.i.f.	2,74,778	2,70,663	2,40,112	1,99,914	57,618	59,264	55,383	47,544
Trade Balance	-60,427	-65,376	-77,359	-55,478	-12,703	-14,370	-17,841	-13,246
Invisibles, net	67,146	53,945	57,028	38,689	14,054	11,791	13,143	9,208
a) 'Non-Factor' Services	20,141	11,401	17,670	9,114	4,199	2,478	4,064	2,165
of which, Software Exports	34,215	29,014	17,412	11,064	7,174	6,341	4,015	2,626
b) Income	-12,663	-17,414	-15,431	-14,967	-2,654	-3,821	-3,559	-3,544
c) Private Transfers	57,821	58,412	53,132	43,242	12,125	12,798	12,256	10,280
d) Official Transfers	1,847	1,546	1,657	1,300	384	336	382	307
Current Account Balance	6,719	-11,431	-20,331	-16,789	1,351	-2,579	-4,698	-4,038
B. Capital Account								
Foreign Investment, net	28,275	23,267	22,501	10,169	5,925	5,102	5,191	2,412
Direct Investment	18,658	10,672	9,396	10,388	3,905	2,342	2,167	2,480
Portfolio Investment	9,617	12,595	13,105	-219	2,020	2,760	3,024	-68
External Assistance, net	5,830	2,079	3,915	3,484	1,204	427	901	820
Disbursements	16,073	13,527	13,339	11,506	3,352	2,942	3,074	2,726
Amortisation	-10,243	-11,448	-9,424	-8,022	-2,148	-2,515	-2,173	-1,906
Commercial Borrowings, net	-5,432	18,832	1,360	18,557	-1,147	4,011	313	4,362
Disbursements	14,940	43,091	13,823	30,624	3,125	9,324	3,187	7,226
Amortisation	-20,372	-24,259	-12,463	-12,067	-4,272	-5,313	-2,874	-2,864
Short Term Credit, net	-4,236	321	1,633	-3,116	-890	105	377	-748
Banking Capital	21,883	3,517	9,217	3,129	4,607	811	2,127	698
of which, NRI Deposits, net	13,127	10,567	6,709	4,060	2,754	2,317	1,540	960
Rupee Debt Service	-2,458	-2,763	-3,059	-3,308	-519	-617	-711	-802
Other Capital, net @	1,862	-3,654	9,761	6,967	365	-816	2,246	1,693
Capital Account	45,724	41,599	45,328	35,882	9,545	9,023	10,444	8,435
C. Errors & Omissions	4,149	-2,506	2,773	-848	861	-588	656	-175
D. Overall Balance [A(5)+B(8)+C]	**56,592**	**27,662**	**27,770**	**18,245**	**11,757**	**5,856**	**6,402**	**4,222**
E. Monetary Movements (F+G)	-56,592	-27,662	-27,770	-18,245	-11,757	-5,856	-6,402	-4,222
F. IMF, net	0	-115	-1,122	-1,652	0	-26	-260	-393
G. Foreign Exchange Reserves (Increase –, Decrease +)	**-56,592**	**-27,547**	**-26,648**	**-16,593**	**-11,757**	**-5,830**	**-6,142**	**-3,829**

@ Includes delayed export receipts, advance payments against imports, loans to non-residents by residents.

Note:

1. Gold and silver brought by returning Indians have been included under imports, with a *contra* entry in private transfer receipts.
2. Data on exports and imports differ from those given by DGCI&S on account of differences in coverage, valuation and timing.

TABLE – 5

Macro-Economic Aggregates (At current prices)

(Rs. in Crores)

Year	Population @ (million)	GDP at factor cost	Consumption of fixed capital	NDP at factor cost	Indirect taxes less subsidies	GDP at market prices	NDP at market prices	Net factor income from abroad
1	2	3	4	5	6	7	8	9
New Series (Base: 1993-94)								
1950-51	359	9547	364	9183	387	9934	9570	-41
1960-61	434	16220	944	15276	947	17167	16223	-72
1979-80	664	108927	10449	98478	11914	120841	110392	153
1989-90	822	438020	46560	391460	48159	486179	439619	-5731
1999-00(QE)	991	1786459	180727	1605732	170538	1956997	1776270	-15431
2000-01(RE)	1007	1978042	–	1782001	–	–	–	–

Year	GNP at factor cost	NNP at factor cost	GNP at market prices	NNP at market prices	Private final consumption expenditure (PFCE)	Govt. final consumption expenditure (GFCE)	GDP of public sector	NDP of public sector	Personal disposable income#
1	10	11	12	13	14	15	16	17	18
New Series (Base: 1993-94)									
1950-51	9506	9142	9893	9529	–	592	–	–	8876
1960-61	16148	15204	17095	16151	16166	1206	1609	1392	14638
1979-80	109080	98631	120994	110545	98264	12481	21344	20217	97634
1989-90	432289	385729	480448	433888	338750	57909	112276	90930	392223
1999-00(QE)	1771028	1590301	1941566	1760839	1265432	251516	459858	387919	1649228
2000-01(RE)	1961279	1765238	–	–	–	–	–	–	

Year	GDCF	NDCF	GDS	NDS	Per capita GNP at factor cost (Rupees)	Per capita NNP at factor cost (Rupees)
1	19	20	21	22	23	24
New Series (Base: 1993-94)						
1950-51	866	502	887	523	265	255
1960-61	2470	1526	1989	1045	372	350
1979-80	24894	14445	24314	13865	1643	1485
1989-90	119258	72698	106979	60419	5259	4693
1999-00(QE)	455228	274501	435572	254845	17871	16047
2000-01(RE)	–	–	–	–	19476	17530

QE: Quick Estimates. RE: Revised Estimates @: Relates to Mid-financial year

#: Separate data on fees, fines, etc. paid by producers are not available and to that extent personal disposable income is under estimated.

Source: Central Statistical Organisation.

TABLE – 6
Key Market Indicators

Size of Market, Life and Non-Life	$9.94billion @
Total global insurance premium	$2422 billions
Rate of Annual Growth Year 2001-02	Life 43%
	Non-life 13.65%
Geographical Restriction for new players	None. Players can operate all over the country
Equity restriction in a new Indian insurance company	Foreign promoter can hold upto 26% of the equity
Registration Restriction	Composite Registration not available
Number of Registered Companies	(see below)

Number of Registered Companies:

Type of Business	Public Sector	Private Sector	Total
Life Insurance	01	12	13
General Insurance	04	09	13
Reinsurance	01	0	01
Total	**06**	**21**	**27**

LIFE INSURERS

Public Sector	Private Sector
1. Life Insurance Corporation of India	1. Allianz Bajaj Life Insurance Company Limited 2. Birla Sun-Life Insurance Company Limited 3. HDFC Standard Life Insurance Company Limited 4. ICICI Prudential Life Insurance Company Limited 5. ING Vysya Life Insurance Company Limited 6. Max New York Life Insurance Company Limited 7. MetLife Insurance Company Limited 8. Om Kotak Mahindra Life Insurance Co. Ltd 9. SBI Life Insurance Company Limited 10. TATA AIG Life Insurance Company Limited 11. AMP Sanmar Assurance Co. Ltd 12. *Dabur CGU Life Insurance Co. Pvt Ltd

GENERAL INSURERS

Public Sector	Private Sector
1. New India Assurance Co. Ltd 2. National Insurance Co. Ltd 3. Oriental Insurance Co. Ltd 4. United India Insurance Co. Ltd	1. Bajaj Allianz General Insurance Company Limited 2. ICICI Lombard General Insurance Co. Ltd 3. IFFCO-Tokio General Insurance Company Limited 4. Reliance General Insurance Company Limited 5. Royal Sundaram Alliance Insurance Co. Ltd. 6. TATA AIG General Insurance Company Limited 7. *Cholamandalam General Insurance Co. Ltd 8. *Export Credit Guarantee Corporation 9. *HDFC Chubb General Insurance Co. Ltd

REINSURER

General Insurance Corporation of India	
Business of New Players – anticipated	Life 4% to 5%
at the end of three years from now:	Non-life 10% to 12%

@ Source: FICCI Survey 2002

*** Insurers registered after 31st March, 2002.**

TABLE – 7
Economic and Social Indicators

Population in millions, 2002	1045
Surface Area in 1000 Sq. kms	3288
People per Sq. Km	312
GNP in $ Billions 2002	320
Rank in the world by GNP	11
Average annual Growth of GNP(%)	6.8
Average annual % Growth of GDP	5
Public Expenditure on health % of GNP (1998)	0.6
Public Expenditure on Education % of GNP	3.2
Infant mortality per 1000 live births	61.467deaths/1000 live births (2002)

Source: CIA

TABLE – 8 (i)
Demographic Trends and Projections – I**

	1996	2001	2006	2011
Total Population (Million)	934.22	1012.39	1094.13	1178.89
Urban Population (%)	27.23	28.77	30.35	31.99
Sex Ratio (Males per 100 Females)	107.9	107.2	106.6	106

TABLE – 8 (ii)
Demographic Trends and Projections – II**

	1996-2001	2001-2006	2006-2011
Growth Rate of Population (% pa)	1.62	1.57	1.5
Expectation of Life at Birth (Male / Years)	62.36	63.87	65.65
Expectation of Life at Birth (Female / Years)	65.27	66.91	67.67

**Source: Census Statistics

b. APPRAISAL OF THE INSURANCE MARKET

In a period of half a century and less, the insurance sector in the country has come a full circle, from being an open competitive market to full nationalization, and then back again, to a liberalized market, in which private players and public sector companies are on a level playing field. Most of the new companies in the industry have entered the market as joint ventures with participation of a foreign partner holding 26% of the total paid-up equity capital. While four private sector companies had underwritten life business during the financial year 2000-01, the number of private players competing for business during the year 2001-02, increased to eleven. During the same period, the number of private players in the non-life segment increased to six from four in the previous year.

The opening of the sector to the private players witnessed the introduction of a number of new products deserving the attention of the customers and possibly the Indian insurance market is one of the fastest growing markets. The factors that support the possibilities for increased penetration of the Indian market are the emerging socio-economic changes, increased wealth, education and awareness of insurance needs. The industry, as such, is set to emerge independent of the normal driving factor of being driven merely by tax incentives for growth. The industry is today slowly emerging from the shadows of insurance being a synonym to Life Insurance Corporation (LIC).

The advent of new players is expected to increase the insurance density (premium per capita) and the insurance penetration (expenditure for insurance services expressed as a percentage of income). Based on the figures furnished by Swiss Re for the year 2000, these were a mere US $ 9.9 and 2.32% of the Gross Domestic Product respectively. India ranks 78 in terms of insurance density, and 52 in terms of insurance penetration. As against this, in the year 2000, the industrialized countries spent an average of US $2384 per capita on insurance, or 9.1% of their combined GDPs. The penetration of insurance, also assessed as a ratio of the insurance premium to the Gross Domestic Savings (GDS) was 52% for UK, 35% for other European and American countries, while it was only 9% in India in 1999. The share of India in the world market in terms of gross insurance premium is again very small at 0.3%, while Japan has 31%, European Union 25%, South Africa 2.3%, and Canada 1.7%.

The regulations pertaining to brokers and corporate agents, recently notified by the Authority, are expected to help in the spread of the level of insurance penetration in the country; and, of course the introduction of licensed third party administrators is expected to give a boost to the health insurance segment. The Authority, while opening the insurance sector to the private players is also cautious in its approach to ensure that only those companies are granted registration which have a deep commitment to India and a long-term staying capacity. The fact that the new players have as their co-promoter an insurance company of proven repute and long life (often more than 100 years old) strengthens the belief that the commitment of the new joint ventures to the development of the insurance business in India as a long term strategy which will result in the growth of the economy. This belief is real and achievable.

Foreign capital of Rs. 624.56 crore has been so far invested in the new life and non-life insurance companies.

Tables 9(i) & (ii) show the growth of the industry in the year that has recently ended.

TABLE – 9 (i)

International Comparison (Insurance Penetration)

	INSURANCE PENETRATION (PREMIUMS AS % OF GDP-1999)			INSURANCE PENETRATION (PREMIUMS AS % OF GDP-2000)		
Countries	**Total**	**Non-life**	**Life**	**Total**	**Non-life**	**Life**
United States	8.55	4.32	4.23	8.76	4.28	4.48
Canada	6.49	3.31	3.19	6.56	3.28	3.27
Brazil	2.01	1.66	0.35	2.11	1.75	0.36
Mexico	1.68	0.86	0.82	1.72	0.85	0.86
Chile	3.78	1.13	2.65	4.07	1.15	2.92
United Kingdom	13.35	3.05	10.30	15.78	3.07	12.71
Germany	6.52	3.55	2.96	6.54	3.55	3.00
France	8.52	2.82	5.70	9.40	2.81	6.59
Russia	2.13	1.34	0.78	2.42	1.29	1.13
Japan	11.17	2.30	8.87	10.92	2.22	8.70
South Korea	11.28	2.89	8.39	13.05	3.16	9.89
PR China	1.63	0.61	1.02	1.79	0.67	1.12
India	**1.93**	**0.54**	**1.39**	**2.32**	**0.55**	**1.77**
Malaysia	3.88	1.72	2.16	3.72	1.59	2.13
Indonesia	1.42	0.76	0.66	1.18	0.64	0.54
South Africa	16.54	2.62	13.92	16.86	2.83	14.04
Nigeria	0.95	0.88	0.07	0.66	0.53	0.13
Kenya	3.26	2.48	0.78	2.63	1.91	0.72
Australia	9.82	3.39	6.43	9.41	3.37	6.04

Source: Swiss Re, SIGMA volumes 9/2000 and 6/2001

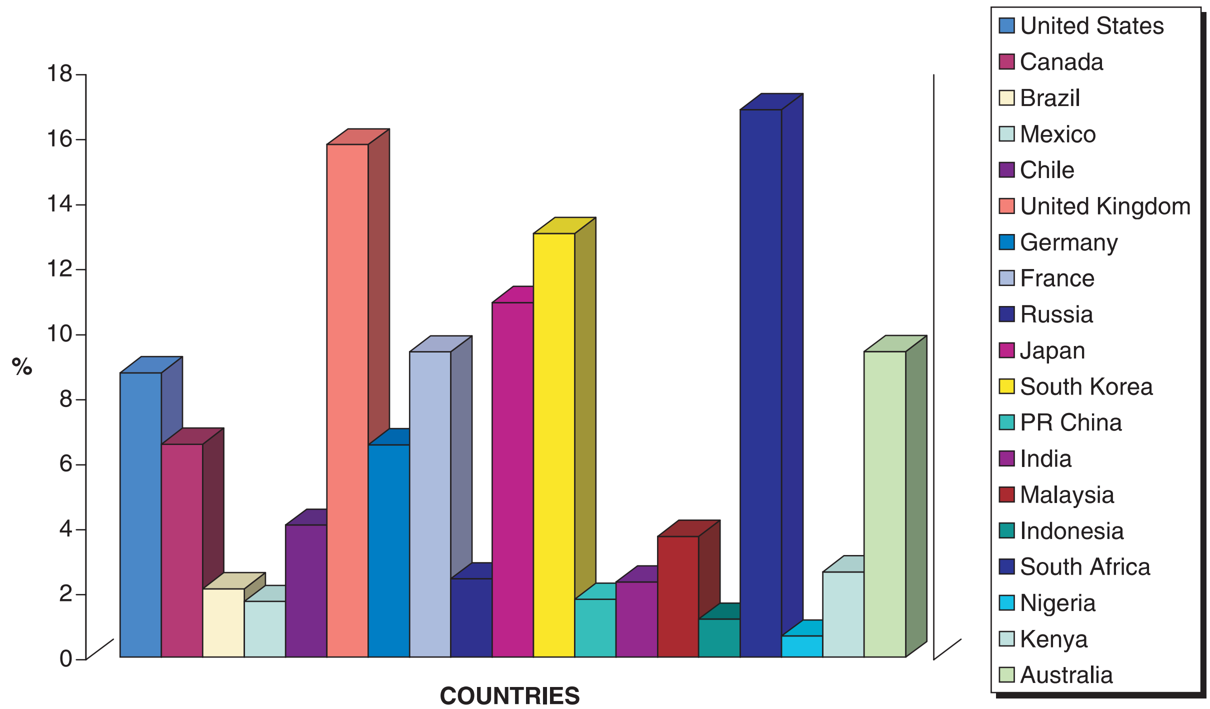
TABLE – 9 (ii)

International Comparison (Insurance Density)

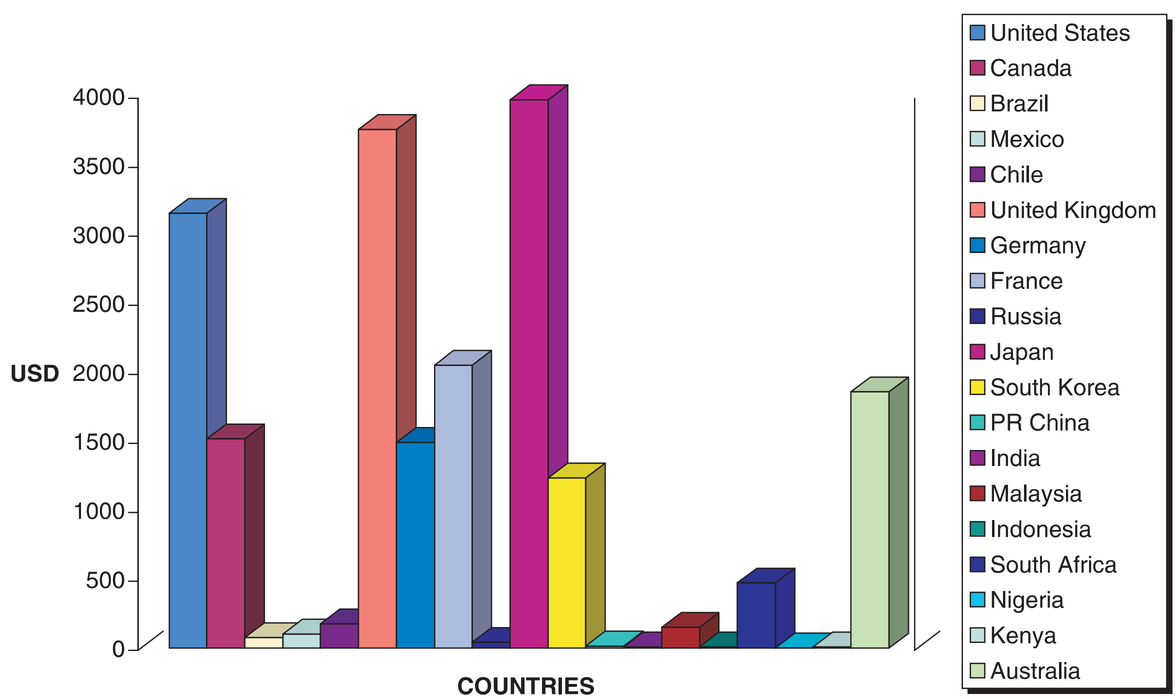
	INSURANCE DENSITY (PREMIUMS PER CAPITA IN USD-1999)			INSURANCE DENSITY (PREMIUMS PER CAPITA IN USD-2000)		
Countries	**Total**	**Non-life**	**Life**	**Total**	**Non-life**	**Life**
United States	2921.1	1474.4	1446.6	3152.1	1540.7	1611.4
Canada	1375.3	700.6	674.6	1516.8	759.6	757.2
Brazil	68.6	56.7	11.8	75.6	62.7	12.9
Mexico	84.6	43.3	41.3	101.2	50.4	50.8
Chile	163.0	48.7	114.3	175.8	49.7	126.0
United Kingdom	3244.3	741.5	2502.8	3759.2	730.7	3028.5
Germany	1675.7	913.5	762.2	1491.4	808.5	683.0
France	2080.9	688.6	1392.3	2051.1	613.7	1437.4
Russia	26.8	17.0	9.9	41.8	22.3	19.5
Japan	3908.9	805.5	3103.4	3973.3	808.2	3165.1
South Korea	1022.8	262.3	760.5	1234.1	298.5	935.6
PR China	13.3	5.0	8.3	15.2	5.7	9.5
India	**8.5**	**2.4**	**6.1**	**9.9**	**2.3**	**7.6**
Malaysia	140.4	62.3	78.1	150.9	64.6	86.4
Indonesia	9.5	5.1	4.4	8.6	4.6	4.0
South Africa	490.9	77.9	413.0	472.1	79.1	392.9
Nigeria	2.6	2.4	0.2	2.0	1.6	0.4
Kenya	9.9	7.5	2.4	8.9	6.5	2.4
Australia	2037.4	703.8	1333.6	1859.3	665.8	1193.5

Source: Swiss Re, SIGMA volumes 9/2000 & 6/2001

INSURANCE PENETRATION – PREMIUMS AS A % OF GDP – 2000



INSURANCE DENSITY PREMIUMS PER CAPITA IN USD – 2000



(i) Life Insurance

The year 2001-02, was the first full year of operations of the new life companies; by the end of the financial year, the number of such private players had increased to eleven, and they were competing with the monolithic public sector Life Insurance Corporation of India. Overall, the industry witnessed a growth of 43.03% in terms of gross premium underwritten as against 25.26% growth recorded in the previous year. The overall performance of the companies in the life segment is detailed below:

The Life Insurance Corporation of India (LIC), exhibited a growth of 42.79% in premium income as against 25.08% in the previous year. The first premium income grew by an astronomical 50.69% as against 35.96% in the previous year, with the total first year premium underwritten at Rs. 10492.72 crore. The renewal premium underwritten by the Corporation was Rs. 30233.14 crore, recording an increase of 20% over the previous year. The single premium and Consideration for Annuities Granted (CAG) (including Bima Nivesh) business underwritten was Rs. 9096.05 crore as against Rs. 2737.73 crore in the previous year. The pension plans of LIC viz. Jeevan Dhara and Jeevan Akshay too recorded an extraordinary growth with premium underwritten at Rs.2322.69 crore as against Rs. 264.91 crore in the previous year. The business underwritten under Jeevan Suraksha was Rs. 842.24 crore as against Rs. 669.54 crore showing an increase of approximately 26% over the previous year. The Pensions and Group Schemes (P&GS) premium grew from Rs. 3134.18 crore to Rs. 4033.43 crore i.e., an increase of 29% over the previous year.

The total premium underwritten by the Corporation, including individual pension plans, P&GS and Jeevan Suraksha was Rs.49821.91 crore as against Rs. 34892.02 crore in the previous year i.e., an overall increase of 42.79%. The total income of the Corporation increased to Rs. 73780.07 crore as against Rs. 54766.60 crore in the previous year, i.e. an increase of 34.71%. In the increasingly competitive environment, the Corporation is likely to face difficulties in maintaining the stupendous growth recorded in the year 2001-02. LIC has initiated operations in the international markets by setting up a public company to undertake insurance business in Nepal and also in Sri Lanka. It is also exploring the possibilities of entering the US market, and has plans to start business as a corporate agent for underwriting business of non-resident Indians in the USA.

In the private sector, four companies i.e., Birla Sunlife, ICICI Prudential, Max New York and HDFC Standard Life have underwritten business for a full 12-month period. The others launched their products at different points of time in the financial year. Some of the players entered the market during closing stages of the financial year. Private players see a tremendous potential for life insurance business in the country with the ever expanding middle class, growing monetary affluence and the absence of a social security system. The insurers have come forward to offer packaged "life solutions" as against mere "products" to sell life policies, equipped as they are with the technological support of their foreign partners – in terms of product knowledge, business processes and proven sales models.

The life insurers offer a host of products, including whole life policies, endowment plans, money back policies, term policies with riders, amongst others. Unit linked policies are also offered along with riders. The insurers are taking their obligations under the rural and social sectors seriously; a number of products are offered to underwrite business in these special sectors. Insurers have introduced concepts of appointment of *gramsevaks* in different villages across the country to act as their sales arm. These sevaks are being used to educate the masses about life insurance, tapping their knowledge about local environment and communication skills. Easy term policies are being offered at very low rates of premium to provide life cover. While one private life insurer has been associated with SOS Children's villages, another has adopted specific rural areas and launched the insurance products under the supervision of its rural development team. These methods, with their variants that will be adopted in the coming years, augur well for the development of this special market.

In an effort to compete with the existing players, the new insurers have been aiming at providing better customer service and making available to them innovative products and services for the first time in the country. The combination of leading Indian business houses and the established foreign insurers has enabled the development of infrastructure facilities over a period of time. The new players are exploring new channels of distribution besides strong agency network: corporate agencies and bancassurances are avenues for development that have been adopted. Another intermediary likely to gain significance in the near future is the broker system.

The performance of the private players in the last two years, and particularly for the current year has reflected their ability to create and nurture new markets. While the private players accounted for less than 1% of the total business underwritten in the sector for the year 2001-02, significantly the total business underwritten by life insurers has also gone up. In effect the new insurers have not necessarily partaken of the existing pie rather the size of the pie has enlarged. New avenues have been created and business opportunities explored. All these are likely to lead to the establishment of a vibrant and customer friendly insurance business environment in the country.

The insurers also offered products to tap the group business, including term and group savings linked insurance schemes, although not many private sector insurers offered group schemes. In keeping with its social commitment, the LIC offered the Janashree Bima Yojana, and as a rider to the scheme, launched the Shiksha Sahayog Yojana on 31st December, 2001. During the three month period between January – March, 2002, 765 scholarships were disbursed. Prior to this, the LIC launched the KRISHI SHRAMIK SAMAJIK SURAKSHA YOJANA 2001 in July, 2001 to provide social sector superannuation benefits. In the nine months of operation, 2814 term schemes were offered to cover 101209 lives; premium of Rs.211.49 lakh was collected in the period.

Insurers are also tying up with public sector/foreign banks, corporate houses and other retail outlets for selling their products, and expect to generate a good volume of business through these channels. The notification of regulations pertaining to corporate agencies and brokers should further strengthen the hands of the insurers in building up distribution networks. A notable but worrying factor that has been noticed in the development of life business this year is the predominance of the guaranteed return schemes. In a regime of falling interest rates, the regulator felt apprehensive of the solvency of such schemes and advised the insurers to modify their plans suitably; this has resulted in the revision of such plans, in the course of the year, by the insurers where the element of a guaranteed return had been scaled down progressively.

TABLE – 10

Revenue Account: All Life Insurers Policyholders' Account (Technical Account)

(Rs. in Lakhs)

Particulars	BIRLA SUNLIFE		ICICI PRUDENTIAL		ING VYSYA	L I C		HDFC STANDARD		MAX NEW YORK		AMP SANMAR	ALLIANZ BAJAJ	SBI LIFE	OM KOTAK	TATA AIG	METLIFE	TOTAL	
	2001-02	2000-01	2001-02	2000-01	2001-02	2001-02	2000-01	2001-02	2000-02	2001-01	2000	2001-02	2001-02	2001-02	2001-02	2001-02	2001-02	2001-02	2000-01
Premiums earned – net																			
(a) Premium	2826	32	11637	597	419	4982191	3489202	3346		3895	16	28	714	1468	758	2114	48	5009444	3489847
(b) Reinsurance ceded	(146)		(3)		(2)	(1676)	(1530)	(138)		(35)			(11)		(21)	(6)	(1)	(2039)	(1530)
(c) Reinsurance accepted						79	59											79	59
Income from Investments																			
(a) Interest, Dividends & Rent – Gross	61		170			2286190	1877700	105	1	77				21				2286624	1877701
(b) Profit on sale/redemption of investments	26		117			112377	104882	5										112525	104882
(c) (Loss on sale/ redemption of investments)	(1)					(13618)												(13619)	
(d) Transfer/Gain on revaluation /change in fair value	4406	988											2400				631	7437	988
Other Income (to be specified)	2		18			12464	6346	4460	200	1								16945	6546
TOTAL (A)	7174	1020	11939	597	417	7378007	5476659	7778	201	3938	16	28	3103	1489	737	2108	678	7417396	5478493
Commission	440	6	1447	108	135	451791	316939	662		1186	5	7	235	19	181	576	16	456695	317058
Operating Expenses related to Insurance Business	4816	995	8485	2061	2312	426040	370656	4126	54	8488	1793	1123	2511	1127	3698	4034	653	467413	375559
Provision for doubtful debts						17987	12409											17987	12409
Bad debts written off																			
Provision for Tax			(965)			86817	70965											85852	70965
Provisions (other than taxation)																			
(a) For diminution in the value of investments (Net)						8397												8397	
(b) Others (to be specified)					1417	859	2041								1			2277	2041
TOTAL (B)	5256	1001	8967	2169	3864	991891	773010	4788	54	9674	1798	1130	2746	1146	3880	4610	669	1038621	778032
Benefits Paid (Net)	30		65			1747664	1403684	3		67						123		1747952	1403684
Interim Bonuses Paid						19538												19538	
Change in valuation of liability in respect of life policies																			
(a) Gross**	1943	16	12825	494	354	3403227	2539251	3062	99	2037	16	11	341	1435	347	451	9	3426042	2539876
(b) Amount ceded in Reinsurance	(56)				(1)			(372)		(16)								(445)	
(c) Amount accepted in Reinsurance																			
(D) Transfer to Linked Fund			725															725	
TOTAL (C)	1917	16	13615	494	353	5170429	3942935	2693	99	2088	16	11	341	1435	347	574	9	5193812	3943560
SURPLUS/ (DEFICIT) (D) =(A)-(B)-(C)		3	(10643)	(2066)	(3800)	1215687	760714	297	48	(7824)	(1798)	(1113)	16	(1092)	(3490)	(3076)		1184962	756901
APPROPRIATIONS																			
Transfer to Shareholders' Account			(12417)		(3800)	43325	28066	25			(1798)			(1092)	(1146)	(3076)		21819	26268
Transfer to Other Reserves (to be specified)*			1774	(2066)		822144	722648			(7824)		(1113)						814981	720582
Balance being Funds for Future Appropriations		3				350218	10000	272	48				16		(2344)			348162	10051
TOTAL (D)		3	(10643)	(2066)	(3800)	1215687	760714	297	48	(7824)	(1798)	(1113)	16	(1092)	(3490)	(3076)		1184962	756901

Note:

1. ING Vysya, AMP Sanmar,Allianz Bajaj commenced operations w.e.f. 2001-02
2. SBI Life,Om Kotak,Tata AIG commenced their operations in March 2001 but have not furnished accounts in 2000-01
3. * represents for ICICI-Pru Rs.1774 lakhs includes Insurance reserve at opening Rs.(2066) lakhs
4. ** represents Mathematical Reserves after allocation of Bonus
5. In case of LIC appropriations furnished is not as per the prescribed format.Transfer to other reserves represents transfer to policyholders. It appears that transfer to policyholders represents share of surplus to policyholders and also it appears that change in valuation liabilities figure does not appear to be Mathematical Reserve after allocation of bonus.
6. HDFC STANDARD 2001-2002 figures relates to the period 01-01-2001 to 31-03-2002 i.e. 15 months and Previous year figures were upto 31st Dec 2000
7. Please Refer Notes attached

TABLE – 11

Profit and Loss Account: All Life Insurers
Shareholders' Account (Non-Technical Account)

(Rs. in Lakhs)

Particulars	BIRLA SUNLIFE		ICICI PRUDENTIAL		ING VYSYA	L I C		HDFC STANDARD		MAX NEW YORK		AMP SANMAR	ALLIANZ BAJAJ	SBI LIFE	OM KOTAK	TATA AIG	METLIFE	TOTAL	
	2001 -02	2000 -01	2001 -02	2000 -01	2001 -02	2001 -02	2000 -01	2001 -02	2000 -02	2001 -01	2000	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2000 -01
Amounts transferred from/to the Policyholders' Account (Technical Account)*	(4406)	(988)	(12417)		(3800)	81391	31665	(4460)	(200)		(1798)		(2400)	(1092)	(1146)	(3076)	(631)	**47963**	28679
Income From Investments																			
(a) Interest, Dividends & Rent – Gross	598	94	1073	613	551	788		1574	271	1263	331	206	846	1105	1409	828	607	**10848**	1309
(b) Profit on sale/redemption of investments	44	11	1123	46	258			936		42	14		209	155				**2767**	71
(c) (Loss on sale/redemption of investments)								(2)	(1)				(15)		(8)	273	(12)	**236**	(1)
Other Income (To be specified)	195	51	11	10						2					2			**210**	61
TOTAL (A)	**(3569)**	**(832)**	**(10210)**	**669**	**(2991)**	**82179**	**31665**	**(1952)**	**70**	**1307**	**(1453)**	**206**	**(1360)**	**168**	**257**	**(1975)**	**(36)**	**62024**	**30119**
Expenses other than those directly related to the insurance business	41		111	647	66			558	205	169	148		204	197	2	549	248	**2145**	1000
Bad debts written off																			
Provisions (Other than taxation)															253			**253**	
(a) For diminution in the value of investments (Net)																			
(b) Provision for doubtful debts																			
(c) Others (to be specified)					37						4				2			**39**	4
TOTAL (B)	41		**111**	**647**	**103**			**558**	**205**	**169**	**152**		**204**	**197**	**257**	**549**	**248**	**2437**	**1004**
Profit/ (Loss) before tax	**(3610)**	**(832)**	**(10321)**	**22**	**(3094)**	**82179**	**31665**	**(2510)**	**(135)**	**1138**	**(1605)**	**206**	**(1564)**	**(29)**		**(2524)**	**(284)**	**59587**	29115
Provision for Taxation			(188)										1					**(188)**	
Profit / (Loss) after tax	(3610)	(832)	(10509)	22	(3094)	82179	31665	(2510)	(135)	1138	(1605)	206	(1565)	(29)		(2524)	(284)	**59399**	29115
APPROPRIATIONS																			
(a) Balance at the beginning of the year			22							(1605)				18	12	(358)		**(1911)**	
(b) Interim dividends paid during the year						28066	31665											**28066**	31665
(c) Proposed final dividend						43325												**43325**	
(d) Dividend distribution on tax																			
(e) Transfer to reserves/other accounts (to be specified)			(45)			10788												**10743**	
Profit carried to the Balance Sheet	**(3610)**	**(832)**	**(10532)**	**22**	**(3094)**			**(2510)**	**(135)**	**(467)**	**(1605)**	**206**	**(1565)**	**(11)**	**12**	**(2882)**	**(284)**	**(24737)**	(2550)

Note:

1. ING Vysya, AMP Sanmar,Allianz Bajaj commenced operations w.e.f. 2001-02
2. Birla Sunlife,HDFC Standard Life have not shown opening balances in (a) under the heading "Appropriations"
3. * LIC followed different practice for the financial year 2001-02
4. HDFC STANDARD 2001-2002 figures relates to the period 01-01-2001 to 31-03-2002 i.e. 15 months and Previous year figures were upto 31st Dec 2000
5. Please Refer Notes attached

TABLE – 12

Balance Sheet: All Life Insurers

(Rs. in Lakhs)

Particulars	BIRLA SUNLIFE		ICICI PRUDENTIAL		ING VYSYA	L I C		HDFC STANDARD		MAX NEW YORK		AMP SANMAR	ALLIANZ BAJAJ	SBI LIFE	OM KOTAK	TATA AIG	METLIFE	TOTAL	
	2001 -02	2000 -01	2001 -02	2000 -01	2001 -02	2001 -02	2000 -01	2001 -02	2000 -02	2001 -01	2000	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2001 -02	2000 -01
SOURCES OF FUNDS																			
SHAREHOLDERS' FUNDS:																			
SHARE CAPITAL	14908	11908	19000	15000	11000	500	500	16618	16618	24963	10453	12436	14872	12500	10058	18335	11000	**166190**	54479
RESERVES AND SURPLUS				22		10788		25				206			5216			**16235**	22
CREDIT/[DEBIT] FAIR VALUE CHANGE ACCOUNT																			
Sub-Total	**14908**	**11908**	**19000**	**15022**	**11000**	**11288**	**500**	**16643**	**16618**	**24963**	**10453**	**12642**	**14872**	**12500**	**15274**	**18335**	**11000**	**182425**	**54501**
BORROWINGS					77							232					59	**368**	
POLICYHOLDERS' FUNDS:																			
CREDIT/[DEBIT] FAIR VALUE CHANGE ACCOUNT	74					304142	17061											**304216**	17061
POLICY LIABILITIES	287		13320	494	353	22939514	18752237			2036	16	11	341	1436	349	451	9	**22958107**	18752747
INSURANCE RESERVES				(2065)		239429	42	2789	99	(7822)		(1114)			(2344)			**230938**	(1924)
PROVISION FOR LINKED LIABILITIES	1616	16	754			362	219									117		**2849**	235
Sub-Total	**1977**	**16**	**14074**	**(1571)**	**430**	**23483447**	**18769559**	**2789**	**99**	**(5786)**	**16**	**(871)**	**341**	**1436**	**(1995)**	**568**	**68**	**23496478**	**18768119**
FUNDS FOR FUTURE APPROPRIATIONS	3	3				350218		321	48				16					**350558**	51
TOTAL	**16888**	**11927**	**33074**	**13451**	**11430**	**23844953**	**18770059**	**19753**	**16765**	**19177**	**10469**	**11771**	**15229**	**13936**	**13279**	**18903**	**11068**	**24029461**	**18822671**
APPLICATION OF FUNDS																			
INVESTMENTS																			
Shareholders'	9578	9960	5159	12154	7501	10500		9731	11980	14125	7516	11975	10985	10944	10031	10276	9833	**120638**	41610
Policyholders'	290	4	13258		354	18641460	14249243	3016	141	2053			357	462	349	451		**18662050**	14249388
ASSETS HELD TO COVER LINKED LIABILITIES	1616	15	754													117		**2487**	15
LOANS						3426790	3169685	67										**3426857**	3169685
FIXED ASSETS	2074	1380	2819	1418	1037	94450	89777	3273	279	2292	1186	694	1939	141	1003	1543	106	**111371**	94040
CURRENT ASSETS																			
Cash and Bank Balances	693	445	1071	341	165	716962	478706	1452	4460	958	36	37	737	652	2059	3203	574	**728563**	483988
Advances and Other Assets	894	363	2221	638	792	1642983	1264053	1088	711	1308	796	129	1294	2291	869	1478	533	**1655880**	1266561
Sub-Total (A)	**1587**	**808**	**3292**	**979**	**957**	**2359945**	**1742759**	**2540**	**5171**	**2266**	**832**	**166**	**2031**	**2943**	**2928**	**4681**	**1107**	**2384443**	**1750549**
CURRENT LIABILITIES	2664	1072	2740	1100	1592	377682	315397	1519	941	2024	670	1060	1647	564	1032	1284	262	**394070**	319180
PROVISIONS	35					310510	166008			2		4	1	1				**310553**	166008
Sub-Total (B)	**2699**	**1072**	**2740**	**1100**	**1592**	**688192**	**481405**	**1519**	**941**	**2026**	**670**	**1064**	**1648**	**565**	**1032**	**1284**	**262**	**704623**	**485188**
NET CURRENT ASSETS (C) = (A – B)	**(1112)**	**(264)**	**552**	**(121)**	**(635)**	**1671753**	**1261354**	**1021**	**4230**	**240**	**162**	**(898)**	**383**	**2378**	**1896**	**3397**	**845**	**1679820**	**1265361**
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)					79											237		**316**	
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT (Shareholders' Account) *	4442	832	10532		3094			2645	135	467	1605		1565	11		2882	284	**25922**	2572
TOTAL	**16888**	**11927**	**33074**	**13451**	**11430**	**23844953**	**18770059**	**19753**	**16765**	**19177**	**10469**	**11771**	**15229**	**13936**	**13279**	**18903**	**11068**	**24029461**	**18822671**

Note:

1. ING Vysya, AMP Sanmar, Allianz Bajaj commenced operations w.e.f. 2001-02
2. Loans and Advances include Deferred Tax
3. * Represents the total loss for the year of Rs.25,922 lakhs, which doesn't tally with P & L account, where the figure was shown as Rs.24,737 lakhs. Because the insurers followed a different practice under item (a) under the head "Appropriations" in P & L a/c
4. HDFC STANDARD 2001-2002 figures relates to the period 01-01-2001 to 31-03-2002 i.e. 15 months and Previous year figures were upto 31st Dec 2000
5. Please Refer Notes attached

Notes to Tables 10 to 12:

1. Birla Sunlife, Allianz Bajaj Life, Met Life and HDFC Std Life disclosed the item "Transfer from Shareholders" under the head "Transfers/ Other Incomes in Revenue Account".
2. Max New York and AMP Sanmar disclosed the Deficit in Revenue Account under the head "Insurance Reserves" in Balance Sheet.
3. In Profit and Loss Accounts of Birla Sunlife, HDFC Std Life – Balance at beginning of the year was not disclosed in "Appropriations" section of Profit & Loss Account.
4. Birla Sunlife, HDFC Std Life and Allianz Bajaj disclosed Debit balance in Profit & Loss Account and "Funds for Future Appropriation" in Balance Sheet separately.
5. ING Vysya disclosed Preliminary expenses under the head "Miscellaneous Expenses not written off".
6. Om Kotak disclosed "loss on sale/redemption of investments" as Expense.

TABLE – 13

Life Insurance Corporation of India: Capital Redemption & Annuity Certain (CRAC) Business

REVENUE ACCOUNT

(Rs. in Lakhs)

PARTICULARS	2001-02	2000-01
Premiums earned *(Net)*	(121)	349
Profit/Loss on sale/redemption of Investments		
Others (to be specified)		16
Interest, Dividend & Rent – *Gross*	472	484
TOTAL (A)	351	849
Claims Incurred *(Net)*	355	329
Commission	2	7
Operating Expenses related to Insurance Business	16	27
Others-Amortisations,Write-off & Provisions	177	174
Foreign Taxes		
TOTAL (B)	550	537
Operating Profit/(Loss) from Fire/Marine/ Miscellaneous Business C= (A-B)	(199)	312
APPROPRIATIONS		
Transfer to Shareholders' Account	(199)	312
Transfer to Catastrophe Reserve		
Transfer to Other Reserves *(to be specified)*		
TOTAL (C)	(199)	312

(This is a 'Closed Miscellaneous Insurance Business' w.e.f. 2001-02)

TABLE – 14

Life Insurance Corporation of India: Capital Redemption & Annuity Certain (CRAC) Business

PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

PARTICULARS	2001-02	2000-01
OPERATING PROFIT/(LOSS)		
(a) Fire Insurance		
(b) Marine Insurance		
(c) Miscellaneous Insurance	(199)	312
INCOME FROM INVESTMENTS		
(a) Interest, Dividend & Rent – Gross		
(b) Profit on sale of investments		
Less: Loss on sale of investments	(12)	
OTHER INCOME *(To be specified)*		
TOTAL (A)	(211)	312
PROVISIONS *(Other than taxation)*		
(a) For diminution in the value of investments		
(b) For doubtful debts		
(c) Others (to be specified)		
OTHER EXPENSES		
(a) Expenses other than those related to Insurance Business		
(b) Bad debts written off		
(c) others (To be specified)		
TOTAL (B)		
Profit Before Tax	(211)	312
Provision for Taxation		
Profit after Tax	(211)	312
APPROPRIATIONS		
(a) Interim dividends paid during the year		
(b) Proposed final dividend		311
(c) Dividend distribution tax		
(d) Transfer to any Reserves or Other Accounts (to be specified)		
Transfer to General Reserve		
Balance of Profit/Loss B/f from last year	1	
Balance C/f to Balance Sheet	(210)	1

(This is a 'Closed Miscellaneous Insurance Business' w.e.f. 2001-02)

TABLE – 15

Life Insurance Corporation of India:
Capital Redemption & Annuity Certain (CRAC) Business

BALANCE SHEET

SOURCES OF FUNDS	2001-02	2000-01
Share Capital	0	0
Reserves & Surplus	36	34
Fair Value Change Account	840	7
Policy Liabilities	4725	5035
Borrowings		
TOTAL	5601	5076
APPLICATION OF FUNDS		
Investments	5072	4846
Loans		5
Fixed Assets		
CURRENT ASSETS		
Cash & Bank Balance	10	16
Advances and Other Assets	1032	555
Sub-Total (A)	1042	569
CURRENT LIABILITIES	63	56
Provisions	450	288
Sub-Total (B)	513	344
Net Current Assets (C)= (A-B)	**529**	**225**
Misc. Expenditure *(to the extent not written off or adjusted)*		
Profit & Loss Account (Debit Balance)		
TOTAL	5,601	5,076

(This is a 'Closed Miscellaneous Insurance Business' w.e.f. 2001-02)

TABLE – 16
NEW PRODUCTS INTRODUCED IN 2001-02

Name of the Life Insurer	Name of Products (Brand Names)	Riders attached to the products
Allianz Bajaj Life Insurance Co. Ltd	Bajaj Allianz Save Care Bajaj Allianz Cash Care Bajaj Allianz Life Time Care Allianz Bajaj Risk Care Allianz Bajaj Term Care Allianz Bajaj Group Risk Care Allianz Bajaj Group Credit Care Alliaz Bajaj Group EDLIs Care Save Care-Economy-SP	Critical Illness Benefit Accidental Death Benefit Accidental permanent total/partial disability Benefit Waiver of premium Benefit Hospital Cash Benefit Start of Life Benefit
AMP Sanmar Assurance Co. Ltd	Dhana Shree Subha Shree Yuva Shree Nithya Shree Raksha Shree	Accidental Death and Total and Permanent Disability Rider Critical Condition Rider
Birla Sunlife Insurance Co. Ltd	Group Superannuation Policy for Canadian High Commission Birla Sunlife Flexi Family Shield Term Plan Birla Sunlife Single Premium Group Term Product Birla Sunlife Special Endowment Birla Sunlife Group Protection Solutions Birla Sunlife Young Scholar Birla Sunlife Group Superannuation Product	Critical Illness Rider Accident Death & Disability Rider Term Rider
HDFC Standard Life Insurance Ltd	HDFC Group Term Insurance HDFC Protection Series HDFC Immediate Annuity HDFC Personal Pension Plan HDFC Group Term Assurance	Accelerated Sum Assured Accidental Death Benefit Critical Illness Benefit
ICICI Prudential Insurance Co. Ltd	ICICI-Pru-ReAssure ICICI-Pru-AssureInvest ICICI Pru-Life Link ICICI-Pru-Life Time ICICI-Pru-Assure Invest (Revised) ICICI-Pru-ReAssure (Revised) ICICI-Pru-Smart Kid ICICI-Save 'N' Protect-Revised	Level term insurance Accident and disability Benefit Major surgical assistance cover Critical illness cover Income Benefit Rider

Name of the Life Insurer	Name of Products (Brand Names)	Riders attached to the products
ING Vysya Life Insurance Co. Ltd	Reassuring life endowment Plan Fulfilling life anticipated whole life Plan Maximising life Money back Plan Securing Life Rural Endowment Plan Rewarding Life Whole of Life Plan Generic Group Term Insurance for Social Sector	Term Benefit Accident Death & Disability Rider Waiver of Premium
Life Insurance Corporation of India	Khetihar Mazdoor Bima Yajona Shiksha Sahayog Yojana Bima Nivesh New Bima Nivesh New Jeevan Akshay-1 New Jeevan Dhara/ Jeevan Suraksha LIC"s Bima Plus – Unit Linked Insurance Policy Jeevan Anand New Bima Kiran New Jeevan Shree	Term Rider
Max New York Life Insurance Co Ltd	Group Term Insurance Endowment to age 60 Children Endowment	Dread disease Rider Accident Death & Disability Rider Waiver of Premium
Metlife Insurance Co. Ltd	Limited Payment Whole Life Non Participating Endowment Assurance-Non Participating Money Back-Non Participating	Accidental Death Benefit Term Rider Waiver of Premium Limited Pay/Critical Illness
OM Kotak Mahindra Life Insurance Co. Ltd	Kotak Endowment Plan Kotak Money Back Plan Kotak Insurance Bond Kotak Gramin Bima Yojana Kotak Term Assurance Plan Kotak Insurance Bond-New Version Kotak Credit Term Group Plan Kotak Term Group Plan Kotak Investment Assurance Plan	Term Cover Accidental Death Cover Permanent Disability Cover Critical Illness Benefit Waiver of Premium
SBI Life Insurance Co. Ltd	Young Sanjeevan Sukhjeevan SBI Life Scholar SBILife-Super Suraksha Swarna Ganga SBILife-Credit Guard	Accidental Death and Dismemberment Permanent Disability Critical Illness

Name of the Life Insurer	Name of Products (Brand Names)	Riders attached to the products
TATA AIG Life Insurance Co. Ltd	Group Term Life	Term Cover Rider
	Group Credit Card Term Insurance Protection Plan	Accidental Death Benefit Short Scale
	Assure One Year Lifeline Plan-Yearly Renewable Convertible Term Plan	Permanent Disability
	Assure Lifeline to Age 60-Term to age 60 Plan	Critical Illness Benefit – Accelarated Benefit
	Assure Five Years Lifeline Plan-5 Yearly Renewable Convertible Term Plan	Critical Illness Benefit – Lump Sum Benefit
	Assure 10 Years/15 Years/20 Years /25 Years Lifeline Plans – 10/15/20/ 25 Years Term Plan	ADD Rider Long Scale
	Assure 15 Years Lifeline (With Return of Premiums) Plan	Term to 60 rider
	Assure 5/10 Years Plan –SP	10/15/20/25 Year term Rider
	Group Regular Premium Mortgage Reducing Term Insurance Plan	
	Group Regular Premium Mortgage Reducing Term Insurance Plan	
	Group Single Premium Personal Loan Reducing Term Insurance Plan	
	Group Regular Premium Personal Loan Reducing Term Insurance Plan	
	Guaranteed Issue 10 Years Endowment Plan Non Participating (Assure Humrahi)	
	Tata AIG Comprehensive Gratuity Scheme	
	Tata AIG Comprehensive Superannuation Policy-Defined Benefit	
	Tata AIG Comprehensive Superannuation Policy-Defined Contribution	
	Single Premium Immediate Annuity Option with return of Premium	
	The Achiever at 21	
	Assure Career Builder	
	The Achiever at 18	
	Assure Pay Master	

TABLE – 17 (i)

MORTALITY RATES OF ASSURED LIVES IN LIC OF INDIA – LIC 94-96 ULTIMATE

Age	Mortality Rate	Age	Mortality Rate
14	0.00071	57	0.01029
15	0.00077	58	0.01103
16	0.00082	59	0.01195
17	0.00087	60	0.01307
18	0.00092	61	0.01439
19	0.00096	62	0.01590
20	0.00100	63	0.01761
21	0.00103	64	0.01952
22	0.00106	65	0.02162
23	0.00109	66	0.02272
24	0.00111	67	0.02562
25	0.00113	68	0.02882
26	0.00115	69	0.03237
27	0.00116	70	0.03629
28	0.00117	71	0.04062
29	0.00117	72	0.04539
30	0.00117	73	0.05064
31	0.00117	74	0.05640
32	0.00120	75	0.06273
33	0.00125	76	0.06966
34	0.00131	77	0.07723
35	0.00139	78	0.08550
36	0.00148	79	0.09452
37	0.00159	80	0.10433
38	0.00172	81	0.11499
39	0.00187	82	0.12655
40	0.00205	83	0.13907
41	0.00225	84	0.15108
42	0.00242	85	0.16230
43	0.00260	86	0.17415
44	0.00283	87	0.18664
45	0.00311	88	0.19978
46	0.00344	89	0.21356
47	0.00382	90	0.22800
48	0.00424	91	0.24307
49	0.00472	92	0.25878
50	0.00524	93	0.27511
51	0.00582	94	0.29203
52	0.00644	95	0.30952
53	0.00712	96	0.32755
54	0.00784	97	0.34607
55	0.00861	98	0.36505
56	0.00943	99	0.38444

TABLE – 17 (ii)

MORTALITY RATES OF ANNUITANTS IN LIC OF INDIA – LIC a (96-98) ULTIMATE

Age	Mortality Rate	Life Expectation	Age	Mortality Rate	Life Expectation
20	0.000919	57.45	65	0.013889	17.33
21	0.000961	56.50	66	0.015286	16.56
22	0.000999	55.56	67	0.017026	15.81
23	0.001033	54.61	68	0.019109	15.08
24	0.001063	53.67	69	0.021534	14.36
25	0.001090	52.72	70	0.024301	13.67
26	0.001113	51.78	71	0.027410	12.99
27	0.001132	50.84	72	0.030862	12.35
28	0.001147	49.89	73	0.034656	11.72
29	0.001159	48.95	74	0.038793	11.13
30	0.001166	48.01	75	0.043272	10.56
31	0.001170	47.06	76	0.048093	10.01
32	0.001170	46.12	77	0.053257	9.49
33	0.001171	45.17	78	0.058763	9.00
34	0.001201	44.22	79	0.064611	8.53
35	0.001246	43.28	80	0.070802	8.08
36	0.001308	42.33	81	0.077335	7.66
37	0.001387	41.38	82	0.084210	7.26
38	0.001482	40.44	83	0.091428	6.88
39	0.001593	39.50	84	0.098988	6.52
40	0.001721	38.56	85	0.106891	6.19
41	0.001865	37.63	86	0.115136	5.87
42	0.002053	36.70	87	0.123723	5.56
43	0.002247	35.77	88	0.132652	5.28
44	0.002418	34.85	89	0.141924	5.01
45	0.002602	33.93	90	0.151539	4.76
46	0.002832	33.02	91	0.161495	4.52
47	0.003110	32.11	92	0.171794	4.29
48	0.003438	31.21	93	0.182436	4.07
49	0.003816	30.32	94	0.193419	3.87
50	0.004243	29.43	95	0.204746	3.68
51	0.004719	28.56	96	0.216414	3.50
52	0.005386	27.69	97	0.228425	3.33
53	0.006058	26.84	98	0.240778	3.17
54	0.006730	26.00	99	0.253473	3.01
55	0.007401	25.17	100	0.266511	2.86
56	0.008069	24.35	101	0.279892	2.72
57	0.008710	23.55	102	0.293614	2.59
58	0.009397	22.75	103	0.307679	2.46
59	0.010130	21.96	104	0.322087	2.33
60	0.010907	21.18	105	0.336836	2.19
61	0.011721	20.41	106	0.351928	2.05
62	0.011750	19.64	107	0.367363	1.89
63	0.012120	18.87	108	0.383139	1.70
64	0.012833	18.10	109	0.399258	1.45
			110	0.415720	1.08

TABLE – 18

APPOINTED ACTUARIES OF LIFE INSURERS
(as at 31st March, 2002)

LIC	N.S. Sastri, FASI
BSLIC	Peter Akers, FASI
IPLIC	V. Rajagopalan, FASI
MNYLIC	K.P. Sharma, FASI
HSLIC	Nicholas David Taket, FASI
Tata AIG	P.B. Chung, FASI
OM Kotak	Andrew Cartwright, FASI
ING Vysya	N.A. Cheema, FASI
Dabur CGU	K.K. Wadhawa, FASI
AMP Sanmar	R.S. Rajan, FASI
MetLife	R.P. Sharma, FASI
SBI Life	R. Kannan, FASI
Allianz Bajaj	A.V. Ganapathy

Notes:

LIC: Life Insurance Corporation of India

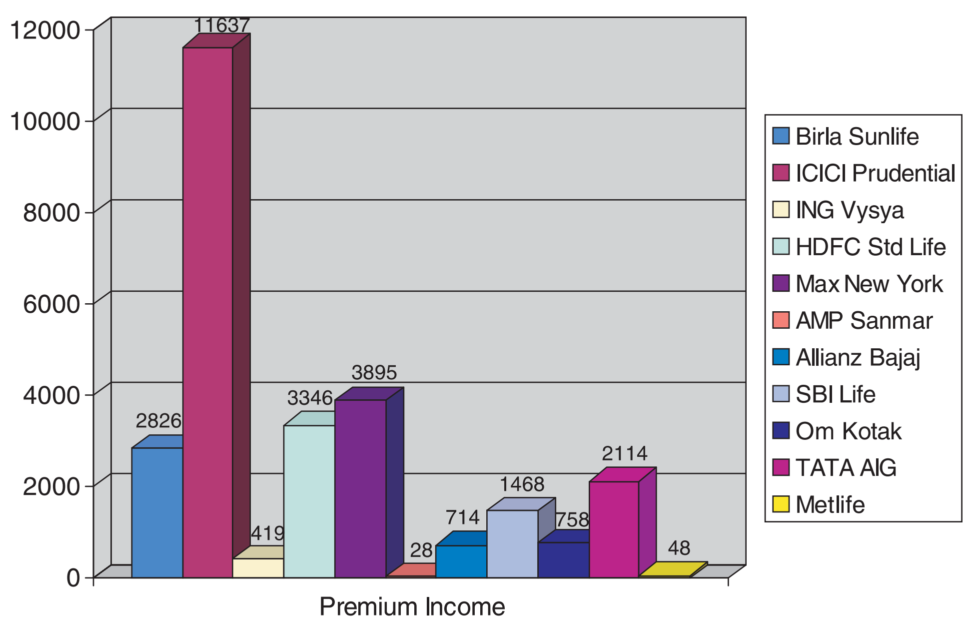
BSLIC: Birla Sun Life Insurance Company Limited

IPLIC: ICICI Prudential Life Insurance Company Limited

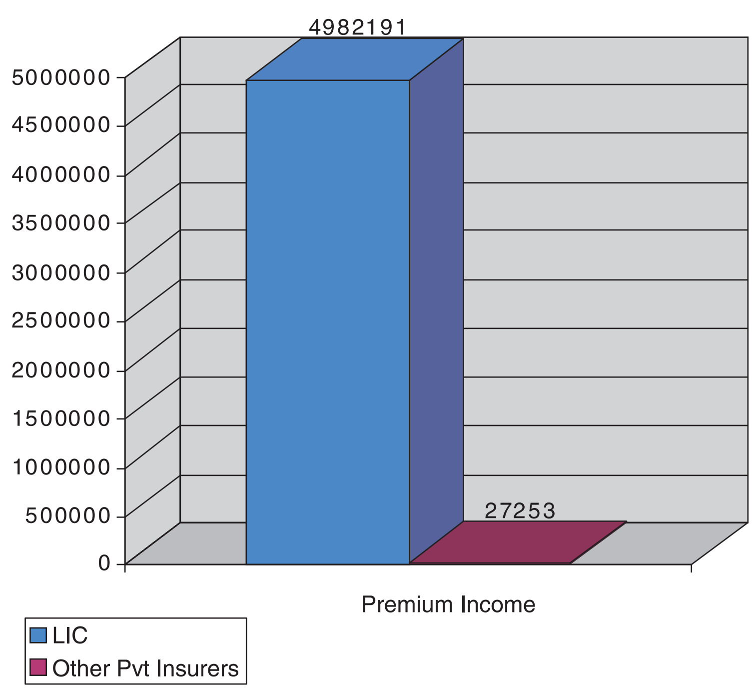
MNYLIC: Max New York Life Insurance Company Limited

HSLIC: HDFC Standard Life Insurance Company Limited

PREMIUM INCOME OF PRIVATE INSURERS FOR 2001-02
(Rs. in Lakhs)



PREMIUM INCOME OF LIC VIS-À-VIS PRIVATE INSURERS 2001-02
(Rs. in Lakhs)



(ii) General Insurance

The number of non-life insurers, in the private sector, who have been granted registration to underwrite business within the country, was six at the close of the year. Three more companies have been registered after the end of the year and up to the date of this report. This follows the entry of five more insurers from 1^{st} April, 2001. Other than Cholamandalam, Reliance General Insurance Companies, ECGC of India Ltd., all other insurers have entered the non-life insurance market in association with foreign partners.

The public sector insurers continued to underwrite a major component of the non-life business. The gross direct premium income of the four public sector companies was Rs. 11917.58 crore during the financial year 2001-02, recording an increase of 21.61%. However, profitability of these companies continued to be under strain on account of the net incurred claims ratio going up to 90.20% for all classes of business. A review of the performance of the public sector companies reveals the reasons for high underwriting losses. The factors which contributed to these losses were the very high awards in respect of motor third party claims; natural calamities like the Kandla cyclone, Orissa super cyclone and the Gujarat Earthquake. The rationalization of the fire tariff brought into effect from 1st May 2001 also resulted in the lower realization of premium under this head. A revision in motor tariff effected in July 2002 and increase in mediclaim premium are, however, expected to add to the bottom line of the insurers.

Management expenses of public sector insurance companies have continued to exceed the statutory prescribed ceilings. This has been attributed by the companies as due to increases in salaries of officers and staff employed by them. The Authority has advised the CEOs of these companies to initiate the necessary steps to bring down expenses in line with the prescribed norms. Compliance with these limits, it is understood, could be either by increasing the premium income or by controlling the over-all expenses. The companies have been granted a breather in this regard and have been asked to comply with the rules at the earliest possible time. These insurers have reportedly initiated the necessary steps in this area and the results could be visible in the near future.

The measures which have been initiated by the public sector companies to improve their performance include interalia – evolving prudent underwriting guidelines and control to prevent loss of premium; revision in the premium for mediclaim policies; thrust on marketing personal line products; better coordination amongst the public sector companies through GIPSA (an informal association of the government non-life companies) for avoiding needless competition resulting in uneconomic rates; extensive implementation of technology to upgrade their service capabilities; organisational restructuring by consolidation of offices to improve viability; and introduction of transfer cum mobility policy for officers and employees.

On the paid-up equity share capital of Rs.100 crore, each of the four nationalized companies, New India and United India declared dividend of 20% and 30% respectively for the financial year 2001-02. In the previous year, i.e., 2000-01, Oriental Insurance had also declared a dividend of 30%.

The public sector non-life companies undertook foreign operations through their branches or agencies or associates/subsidiary companies in thirty countries. During the year ended 31^{st} March, 2002 direct overseas operations of the four subsidiaries accounted for gross premium income of Rs.938.29 crore recording an increase of 35% over the previous year. The branch net premium income recorded by the public sector companies was Rs. 835.65 crore, i.e. an increase of 25% over the previous year. Simultaneously, the branch net claims too recorded an increase of approximately 70% of the net premium as against 60% in the previous year.

The performance of Kenindia Assurance Company Limited, a joint venture company of GIC and its subsidiaries and LIC in Kenya was satisfactory, despite continuing adverse economic conditions. The gross written premium of the company was K.Shs 2273.54 million, recording a growth rate of 6.72% during the year. The long term (life business) recorded a premium of K.Shs. 572.25 million, registering a growth rate of 61.34% over the previous year.

India International Insurance Pte. Limited, Singapore, a company jointly promoted by GIC and the four public sector non-life companies underwrote net premium income

S$ 49.2 million, i.e. a growth of 23% over the previous year. The net profit of the company recorded a growth of 14% at S$ 13.8 million.

While the experience of private insurers has been encouraging in terms of the business underwritten in various lines of business, the need for them to re-orient themselves in various lines of business has been brought out by the extent of underwriting losses reported by them in various lines of business. The private sector insurers too would need to draw lessons from their experiences in the last one year as to ensure that while they aggressively pursue the goal of capturing business, they are prudent enough to diversify into various lines as to build up sound and varied insurance portfolios.

During the financial year 2001-02, six private sector insurers underwrote non-life business. Of these, while five insurers have been formed as joint ventures with foreign equity participation, in case of Reliance General Insurance Co. Ltd, the company has been promoted as a subsidiary of the Reliance Group. The gross premium underwritten by the non-life private sector insurers was Rs.465.77 crore, as against Rs. 7.14 crore in the previous year. The gross premium underwritten by these insurers was 3.74% of the total market as against a mere 0.07% in the previous year.

An analysis of the class-wise business figures of the private insurers reveals that these insurers have booked underwriting losses in all segments of business (other than fire insurance in case of two companies and marine insurance in case of one company). Two companies have recorded a net profit during the financial year 2001-02. A major contributor to the overall underwriting losses has been motor claims insurance. The net incurred claims of the private sector non-life insurers was 38.72%.

The non-life insurers have focused on the development of business in rural areas and are coming out with fairly new and innovative schemes to attract the rural clientele. The products launched by them include insurance for groups of foundry workers, agricultural labourers, construction workers, tailors and seamstresses. Schemes have been introduced for both the farmers as well as agricultural machinery. A scheme introduced by IFFCO-Tokio Marine is interesting in this background (a risk cover for a farmer for every bag of fertilizer sold).

Motor insurance, which accounts for a third of the total business continues to be a loss-making portfolio. New private companies are being very cautious in their approach to this segment. They are unwilling to insure commercial and old vehicles. Underwriting commercial vehicles such as trucks, tankers, taxis and old vehicles are not considered viable due to the huge losses that are incurred every year. With the third-party insurance being mandatory for all vehicles plying in India, the insurance companies expect TAC to put a cap on third-party liability. Currently, for a premium of a few thousand rupees, the insurance company runs the risk of incurring claims worth crores of rupees. This is something that new companies with a paid-up capital of Rs. 100 crore cannot afford to bear.

Recognising the need to rationalize the motor portfolio, the TAC appointed a committee, with a broad representation of various interests, under the chairmanship of Shri H. Ansari, a past member of the Authority. The committee submitted a unanimous report. The Committee had suggested the division of the country into four zones, based on the risk perspectives, adoption of differential pricing based on the age and size of the vehicles, usage etc.; an enhancement of the limit of third party property damage on a voluntary basis, etc. The Authority felt that the general enhancement of the premium structure suggested by the committee, in this regard to certain segments such as own damage portion of two wheelers, private cars etc., was steep and toned down the increases. The new increase was brought into operation from 1st July, 2002. Some operators, including those who were signatories to the report, have challenged the increases, more particularly the manner in which the insurers have implemented the enhancements and denied the opportunity for covering compulsory statutory third party risks. The Calcutta High Court has dismissed the writs, upholding the action taken by the Authority. Some petitions are pending in Madras and Kerala High Courts at various stages. The rationalization of the motor premium structure is expected to add a gross premium of Rs. 600 to 750 crore to the insurers and make the portfolio self-sustaining.

Following the re-designation of General Insurance Corporation, the GIC ceased to do any direct business in India except crop insurance. Its gross direct premium income for the year amounted Rs. 311.57 crore. The Corporation has been underwriting aviation insurance business, and is the implementing agency under the National Agricultural Insurance Scheme and is also underwriting business under the pilot scheme on seed crop insurance. The premium from aviation class of business was Rs. 23.52 crore, which is a decrease of more than 55% on account of cession of new direct business by GIC and collection of only residual installments in respect of Indian Airlines. The Indian inward premium out of obligatory cession was Rs. 26 crore. The foreign inward premium on aviation business reflected a substantial hardening of the aviation market by way of higher premiums as also new business growth. The imposition of the war surcharge premium on liabilities in the global aviation insurance market also significantly contributed to the increase in the same. During the year 2001-02 the country's entire aviation business premium was recorded in the accounts of GIC. Claims of the Corporation in the aviation business, on gross basis were Rs. 15.64 crore as against Rs.4.62 crore in the previous year.

Until 2000-01, the General Insurance Corporation of India (GIC) as the owner of the four nationalized companies was arranging the reinsurance programme for the entire Indian market. GIC has now been declared as the Indian reinsurer and thus has been placed in an obligatory position to act for the reinsurance market in the country as a whole. Each of the insurers is under an obligation to cede to the GIC, 20% of its gross premium. The GIC continued to act as the manager of marine hull pool on behalf of the insurance industry. The GIC's reinsurance programme for 2001-02 was designed to fulfill the objectives of maximising retention within the country; developing adequate capacity; securing the best possible protection for the reinsurance costs incurred; and simplifying the administration of business.

During the year the GIC was to offer the maximum support to the Indian insurers consistent with the above objectives. The results of fiscal 2001-02 were favourable to the GIC despite the negative result of the Indian motor market portfolio and the Gujarat riots which produced an estimated gross loss of Rs. 149 crore. This event did not affect the GIC's Catastrophe Excess of Loss programme.

Another important development in the year concerns the after affects of the destruction in September, 2001 of the twin towers at New York of the World Trade Centre. Even earlier to this event, the reinsurance market was turning hard after a comparatively easy market for about six years. With the one tragedy in New York, the rates for reinsurance cover sky-rocketed to level hitherto unknown. To add to the existing difficulties and strains, a reinsurance cover for terrorism risks was denied by the world reinsurers which resulted in most of the mega risks (which had opted out of the TAC rate structure) going uncovered. Terrorism risk which hitherto had remained an integral part of the material damage cover under a fire policy had perforce to be delinked and considered as a separate cover for which a separate rate of premium had to be quoted. In the absence of a proper reinsurance cover, some other arrangements had to be designed on an urgent basis.

The Authority initially proposed to levy a surcharge on premium and accumulate such a surcharge on an industry basis for purposes of special dispensation. Since such an accumulation in the early phases of the operation of the scheme was bound to be small, in the face of huge payments likely to arise in case of a trigger to a claim, government was consulted on the concept of it being the final bail-out party to meet the claims. It was understood that such claims will be reimbursed to the government by the industry over a period of time. There was also a general agreement with the government on a proposal to grant tax recognition and deduction in respect of a catastrophe reserve which the general insurers will be encouraged to build in their books. The industry, however, after discussion with the Authority wanted the levy to be made for terrorism cover as premium. It was decided to create a pool of such collections to be administered by the GIC. The concept of such a pool arrangement has been working since 1.4.2002. The Authority intends to study the performance of this arrangement over this period of time and adopt such changes as may be necessary in the working of the system. The Authority has assured the insureds that their risk will not remain uncovered and to the extent possible, the industry will take requisite measures.

TABLE – 19
REVENUE ACCOUNT: PUBLIC NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	NEW INDIA								ORIENTAL							
	2001-02				2000-01				2001-02				2000-01			
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total
Premiums earned (Net)	67924	18812	199151	285887	62768	19212	175666	257646	39282	17921	124869	182072	40307	13208	114872	168387
Profit/ Loss on sale/redemption of Investments	551	264	2521	3336	503	256	2146	2906	336	167	1671	2174				
Others (to be specified)	(151)	(373)	(3274)	(3798)	(793)	(376)	(3163)	(4332)						6	33	39
Interest, Dividend & Rent – Gross	7827	3751	35834	47413	7535	3839	32125	43499	4862	2421	24185	31468				
TOTAL (A)	**76151**	**22455**	**234232**	**332838**	**70014**	**22931**	**206775**	**299719**	**44480**	**20509**	**150725**	**215714**	**40307**	**13214**	**114905**	**168426**
Claims Incurred (Net)	37177	13134	205203	255514	39269	14175	174529	227973	19275	7427	156089	182791	26628	9135	114443	150206
Commission	850	(1034)	8167	7982	(126)	(1722)	2327	480	(1894)	(465)	24	(2336)	(1958)	(689)	(1873)	(4520)
Operating Expenses related to Insurance Business	21969	5275	50209	77454	20128	5385	48548	74060	14541	4118	42244	60903	13349	3348	33601	50298
Others-Amortisations, Writeoffs & Provisions									30			30	3			3
Foreign Taxes	56	9	261	327	56	12	389	457								
TOTAL (B)	**60052**	**17384**	**263840**	**341276**	**59327**	**17850**	**225793**	**302970**	**31952**	**11080**	**198357**	**241389**	**38022**	**11794**	**146171**	**195987**
Operating Profit/(Loss) from Fire /Marine/Miscellaneous Business C= (A-B)	**16099**	**5071**	**(29608)**	**(8438)**	**10686**	**5081**	**(19019)**	**(3252)**	**12528**	**9429**	**(47632)**	**(25675)**	**2285**	**1420**	**(31266)**	**(27561)**
APPROPRIATIONS																
Transfer to Shareholders' Account	16099	5071	(29608)	(8438)	10686	5081	(19019)	(3252)	12528	9429	(47632)	(25675)	2285	1420	(31266)	(27561)
Transfer to Catastrophe Reserve																
Transfer to Other Reserves (to be specified)																
TOTAL (C)	**16099**	**5071**	**(29608)**	**(8438)**	**10686**	**5081**	**(19019)**	**(3252)**	**12528**	**9429**	**(47632)**	**(25675)**	**2285**	**1420**	**(31266)**	**(27561)**

REVENUE ACCOUNT: PUBLIC NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	UNITED								NATIONAL								TOTAL	
	2001-02				2000-01				2001-02				2000-01				2001-02	2000-01
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total		
Premiums earned (Net)	44630	14278	138372	197280	44999	14950	122255	182204	36655	14912	130131	181698	38051	13927	118493	170471	**846937**	778708
Profit/ Loss on sale/redemption of Investments	878	540	5129	6547					200	136	1101	1437					**13494**	2906
Others (to be specified)	(7)	47	804	844	(129)	(34)	28	(135)		7	263	270			252	252	**(2684)**	(4176)
Interest, Dividend & Rent – Gross	5515	3393	32205	41113			226	226	4256	2905	23399	30560					**150554**	43725
TOTAL (A)	**51016**	**18258**	**176510**	**245784**	**44870**	**14916**	**122509**	**182295**	**41111**	**17960**	**154894**	**213965**	**38051**	**13927**	**118745**	**170723**	**1008301**	**821163**
Claims Incurred (Net)	17560	8164	152357	178081	28819	11885	136989	177693	19236	7809	145465	172510	17903	5694	122566	146163	**788896**	702035
Commission	(3745)	(1529)	3521	(1753)	(3834)	(1898)	114	(5618)	(1765)	(651)	1403	(1013)	(1198)	(911)	1928	(181)	**2881**	(9840)
Operating Expenses related to Insurance Business	14874	4136	38777	57787	13534	4445	34275	52254	12647	3829	39958	56434	12103	3505	33622	49230	**252578**	225842
Others-Amortisations, Writeoffs & Provisions	1141	703	6664	8508					37			37	35	13		48	**8575**	51
Foreign Taxes																	**327**	457
TOTAL (B)	**29830**	**11474**	**201319**	**242623**	**38519**	**14432**	**171378**	**224329**	**30155**	**10987**	**186826**	**227968**	**28843**	**8301**	**158116**	**195260**	**1053256**	**918546**
Operating Profit/(Loss) from Fire /Marine/Miscellaneous Business C= (A-B)	**21186**	**6784**	**(24809)**	**3161**	**6351**	**484**	**(48869)**	**(42034)**	**10956**	**6973**	**(31932)**	**(14003)**	**9208**	**5626**	**(39371)**	**(24537)**	**(44955)**	**(97383)**
APPROPRIATIONS																		
Transfer to Shareholders' Account	21186	6784	(24809)	3161	6351	484	(48869)	(42034)	10956	6973	(31932)	(14003)	9208	5626	(39371)	(24537)	**(44955)**	(97383)
Transfer to Catastrophe Reserve																		
Transfer to Other Reserves (to be specified)																		
TOTAL (C)	**21186**	**6784**	**(24809)**	**3161**	**6351**	**484**	**(48869)**	**(42034)**	**10956**	**6973**	**(31932)**	**(14003)**	**9208**	**5626**	**(39371)**	**(24537)**	**(44955)**	**(97383)**

TABLE – 20

PROFIT AND LOSS ACCOUNT: PUBLIC NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	NEW INDIA		ORIENTAL		UNITED INDIA		NATIONAL		TOTAL	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
OPERATING PROFIT/(LOSS)										
(a) Fire Insurance	16099	10686	12528	2285	21186	6351	10956	9208	**60769**	28530
(b) Marine Insurance	5071	5081	9429	1420	6784	484	6973	5626	**28257**	12611
(c) Miscellaneous Insurance	(29608)	(19019)	(47632)	(31266)	(24809)	(48869)	(31932)	(39371)	**(133981)**	(138524)
	(8438)	**(3252)**	**(25675)**	**(27561)**	**3161**	**(42034)**	**(14003)**	**(24537)**	**(44955)**	**(97383)**
INCOME FROM INVESTMENTS										
(a) Interest, Dividend & Rent – Gross	32669	31102	9466	39571	12742	48338	11448	38177	**66325**	157188
(b) Profit on sale of investments	2298	2078	654		2118		549	2152	**5619**	4230
Less: Loss on sale of investments					(89)		(16)		**(105)**	
OTHER INCOME (To be specified)	916	743	526	798	374	424	669	559	**2485**	2524
TOTAL (A)	**27445**	**30671**	**(15029)**	**12808**	**18306**	**6728**	**(1353)**	**16351**	**29370**	**66559**
PROVISIONS (Other than taxation)										
(a) For diminution in the value of investments	2114	1814	1186	1876	433		3171	1949	**6904**	5639
(b) For doubtful debts	2008	1066	2739		877	2898	599	1	**6223**	3965
(c) Others (to be specified)	579	(29)	4529	3472					**5108**	3443
OTHER EXPENSES										
(a) Expenses other than those related to Insurance Business					28	102	534	483	**562**	585
(b) Bad debts written off							3738	2748	**3738**	2748
(c) Others (To be specified)	1926	(1046)	2		1299	2912		81	**3227**	1947
TOTAL (B)	**6627**	**1805**	**8456**	**5348**	**2637**	**5912**	**8042**	**5262**	**25762**	**18327**
Profit Before Tax	20818	28866	(23485)	7460	15669	816	(9395)	11089	**3608**	48232
Provision for Taxation	6619	6500	63	42	330	(1042)	(350)	831	**6662**	6331
Profit after Tax	14199	22366	(23548)	7418	15339	(226)	(9045)	10258	**(3054)**	39817
APPROPRIATIONS										
(a) Interim dividends paid during the year										
(b) Proposed final dividend	2000	2000		2755	3000			2000	**5000**	6755
(c) Dividend distribution tax		204						204		408
(d) Transfer to any Reserves or Other Accounts (to be specified)		(621)	1084	580					**1084**	(41)
Transfer to General Reserve			(24632)	4083	12339	(226)	(9045)	8054	**(21338)**	11911
Balance of Profit / Loss B/f from last year										
Balance C/f to Balance Sheet	12199	20783							**12199**	**20783**

TABLE – 21

BALANCE SHEET: PUBLIC NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	NEW INDIA		ORIENTAL		UNITED INDIA		NATIONAL		TOTAL	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
Share Capital	10000	10000	10000	10000	10000	10000	10000	10000	**40000**	40000
Reserves & Surplus	308945	296775	57279	82723	120325	107985	86392	95437	**572941**	582920
Fair Value Change Account	273046		175599		120236		178438		**747319**	
Borrowings										
TOTAL	**591991**	**306775**	**242878**	**92723**	**250561**	**117985**	**274830**	**105437**	**1360260**	**622920**
APPLICATION OF FUNDS										
Investments	869935	514195	470843	276472	519719	372618	444680	244175	**2305177**	1407460
Loans	101344	107997	53537	57188	75568	77709	52924	55987	**283373**	298881
Fixed Assets	10727	7785	5686	6040	7650	5892	6819	4545	**30882**	24262
Total	**982006**	**629977**	**530066**	**339700**	**602937**	**456219**	**504423**	**304707**	**2619432**	**1730603**
CURRENT ASSETS										
Cash & Bank Balance	115286	115469	54272	48465	49583	39860	68248	70830	**287389**	274624
Advances and Other Assets	130008	110247	59677	57203	99187	70449	71504	65149	**360376**	303048
Sub-Total (A)	**245294**	**225716**	**113949**	**105668**	**148770**	**110309**	**139752**	**135979**	**647765**	**577672**
CURRENT LIABILITIES	**451989**	**391214**	**293089**	**248007**	**369986**	**333578**	**262029**	**229112**	**1377093**	**1201911**
Provisions	183320	157704	108048	104638	131160	114965	107316	106137	**529844**	483444
Sub-Total (B)	**635309**	**548918**	**401137**	**352645**	**501146**	**448543**	**369345**	**335249**	**1906937**	**1685355**
Net Current Assets (C)= (A-B)	**(390015)**	**(323202)**	**(287188)**	**(246977)**	**(352376)**	**(338234)**	**(229593)**	**(199270)**	**(1259172)**	**(1107683)**
Misc. Expenditure (to the extent not written off or adjusted)										
Profit & Loss Account (Debit Balance)										
TOTAL	**591991**	**306775**	**242878**	**92723**	**250561**	**117985**	**274830**	**105437**	**1360260**	**622920**

TABLE – 22

REVENUE ACCOUNT: PRIVATE NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	ROYAL SUNDARAM					BAJAJ ALLIANZ #				TATA AIG				
	Fire	Marine	Misc.	2001-02	2000-01	Fire	Marine	Misc	2001-02	Fire	Marine	Misc	2001-02	2000-01
Premiums earned (Net)	67	18	1223	1308	9	68	15	899	982	(46)	184	1129	1267	
Profit/ Loss on sale/redemption of Investments	1	1	12	14		10		41	51					
Others (to be specified)								15	15					
Interest, Dividend & Rent – Gross	13	5	112	130		23	1	94	118					
TOTAL (A)	**81**	**23**	**1347**	**1451**	**9**	**101**	**16**	**1049**	**1166**	**(46)**	**184**	**1129**	**1267**	
Claims Incurred (Net)	63	49	1051	1163	2	103	17	1154	1274	23	122	875	1020	
Commission	(366)	(11)	(239)	(615)	(1)	(663)	(22)	(596)	(1281)	(430)	(78)	(141)	(649)	(18)
Operating Expenses related to Insurance Business	876	136	3189	4200	1484	424	19	3270	3713	237	526	3817	4579	558
Premium Deficiency														
TOTAL (B)	**573**	**174**	**4001**	**4749**	**1484**	**(136)**	**14**	**3828**	**3706**	**(170)**	**569**	**4551**	**4950**	**540**
Operating Profit/(Loss) from Fire/Marine/Miscellaneous Business C= (A-B)	**(493)**	**(151)**	**(2654)**	**(3298)**	**(1475)**	**237**	**2**	**(2779)**	**(2540)**	**124**	**(386)**	**(3422)**	**(3683)**	**(540)**
APPROPRIATIONS														
Transfer to Shareholders' Account	(493)	(151)	(2654)	(3298)	(1475)	237	2	(2779)	(2540)	124	(386)	(3422)	(3683)	(540)
Transfer to Catastrophe Reserve														
Transfer to Other Reserves (to be specified)														
TOTAL (C)	**(493)**	**(151)**	**(2654)**	**(3298)**	**(1475)**	**237**	**2**	**(2779)**	**(2540)**	**124**	**(386)**	**(3422)**	**(3683)**	**(540)**

commenced operations w.e.f. 2001-02

REVENUE ACCOUNT: PRIVATE NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	RELIANCE					IFFCO TOKIO					ICICI LOMBARD #			TOTAL	
	Fire	Marine	Misc	2001-02	2000-01	Fire	Marine	Misc	2001-02	2000-01	Fire	Misc	2001-02	**2001-02**	2000-01
Premiums earned (Net)	39	14	69	121		94	2	279	374	1	21	121	141	**4193**	10
Profit/ Loss on sale/redemption of Investments													1	**66**	
Others (to be specified)														**15**	
Interest, Dividend & Rent – Gross	56	2	37	95		18	3	38	58		3	38	42	**443**	
TOTAL (A)	**95**	**16**	**106**	**217**		**112**	**5**	**317**	**433**	**1**	**24**	**160**	**183**	**4717**	**10**
Claims Incurred (Net)	29	44	87	161		36	37	335	428		12	166	179	**4225**	2
Commission	(697)	(13)	(104)	(814)	(11)	(1027)	(51)	(459)	(1537)	(153)	(316)	(88)	(404)	**(5301)**	(183)
Operating Expenses related to Insurance Business	859	33	560	1451	431	1210	112	1043	2365	273	333	867	1200	**17509**	2746
Premium Deficiency												515	515	**515**	
TOTAL (B)	**191**	**64**	**543**	**798**	**420**	**220**	**97**	**939**	**1256**	**120**	**29**	**1461**	**1490**	**16948**	**2564**
Operating Profit/(Loss) from Fire/Marine/Miscellaneous Business C= (A-B)	**(96)**	**(48)**	**(437)**	**(581)**	**(420)**	**(108)**	**(92)**	**(622)**	**(823)**	**(119)**	**(6)**	**(1301)**	**(1307)**	**(12231)**	**(2554)**
APPROPRIATIONS															
Transfer to Shareholders' Account	(96)	(48)	(437)	(581)	(420)	(108)	(92)	(622)	(823)	(119)	(6)	(1301)	(1307)	**(12231)**	(2554)
Transfer to Catastrophe Reserve															
Transfer to Other Reserves (to be specified)															
TOTAL (C)	**(96)**	**(48)**	**(437)**	**(581)**	**(420)**	**(108)**	**(92)**	**(622)**	**(823)**	**(119)**	**(6)**	**(1301)**	**(1307)**	**(12231)**	**(2554)**

No Marine business was done by ICICI Lombard during the year 2001-02
ICICI Lombard commenced operations w.e.f. 2001-02

TABLE – 23

PROFIT AND LOSS ACCOUNT: PRIVATE NON-LIFE INSURERS

(Rs. in Lakhs)

PARTICULARS	ROYAL SUNDARAM		BAJAJ ALLIANZ	TATA AIG		RELIANCE		IFFCO TOKIO		ICICI LOMBARD		TOTAL	
	2001-02	2000-01	2001-02	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
OPERATING PROFIT/(LOSS)													
(a) Fire Insurance	(493)	(4)	237	124	(102)	(96)	(367)	(108)	(81)	(6)		**(340)**	(554)
(b) Marine Insurance	(151)		2	(386)	(73)	(48)		(92)	(1)			**(675)**	(74)
(c) Miscellaneous Insurance	(2654)	(1471)	(2779)	(3422)	(365)	(437)	(53)	(622)	(37)	(1301)		**(11215)**	(1926)
INCOME FROM INVESTMENTS													
(a) Interest, Dividend & Rent – Gross	785	395	871	1219	234	1348	469	1012	366	520		**5755**	1465
(b) Profit on sale of investments	82	2	395		8	336	39			6		**820**	49
Less: Loss on sale of investments			(6)			(330)						**(336)**	
Other Income (To be specified)	3		1	7		2						**13**	
TOTAL (A)	**(2428)**	**(1077)**	**(1279)**	**(2457)**	**(298)**	**776**	**88**	**189**	**247**	**(780)**		**(5979)**	**(1040)**
Provisions (Other than taxation)													
(a) For diminution in the value of investments							5						5
(b) For doubtful debts													
(c) Others (to be specified)										25		**25**	
OTHER EXPENSES													
(a) Expenses other than those related to Insurance Business		10	2					17		291	120	**311**	130
(b) Bad debts written off													
(c) Others – preliminary & pre-operative, amortisations	25		45	301	44	37	37			16	7	**423**	88
TOTAL (B)	**25**	**10**	**47**	**301**	**44**	**37**	**43**	**17**		**332**	**127**	**759**	**224**
Profit Before Tax	(2453)	(1088)	(1326)	(2758)	(342)	738	45	173	247	(1113)	(127)	**(6739)**	(1263)
Provision for Taxation			(365)			61		6	95	(265)		**(563)**	95
Profit After Tax	(2453)	(1088)	(961)	(2758)	(342)	678	45	167	152	(848)	(127)	**(6176)**	(1358)
APPROPRIATIONS													
(a) Interim dividends paid during the year													
(b) Proposed final dividend													
(c) Dividend distribution tax													
(d) Transfer to any Reserves or Deferred Tax of last year						(13)				(47)		**(60)**	
(e) Catastrophe Reserve									12				12
Balance of profit/loss B/f from last year	(1088)			(342)		45		141		(127)		**(1370)**	
Balance c/f to Balance Sheet	**(3540)**	**(1088)**	**(961)**	**(3100)**	**(342)**	**735**	**45**	**307**	**141**	**(928)**	**(127)**	**(7487)**	**(1370)**

Bajaj Allianz commenced operations w.e.f. 2001-02

TABLE – 24

BALANCE SHEET: PRIVATE NON-LIFE INSURERS

(Rs. in Lakhs)

SOURCES OF FUNDS	ROYAL SUNDARAM		BAJAJ ALLIANZ	TATA AIG		RELIANCE		IFFCO TOKIO		ICICI LOMBARD		TOTAL	
	2001-02	2000-01	2001-02	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
Share Capital	13,000	10,100	10,928	12,350	12,350	10,200	10,200	10,000	10,000	10,944	(71)	**67,423**	42,579
Reserves & Surplus	–	–	–	–	–	735	45	319	152	–	–	**1,054**	197
Fair Value Change Account	–	–	–	–	–	–	–	–	–	–	–	**–**	–
Borrowings												**–**	–
Others	85	–	–	–	–	3	–	–	–	–	–	**88**	–
TOTAL	**13,085**	**10,100**	**10,928**	**12,350**	**12,350**	**10,938**	**10,245**	**10,319**	**10,152**	**10,944**	**(71)**	**68,565**	**42,776**
APPLICATION OF FUNDS													
Investments	10,900	7,618	16,682	10,327	10,851	14,966	9,745	7,549	4,720	11,290	–	**71,713**	32,934
Loans				13	15							**13**	15
Fixed Assets	886	759	1,186	2,196	1,268	162	143	1,142	132	233	11	**5,805**	2,314
Total	11,785	8,377	17,868	12,536	12,134	15,128	9,888	8,691	4,852	11,523	11	**77,532**	35,263
CURRENT ASSETS													
Cash and Bank Balances	2,027	646	2,334	1,574	526	338	85	6,846	6,138	1,258		**14,377**	7,395
**Advances and Other Assets*	891	479	3,332	1,369	622	1,286	260	882	251	2,819	91	**10,579**	1,702
Sub-Total (A)	2,919	1,125	5,666	2,943	1,147	1,623	345	7,728	6,388	4,077	91	**24,956**	9,097
CURRENT LIABILITIES	**2,814**	**522**	**5,330**	**4,422**	**1,947**	**5,803**	**137**	**5,138**	**1,064**	**4,113**	**301**	**27,620**	**3,971**
Provisions	2,376	9	8,237	2,345	4	123	1	963	24	1,470	–	**15,514**	38
Sub-Total (B)	5,191	531	13,567	6,767	1,952	5,926	138	6,101	1,088	5,584	301	**43,134**	4,009
NET CURRENT ASSETS (C) = (A-B)	**(2272)**	**594**	**(7901)**	**(3824)**	**(804)**	**(4303)**	**207**	**1,628**	**5,300**	**(1507)**	**(209)**	**(18178)**	**5,088**
Misc. Expenditure *(to the extent not written off or adjusted)*	31	41	–	538	678	112	150	–	–	–	–	**681**	869
Profit & Loss Account *(Debit Balance)*	3,540	1,088	961	3,100	342	–	–	–	–	928	127	**8,530**	1,556
TOTAL	**13,085**	**10,100**	**10,928**	**12,350**	**12,350**	**10,938**	**10,245**	**10,319**	**10,152**	**10,944**	**(71)**	**68,565**	**42,776**

*Advances and other assets includes Deferred Tax Asset

TABLE – 25
REVENUE ACCOUNT: GIC

(Rs. in Lakhs)

PARTICULARS	2001-02				2000-01			
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total
Premiums earned (Net)	50708	22675	170463	243846	41512	23328	139128	203968
Profit/Loss on sale/redemption of Investments	1332	1143	9038	11513	1258	1165	6909	9332
Others (to be specified)	161	25	(117)	69	(34)	(40)	(239)	(313)
Interest, Dividend & Rent – Gross	5256	4510	35654	45420	5681	5260	31200	42141
TOTAL (A)	**57457**	**28353**	**215038**	**300848**	**48417**	**29713**	**176998**	**255128**
Claims Incurred (Net)	35624	13101	180783	229508	23076	8987	153120	185183
Commission	21205	4305	38123	63633	12932	3606	33072	49610
Operating Expenses related to Insurance Business	765	171	1577	2513	734	203	1485	2422
Foreign Taxes								
TOTAL (B)	**57594**	**17577**	**220483**	**295654**	**36742**	**12796**	**187677**	**237215**
Operating Profit/(Loss) from Fire/Marine/Miscellaneous Business C=(A-B)	**(137)**	**10776**	**(5445)**	**5194**	**11675**	**16917**	**(10679)**	**17913**
APPROPRIATIONS								
Transfer to Shareholders' Account	(137)	10776	(5445)	5194	11675	16917	(10679)	17913
Transfer to Catastrophe Reserve								
Transfer to Other Reserves (to be specified)								
TOTAL (C)	(137)	10776	(5445)	5194	11675	16917	(10679)	17913

TABLE – 26
PROFIT AND LOSS ACCOUNT: GIC

(Rs. in Lakhs)

PARTICULARS	2001-02	2000-01
OPERATING PROFIT/(LOSS)		
(a) Fire Insurance	(137)	11675
(b) Marine Insurance	10776	16917
(c) Miscellaneous Insurance	(5445)	(10679)
	5194	17913
INCOME FROM INVESTMENTS		
(a) Interest, Dividend & Rent – Gross	31310	29363
(b) Profit on sale of investments	7936	6503
Less: Loss on sale of investments	(1)	
OTHER INCOME (To be specified)	1544	923
TOTAL (A)	45983	54702
PROVISIONS (Other than taxation)		
(a) For diminution in the value of investments	3308	2927
(b) For doubtful debts	6940	3806
(c) Others (to be specified)	43	
OTHER EXPENSES		
(a) Expenses other than those related to Insurance Business		111
(b) Bad debts written off		
(c) others (To be specified)	22	257
TOTAL (B)	10313	7101
Profit Before Tax	35670	47601
Provision for Taxation	4453	5895
Profit After Tax	31217	41706
APPROPRIATIONS		
(a) Interim dividends paid during the year		
(b) Proposed final dividend	4300	4300
(c) Dividend distribution tax		4386
(d) Transfer to any Reserves or Other Accounts (to be specified)		
Transfer to General Reserve	26915	36968
Balance of Profit / Loss b/f from last year	1	
Balance c/f to Balance Sheet		1

TABLE – 27
BALANCE SHEET: GIC

(Rs. in Lakhs)

SOURCES OF FUNDS	2001-02	2000-01
Share Capital	21500	21500
Reserves & Surplus	271622	244704
Fair Value Change Account	153903	
Borrowings		
TOTAL	447025	266204
APPLICATION OF FUNDS		
Investments	713282	471893
Loans	81589	83391
Fixed Assets	4111	2589
Total	798982	557873
CURRENT ASSETS		
Cash & Bank Balance	111080	121126
Advances and Other Assets	127822	98367
Sub-Total (A)	238902	219493
CURRENT LIABILITIES	394677	339468
Provisions	196182	171694
Sub-Total (B)	590859	511162
Net Current Assets (C)= (A-B)	(351957)	(291669)
Misc. Expenditure (to the extent not written off or adjusted)		
Profit & Loss Account (Debit Balance)		
TOTAL	447025	266204

TABLE – 28

GROSS DIRECT PREMIUM INCOME

(Rs. in Crores)

		Fire		Misc		Marine		TOTAL	
No.	Company	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01
1	National	496.16	408.09	1732.04	1505.99	211.2	203.80	**2439.4**	**2117.88**
2	New India	1106.70	654.24	2728.64	2073.09	362.73	313.84	**4198.07**	**3041.17**
3	Oriental	531.03	471.28	1753.00	1540.49	214.60	187.90	**2498.63**	**2199.67**
4	United India	636.99	526.11	1889.28	1635.42	255.21	279.56	**2781.48**	**2441.09**
	Sub-Total	**2770.88**	**2059.72**	**8102.96**	**6754.99**	**1043.74**	**985.10**	**11917.58**	**9799.81**
5	Royal Sundaram	17.9	0.0006	50.44	0.235	2.78		**71.12**	**0.2356**
6	Reliance	45.84	0.9356	29.07	0.1317	1.74		**76.65**	**1.0673**
7	Iffco-Tokio	36.15	3.7013	31.02	2.086	3.34	0.0451	**70.51**	**5.8324**
8	Tata AIG	19.36		49.91		9.18		**78.45**	
9	ICICI Lombard	10.98		16.12				**27.1**	
10	Bajaj Allianz	27.88		112.71		1.35		**141.94**	
	Sub-Total	**158.11**	**4.6375**	**289.27**	**2.4527**	**18.39**	**0.045**	**465.77**	**7.1353**
	Grand Total	**2928.99**	**2064.36**	**8392.23**	**6757.44**	**1062.13**	**985.15**	**12383.35**	**9806.95**

GROSS DIRECT PREMIUM INCOME

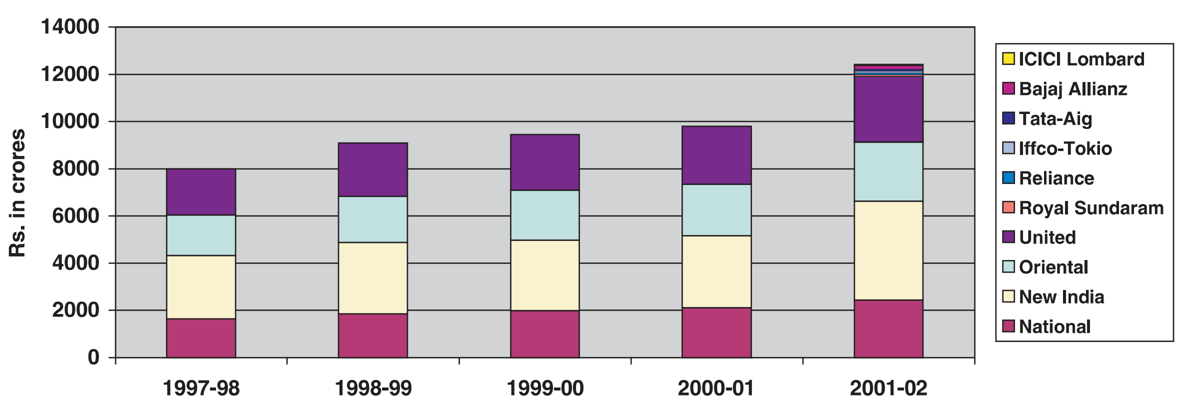


TABLE – 29

NET PREMIUM INCOME

(Rs. in Crores)

No.	Company	Fire 2001-02	Fire 2000-01	Misc 2001-02	Misc 2000-01	Marine 2001-02	Marine 2000-01	TOTAL 2001-02	TOTAL 2000-01
1	National	367.6	365.51	1312.71	1289.92	132.81	149.12	**1813.12**	**1804.55**
2	New India	758.84	599.64	2099.3	1883.72	210.09	188.12	**3068.23**	**2671.48**
3	Oriental	392.22	393.43	1287.17	1210.21	139.11	121.71	**1818.5**	**1725.35**
4	United India	480.28	412.23	1438.18	1329.27	126.61	142.78	**2045.07**	**1884.28**
	Sub-Total	**1998.94**	**1770.81**	**6137.36**	**5713.12**	**608.62**	**601.73**	**8744.92**	**8085.66**
5	Royal Sundaram	3.33	0.0004	32.18	0.1859	1.23		**36.74**	**0.1863**
6	Reliance	0.76		1.32		0.27		**2.35**	
7	Iffco-Tokio	2.07	0.1029	9.52	0.1446	1.53	0.0014	**13.12**	**0.2489**
8	Tata AIG	0.49		31.41		4.17		**36.07**	
9	ICICI Lombard	1.3		9.66		0.003		**10.963**	
10	Bajaj Allianz	3.44		80.01		0.61		**84.06**	
	Sub-Total	**11.39**	**0.1033**	**164.10**	**0.3305**	**7.81**	**0.0014**	**183.30**	**0.4352**
	Grand Total	**2010.33**	**1770.91**	**6301.46**	**5713.45**	**616.43**	**601.73**	**8928.22**	**8086.10**

NET PREMIUM

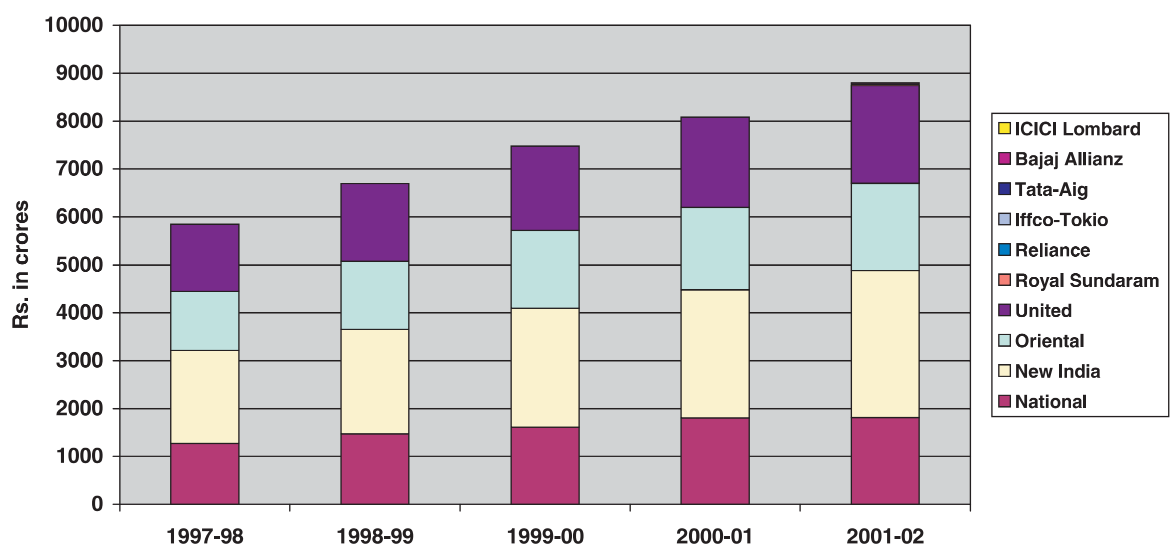


TABLE – 30 (a)
UNDERWRITING EXPERIENCE: PUBLIC NON-LIFE INSURERS

(Rs. in Crores)

	NATIONAL		NEW INDIA		ORIENTAL		UNITED INDIA		TOTAL	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	**2001-02**	2000-01
NET PREMIUM	1813.12	1804.55	3068.23	2671.48	1818.50	1725.35	2045.07	1884.38	**8744.92**	8085.76
NET INCURRED CLAIMS	1724.93	1461.63	2554.18	2279.74	1827.66	1502.06	1780.47	1776.93	**7887.24**	7020.36
	95.14%	81.00%	83.25%	85.34%	100.50%	87.06%	87.06%	94.30%	**90.19%**	86.82%
COMMISSION, EXPENSES OF MANAGEMENT AND OTHER CHARGES	554.58	490.97	857.62	749.97	585.98	457.81	645.42	466.36	**2643.60**	2165.11
	30.59%	27.21%	27.95%	28.07%	32.22%	26.53%	31.56%	24.75%	**30.23%**	26.78%
INCREASE IN RESERVE FOR UNEXPIRED RISK	(3.87)	99.84	209.35	95.02	(2.23)	41.48	72.26	62.33	**275.51**	298.67
	-0.21%	5.53%	6.82%	3.56%	-0.12%	2.40%	3.53%	3.31%	**3.15%**	3.69%
UNDERWRITING PROFT/LOSS	(462.52)	(247.89)	(552.92)	(453.25)	(592.91)	(276.00)	(453.08)	(421.24)	**(2061.43)**	(1398.38)
	-25.51%	-13.74%	-18.02%	-16.97%	-32.60%	-16.00%	-22.15%	-22.35%	**-23.57%**	-17.29%
GROSS INVESTMENT INCOME	439.78	403.29	857.16	795.85	437.62	395.71	624.31	485.64	**2358.87**	2080.49
OTHER INCOME LESS OTHER OUTGO	(71.21)	(44.51)	(96.06)	(53.94)	(79.56)	(45.11)	(14.54)	(56.23)	**(261.37)**	(199.79)
PROFIT BEFORE TAX	(93.95)	110.89	208.18	288.66	(234.85)	74.60	156.69	8.17	**36.07**	482.32
INCOME TAX DEDCUTED AT SOURCE AND PROVISION FOR TAX	(3.50)	8.30	66.19	65.00	0.63	0.42	3.30	(10.42)	**66.62**	63.30
NET PROFIT	(90.45)	102.59	141.99	223.66	(235.48)	74.18	153.39	(2.25)	**(30.55)**	398.18

Source: Annual Reports of respective companies

TABLE – 30 (b)

UNDERWRITING EXPERIENCE: PRIVATE NON-LIFE INSURERS

(Rs. in Crores)

	ROYAL SUNDARAM		RELIANCE		IFFCO TOKIO		TATA AIG		BAJAJ ALLIANZ		ICICI LOMBARD		TOTAL	
	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	2001-02	2000-01	**2001-02**	2000-01
NET PREMIUM	36.75	0.19	2.35	0	13.13	0.25	36.07	0	84.06	0	10.97		**183.33**	0.44
NET INCURRED CLAIMS	11.63	0.02	1.6	0	4.28	0	10.2	0	12.74	0	1.79		**42.24**	0.02
	31.65%	10.53%	68.09%		32.60%	0.00%	28.28%		15.16%		16.32%		**23.04%**	4.55%
COMMISSION, EXPENSES OF MANAGEMENT AND OTHER CHARGES	35.86	14.85	6.37	3.67	8.28	1.2	39.3	5.2	24.33	0	13.11		**127.25**	24.92
	97.58%	7815.79%	271.06%		63.06%	480.00%	108.95%		28.94%		119.51%		**69.41%**	5663.64%
INCREASE IN RESERVE FOR UNEXPIRED RISK	23.67		1.15		9.39		23.4		74.24	0	9.55		**141.4**	0
	64.41%		48.94%		71.52%		64.87%		88.32%		87.06%		**77.13%**	
UNDERWRITING PROFIT/LOSS	(34.41) -93.63%	(14.75) -7763.16%	(6.77) -288.09%	(4.20)	(8.82) -67.17%	(1.19) -476.00%	(36.83) -102.11%	(5.20)	(27.25) -32.42%	0.00	(13.48) -122.88%		**(127.56)** **-69.58%**	(25.34) -5759.09%
GROSS INVESTMENT INCOME	10.11	4.02	14.49	5.08	10.7	3.66	12.19	1.82	14.29	0	5.69		**67.47**	14.58
OTHER INCOME LESS OTHER OUTGO	(0.22)		(0.35)	(0.43)	(0.17)		(2.94)		(0.30)	(1.27)	(3.32)		**(7.30)**	(1.70)
PROFIT BEFORE TAX	(24.52)	(10.88)	7.37	0.45	1.71	2.47	(27.58)	(3.58)	(13.26)	(1.27)	(11.11)		**(67.39)**	(12.81)
INCOME TAX DEDCUTED AT SOURCE AND PROVISION FOR TAX			0.6		0.06	0.95			(3.65)		(2.65)		**(5.64)**	0.95
NET PROFIT	(24.53)	(10.88)	6.77	0.45	1.67	1.52	(27.58)	(3.58)	(9.61)	(1.27)	(8.48)		**(61.76)**	(13.76)

Source: Annual Reports of respective companies

TABLE – 31 (a)

INCURRED CLAIMS: PUBLIC NON-LIFE INSURERS

(Rs. in Crores)

	NATIONAL				NEW INDIA				ORIENTAL				UNITED INDIA			
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total
Net Premium	367.60	132.81	1312.71	1813.12	758.84	210.09	2099.30	3068.23	392.22	139.11	1287.17	1818.50	480.28	126.61	1438.18	2045.07
Claims Incurred Net	192.36	78.09	1454.48	1724.93	371.83	131.33	2051.02	2554.18	192.58	74.28	1560.80	1827.66	175.78	81.66	1523.03	1780.47
Claims Ratio	52.3%	58.8%	110.8%	95.1%	49.0%	62.5%	97.7%	83.2%	49.1%	53.4%	121.3%	100.5%	36.6%	64.5%	105.9%	87.1%

TABLE – 31 (b)

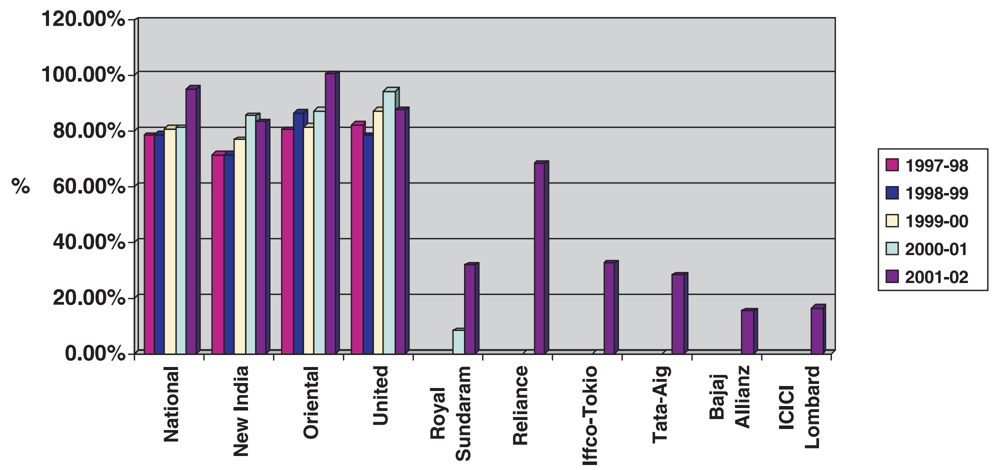
INCURRED CLAIMS: PRIVATE NON-LIFE INSURERS

(Rs. in Crores)

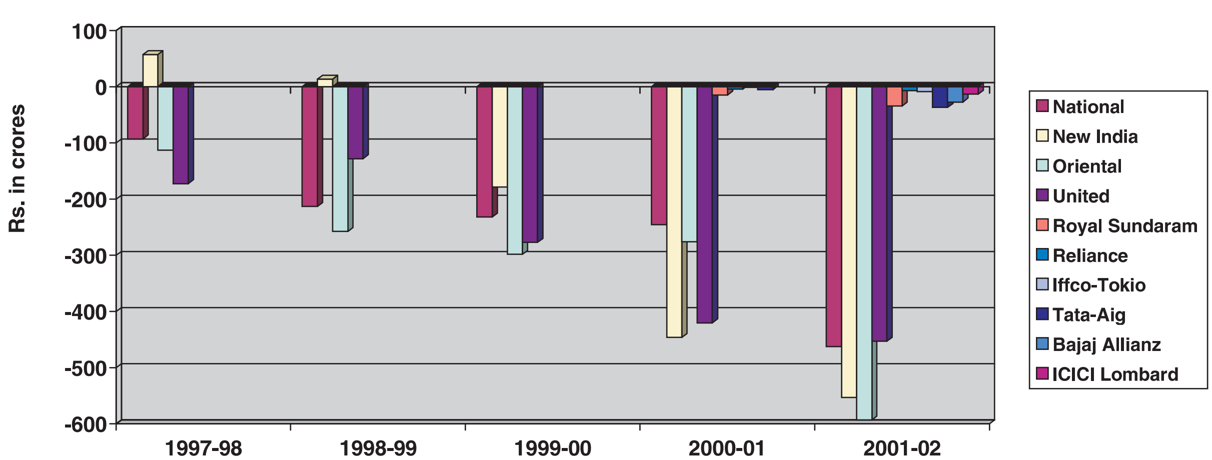
	ROYAL SUNDARAM				RELIANCE				IFFCO TOKIO			
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total
Net Premium	3.33	1.23	32.18	36.74	0.76	0.27	1.32	2.35	2.07	1.53	9.52	13.12
Claims Incurred Net	0.63	0.49	10.51	11.63	0.29	0.44	0.87	1.6	0.36	0.36	3.55	4.27
Claims Ratio	19%	40%	33%	32%	38%	163%	66%	68%	17%	24%	37%	33%

	TATA AIG				BAJAJ ALLIANZ				ICICI LOMBARD			
	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total	Fire	Marine	Misc	Total
Net Premium	0.49	4.17	31.41	36.07	3.44	0.61	80.01	84.06	1.3	0.003	9.66	10.963
Claims Incurred Net	0.23	1.22	8.75	10.2	1.03	0.17	11.53	12.73	0.12	0.001	1.66	1.781
Claims Ratio	47%	29%	28%	28%	30%	28%	14%	15%	9%	33%	17%	16%

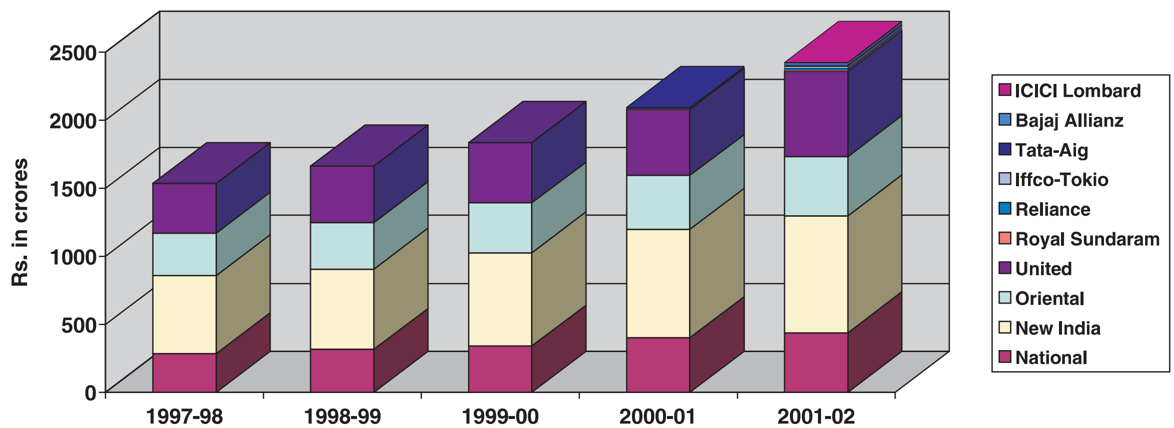
INCURRED CLAIMS RATIO



UNDERWRITING PROFIT/LOSS



INVESTMENT INCOME



PROFIT AFTER TAX

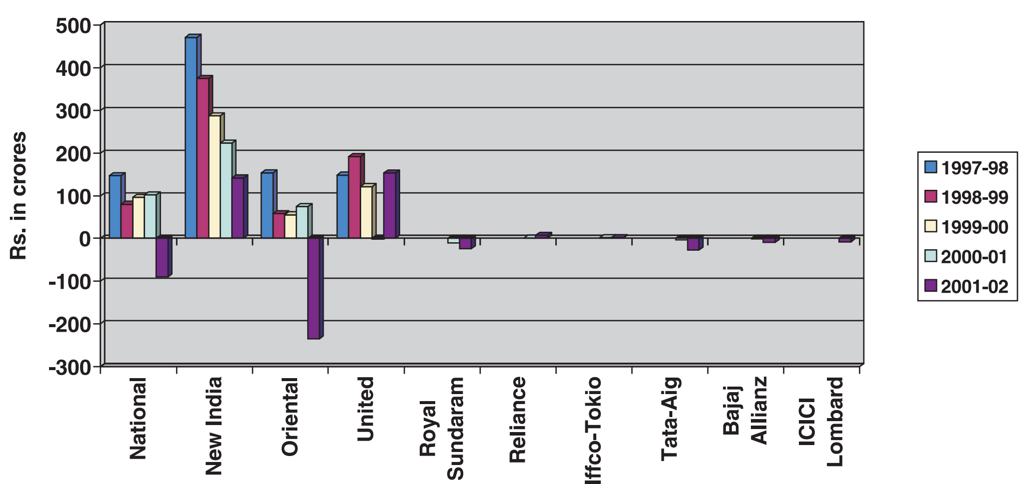


TABLE – 32
NEW PRODUCTS INTRODUCED IN 2001-02

Name of the non-life Insurer	Name of Products (Brand Names)
ICICI Lombard General Ins. Co. Ltd	Marine Transit Insurance (Inland) – Marine 1
	Fidelity Guarantee Insurance – Misc. 03
	Public Liability Insurance (Under Public Liability Insurance Act) Misc. 07
	Public Liability Insurance (Industrial Risks) Misc. 08
	Public Liability Insurance (Non-industrial Risks) Misc. 09
	All Risks Insurance Policy, Code: Misc. 01
	Burglary Insurance – Misc. 02
	Group Mediclaim Insurance – Misc. 04
	Group Personal Accident Insurance – Misc. 05
	Money Insurance – Misc. 06
	Agricultural Pump-set – Misc. 07
	Janata Personal Accident – Misc. 08
	Group Health Insurance Policy – Misc. 11
	Group Health (Floater) Insurance Policy – Misc. 12
	Group Personal Accident Insurance – Misc. 05 (Revision)
	Marine Export Import Insurance
	Home Insurance Policy – Misc. 13
The New India Assurance Co. Ltd	Individual & group mediclaim policy
	Overseas mediclaim policy
	Health insurance policy for ex-defence personnel
	Credit insurance-amendments
National Insurance Co. Ltd	Individual group mediclaim policy
	Long term group mediclaim policy – nic 46039
Oriental Insurance Co. Ltd	Nagrik suraksha policy
	Office umbrella policy
IFFCO-TOKIO General Ins. Co. Ltd	Standard fire & special perils policy
	Consequential loss (fire) policy
	Workmen's compensation policy
	Machinery breakdown insurance
	Contractor's plant & machinery insurance
	Erection all risk insurance
	Contractor's all risk insurance
	Boiler & pressure plant insurance
	Electronic equipment insurance
	Industrial all risk policy
	Machinery loss of profits policy
	Motor-private car comprehensive policy

Name of the non-life Insurer	Name of Products (Brand Names)
	Motor-cycle scooter "b" policy Marine cargo Public liability (non industrial risks) insurance policy Agriculture insurance policy Traders package insurance policy Burglary & house breaking insurance Money insurance policy Banker's indemnity policy Medishield policy Fidelity guarantee policy Public liability insurance-act policy Product liability policy Individual personal accident policy Group personal accident policy Public liability (industrial & storage risk) insurance policy All risk insurance policy Professional indemnity errors & ommission policy Commercial vehicle insurance policy Sankat mochak policy Lok swasthya bima yojna Pashu-dhan bima Krishak mitra bima yojna Sankat haran (kisan gramin bima yojana) Critical illness insurance policy Travel protector policy Trade protector insurance policy Transport & related liability cover Home and family protection policy Non-standard cover – insurance policy
Reliance General Insurance Co. Ltd	Standard fire & special perils policy Consequential loss (fire) policy Industrial all risk policy Erection all risk/storage cum erection insurance Machinery breakdown insurance Contractor's all risk insurance Electronic equipment insurance Contractor's plant & machinery insurance Boiler & pressure plant insurance Deterioration of stocks in cold storage insurance Workmen's compensation insurance policy Public liability (act) insurance policy A policy for act liability insurance Motor-private car insurance "b" policy

Name of the non-life Insurer	Name of Products (Brand Names)
Royal Sundaram Insurance Co. Ltd	Motor-cycle/scooter insurance "b" policy Commercial vehicles insurance "b" policy Motor trade insurance "b" policy Burglary & house breaking insurance Money insurance policy Fidelity guarantee policy Individual personal accident policy Group personal accident policy Portable electronic equipments policy Public liability (act) insurance policy Baggage insurance policy Mediclaim insurance policy (individuals & family) Group mediclaim insurance policy Videsh yatra mitra (for overseas travel) Plate glass insurance policy Janata personal accident Cattle insurance Office package Professional indemnity House holder package policy Jewellers block Shop keepers Overseas travel health policy Revised householders policy Revised shop keepers policy Standard fire & special perils policy Consequential loss (fire) policy – 001 fbi 01(feb 2001) Industrial all risk policy – 001 far 01 (feb 01) Erection all risk/storage cum erection insurance – 001 ear 01 (feb 2001) Machinery breakdown insurance – 001 emb 01 (feb 01) Contractor's all risk insurance – 001 ecr 01 (feb 01) Electronic equipment insurance – 001 eei 01 (feb 01) Contractor's plant & machinery insurance – 001 eo (cpm) 01 (feb 2001) Boiler & pressure plant insurance – 001 eo(boiler) 01 (feb 01) Workmen's compensation insurance policy – 001 wcp (feb 01) Motor insurance – commercial vehicles insurance policy Carshield product Machinery loss of profits insurance Windmill package insurance policy Group personal accident policy (accidental death only) – 001 apa

Name of the non-life Insurer	Name of Products (Brand Names)
	Individual personal accident insurance policy (accidental death & disablement only) – 003 apa Marine cargo insurance policy – (001 mcg 01 (feb01)syc Marine cargo international clauses & wordings – (001 mcgwordings 01 (feb01) Marine cargo inland transits – (001 mcg inland 01 (feb01) Home insurance policy – 001 fdp Rural personal accident insurance policy – 001 rpa (feb 01) Burglary (business premises) insurance – 001 ffft 02/2001 Money insurance policy – (001 fcsh 02/2001 Fidelity guarantee policy – (001 fgi 02/2001 Product liability insurance policy – 001 lpdp 01 (02/2001) Public liability insurance policy (non-industrial risks) – 001 lpnp 01 (02/2001) Public liability insurance policy (industrial risks) – 001 lpip 01 (02/2001) All risk insurance policy – 001 ari Janatha personal accident insurance policy – 001 jpa (feb 01) Poultry insurance policy – 001 rpy (feb 01) Livestock insurance policy – 001 rls (feb 01) Public liability (act) insurance policy – 001 lpa (02/2001) Health premium platinum insurance – 001 amg Health shield gold insurance – 001 ame Travel shield gold insurance – 001 ot Hospital cash insurance – 001 ahc Group personal accident policy 002 apa Farmers package insurance policy – 001 fpp (apr 01) Lost card insurance-001acc Special contingency insurance – 001 sci Purchase protection insurance – 001 app Health shield extra – 003 ame Health shield platinum insurance – 002 Health premium platinum extension – 002 amg Travel safe insurance – 001 atr Pet plan – 001 pet Neon sign insurance – 001 ans(05/2001) Plate glass insurance – 001 agp (05/2001) Baggage insurance – 001 alg (05/2001) Frequent traveller shield insurance – 001 atr (05/2001) Point of purchase insurance – 001 app Whirlpool purchase protection insurance – 001 app Health premium platinum extension – 002 amg Enterprise shield insurance – 001 fsp (06/2001)

Name of the non-life Insurer	Name of Products (Brand Names)
Tata-AIG General Ins. Co. Ltd	Advance loss of profits (construction) insurance – 001 ecalop (06/2001) 360 business shield insurance – 001 fsp(360) (06/2001) Globe traveller insurance – 001 atr(g) (06/2001) Royal traders shield insurance – 001 ftp (06/2001) Royal hotel shield insurance – 001 fhp (06/2001) Royal office shield insurance – 001 fop (06/2001) Directors & officers liability shield insurance and company reimbursement liability shield insurance policy – 001 sdo (06/2001) Women's welfare cover Insure 123 policy Commercial combined insurance policy Miscellance package policy Bankers's indemnity insurance policy Shakthi security shield Child security shield Family guard – personal accident Executive guard – personal accident Secure income plan-low Secure income plan-high Family guard – personal accident Crisis management products Surety bond Political risks Trade credits Group multiguard personal accident policy Accident & health product – family guard+policy Homesecure (householder's) policy Accident & health – group hospital cash policy Accident & health – hsbc group hospital cash policy Business guard – jyoti Business guard – sanjeevini Overseas travel accident-single trip & annual multi-trip insurance-tag-13 Overseas travel accident-single trip & annual multi-trip insurance Overseas travel accident-silver, gold, platinum & annual multi-trip insurance Accident & health product – individual personal accident policy – broad market product "shanti" Accident & health product – individual personal accident policy and business travel-agencies Business guard – office

TABLE – 33

LIST OF CONSULTING ACTUARIES – NON-LIFE INSURERS

Bajaj Allianz General Insurance Co. Ltd.	Not Appointed
ICICI Lombard General Insurance Co. Ltd.	P. I. Majmudar
Iffco Tokio General Insurance Co. Ltd.	A. P. Peetambaran
National Insurance Co.Ltd.	Bhudev Chatterjee
New India Assurance Co. Ltd.	A. R. Prabhu
Oriental Insurance Co. Ltd.	P. C. Gupta
Reliance General Insurance Co.Ltd.	N. G. Pai
Royal Sundaram Alliance Insurance Co. Ltd	O. Lakshminarayanan
Tata AIG General Insurance Co. Ltd.	K. Hanumantha Rao
United India Insurance Co. Ltd.	S. Krishnan
General Insurance Corporation of India	Not appointed
Cholamandalam General Insurance Co. Ltd	Not appointed

(iii) Customer Service

Perceiving the need for a vibrant force of agents to meet the aspirations of the policyholders, training of the agents was laid down as one of the prerequisites for recruitment of the agents. Accordingly, insurers have accredited divisional and regional training centres to impart training to the agents as per the norms laid down by the Authority. Today, for most insurers, customer servicing occupies the highest priority. Further, the notification of the regulations pertaining to policyholders, has also laid down benchmarks for customer services.

Most insurers generate reports based on IT platforms on such aspects as policy issuance, claims reported, claims paid, claims outstanding, claims disposal ratio, non-suit claims disposal ratio, premium refund, endorsements and grievance redressal ratio. Insurers have taken up customer relationship management projects for their customer service centres. Further, with the new amendments in the Insurance Act, 1938, insurers have also been exploring possibilities of setting up Web based points of sales systems for retail and mid-market products.

Insurers have also set up grievance cells and their performance is monitored by them on a regular basis. Insurers have also opened "May I Help You" and Information facilitation counters. In addition, such counters as Jald Rahat Yojana and Needhi Melas are conducted to dispose of claims speedily.

LIC has taken steps to link all its 2,048 branches through the computer network. The company has established arrangements with various internet gateways to also allow payment of premiums through the internet. It has also set up kiosks in various parts of the country, offering policyholders access to policy information. The LIC has also engaged a premier educational institution in India to train its employees in areas such as human resource development, marketing, investment and Information Technology.

With the insurance industry fast emerging as a buyers' market, insurers would have to gear themselves up to provide quality customer service, and in this information technology would play a key role. Those insurers who are capable of responding to the needs of customers in terms of both products offered and servicing thereafter shall emerge as leaders in the evolving competitive environment.

C. DETAILS OF REGISTERED INSURERS AND REINSURERS

TABLE – 34
DETAILS OF LIFE INSURERS

Reg. No.	Name of the Company	Name of Principal Officer (as on 31.3.2002)	Telephone No./Fax No./ E-Mail & Web Address	Type of Business	Date of Commencement of business
116	**ALLIANZ BAJAJ LIFE INSURANCE COMPANY LTD.** GE Plaza, Airport Road, Yerawada PUNE 411 006	Mr. Mark Purslow	Tel: 020-4026777 Fax: 020-4026789 **E-mail: mark.purslow@allianz.co.in** WEB: www.allianzbajaj.co.in	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	01.10.2001
109	**BIRLA SUN LIFE INSURANCE COMPANY LIMITED** 1st Floor, Ahura Centre, 'B' Wing, Mahakali Caves Road, Andheri(E), MUMBAI-400 093	Mr. Nani Jhaveri	Tel: 022-6928300 Fax: 022-6928301 **E-mail: njaveri@birlasunlife.com** WEB: www.birlasunlife.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	19.03.2001
101	**HDFC STANDARD LIFE INSURANCE COMPANY LIMITED** 5th Floor, The IL&FS Financial Centre, Plot C-22, 'G' Block, Bandra-Kurla Complex, Bandra (E) MUMBAI – 400 051	Mr.D.M. Satwalekar	Tel: 022-6533666, 6533660 Fax: 022-6533655/654 **E-mail: dms@hdfcinsurance.com** WEB: www.hdfcinsurance.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	12.12.2000
105	**ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED** ICICI PruLife Towers, 1089, Appasaheb Marathe Marg, Prabhadevi, MUMBAI-400 025	Ms. Shikha Sharma	Tel: 022-462 1600 Fax: 022-4376638, 4622031 **E-mail: sharmas@iciciprulife.com** WEB: www.iciciprulife.com	Linked Business, Non Linked Business, Pension Business, Health Insurance, Both Individual and Group Insurance	19.12.2000
114	**ING VYSYA LIFE INSURANCE COMPANY PRIVATE LIMITED** 14, Sankey Road, Sadashivanagar, BANGALORE-560 006	Mr. Ton Van Der Star	Tel: 080-3318300-312 Fax: 080-3318305 **E-mail: ton.vanderstar@ingvysyalife.com** WEB: www.ingvysyalife.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	01.09.2001
512	**LIFE INSURANCE CORPORATION OF INDIA** Yogakshema, Jeeva Bima Marg, Post Box No. 19953 MUMBAI – 400 021	Mr. A. Ramamurthy	Tel: 022-2020997 Fax: 022-2810680 **E-mail: liccoeos@bom3.vsnl.net.in** WEB: www.licindia.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	
104	**MAX NEW YORK LIFE INSURANCE CO. LTD.** 11th Floor, DLF Square, Jacaranda Marg, DLF City, Phase-II, GURGAON – 122 002	Mr. Anuroop(Tony) Singh	Tel: 0124-6561717 Fax: 0124-6561764, 6561740 **E-mail: anuroop.singh@maxnewyorklife.com** WEB: www.maxnewyorklife.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	26.03.2001

Reg. No.	Name of the Company	Name of Principal Officer (as on 31.3.2002)	Telephone No./Fax No./ E-Mail & Web Address	Type of Business	Date of Commencement of business
117	**METLIFE INDIA INSURANCE COMPANY PVT. LTD.** Brigade Seshamahal, No. 5, Vani Vilas Road, Basavanagudi, BANGALORE-560 004	Mr. Venkatesh S. Mysore	Tel: 080-6678617/18 Fax: 080-6521970 **E-mail: vmysore@metlife.com** WEB: www.metlife.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	04.01.2002
107	**OM KOTAK MAHINDRA LIFE INSURANCE CO. LTD.** 6th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel MUMBAI-400 013	Mr. Shivaji Dam	Tel: 022-4635000 Fax: 022-4635111 **E-mail: shivajid@kotakmahindra.com** WEB: omkotakmahindra.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	17.05.2001
111	**SBI LIFE INSURANCE COMPANY LIMITED** Turner Morrison Building, 2nd Floor, 16, Bank Street, Fort, MUMBAI.	Mr. R. Krishnamurthy	Tel: 022-2351000 to 1007 Fax: 022-2351009 **E-mail: rkrishna@cobom.sbimail.com info@sbilife.co.in** WEB: www.sbilife.co.in	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	15.06.2001
110	**TATA AIG LIFE INSURANCE COMPANY LIMITED** Ahura Centre, 4th Floor, 82, Mahakali Caves Road, Andheri(E), MUMBAI-400 093	Mr. George Oomen	Tel: 022-6930000 Fax: 022-6938265 WEB: www.tata-aig.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	02.04.2001
121	**AMP Sanmar Assurance Co. Ltd.,** 9, Cathedral Road CHENNAI-600 086	Mr. S.V. Mony	Tel: 044-8118411 Fax: 044-8117669 **E-mail: sankara_mony@amp.com.au** WEB: ampsanmar.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	03.01.2002
122	**DABUR CGU LIFE INSURANCE CO PVT. LTD.** 5th Floor,JMD Regents SquareBuilding Gurgaon – Mehrauli Road GURGAON-122 001	Mr. Stuart Purdy	Tel: 0124-6804141 Fax: 0124-6804151 **E-mail: stuart.purdy@avivaindia.com** WEB: www.avivaindia.com	Linked Business, Non Linked Business, Health Insurance, Both Individual and Group Insurance	06.06.2002
	RELIANCE LIFE INSURANCE CO. LTD			In principle approval granted. At their request to commence operations after a period of time, one year's extension was granted, which was further extended by another year.	

TABLE – 35
DETAILS OF GENERAL INSURERS

Reg. No.	Name of the Company	Name of Principal Officer (as on 31.3.2002)	Telephone No./Fax No./ E-Mail & Web Address	Type of Business	Date of Commencement of business
113	**BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED** GE Plaza, Airport Road, Yerawada, PUNE-411 006	Mr. Sam Ghosh	Tel: 020-402 6666 Fax: 020-402 6667 **E-mail: sam.ghosh@allianzindia.com** WEB: www.bajajallianz.co.in	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	08.05.2001
115	**ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED** ICICI Towers, Bandra Kurla Complex,Bandra(East) MUMBAI-400 051	Mr. Sandeep Bakshi	Tel: 022-6537931 Fax: 022-6531111 **E-mail: sandeepbakshi@icicilombard.com** WEB: www.icicilombard.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	31.08.2001
106	**IFFCO TOKIO GENERAL INSURANCE CO. LTD.** Palm Court, 4th Floor, Plot No. 20/4, Sukhrali Chowk, Mehrauli-Gurgaon Road, GURGAON-122001 (Haryana)	Mr. Ajit Narain	Tel: 0124-6220889, 6220893 Tel: 6220897, 6220895 Fax: 0124-6220887 **E-mail: anarain@itgi.co.in** WEB: www.itgi.co.in	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	16.01.2001
58	**NATIONAL INSURANCE COMPANY LTD.** 3, Middleton Street, P.B. No. 9229, KOLKATA-700 071	Mr. H.S. Wadhwa	Tel: 033-2472130, 2401634, 2402139 Fax: 033-2402369 /2408744/2408404 **E-mail: hswadhwa@national.insuranceindia.com** www.nationalinsuranceindia.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health, Aviation	
90	**NEW INDIA ASSURANCE CO. LTD.** New India Assurance Bldg. 87, M.G. Road, Fort, MUMBAI – 400 001	Mr. R. Beri	Tel: 022-2674617 – 22 Fax: 022-2672286, 2622355 **E-mail: cmd@niacl.com** WEB: www.niacl.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Aviation, Liability, Health	
556	**ORIENTAL INSURANCE CO. LTD.** A-25/27, Asaf Ali Road NEW DELHI – 110 002	Mr. Ajit Sharan	Tel: 3279221 to 3279225, 3283969, 3282973, 3283899 Fax: 3287193, 3271947 WEB: www.orientalinsurance.nic.in	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Aviation, Liability, Health	

Reg. No.	Name of the Company	Name of Principal Officer (as on 31.3.2002)	Telephone No./Fax No./ E-Mail & Web Address	Type of Business	Date of Commencement of business
103	**RELIANCE GENERAL INSURANCE COMPANY LIMITED** 909, 9th Floor, Regent Chambers, Nariman Point, Mumbai – 400 021	Mr. Vijay Pawar	Tel: 022-2885687, 2828195 Fax: 022-2819558 **E-mail: vijay_pawar@ril.com**	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health, Aviation	23.03.2001
102	**ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED** 46, Whites Road, Royapetah, CHENNAI-600 014	Mr Micky Briggs	Tel: 044-8517387 Fax: 044-8517376 **E-mail: antonym.jacob@royalsun.com** WEB: www.royalsun.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	23.10.2000
108	**TATA AIG GENERAL INSURANCE COMPANY LIMITED** Ahura Centre, 4th Floor, 82 Mahakali Caves Road, Andheri (East), MUMBAI – 400 093	Mr. Dalip Verma	Tel: 022-6930000 Fax: 022-8305888 **E-mail: dalip.verma@tata-aig.com** WEB: www.tata-aig.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	22.02.2001
545	**UNITED INDIA INSURANCE CO. LTD.** 24, Whites Road CHENNAI – 600 014	Mr. V. Jagannathan	Tel: 044-8520161, 8528019 Fax: 044-8523402 **E-mail: srinivasan@united.nic.in** **svps@vsnl.net**	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health, Aviation	
123	**Cholamandalam General Insurance*** "TIAM House" 28, Rajaji Salai CHENNAI – 1	Mr. Arun Agarwal	Tel: 044-5230033,7166000,2-9 Fax: 044-5242377, 7166001 **E-mail: arunagarwal@cholamandalam.co.in** WEB: www.cholainsurance.com	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability Health	——
124	**ECGC of India Ltd *** Express Towers, 10th Floor, Nariman Point MUMBAI – 400 021	Mr. P.M.A. Hakeem	Tel: 022-2845452/71/72 Fax: 022-2045253 **E-mail: ecgcdp@bom2.vsnl.net.in** WEB: www.ecgcindia.com	Credit risk insurance	——
125	**HDFC Chubb General Insurance *** 5th Floor, Express Towers Nariman Point MUMBAI-400 021	Mr. S.V. Samant	Tel: 022-2383600 Fax: 022-2383699	Fire, Marine – Marine Cargo, Marine Hull, Miscellaneous – Motor, Engineering, Liability, Health	——

TABLE – 36
DETAILS OF REINSURERS

Reg. No.	Name of the Company	Name of Principal Officer (as on 31.3.2002)	Telephone No./Fax No./ E-Mail & Web Address	Type of Business	Date of Commencement of business
544	**GENERAL INSURANCE CORPORATION OF INDIA** Suraksha, 170, J Tata Road, Church Gate, Mumbai 400 020.	Mr. D. Sen Gupta	Tel: 022-2833046, 2833452, Tel: 2843897 Fax: 022-2822337 Fax: 022-2046772 **E-mail: pcghosh@gicofindia.com** WEB: www.gicindia.com	Reinsurance	

* Companies registered with the Authority after 31st March, 2002

d. POLICIES AND MEASURES TO DEVELOP THE INSURANCE MARKET

Moving forward from the foundation laid in its first year, the Authority took a number of initiatives during the current financial year. Some of these are referred to below:

1. Creation of a terrorism pool to meet the risks as may arise from terrorist activities. While the size of the pool is expected to grow in the next 5-10 years, in order to provide adequate comfort levels, during the initial period, the central government is expected to step in to mitigate any losses as may so arise.
2. Reduction of the annual renewal fee for the year 2001-02 from 20% to 10% of 1% of the gross written premium in the financial year 2001-02. The Insurance Advisory Committee approved the extension of the benefit for another two years i.e. 2002-03 and 2003-04, which has been adopted by the Authority.
3. Amendment to the Investment Regulations to ensure that the insurers invest in equity of only those companies whose scrips were actively traded and were liquid instruments. The regulations were also modified as to interpret actively traded equity to bring them in tune with the prevailing market guidelines. Further, while computing the exposure norms, free reserves are also included for the purposes of computation.
4. The regulations pertaining to Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2000, were modified to incorporate the requirement for segment reporting, and to make the regulations precise and simple.
5. Protection of Policyholders' Interests Regulations, 2002 were notified to provide for: policy proposal documents in easily understandable language, claims procedure in both life and non-life, setting up of grievance redressal machinery, speedy settlement of claims and policyholders' servicing. These provisions were in addition to the already existing provisions pertaining to filing of products under "File and Use". Interest on delayed payment of the claims and a free look in period of 15 days by the prospects/policy holders are the additional features of these regulations.
6. The regulations for licensing of Third Party Administrators – Health Services were notified, and 14 companies were granted TPA licence in March, 2002. As on date 20 TPAs have been granted licences.
7. The regulations pertaining to solvency margins were amended to cover total business transacted by the insurers, redefinition of rural insurance and in respect of non-life business the factors assigned to different classes of business were modified.

With a view to ensuring that the legislative framework within which the insurance industry is operating today is in tune with the liberalized economic environment, the Law Commission at the request of the Authority has initiated a review of Insurance Act, 1938 and other connected legislation. The Commission has already commenced the exercise and it proposes to release a white paper on the subject within the next couple of months to facilitate a wide ranging public discussion. The Authority has constituted a core group to assist the Law Commission in this regard.

More recently, with the Insurance (Amendment) Act, 2002 having been brought into force, the following regulations were also notified by the Authority:

- Licensing of Corporate Agents, and Insurance Brokers Regulations, 2002 to increase the channels of distribution of insurance products. The regulations would facilitate the entry of banks, NBFCs, Cooperatives and NGOs into the area of selling and distributing insurance products.
- Manner of Payment of Premium Regulations providing for payment of insurance premium through credit cards, money order and through internet to facilitate customers.
- Obligations of Insurers to Rural or Social Sectors (Amendment) Regulations redefining the word "rural" and also inserting the definition of "informal sector". The obligations of the life insurers have been increased for the financial year 2002-03 and onwards.

e. RESEARCH & DEVELOPMENT ACTIVITIES UNDERTAKEN:

In its efforts to promote Research and Development activities in the insurance sector, the Authority in collaboration with the Government of Andhra Pradesh has founded the Institute of Insurance and Risk Management (IIRM) at Hyderabad. The IIRM has been given a mandate to conduct research in the financial areas and it is proposed to be developed as a centre of excellence and as a role model for the Asia Pacific Region. Other than this, the Centre for Insurance Research and Education already set up at IIM, Bangalore carries out basic research work on special aspects of insurance. Based on the research study on rural insurance carried out by the Centre, the Authority has recently notified amendments to the regulations pertaining to obligations of insurers to the rural and social sectors.

The insurers have also been conducting market research either in-house or through professional agencies to introduce tailor-made products targeted at specific segments of the population. Risk assessment studies are being carried out for measuring accumulation of risk at a particular place at any one point of time. Consumer awareness campaigns are being encouraged to improve insurance literacy levels by conducting workshops, distributing literature etc. Some of the insurers have come forward in the form of sponsoring chair professorships, announcing scholarships, and announcing grants for the development of the insurance profession with special reference to actuarial sciences, besides conducting seminars and conferences. Similarly, other institutions at university/college levels are being encouraged to introduce diploma courses in insurance with the aim of promoting the profession of insurance. Recently, the syllabus of four such institutes was approved by the Authority.

ING group in collaboration with FICCI has set up a research centre. This centre has recently brought out a film touching upon the various aspects of insurance and pension coverage.

f. REVIEW

(i) Protection of the Interests of the Policyholders

The Authority has the responsibility of protecting the interests of Policyholders. Towards achieving this objective, the Authority has taken the following steps:

- The insurers are required to maintain solvency margins so that they are in a position to meet their obligations towards policyholders with regard to payment of claims.
- It is obligatory on the part of the insurance companies to disclose clearly the benefits, terms and conditions under the policy. The advertisements issued by the insurers should not mislead the insuring public.
- For redressal of the complaints of the individual policy holders, a scheme of Ombudsman has been put in place.
- The Regulations pertaining to protection of policy holders' interests were notified. The regulations lay down benchmarks on customer services. The concepts of free look in and interest on delayed settlement of claims have been introduced for the first time in the Indian market.
- All insurers are required to set up proper grievance redressal machinery in their head office and at their other offices.
- All the insurance companies are required to have a Consumers' representative on their Board as member.
- A Consumer representative has been nominated on the Insurance Advisory Committee.
- The Authority takes up with the insurers any complaint received from the policyholders in connection with services provided by them under the insurance contract.
- All the insurers are required to file the insurance products with the Authority before their launch in the market so that it can be checked that the interests of the policyholders are well protected.
- The agents are entrusted to play a more responsible role. A code of conduct for agents has been prescribed to render better service in the related field. The Agents are required to indicate the premium to be charged by the insurer and explain to the prospect the nature of information required in the proposal form and also the importance of disclosure of material information in the purchase of an insurance contract.
- Third Party Administrators have been introduced in the health sector, to provide improved health insurance services viz., cashless cover, and other add on facilities.
- To serve better the interests of the insured public in general and insurance industry in particular, brokers have been introduced as intermediaries. The broker will render advice on appropriate insurance cover and terms thereof, maintain detailed knowledge of available insurance markets and submit quotations received from insurers for consideration of the client.

The insurer, its agent or the intermediary shall provide full, complete and clear information in respect of the cover and recommend the same in the best interest of the customer.

Enforcement of all these regulations has gone a long way in ensuring protection of interests of policyholders. Consumers are getting more information combined with a transparency and easy accessibility from their insurers. The Authority also takes a positive approach towards suggestions emanating from various groups towards fulfillment of its objective of protection of interests of policyholders.

(ii) Maintenance of Solvency Margins of Insurers

The IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 require all insurers to maintain an excess of value of assets over liabilities, to the extent of not less than Rs.50 crore, or a sum equivalent based on the prescribed formula, not exceeding 5% of the mathematical reserves and a percentage not exceeding 1% of the sum at risk for the policies on which the sum at risk is not negative, whichever is the highest.

Similarly, in respect of general insurers, a minimum solvency margin of Rs.50 crore is required to be maintained (Rs.100 crore in case of a reinsurer) or a sum equivalent to 30% of the net incurred claims, whichever is the highest, subject to credit for reinsurance in computing net premium and net incurred claims.

In addition, the registration requirements stipulate that all insurers are required to maintain a solvency ratio of 1.5 times the normal requirement.

During the financial year 2001-02, all the insurers have met the solvency margin requirements. At the time of registration, it was envisaged that the new players would take about five years to stabilize their operations, and may have to fund their initial underwriting losses through additional inflow of funds. However, the insurers are required to meet the solvency margin requirements at all times, and the Authority places great importance on this parameter as an indicator of the health of respective insurers and protection of the interests of policyholders.

(iii) Monitoring of Reinsurance

In the aftermath of the events of 9/11, the reinsurance industry has changed itself as never before. The reinsurance rates have hardened, with many a reinsurer not willing to cover terrorism risks. The events of 9/11 caused substantial losses to the international insurance community, and as expected its tremors were also felt in the Indian sub-continent. The reinsurance and insurance market as a whole decided to discontinue the grant of a cover for terrorism risk in property insurance business. The reinsurers participating in reinsurance arrangements of Indian insurers were unwilling to cover terrorism risk on property w.e.f. 1st January, 2002. At the initiative of the Authority the Indian insurers came forward to pool their retention capacities and provide insurance for terrorism risk on property up to a maximum loss amount of Rs. 200 crore at any one location.

Under the pooling arrangement, the General Insurance Corporation of India (GIC) acts as the manager to the pool. Each insurer, underwriting insurance for the terrorism risk in fire and engineering business is required to reinsure 100% of the terrorism risk with the Indian Insurers' Pool for Terrorism. The pool portfolio is protected by an excess of loss cover. Each insurer including GIC is to accept a share in the pool as to give it a reasonable loss retention based on its shareholders' funds. The creation of the pool is expected to build up reserves and increase capacity of the insurers to provide insurance for terrorism risk as also bring down the premium rates to reasonable levels. Simultaneously, the Government of India has also taken similar action to ensure continuing war risk insurance for Indian ship owners at a time when the international market had considerably hardened.

The efforts of the insurers to create the Indian Insurers' Pool for terrorism risk is a commendable national effort and is expected to enhance the country's self-reliance in the insurance field. With a view to further strengthen efforts of the insurers, the Authority is seeking tax concessions from the Government for the industry.

While laying down the regulations for reinsurance, the Authority has laid stress on each insurer maintaining maximum possible retention commensurate with its financial strength and volume of business. It is in this context that the Authority may require any insurer to justify its retention policy and may give such directions as considered necessary to guard against any Indian insurer merely fronting for a foreign insurer. The reinsurance programme of each insurer, carrying on general insurance business, is required to be guided by the basic tenets of maximising retention within the country; developing adequate capacity; securing the best possible protection for the reinsurance costs incurred; and simplifying the administration of business.

In the case of life reinsurance, every life insurer shall draw a programme of reinsurance in respect of lives covered by it and have the same duly certified by the Appointed Actuary. Further, the profile of such a programme, duly certified by the Appointed Actuary, giving the name(s) of the reinsurer(s) with whom the insurer proposes to place business, shall be filed with the Authority, at least forty-five days before the commencement of each financial year. The Authority may, if it considers necessary, elicit from the insurer any additional information, from time to time, and the insurer shall furnish the same.

The Reinsurance Advisory Committee, constituted under Section 101B of the Insurance Act, 1938, by the Authority, with the prior approval of the Central Government, continued to meet regularly to discuss issues pertaining to reinsurance. The issues of concern to the Committee include re-insurers filing their reinsurance programmes within 45 days of the commencement of the financial year, insurers demonstrating maximum retention consistent with their respective net worth and volume of business, availing of the opportunities offered by the national re-insurer if it matches or offers better terms vis-à-vis the international rates, place reinsurance with one another, both treaty and facultative – the placements abroad need to be subject to signing down to the extent shares are placed within the country, obtain optimum terms for reinsurance as to minimize the outflow of foreign exchange, ensure prompt documentation following placement and furnish the statistical information pertaining to re-insurance with the Authority as per the prescribed formats.

Presently, Committee consists of the following members:

(a) C.N.S. Shastri, former Managing Director, GIC of India and former Adviser Bank Negara, Malaysia.

(b) A.C. Mukherjee, former CMD, New India Assurance Co. Ltd.

(c) P.C. Ghosh, Chairman G.I.C.

(d) S.V. Mony, CEO, AMP Sanmar & former Chairman, GIC

Shri N.K. Shinkar, former Chairman, Life Insurance Corporation of India is a special invitee at the meetings of the Committee.

An issue of concern to the Authority is that insurers cede abroad only after utilization of national capacity and on competitive international terms and that the business placed with any one re-insurer should not be excessive.

It would be recalled that under Section 101A of the Insurance Act, 1938, General Insurance Corporation of India (GIC) has been notified as the Indian reinsurer. Further, as per the decision of the Reinsurance Advisory Committee, the Authority requires a compulsory cession by the insurers carrying on general insurance business at 20% subject to limits in fire, engineering and energy business. Cessions in respect of public and product liability business have also been indicated at 20% on quota share basis without any limits. The commissions and profit commissions for each class of business besides outlining the procedures for maintenance and settlement of accounts, have also been specified. Profit commissions are applicable on the aggregate results of statutory cessions portfolio at the rate of 20%. Further, to evolve prudent practices, the Authority requires that reinsurance be ceded to only those reinsurers who enjoy rating of at least BBB (with Standard & Poor) or equivalent rating of any other international rating agency over a period of the past five years. Other placements require the approval of the Authority. Insurers may also place reinsurance with Lloyd's syndicates after taking care to limit placements with individual syndicates commensurate with the capacity of the syndicate. Surplus over and above the domestic reinsurance arrangements class-wise can be placed by the insurer independently subject to a limit of 10% of total re-insurance premium ceded outside India being placed with any one reinsurer. Where it is necessary to cede a share exceeding such limit to any particular reinsurer, the insurer may seek the specific approval of the Authority. No such requests were made to the Authority in the year under review.

TABLE – 37

OBLIGATORY CESSIONS RECEIVED BY GIC

Class	%	Max. Liability per risk	Reinsurance Commission		Profit Commission		Reserves
			Oblig	Pool	Oblig	Pool	
Fire	20%	Rs. 50 crs. PML	30%	Nil		Nil	Nil
Marine Cargo	20%	Rs. 10 crores S.I.	22.50%	Nil		Nil	Nil
War/ SRCC	20%	No Limit	10%	Nil		Nil	Nil
SRCC	20%	No Limit	10%	Nil		Nil	Nil
Marine Hull	20%	Rs. 16 crs. S.I.	17.5%	17.5%	Profit Commission shall be	Rendered in 3rd year for 3 preceding u/w years	Nil
Motor, WC	20%	No Limit	25%	Nil	applicable	Nil	Nil
Aviation Hull	20%	No Limit	10%	Nil	on the	Nil	Nil
Aviation Liability	20%	No Limit	15%	Nil	aggregate results of	Nil	Nil
Oil & Energy	20%	Rs. 2 crs.	2.5%	Nil	statutory	Nil	Nil
Liabilities (Public Liab. & Products Liab.)	20%	No Limit	25%	Nil	portfolio @ 20%	Nil	Nil
Other Misc.	20%	No Limit	25%	Nil		Nil	Nil
MB/ BE/ LOP	20%	Rs. 15 crs. PML or Rs. 45 crs. S.I.	25%	Nil		Nil	Nil
CAR/ EAR/	20%	Rs. 30 crs.	25%	Nil	Nil	Nil	Nil
ALOP/ DSU		PML or Rs. 90 crs. S.I.					

Non-Standard Liability covers such as

– Product Recall }
– D & O } 20% on case to case basis –
– E & O } Maximum obligatory Cessions limit from Rs. 2 to 5 crores.
– Professional Indemnity }
– Comp. General Liability }
– Other Liability }

TABLE – 38

CLASS-WISE RETENTIONS (General Insurance)

Class	Net Retention In India
Fire	92.42%
Marine Cargo	96.25%
Marine Hull	60.75%
Aviation	34.21%
Engineering	86.16%
Motor	99.90%
Miscellaneous	96.91%
Total	**92.05%**

(iv) Monitoring of Investments of the Insurers

Investment income is a key determinant in the calculation of premium rates for any insurance company under the various insurance policies/schemes and for declaration of bonuses by life insurers. It is a core function of an insurance company which cannot be outsourced by an insurer. In the case of general insurance, investment income compensates underwriting losses, if any, of the insurance company which in turn enables them to keep their premium rates competitive. Therefore, insurance companies essentially invest their funds judiciously with the combined objectives of liquidity, maximization of yield and safety. An investment policy has to be submitted to the Authority by an insurer before the start of an accounting year. Since the insurance companies keep the policyholders' money in their fiduciary capacity, they are also required to maintain a minimum level of solvency to meet the reasonable expectations of the policyholders.

For this, the Authority has mandated the pattern of investments to be followed by the insurance companies. Investments in Government securities, approved securities, approved investments and in infrastructure and social sectors have been prescribed in the Insurance Act, 1938. The Authority has also specified that every insurer carrying on the business of life insurance shall invest and at all times keep invested its controlled fund (other than funds relating to pension and general annuity business and unit-linked life insurance business) in the following manner:

TABLE – 39

PATTERN OF INVESTMENTS SPECIFIED BY THE AUTHORITY – LIFE INSURANCE

S.No.	Type of Investment	Percentage
i)	Government Securities	25%
ii)	Government Securities or other approved securities (including (i) above)	Not less than 50%
iii)	Approved Investments as specified in Schedule – 1	
a)	Infrastructure and Social Sector	Not less than 15%
b)	Others to be governed by Exposure Norms. (Investments in 'Other than in Approved Investments' in no case exceed 15% of the Fund).	Not exceeding 35%

In the case with pension and general annuity business every insurer shall invest and at all times keep invested funds in the following manner:

TABLE – 40

PATTERN OF INVESTMENTS SPECIFIED BY THE AUTHORITY – PENSION AND GENERAL ANNUITY

S.No.	Type of Investment	Percentage
i)	Government securities, being not less than	20%
Ii)	Government Securities or other approved securities inclusive of (i) above, being not less than	40%
iii)	Balance to be invested in Approved Investments and to be governed by Exposure/Prudential Norms	Not exceeding 60%

And in the case of unit linked life insurance business every insurer shall invest and at all times keep invested its segregated fund of unit linked life insurance business as per pattern of investment offered to and approved by policyholders. Unit linked policies may only be offered where the units are linked to categories of assets which are both marketable and easily realisable. However, the total investment in other than approved category of investments shall at no time exceed 25% of the fund.

Insofar as general insurance or reinsurance business is concerned, every insurer shall invest and at all times keep invested its total assets in the manner set out below:

TABLE – 41

PATTERN OF INVESTMENTS SPECIFIED BY THE AUTHORITY – GENERAL INSURANCE AND REINSURANCE

S.No.	Type of Investment	Percentage
i)	Central Government Securities **being not less than**	20%
ii)	State Government Securities and other Guaranteed securities including (i) above **being not less than**	30%
iii)	Housing and Loans to State Government for Housing and Fire Fighting equipment, **being not less than**	5%
iv)	**Investments in Approved Investments**	
	a) Infrastructure and Social Sector	Not less than 10%
	b) Others to be governed by Exposure Norms. However the investments in 'Other than in Approved Investments' in no case exceed 25% of the Assets.	Not exceeding 55%

All investments which are capable of being rated as per market practice shall be based on a rating by an independent, reputed and recognised Indian or foreign rating agency.

The quality and the quantity of the investments are a reflection of the performance of the insurance company. The quality of the investments is measured in terms of the return that an insurer gets on its portfolio and the extent to which it has non-performing assets in its portfolio. The Authority has laid down extensive reporting requirements that keep track of the performance of the investment portfolio, total investment income, return on various investments, downgraded investments and compliance of the exposure/ prudential norms.

The exposure/prudential norms have recently been amended in such a way that investment in Collective Investment Schemes – "funds" and "derivatives" are also covered. As the complexity of investments in terms of risk keep differing from time to time, the Authority felt that the same be recognised by amending the norms pertaining to risk mitigation.

It is necessary to ensure that adequate funds are made available for the infrastructure and social sectors and at the same time enough funds are invested in government securities in order to ensure that an insurance company makes investment in sound instruments/securities. The Authority has specified that the assets/instruments should generally be not less than "AA" of investment grade. The Authority further requires that irrespective of the rating of the investments, the Investment Committee of each insurer shall take an overall view of the investment opportunities and take a decision based on all relevant information available. It may be mentioned that the investment policy of each insurer is required to be approved by its Board.

Insofar as the public sector insurers are concerned, the investments made by them in various sectors prior to the notification of the Investment Regulations, 2000 by the IRDA were as per the directions of the Government. The Authority in order to prevent any subsequent difficulty to the existing insurers in reshuffling their investment portfolio significantly to comply with the said regulations, also decided to accept the position, that the investments made prior to the issuance of the Investment Regulations would deem to comply with the regulations, and required only the fresh investments and the proceeds arising from the sale of accretions be invested as per the notified regulations.

The Authority has exercised its powers to grant exemptions and specific advices to the insurance companies on some of the provisions of the Insurance Act and the provisions of the Investment Regulations. The Authority has further exercised these powers by expanding the list of approved investments for life and general insurers besides advising all insurers on the requirement to have an Investment Committee, in addition to submission of their Investment Policy annually to the Authority.

To ensure compliance with its regulations, the Authority has prescribed that an Investment Committee of the insurer has to be constituted consisting of two non-executive directors, the appointed actuary, the chief investment officer, etc. It would be the duty of this committee to implement the investment policy approved by the Board and draw up investment programme of the insurer in the light of its approved policy. One of the conditions prescribed, calls for a half-yearly review of the investment policy by the Board and furnishing a copy of the same to the Authority. At all times, therefore, the Authority's regulatory powers regarding this core activity is implemented.

Analysis of the returns submitted by the life and non-life insurers reveals that they are broadly complying with the investment regulations as laid down by the Authority. In individual case, clarifications have been sought from the insurers.

That the Authority places crucial emphasis on prudent investment of funds at the disposal of the insurer, is well reflected from the detailed regulations laid down for the insurers. As a corollary to the investment decisions, the insurers are also required to continuously monitor their portfolio, and also make adequate provisions for any deterioration in the individual investments in the portfolio. With a view to monitoring the investment decisions of the insurers, as to compliance with the regulations, prudent investment of the funds and adequate provisioning on a regular basis, the Authority has initiated steps towards investment audit on a periodic basis. The Audit is to be carried out by the chartered accountants drawn from the panel maintained by the Authority along with one of the technical officers of the Authority forming part of the inspection team.

TABLE – 42

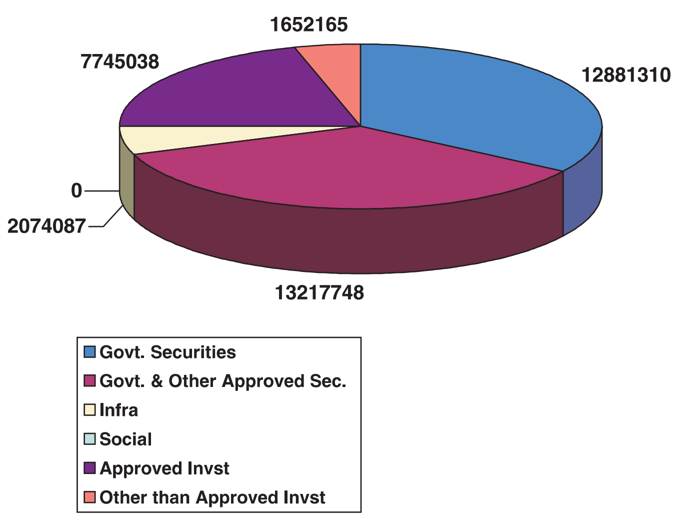
COMPANY-WISE INVESTMENT DETAILS – LIFE INSURANCE INVESTMENT DETAILS FOR THE YEAR ENDING 31st MARCH 2002

(Rs. in Crores)

No.	Company Name	Central Govt. Securities	SG & Other Guaranteed Sec.	Infrastructure Investments	Social Sector Investments	Approved Investment	Other than Approved Invest	Total Investment
1	ING Vysya	42.98	47.98	14.99	–	17.44	–	**80.41**
2	HDFC Std Life	86.43	86.43	32.12	–	23.67	9.18	**142.22**
3	Birla Sun Life	42.48	61.57	15.18	–	32.72	5.26	**114.72**
4	ICICI Pru. Life	117.94	117.94	32.55	–	35.72	14.10	**200.31**
5	SBI Life	76.32	76.32	26.93	–	12.38	15.70	**131.33**
6	Om Kotak Life	59.82	73.71	23.57	–	45.83	12.64	**143.11**
7	MetLife	57.59	57.59	15.23	–	15.66	15.50	**103.98**
8	Allianz Bajaj Life	73.45	73.45	24.44	–	38.51	0.26	**136.66**
9	Max New York Life	42.19	106.93	27.17	–	27.67	7.00	**168.76**
10	LIC	128,139.04	131,400.71	20,498.72	–	77,046.29	16,442.00	**245,387.72**
11	Tata AIG Life	74.86	74.86	29.98	–	34.76	–	**139.59**
12	AMP Sanmar	–	–	–	–	119.75	–	**119.75**
	Total	**128,813.10**	**132,177.48**	**20,740.87**	**–**	**77,450.38**	**16,521.65**	**246,868.56**

Note: In the case of LIC Rs.6793.59 Crores of Infrastructure and Social Sector Investments have been included in Other than Approved Investments.

SECTOR-WISE INVESTMENTS AS ON 31.3.2002 – LIFE INSURERS (Rs. in Lakhs)



TOTAL INVESTMENTS AS ON 31.3.2002 – LIFE INSURERS

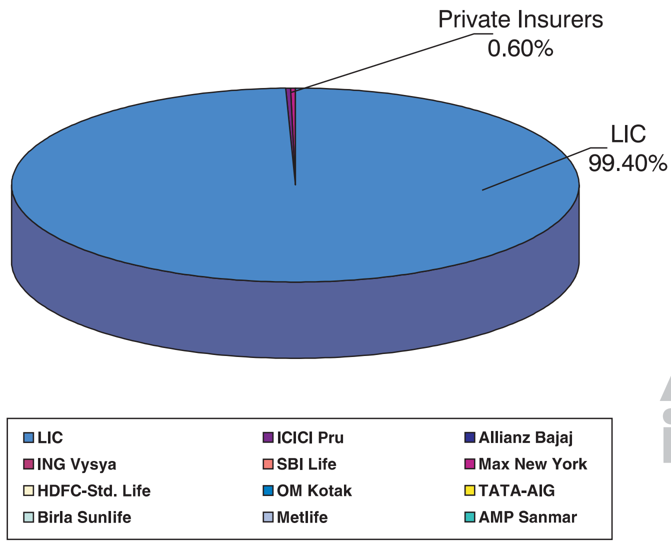


TABLE – 43

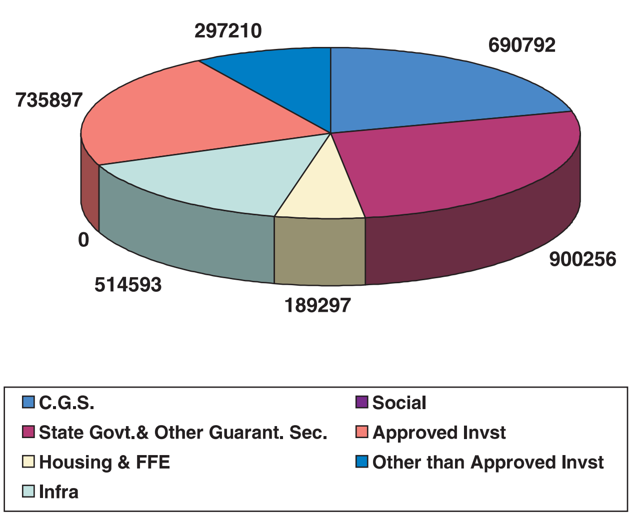
COMPANY-WISE INVESTMENT DETAILS – GENERAL INSURANCE INVESTMENT DETAILS FOR THE YEAR ENDING 31st MARCH 2002

(Rs. in Crores)

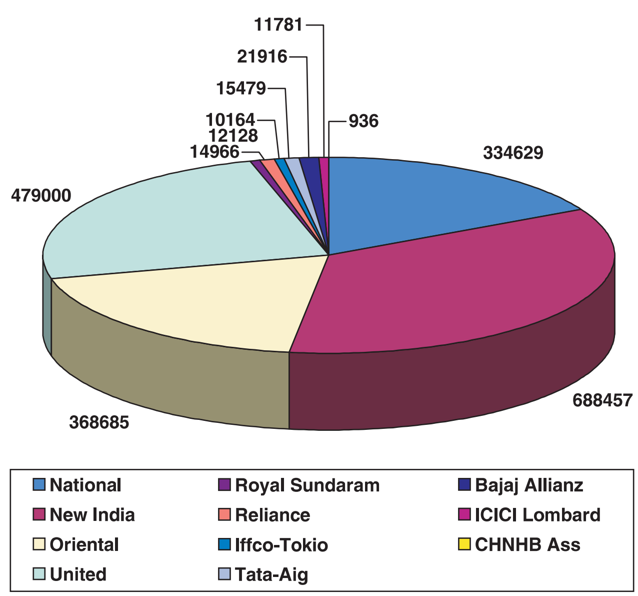
No.	Company Name	Central Govt. Securities	SG&Other Guaranteed Sec.	Housing & Fire Fighting Equipments	Infra Structure Investments	Social Sector Investments	Approved Investment	Other than Approved Invest	Total Investment
1	CHNHB Assn	1.34	1.34	0.30	0.78	–	5.14	1.80	**9.36**
2	ICICI Lombard	42.03	42.03	8.86	19.82	–	47.10	–	**117.81**
3	Bajaj Allianz	84.47	89.52	13.41	21.26	–	34.34	60.63	**219.16**
4	Tata AIG General	53.92	53.92	8.85	30.23	–	21.80	39.99	**154.79**
5	Iffco Tokio	50.63	50.63	8.39	16.46	–	26.15	–	**101.64**
6	Royal Sundaram	44.67	56.29	9.56	17.64	–	37.80	–	**121.28**
7	Reliance General	–	59.56	10.10	15.92	–	29.14	34.94	**149.66**
8	Oriental Insurance	809.09	1,053.29	274.65	410.36	–	1,528.32	420.23	**3,686.85**
9	United India	1,460.91	1,868.15	368.61	550.28	–	1,178.96	824.00	**4,790.00**
10	National Insurance	1,080.34	1,391.52	189.83	232.98	–	1,227.12	304.84	**3,346.29**
11	New India	1,679.54	2,240.83	443..69	431.07	–	2,483.32	1,285.66	**6,884.57**
12	GIC	1,600.98	2,095.49	556.71	3,399.13	–	739.79	–	**6,791.12**
	Total	**6,907.92**	**9,002.56**	**1,892.97**	**5,145.93**	**–**	**7,358.97**	**2,972.10**	**26,372.53**

Note: Figures pertaining to GIC are provisional

SECTOR-WISE INVESTMENTS AS ON 31.3.2002 – GENERAL INSURERS (Rs. in Lakhs)



TOTAL INVESTMENTS AS ON 31.3.2002 – GENERAL INSURERS (Rs. in Lakhs)



(v) Health Insurance

Health Insurance is a very important area, where insurance industry should and could contribute a lot to the society – particularly to the handicapped segments of the society.

In order to develop and promote health services in the insurance industry, third party administrators – health services (TPAs) have been brought in as intermediaries to act as facilitators between the insurers and the insureds. The regulations to the effect have been notified and 20 TPAs (Health Services) have been licensed so far, (14 up to 31st March, 2002) to function in this area. This will help the insured in getting cashless treatment, quickening the process of settlement of claims and also reduce the administrative work of the insurer. Steps are underway to impart practical training to the CAOs/CEOs of the TPAs to equip them better in the functioning of the TPAs. They are also required to maintain a particular level of paid-up capital and working capital. This is to ensure their financial viability.

Hitherto also, such service providers were available in the market. By issuing regulations and licensing the TPAs, these service providers have been brought under the umbrella of regulation of the Authority. The code of conduct has also been prescribed for the TPAs so as to protect the interests of the policyholders.

As it is a very new area, much will depend in future as to how the TPAs respond to the expectations of the insured and the insurer. It all calls for a change in the mind-set of the insurers as to the feasibility of the system to enhance value added services. It is expected that with the growth of insurance industry, TPA (Health Services) system too will grow professionally.

(vi) Specified percentage of business to be done in the Rural and Social Sectors

The Authority requires every insurer to fulfill the obligations pertaining to the rural and social sectors as laid down in the IRDA (Obligations of Insurers to Rural or Social Sectors) Regulations, 2000. The regulations provide that the insurers shall underwrite each year a specified percentage of business in the rural sector. The specified percentage is vis-à-vis the total gross premium income written direct in the relevant year. Similarly, the regulations also lay down business to be conducted by the insurers in the social sector, in terms of number of lives insured during the first five years of their operations. The social sector further encompasses the unorganized sector, informal sector, economically vulnerable or backward classes. The regulations further provide that in case of the first financial year of the insurer being less than a period of 12 months, proportionate percentage or number of lives, as the case may be, shall be underwritten.

The regulations further provide that the Authority may review the quantum of insurance business periodically, and give directions to the insurers for achieving the targets specified.

During the year under review, the insurers took necessary steps to underwrite rural insurance business in both government sponsored schemes and also for non government schemes.

The Authority is periodically reviewing the performance of the insurers in these sectors, and is at times also counseling them to develop tailormade products to meet the requirements of the rural sector. A case in point is that of a non-life company developing a special insurance product for farmers which was linked to purchase of fertilizers.

It is gratifying to note that all the insurance companies have substantially fulfilled their obligations in the rural and social sectors. More than 70% of the India's population live in rural areas, and the agricultural and allied sectors witnessed a growth of 5.7% in the year 2001-02. Further, the rising levels of income of the rural population has increased their aspirations, and today they are in a position to afford better products and services to improve the quality of their lives. There is thus a tremendous potential to increase insurance penetration in the rural areas. The regulations pertaining to obligations of the insurers to the rural and social sectors were recently amended to reflect the requirements of the industry on a better deposition of the term "rural area" and the desirability of having a near-close similarity of the requirements in the financial sector. The details of the amendments are placed elsewhere in the report.

(vii) Pensions

The evolution of a reasonable pension system is a crying need of the hour. Countries provide social security benefits to their residents in remarkably diverse ways reflecting differences in their levels of economic and social development and historical experience. Tax systems are in place in many countries to encourage participation in the pension plans.

Worldwide, pension is perceived to be a long-term financial contract under which employees' contributions today are exchanged for benefits tomorrow. The Government of India had asked the Authority to recommend a suitable pension plan. The Authority brought out a report on pension for the unorganized sector of the economy. The said report was submitted to the Government of India and is presently under discussion.

Proposed Pension System:

Four key functions central to any pension plan are contribution inflows, record keeping, money management and benefit payouts. The objective of pension reform in the Indian context is to arrive at an appropriate mix of these components and the plan design including delineation of these roles. In view of this, there is a need for a comprehensive systemic reform initiative.

For designing a pension system, it is important to lay down clearly the roles of the different institutional players envisaged as partners in the pension system. Any pension player must be clearly directed by a set of prudential measures operating through a mechanism of trustees who have an explicit relationship with the participants and hold a clear fiduciary duty to them.

While presenting its report on the pensions sector, the Authority has proposed the following features:

- System envisaged as a purely voluntary one with both participation and contributions being voluntary.
- System primarily aimed at the unorganized sector which is presently not covered under any of the existing pension schemes.
- System ensures an organization which has interface between the contributors and the regulator.
- Emphasis placed on low and clear charges to enable customers to compare easily the different plans.
- Emphasis on competition through a system of multiple providers as to ensure minimization of costs and optimize fund management and customer service.
- System to regulate the providers and products as well as the selling process. The objective would be to reduce costs and complexity while maintaining security of peoples' funds.
- Plan for compulsory annuitisation at a certain threshold level; withdrawals/ commutations of accumulated corpus to be permitted for specified reasons

The link between pension reforms and the insurance markets occurs both within the annuity portion of the old age scheme and potentially, in the areas of survivors and disability benefits. The ability of the insurance sector could effectively provide annuity coverage in these instances and this could eventually prove crucial in determining the success of the pension reforms.

Framework:

The pension system being voluntary, should set standards that are capable of accommodating other pillars of the pension system as and when needed, eventually resulting in their gradual transfer to the new system. The pension scheme should be available to everyone, regardless of the employment status. It should be possible to make contributions on behalf of a spouse. Similarly, parents should be allowed to set up and contribute to pension schemes for their children, and vice versa. The system envisages multiple kinds of portability that could be inherent to the environment. The facility of frequent withdrawals creates a situation where at the time of retirement when the need for resources surfaces the subscriber is left with next to nothing. The very purpose of institutionalizing the system of accumulations is lost by this. This problem can be met by permitting the balances to be pledged to raise loans for short periods rather than permit complete withdrawals. Additionally, a prescription by way of ongoing regulations could be provided for special circumstances for withdrawal of some part of the funds.

The new pension system should be flexible and useful to the mass of individuals who do not have a regular monthly salary and hence cannot pay a monthly pension contribution. The new pension system should therefore not andate any minimum annual contribution and the spacing of contributions across time should be left flexible. The members could be advised and encouraged towards a desirable annual contribution level that will offer adequate retirement benefits. An individual would be able to access the collection points at any time.

The proposed regulatory framework lays down a set of criteria, including minimum capital requirements and past experience, for a participant to secure "registered" status. The participants would be expected to exclusively focus on undertaking pension related activities. The modalities for taxation/exemption would also need to be worked out at the identified transaction points, viz., (i) on contribution to the pension fund; (ii) on investment income and capital gains accruing to the fund; and (iii) on the members receiving benefits on retirement. India's present tax treatment of contractual savings is currently inconsistent. The proposed tax structure would need to incorporate tax incentives as to encourage savings. The Authority has suggested the modified TEE method of taxation where contributions towards pensions are made from taxable income; income of the pension funds and annuity funds be exempt from tax; commuted value of pensions should continue to be exempt and amounts received as annuities also be tax exempt. The Authority also recommended that long term savings be accorded a preferential tax treatment.

The Authority also dwelt upon the role of the regulator while implementing the pensions reforms, the major areas identified by IRDA in this regard, included:

- Supervision of the functioning and growth of all aspects of India's pension sector
- Registration and supervision of the stakeholders of the pension system
- Prescription of investment guidelines, accounting standards and disclosure norms for fund managers
- Supervision and rules for micro-credit, premature withdrawals and taxation
- Enforcement against fraud, delayed transfers, dispute resolution and grievance redressal
- Implementation of the relative return guarantee, including risk management to ensure adequacy of collateral
- Public education regarding retirement saving and the new pension system among potential members
- Standardization of information about fund performance and dissemination of easily comprehended performance measure about fund managers and providers
- Continuing research about India's pension system and evaluation of policy initiatives

Other critical areas as would need to engage the attention of the regulator include:

- Financial planning advice and investor education as average investor may not be well informed/ sophisticated about financial matters.
- Compulsory publication of annual standardized reports providing pension flows, patterns of investments, payouts and expenses.
- Review fees charged by various players to schedule re-determination to prevent start-up costs from getting embedded in the system permanently.
- Establish a mechanism whereby customer satisfaction, speed of response to customer queries, time taken for claimants to start receiving benefits are monitored; and at the systems level, putting in place the mechanism for detection and correction of fraud.

(viii) Accounting and Actuarial Standards

I) ACCOUNTING STANDARDS

The Authority had issued the Regulations for Preparation of Financial Statements and Auditor's Report of insurance companies in the year 2000. However, there was a felt need for streamlining the information furnished by the insurers and to incorporate various clarifications issued on the same, from time to time. Accordingly, the regulations were modified and notified in March, 2002. The regulations broadly fall within the purview of the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India. However, modifications have been made in respect of the following accounting standards:

- Accounting Standard 3 – Cash Flow Statement – to be furnished only under the direct method
- Accounting Standard 17 – Segment Reporting – to be applicable to all insurers irrespective of the requirements of listing and turnover as mentioned in the AS.

The said modifications have been made to meet the specific information needs of the Authority, and do not dilute the standards laid down by the ICAI. It may be mentioned that the ICAI has issued 28 Accounting Standards till date.

The regulations further require that the financial statements shall be accompanied by the Management Report, as per the proforma prescribed in this regard, duly certified by the management of the insurer. The Responsibility Statement, as required under Section 217(2AA) of the Companies Act, 1956 as part of corporate governance, also forms part of the Management Report.

The Authority has also prescribed the proforma of the Auditors' Report, and laid down the requirement of the accounts being jointly audited by two auditors. Further, the auditors appointed by the insurers must be drawn from the panel maintained by the Authority. The Authority has prescribed guidelines for empanelment of auditors with it.

With a view to adopting healthy corporate governance practices, the Authority has further prescribed that the auditors be rotated every five years, and no two auditors jointly carry on audit for more than four years. Officials of the Authority have also been associated with the efforts of the study group formed by the ICAI to bring out guidance notes on audit of companies carrying on general or life insurance business.

II (a) APPOINTED ACTUARY SYSTEM

The Authority has introduced the system of Appointed Actuaries (AA) both for life insurance business and general insurance business carried on in India, and no insurer can transact life insurance business in India without an Appointed Actuary. Perceiving a crucial role for the appointed actuary, the Authority, while defining the privileges and the obligations of the AA, has also laid down eligibility criteria in the regulations. The regulations require that each life insurer shall have an AA as a full-time employee. However, a relaxation has been made in case of non-life companies, in that a consultant actuary can be appointed by a non-life insurer.

Every life-insurer is required to submit the statement of solvency as on 31st March of each financial year, duly certified by the AA. In case of a non-life insurer, the AA is required to certify the rates for in-house non-tariff products and IBNR (incurred but not reported) reserves.

The growth of the insurance industry coupled with the entry of private sector in the last two years, has impacted the evolution of the system of Appointed Actuaries. The major developments in the profession of actuaries pertain to peer review. Professionals in the industry have been veering around to the view that peer review could result in improving the quality of actuarial services rendered in the insurance industry. While the profession is expected to address this issue and decide the course of action, the Authority has considered it prudent to have a professional panel to review the statutory reports submitted by the Appointed Actuary to the Authority. As per the feedback received from the profession, initiative in the matter has been welcomed. Already, as a first step in this regard, the Authority has constituted a Review Committee of Actuaries, comprising:

– Shri N.K.Shinkar – Consultant Actuary, IRDA
– Shri K.P.Narasimhan – Past President of ASI
– Shri P.A.Balasubramanian – Member(Actuary), IRDA

The Committee is to review the statutory returns of the insurers and examine the functions of the AA, in the backdrop of the requirements as laid down in the regulations in this regard.

It may be mentioned that the efforts towards peer review, world over, are aimed at providing comfort levels to the regulators as to the quality of actuarial work, associated as it was with protection of the interests of the policyholders.

Another step towards professionalising the role of actuaries is the proposed legislation to establish the Institute of Actuaries of India. The Actuarial Society of India was formed for advancement of the actuarial profession in India, providing opportunities for interaction among members of the profession, facilitating research, arranging lectures on relevant subjects, presenting and discussing of papers, providing facilities and guidance to those studying for actuarial examinations etc. The draft Institute of Actuaries Bill, 2002 aims at granting statutory powers to the Actuarial Society of India to regulate and develop the profession of actuaries.

II (b) ACTUARIAL STANDARDS

The Actuarial Society of India has been entrusted with the task of preparation of guidance notes (actuarial standards) for the actuaries with the concurrence of the Authority. The Actuarial Society of India has come out with the first such Guidance Note (GN-I) issued on "Appointed Actuaries and Life Insurance", constituting a professional standard, covering the responsibilities of the Appointed Actuary towards maintaining the solvency of the insurer, meeting the reasonable expectations of the policyholders, and to ensure that the new policyholders are not misled with regard to their expectations.

(ix) Directions, orders and regulations given by the Authority

With a view to providing guidance to the insurers and to clarify issues raised by the insurers, the Authority has been issuing directions and orders from time to time. The gist of these orders/directions is briefly given below:

- Orders issued to the insurers advising them to seek approval of the Authority for appointment/re-appointment/termination of the Chief Executive of the insurer, and approval shall be sought along with particulars of terms and conditions of appointment, remuneration, etc.

- With a view to ensuring arms' length approach with the promoter company, the Authority directed all insurers to ensure that no officer/staff of the promoter/shareholder company shall be on deputation/loan to the insurer. The Authority directed that no common officer shall be appointed by the insurer in terms of Section 32A of the Insurance Act, 1938, without the express permission of the Authority. Further, insurers cannot appoint managing agents for conduct of its core insurance business.

- Orders issued to general insurers indicating that in respect of all products distributed through any intermediary, the insurer should ensure that the said intermediary does not assume the role of an insurer and is registered as an agent only. Further any advertisements issued in relation to any product must conform to the advertisement regulations.

- Clarifications pertaining to rural and social sector – as to what constitutes rural/social products, rural/social sector business and rural areas. The intention and purpose of the regulations is insurance protection to persons living in rural areas and to cover the assets belonging to them in those areas. The regulations on obligations of insurers towards rural and social sectors have since been amended.

- Appointed Actuaries not to hold additional charge which causes conflict of interest in the office of an insurer.
- Insurers to confirm that all non-tariff products are filed with the Authority and all tariff products filed with the TAC before being marketed by the insurer. Further, the insurers were advised to certify to the Authority that all products were marketed only after addressing all the issues raised by the Authority.
- Circulars/orders were also issued to the insurance companies to ensure that healthy market practices are adopted while seeking business. Simultaneously, attention was drawn to any malpractices existing in the industry as may amount to fraud and could result in underwriting losses on account of skewed claims settlements, for the insurers.
- Directions were issued cautioning insurers not to adopt unhealthy practices in recruitment of agents, and to ensure that the requirements of training and examination were followed scrupulously so as to ensure that the agency force developed by the insurers was competent enough to advise insuring public objectively, avoid mis-selling, mis-representation, and unhealthy practices emerging in the sale of insurance products.
- Invoking the powers resting with the Authority to issue directions to secure proper management of the business of the insurer, the Authority issued directions under Section 34 (1) of the Insurance Act, 1938 on payment of agency commissions. The Authority prescribed the following limits for payment of commission in respect of non-life business governed by a tariff made by the TAC:

Paid-up Capital of the Insured	Commission (%) to be offered by the general insurer as percentage of premium
Upto Rs.10 crores	5%
From Rs.10 to 25 crores	2.5%
More than Rs.25 crores	0%

Discount: In all cases where agency commission is not paid, a discount of 5% of the premium can be allowed and indicated as such in the policy document. In case the insured prefers to deal directly with the insurer, the insurer can give a special discount as prescribed above.

Business emanating from individual loan taken from hire purchase companies or banks for purchasing housing property and vehicles are outside the purview of commission structure. If the insured is a company/firm/ co-operative society and any asset is owned by them for which insurance cover is taken then the above mentioned commission structure shall be applicable.

In case of individuals insuring their assets whether under hire purchase finance or otherwise and/or against personal accident and sickness and other personal lines of insurance, insurers can decide the level of commission payable up to a maximum of 15%.

While issuing the directions, the Authority cautioned the insurers that commission levels up to 15% for tariff and non-tariff provided for in personal line business, offered tremendous scope for increasing volumes in retail business, and complaints of malpractices in procurement of business and commission outgo being booked under other account heads, could attract penal action from the Authority. The Authority could always resort to onsite inspection to bring to light and curb such malpractises, as and when required.

- Terrorism risks in Fire & Engineering – Insurers were advised to offer terrorism cover as per the rates and terms prescribed by the TAC. The insurers were also advised to ensure that the renewals of policies should be at the revised rates applicable for terrorism cover effective 1st April, 2002. However, the rates as advised by TAC for terrorism risk shall not be subject to any commission/discount.
- Investment policy of each insurer is required to be approved by the Board of the company on a half yearly basis. The policy having been framed, the implementation of the same is to be done by the department of the respective insurers. The Investment Committee need not be involved in the day-to-day decisions on investments.
- Loading in respect of third party motor premium is to be done only on a case to case basis. The insurer can fix the premium up to 100% of the basic rate in the first year, and by another 100% if the performance is equally bad in the second year. However, there had been reports that insurers had been enhancing the premium up to 300%-400% of the basic rate. The insurers were cautioned to issue policies in line

with the directives issued by the Authority and the TAC, and warned that any infringements on the directives would attract penal action.

- In a couple of cases, on representations received from parties, specific directions on the settlement of claims were issued.

(x) Powers and Functions Delegated by the Authority

As a step towards simplifying the process of grant of licence to the agents, the Authority had put in place a procedure through the Website, and the insurers designated their specific officers who could access the IRDA Website for this facility. Further simplifying the procedures, the Authority has delegated the powers for regularization of licence to the insurers, in cases where there has been delay in filing of renewal application and the insurer is satisfied that the applicant had genuine reasons for the delay. Only in cases where the insurer is not satisfied in this regard, the application is to be forwarded to the Authority.

(xi) Other policies & programmes having a bearing on the working of the Authority

The ensuing paras broadly cover the various initiatives which have impacted the performance of the insurance industry in the recent past, and are likely to influence the operations of the insurers, both life and non-life in the times to come. A major step in this direction was the notification of the Insurance (Amendment) Act, 2002. Initiatives have also been taken on crop insurance and credit insurance. In addition, a Consumer Advisory Committee has also been set up to provide representation to various consumer groups. In addition, steps have also been initiated to review the Insurance Act, 1938. The Authority aims at achieving global standards in the insurance sector, emulating the principles as laid down by the International Association of Insurance Supervisors.

a) Important issues in the Insurance (Amendment) Act, 2002

The much awaited Insurance (Amendment) Bill was passed in both the Houses of Parliament and notified on 23rd September, 2002. The major amendments incorporated in the Act include:

1. CO-OPERATIVE SOCIETIES RECOGNIZED TO CARRY ON INSURANCE BUSINESS

The amendment provides for setting up of co-operatives exclusively for carrying on insurance business. The co-operatives would be subject to same paid-up capital requirement, solvency requirements, deposits with Reserve Bank of India, maintenance of the accounts, audit etc., as in the case of other applicants.

By nature of their being engaged in the activity of disbursing credit and being closer to the rural markets, co-operatives are expected to help in the penetration of insurance cover to rural areas.

2. TRAINING REQUIREMENTS MODIFIED FOR CORPORATE AGENCIES

The directions requiring all directors or principal officers of a company/firm seeking to undertake corporate agency business, to undergo training and to pass the requisite examination have been modified, as to permit a designated officer of the corporate agency to fulfill the requisite qualification. The amendment was incorporated to remove constraints in the growth of corporate agency business, and should now pave the way for entry of banks as insurance intermediaries, as also facilitate distribution of insurance products to reduce costs of selling and distribution. The corporate agency system is expected to play a significant role in procuring business from commercial establishments and is thus expected to help in advancement of development of non-life business.

3. ENTRY OF BROKERS IN THE INSURANCE MARKET

Section 40 of the Insurance Act has been modified, permitting a portion of the premium received from the insured to be paid as remuneration to an "insurance intermediary", including insurance brokers and consultants. Brokers are expected to improve market penetration by enabling designing and marketing of customized policies based on global best practices and experience. Efficiency in the conduct of insurance business is also expected to improve due to scaling down of transaction costs, since either agency commission or brokerage would be payable on a given transaction. As the risk cover would be based on extensive research and risk analysis, and the broker would be acting as a representative of his client vis-à-vis the insurer, the quality of services rendered to the clients would improve, including early and scientific settlement of claims.

4. MODIFICATION OF SECTION 49 OF THE INSURANCE ACT, 1938

The Section has been modified ensuring an equitable return to policyholders and shareholders. The amendment provides entitlement of actuarial surplus to shareholders – 100% in case of non-participating policies; and not exceeding 10% of such surplus in case of participating policies (7.5% before the amendment).

5. AMENDMENT IN SECTION 64VB OF THE INSURANCE ACT, 1938

The Section has been amended to facilitate the Authority to prescribe the mode of payment of premium, without changing the basic requirement that the premium should be paid before the insurer grants cover on it. The amendment will enable payment of premium through bank credit/debit cards or internet and will facilitate the insurance customers to have an easier mode of payment of premium. This might result in an increase in insurance business.

NEW INSURANCE LEGISLATION:

The process of liberalization of the insurance sector which commenced about two years back, has witnessed a sea change in the industry with new private players entering the market. The process has resulted in the need for comprehensive review of the regulatory and supervisory environment for these players. With this end in view, the Law Commission has initiated the exercise of review of Insurance Act, 1938. As part of the exercise, the Commission would also assess the need for a single comprehensive legislation for the insurance industry. The Commission has already commenced the exercise and it proposes to release a white paper on the subject within the next couple of months to facilitate wide ranging public discussion. The Authority has constituted a core group to assist the Law Commission.

b) Terrorism Cover:

The September 11 attacks on the World Trade Centres in USA have had a dramatic impact on the insurance sector in India and on world reinsurance market. Suddenly, there was an increase in demand for terrorism cover by the existing as well as new policyholders. TAC notified imposition of 10% additional premium to be charged on the existing and new fire and engineering policies issued by all the non-life insurers. A committee was constituted in TAC to go into the definition, wordings and pricing of terrorism cover. The area which had been most affected was the reinsurance. The immediate impact of the incident was the hardening of the rates and reluctance on part of the reinsurers to cover terrorism risks. The reinsurance rates had suddenly shot-up by over 300% and very few reinsurers were available in the international market to extend terrorism cover for the insurers. Even when they were willing, it was available at a high price and that too with a limit/cap. Moreover the reinsurers had introduced changes in the definition of "terrorism".

The Indian insurers were particularly hard hit. The reinsurers started having second thoughts on granting terrorism cover on risks situated in India. The reinsurance rates for aviation and other classes of business had hardened considerably and the Indian insurers found it difficult to find reinsurers who could underwrite the aircraft fleet of Indian operators.

Discussions at various levels had been undertaken by the Authority on as to how to tackle this issue. Meetings with the reinsurers, insurers, Indian Reinsurer and reinsurance brokers had taken place. The unanimous view was that terrorism cover should be taken out of the Riot, Strike, Malicious Damage; and Terrorism clause and should be introduced as a separate stand alone cover with a separate rate for it.

It was finally proposed by the Authority, that as a voluntary market driven initiative on part of all insurers, a separate pool be set up to provide terrorism cover. The pool, it was proposed, would be administered by GIC. The scheme is being worked on this basis.

c) Crop Insurance:

In India, agriculture is not only a business enterprise but a way of life for a large number of people. As a business enterprise, it is susceptible to socio-economic uncertainties. As a mode of living, it is subject to personal risks. But most of all, agriculture is susceptible to the natural vagaries, since it is extensively, directly and continuously in contact with the forces of nature. These factors make agriculture a risky enterprise.

The developed countries have adopted an integrated risk management approach that includes use of insurance, both public and private, to stabilise the agriculture industry. Insurance complements, on the one hand, activities designed to strengthen the base of agriculture – i.e., irrigation, drainage, land reclamation, and other means of increasing agricultural productivity; and on the other hand, pricing and other income support measures. Agriculture insurance should be playing an even greater role in India, as not only this sector's contribution to GDP is relatively high, but also the majority of the people are engaged in agriculture and related occupations.

All the crop insurance schemes till date are group insurance schemes, aimed at farmers taking crop loans from banks.

The premiums are minimal – 1% to 3%. The risk was shared among the Central and the State Governments, and the General Insurance Corporation administers the scheme. The financial results of the schemes indicate that none have succeeded in correctly estimating the actuarial probability of the risk covered. The claims paid have been almost six times the premiums collected.

The group character of the crop insurance schemes and the fact that the premium has no actuarial basis, take away the business character of the schemes and give it the look of a game of chance, and has encouraged those wanting to take undue advantage of the schemes. It would appear that in many cases where the actual loss was serious, little or no compensation was paid. There are also cases where there was little loss but the compensation was based on block experience.

As India moves towards world class agriculture and is becoming increasingly market-oriented, a dependable crop insurance scheme will become a necessity. The agricultural sector depends on the monsoon, which is known for its erratic character. Further, the low capital utilisation and the small size of holdings make agriculture in India fraught with risk.

If the actuarial insurance premia are to be as high as 30%, any effective crop insurance company would need to be several times bigger than LIC and would not be feasible unless the element of risk is substantially reduced by improving availability of irrigation facilities and improving systems of weather forecasting.

If the actuarial risk factor is computed into the calculations of the cost of production and, consequently, in the Statutory Minimum Price, in years when the contingent risk does not arise, the farmers will be able to keep aside sums that can accumulate over years, until the contingent risk actually occurs. This will amount to self-insurance. It is only after a system of self-insurance has worked for a number of years that it will be possible to establish a scientific scheme of insurance for crops which, by its nature, is a gamble not only in the monsoon, but in so many other things as well.

The Government has taken the initiative to find a judicious mix of private and public insurance efforts, as part of integrated risk management package and is planning to float an independent company National Agricultural Insurance Company for farmers to manage and provide for all aspects of crop-related insurance activities in the country. Of the Rs.250 crore initial capital (which will be raised to Rs.500 crore later), the promoters of this trailblazing initiative shall be – GIC holding 35% and NABARD 35% while the balance 30% will be held by — National Insurance, New India Assurance, Oriental Insurance and United India Insurance.

The core focus of the new entity will be crop insurance, but the cover will later on be extended to tractors, pump-sets, cattle and even huts. A new network of offices would dot the country in addition to using the existing infrastructure of NABARD and GIC offices. NABARD will be part of the management and shall offer technical advice. GIC would only serve as a reinsurer to the new entity. At the moment, the Corporation with its National Agricultural Insurance Scheme is the only crop insurer in the country.

d) Credit Insurance

The scope for product innovation is underscored by the fact that the insurance business is often classified in great detail in many developed countries, on the basis of business specialisation and risk and claims characteristics, with *niche* insurers operating in some of the segments. For instance, the European directive on life and non-life Insurance classify the life business into 7 classes (including unit linked insurance and pensions) and non-life insurance into 17 classes (including credit insurance) for independent authorisation. In India, although the insurance sector is bifurcated into life and general by the Insurance Act, the insurance companies have already taken up a number of businesses.

It will be appreciated that the benefits of liberalisation – in terms of coverage and cheaper premium – are likely to flow with a gestation lag. The challenges of creating demand by product innovation to suit consumer needs has already begun. A clear example of this is the Business Credit Shield that was launched by New India Assurance in alliance with Indo European Credit Guarantee (P) Limited. The fact that an existing insurer, rather than a new entrant, is introducing this new product is in itself a testimony to the compulsions of liberalization and competition.

The credit insurance business – which offers protection to suppliers of goods and services against the effects of debtor insolvency, in cases of domestic credit, export credit and political risk, individually and increasingly comprehensively – has grown rapidly in the past three decades – especially in Europe – with a worldwide premium of around US $ 5 billion according to a recent study commissioned by the International Credit Insurance Association. Bouts of economic crises have enlarged the scope of credit insurance from the original role of protecting the capital at risk in accounts receivable to an essential part of comprehensive credit and financial management. The credit insurance expansion has been in terms of both new players, in both the private and the public sectors and new products. Credit insurance has also recently been used to enhance asset securitisation deals.

In the UK, for example, the credit insurance business – which is now almost two centuries old – offers covers for late payment and insolvency of debtors – with options for insuring the whole or the partial turnover and in certain cases, for supplier default. Besides, credit insurers also offer credit intelligence and credit management facilities, including national and international debt collection. The Association of British Insurers points out that credit insurance in the UK is a competitive market not only because of the large number of insurers and the multinational competition but also because of the competing types of domestic cover such as “self insurance” or provisioning (which is limited to bigger companies) and factoring.

The Business Credit Shield if successful would also offer a competitive product to the exporters especially at the shorter end of the market. The basic features of the product – coverage for insolvency and protracted default (with discretionary credit limit facilities), political risk for exporters, indemnity up to 90% of the agreed loss – are more or less in line with international practices. The minimum turnover limits, minimum DCL requirements and the emphasis on strong credit management are equally necessary especially from the angle of business security.

The prerequisite of risk management is, of course, information. In order to develop an institutional mechanism for sharing of credit related information, the Credit Information Bureau has been recently set up by the State Bank of India, in collaboration with HDFC Limited and foreign technology partners. As the insurance business spreads to newer activities, it would be a good idea to build up a co-operative database of the particular risk and claim characteristics. For instance, in case of credit insurance, British credit insurers do contribute to an international database through which commercial information is exchanged with others in the industry and also allows insurers to offer credit intelligence to their clients at very little cost.

Such a database of activity-wise profiles could also have externalities if one does not move towards a system in which minimum capital and other prudential requirements are based on particular business profiles depending on the particular risk and claims characteristics, as is the case in many countries rather than on an aggregate business. This would allow stipulations (such as minimum capital levels) to be fixed more efficiently (than the present across-the-board requirement) and encourage diversification.

The economic situations in the world are becoming more and more uncertain with new complexities. With increase in uncertainties, the needs for reducing the economic burden of risk are increasingly felt. Business firms are required to identify key risk issues, define the amount of risk that can be taken, identify risk mitigation options and make an appropriate choice from such options. One of the key risk issues, common to all businesses, is risk of default or non-payment by debtors. Introduction of credit insurance in the India market should, hopefully, turn out to be a landmark in this regard.

e) Consumer Advisory Committee

The Authority has constituted a Consumer Advisory Committee consisting of representatives from various consumer organisations. The Committee also includes representatives of various life and non-life insurers. Already one meeting of the Committee has been held.

f) Insurance Association and Insurance Councils

The Insurance Association comprising all life and general insurers was constituted under the Insurance Act, 1938 to promote efficiency in the conduct of insurance business in the country. The two councils of the Association i.e. Life Insurance Council and the General Insurance Council consist of CEOs of the life and general insurers respectively. Two designated members of the Authority are *inter-alia* members of the Executive Committee of the respective Councils. The Councils have focused on such matters as market conduct, ethical practices to be adopted, behaviour of the intermediaries and dissemination of insurance-related statistics. The Councils are used as a platform by both the Authority and the insurers for interaction on issues of relevance to the industry. The Councils also advise the Authority on issues such as restricting the expenses of insurers in respect of commissions, as also bring to the notice of the Authority any instances of insurers acting against the interests of the policyholders.

g) Partnership with Domestic Institutions

The Authority has undertaken framing of all regulations through the process of consultation. The approach has been facilitated by the interaction it has with various bodies such as Confederation of Indian Industry, Chambers of Commerce, Management and Educational Institutes, Consumer and Voluntary Organisations. Opportunities for interaction are also provided at the various seminars/ conferences organized on the insurance industry. Of late, the Authority has also been organizing seminars on topics of relevance to the industry. All these platforms enable the members of the Authority to share their perspectives in the liberalized economic environment as also provide the Authority an opportunity to get a feedback on the aspirations of various sections of the society.

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PART-II

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REVIEW OF WORKING AND OPERATIONS OF THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

(i) Regulation of Insurance and Reinsurance companies

The statutory functions of the Authority are enshrined in the IRDA Act, 1999. The Act provides for establishment of the Authority to protect the interests of the holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith and incidental thereto. The powers and the functions of the Authority include:

- Registration (licensing) including renewal of registration of insurance companies
- Licensing of insurance intermediaries like agents, surveyors and loss assessors, third party administrators health services, insurance brokers, corporate agents, etc.
- Accreditation of training/examining institutions for agents, third party administrators – health services and insurance brokers' training institutions
- Monitoring of all non-tariff products ("file and use") including pricing of products, terms and conditions thereof
- Monitoring of all products introduced by the life insurers under the "file and use" procedure, including the riders thereof
- Supervision of the functioning of the companies and intermediaries including review of companies' annual statements
- Formulation of regulations
- Market conduct surveillance
- Consumer education and assistance

In discharge of its regulatory functions to registered insurers and to monitor their performance, the Authority has laid down the entry-level requirements including those pertaining to minimum paid-up capital, 'fit and proper' management, 'file and use' requirements, solvency margins, filing of regular returns to the Authority and investments regulations. The Authority has also put in place regulations for protection of interests of policyholders. While laying down the regulatory setup, the Authority has perceived an environment of self-regulation by the industry with regulatory intervention only as a matter of exception.

Status of exempted insurers

Section 118 of the Insurance Act, 1938 exempts the application of the Act to any trade union registered under the Indian Trade Unions Act 1926, or to any provident fund to which the provisions of the Provident Funds Act, 1925 apply or if the Central Government so orders in any case, and to such extent or subject to such conditions or modifications as may be specified in the Order, to any insurance business carried on by the central government or a state government or a government company as defined in Section 617 of Companies Act, 1956.

Further, at the time of nationalization of general insurance business in India, Section 36 of General Insurance Business (Nationalization) Act 1972 (GIBNA), exempted application of this Act in relation to any general insurance business carried on by a state government to the extent to which such insurance business relates to properties belonging to it or undertakings owned wholly or mainly by the state government; or to properties belonging to any semi government bodies; or any board or body corporate established by the state government under any statute; or any industrial/commercial undertaking in which the state government has substantial financial interest, whether as shareholder, lender or guarantor.

The list of exempted insurers is placed at *Annex II*

The Authority has been examining the status of the exempted insurers and based on the apprehensions expressed by them, taken a decision on the applicability of the insurance legislation to them. As per the decision, the following are applicable to the institutions: -

- Sections 10, 11, 12, 14, 15, 21, 26, 32B, 32C, 41, 46, 102, 110C and 110F of the Insurance Act 1938;
- All the regulations notified by the Authority including those on Actuarial Report and Abstract, Obligations of Insurers to Rural and Urban Sectors, Insurance Advertisement and Disclosure, Licensing of Insurance Agents including Corporate Agents, Reinsurance, TPA – Health Services, Protection of Policyholders' Interest and Manner of Receipt of Premium

The regulations pertaining to solvency margin, investment, and preparation of financial statements and auditors reports are applicable to such extent as the funds of these exempted insurers are separately maintained to ensure discharge of their liabilities. These insurers are required to maintain separate financial statements and the same are to be furnished with the Authority. The exempted insurers are not allowed to undertake life and non-life business together in the same fund and their activities are to be restricted within the exemption granted to them.

The Tariff Advisory Committee has been authorized to carry out preliminary inspection of the exempted insurers to ensure that the relevant provisions of the Act and the regulations made there under are adhered to.

(ii) Intermediaries associated with the insurance business

Insurance Agents

The liberalized environment in which the insurance companies, both life and non-life, have been operating over the last two years, has witnessed a growth in the intermediation process. While the agents have been known to be a vital link between the insurers and the insured, with the advent of the Authority on the scene, increased emphasis has been placed on imparting professional expertise to them. As a step towards this direction, minimum educational and training requirements have been laid down for the agents by the Authority. To facilitate the process of licencing, the National Stock Exchange has also been given a mandate to conduct agents' examinations online. This is in addition to the examinations being conducted by the Insurance Institute of India. The distribution channel statistics for individual and corporate agents both for life and non-life insurers are at *Annexes III & IV.*

Surveyors and Loss Assessors

Intermediation is the yardstick by which responsiveness of the industry to the customer is judged. In the case of general insurance, the most frequently heard complaint was dissatisfaction with the surveyors' loss assessment report and delay in the settlement of claims. This was despite the system of licensed surveyors assisting the insurance companies in the assessment of losses over the last three decades. Since a majority of the surveyors were found technically deficient in handling their assignments, the Authority took upon itself the task of categorising them on the basis of a minimum qualification, practical training and past experience, to be eligible to take up surveyors/ loss assessors work, besides ensuring their adherence to a code of conduct. Prior to taking up the categorisation process, the Authority held meetings with the members of the surveyors profession, whereupon the basic criteria covering details of qualification, work done in previous three years, quantum of survey work handled together with assessed amount thereof, were laid down. The process of categorization was totally computerized and was finalized by a Committee set-up by the Authority, which was headed by a retired District Judge from West Bengal. The other members of the committee included representatives from the insurance companies, surveyors and consumer interests, with an officer of the Authority acting as the convenor. The Committee laid certain working rules on the basis of which marks were allotted for each of the parameters considered to be core areas of a surveyor's work. The surveyors were also given the choice of being classified for two or three departments; and in some cases where the surveyors were qualified, they were also permitted to carry out Loss of Profit Surveys, in addition. The categorisation details were published on the website of the Authority and also individually communicated to the surveyors.

In addition, department-wise financial limits for utilisation of surveyors and loss assessors with effect from 31st March, 2002 were finalized as per details given below:

TABLE – 44

FINANCIAL LIMITS OF CATEGORIZED SURVEYORS & LOSS ASSESSORS

DEPARTMENT	CATEGORY A	CATEGORY B	CATEGORY C
LOP	Above Rs. 50 lakhs	Upto Rs. 50 lakhs	Nil
FIRE (Flood, Cyclone, Earthquake)	Above Rs. 25 lakhs	Upto Rs. 25 lakhs	Upto Rs. 10 lakhs
ENGINEERING	Above Rs. 10 lakhs	Upto Rs. 10 lakhs	Upto Rs. 5 lakhs
MOTOR (Public, Private)	Above Rs. 1.5 lakhs	Upto Rs. 1.5 lakhs	Upto Rs. 75,000
MISCELLANEOUS (inclusive of non-tariff)	Above Rs. 3 lakhs	Upto Rs. 3 lakhs	Upto Rs. 1 lakh
MARINE CARGO	Above Rs. 3 lakhs	Upto Rs. 3 lakhs	Upto Rs. 1 lakh
MARINE HULL	Above Rs. 10 lakhs	Upto Rs. 10 lakhs	Upto Rs. 50,000

NOTE:

1. Category A surveyor will be eligible for jobs falling under the financial limits of Category B. Similarly Category B surveyor will be eligible for jobs falling under the financial limits of Category C.
2. Category C surveyor shall not be eligible for the limits of Categories B and A. Similarly Category B surveyor shall not be eligible for the limits of Category A surveyors.
3. Financial limits are based on the estimated value of the loss in the opinion of the insurer.

An applicant seeking a fresh license will now be required to undergo practical training of not less than 12 months with an existing 'A' & 'B' categorised surveyor, in addition to qualifying the examination conducted by the Authority itself or by an institute authorised by it. Already the Authority has received more than 850 applications for enrolment as trainee surveyors, and the first examination is likely to be held in January, 2003.

The total number of surveyors categorized in different departments upto 31.03.2002 is as under:

TABLE – 45

Category	Total number of Surveyors (individual) categorized as on 31st March, 2002						
	Fire	Marine Cargo	Marine Hull	Engg.	Motor	Misc.	LOP
A	379	179	24	225	916	310	58
B	1213	1035	63	1954	3231	2055	138
C	1586	2264	80	2090	2521	2688	60
Total	3178	3478	167	4269	6668	5053	256

TABLE – 46

Category	Total number of Surveyors (firms) categorized as on 31st March, 2002						
	Fire	Marine Cargo	Marine Hull	Engg.	Motor	Misc.	LOP
A	69	28	8	41	19	40	17
B	89	88	20	83	54	121	32
C	102	133	4	73	31	82	3
Total	260	249	32	197	104	243	52

Third Party Administrators (TPAs)

The year also witnessed the introduction of an intermediary in the health insurance sector i.e., Third Party Administrators – Health Services (TPAs). Twenty companies have been granted license to operate as TPAs (list placed at *Annex V*) and they are expected to facilitate the access of policyholders to a network of hospitals/nursing homes. The regulations pertaining to TPAs provide for minimum entry level requirements including paid-up capital, qualifications of the CEO and constitution of the Board of the TPA. A joint venture with 26% foreign participation is also permitted in case of a TPA. While laying the code of conduct for the TPAs, the Authority has also prescribed maintenance of books of accounts and submission of annual returns. TPAs will enable insurers to outsource their claims administration thereby assisting in raising service efficiency and popularizing health insurance. They will also assist insurers in designing tailor-made products and in creation of health statistics database.

Corporate Agents

The Authority has recently notified corporate agency regulations, which allows corporate entities to distribute insurance products, and facilitate "bancassurance" in India. Bancassurance, which basically involves banks acting as corporate agents for insurers to distribute insurance products, has evolved as a strong distribution channel in many countries. In India, public sector banks and especially regional rural banks and micro-credit institutions with their wide reach can help fulfill the basic objective of deeper insurance penetration in the country. The regulations also provide for minimum educational qualifications for specified persons, and practical training requirements and code of conduct. In case of professionally qualified personnel the training requirement has been relaxed. It is expected that banks, regional rural banks, cooperatives, panchayats, local authorities, NBFCs and NGOs would enter the insurance industry as corporate agents.

Insurance Brokers

The regulations pertaining to insurance brokers have also been recently notified by the Authority. The regulations provide for direct, reinsurance and composite brokers, and capital requirements have been stipulated for each category of broker. The regulations also lay down minimum educational and training requirements for brokers. The syllabus for training and examination of insurance brokers has been finalized and the National Insurance Academy (NIA), Pune has been designated as the authorized institution for conduct of the examination under IRDA (Insurance Brokers) Regulations, 2002.

Insurance brokers, as professionals, are expected to fill the void in terms of providing for specific insurance needs of the client, by assessing the risk on behalf of the client, advise on the mitigation of the specified risk, identifying the optimal insurance policy structure, bring together the insured and insurers, carry out work preparatory to insurance contracts and, where necessary, assist in the administration and performance of such contracts, in particular when claims arise. The advent of brokers on the scene is likely to result in improvement in customer service, transfer of technology and managerial know-how, benefits to insurance companies through increased market penetration and facilitate increased retention capacities by optimizing reinsurance programmes.

(iii) Professional Institutes connected with Insurance Education

To assist the training of agents the Authority has so far accredited 833 agents' training institutions across the country for imparting the prescribed pre-licensing training to agents. This number includes in-house institutions run by insurance companies. The accreditation process is transparent and a prospective institute has to fulfill such conditions as availability of competent faculty, proper infrastructure facilities, etc. An assessment made on a "marking system" followed up by inspections, if necessary, by officers of the Authority precedes grant of accreditation. The Authority normally recognises an institution for a period of three years at a time. The institutions are open to inspection by the Authority to ensure their proper functioning. In addition, each approved institution is required to furnish certain information to the Authority as per the prescribed Form-B. This information is required to be furnished to the Authority on a quarterly basis.

The system of training of agents by requiring the insurance companies to select the people and offer them for training and examination has been found by the Authority to be the right approach in the present circumstances. The state-wise details of accredited agents training institutions as on 31.03.2002 is placed in the tabulation below:

TABLE – 47

STATE-WISE DETAILS OF NUMBER OF ACCREDITED AGENTS' TRAINING INSTITUTIONS – 31-3-2002

State	Other	In-house
Andaman & Nicobar	–	1
Andhra Pradesh	10	26
Assam	02	24
Bihar	02	18
Chandigarh	08	12
Chattisgarh	04	01
Delhi	19	12
Goa	04	02
Gujarat	14	42
Haryana	16	13
Himachal Pradesh	01	06
Jharkhand	21	09
Jammu & Kashmir	02	01
Karnataka	9	29
Kerala	5	26
Madhya Pradesh	14	72
Maharashtra	36	65
Manipur	–	01
Orissa	07	23
Punjab	18	17
Rajasthan	09	34
Tamil Nadu	12	46
Tripura	–	01
Uttranchal	01	–
Uttar Pradesh	33	64
West Bengal	15	26
All India Total	**262**	**571**

A number of other institutions are also associated with various fields of insurance education, training and research. These include Insurance Institute of India, National Insurance Academy, Centre for Insurance & Risk Education at IIM, Bangalore, Actuarial Society of India, Institute of Insurance and Risk Management, Hyderabad.

(iv) Litigation, Appeals and Court pronouncements

In respect of court cases, the types of action, to which the Authority has been made a party, have been diverse. Cases have been filed by consumers/insured against insurance companies making the Authority also a party alleging either delay in the settlement of claims by insurers or inadequate indemnity/compensation paid to them. Another set of cases consists of issues like non-renewal of licences granted to surveyors, on classification and categorisation of surveyors and loss assessors. A list of such cases together with their present position is given at Table 48.

TABLE – 48

DETAILS OF COURT CASES FILED AGAINST THE AUTHORITY

S.No.	Case No. & Title	Case History	Court's Name	Status
1	C.D.Appeal No. 146/ 94.Purna Chandra Patra vs. LIC & Others	The Petitioner filed a case in the State Consumer Forum, Cuttak for Non-Settlement of his wife's death claim.	State Consumer Redressal Forum, Cuttak.	The Hon'ble Court has directed the Petitioner is entitled to interest @12% per annum on the settled amount, which should be paid within one month of the order. The Court order has been sent to the concerned branch for execution of necessary action. MATTER IS CLOSED.
2	W.P.No. 1568/98.Sanjiv Saxena & Others vs.National Insurance, COI & Others.	Surveyors in Jaipur have filed a case in Jaipur High Court against the Circular of the National Insurance giving guidelines to the Regional Offices for in house surveys upto 20,000 estimated claims.	Jaipur High Court	Our lawyer has informed us that no stay has been granted to the surveyors. MATTER IS CLOSED
3	Consumer Appeal No.1269/98. G.C. Jain vs.Controller of Insurance.	There was delay by the COI's office in sending renewed Surveyor License. Mr. Jain filed a case in District Forum claiming damages for delay in granting renewal of Surveyor License. District Forum gave the judgement in favour of Mr. Jain. We have filed appeal in the State Forum against the Judgement.	State Consumer Redressal Forum, Bhopal.	State Consumer Forum has set aside the order of District Forum.MATTER IS CLOSED
4	W.P.No. 3624 of 2000 moved by the National Federation of Insurance Field Workers (NFIFW).	Petition was moved for quashing and setting aside the Agents Regulations on the ground that they are beyond the powers of the rule making authority.	High Court, Mumbai.	The case was defended by LIC. The Division bench of Bombay High Court dismissed the petition in August, 2000. MATTER IS CLOSED
5	W.P.No.538 of 1998 filed by PI.K. Nagappan in High Court at Chennai.	Petition filed for removing Section 64 UM(10) of the Insurance Act, 1938.	High Court, Chennai.	The Court has dismissed the case. MATTER IS CLOSED
6	Misc. Application No. 6/ 1955.	The case was filed in 1955 in the Distt. Court at Pune. The case pertains to winding up the proceedings against non-existing company.	Hon'ble V.G. Munshi's Distt. Court, Pune	The petitioner has withdrawn the case. MATTER IS CLOSED

S.No.	Case No. & Title	Case History	Court's Name	Status
7	CWP.No.514/2000 Pradeep Kumar vs.Union of India & Others.	Case was filed against appointment of Sh. S.K. Kunwar as Insurance Ombudsman, Chandigarh.	High Court, Chandigarh	The case has been withdrawn. MATTER IS CLOSED
8	W.P.No. 24507/98 & 24058/98. Prakash Harle & B. R. Subramanyam Vs.Controller of Insurance.	The Petitioners have filed a case against COI after their applications for Surveyor Licences on the basis of their Qualifications, B.Com with Insurance as one of the subjects were rejected.	Bangalore High Court.	Bangalore High Court has referred the matter for reconsideration to us. After due consideration licenses have been granted to them. MATTER IS CLOSED
9	C.W.No. 2951/98.Rajat Gupta vs.Union of India & Others.	Mr. Rajat Gupta filed the case in High Court for rejection of his application for Surveyor Licence.	High Court of Delhi.	The COI has granted License off by the High Court. MATTER IS CLOSED
10	C.W.No.9453 R.P. Singla Vs.Controller of Insurance & Others.	Mr. R. P. Singla filed a case in the High Court at Chandigarh for Non-renewal of his Surveyor Licence.	Punjab & Haryana High Court at Chandigarh.	The Hon'ble Court has granted Judgement in favour of the Authority. MATTER IS CLOSED
11	W.P.No.3988/2000 Agrim Warg Kalyan Mahasangh, Jabalpur.	The petition has been filed to bring to the knowledge the business activities of the respondent Nos. 5,6, & 7. The petition is filed as public interest litigation.	High Court, Jabalpur.	PENDING
12	O.S.NO. 32/2001 Petition filed in Distt. Court at Periyakulam.	Mr. A. Prabhakar has filed a case against non-settlement of a death claim by LIC.	Distt. Munsif Court, Periyakulam.	PENDING
13	W.P.(C) 4051/2001 M/s. Harlalka Manufacturing Enterprises, Distt. Dhubri (Assam) filed petition. vs.Union of India Controller of Insurance, National Insurance Co.	The Petition refers to refusal of renewal of insurance policies of the petitioners.	High Court of Guwahati.	PENDING
14	W.P.No. 4481/97. (C.M.No. 8480/97)Vivek Kaushal vs.Union of India & Others.	We rejected Mr. Vivek Kaushal's application for Surveyor Licence, as he did not have the required qualification.	High Court of Delhi.	PENDING
15	Civil W.P. in High Court at New Delhi.	Petition filed by Agents against the decision of the LIC not to give stipend to Agents.	High Court, Delhi.	PENDING
16	W.P.No. 1743/2001 filed by Ruchi World Wide Vs.Oriental Insurance Company Ltd.	Petition filed for Non-payment of claim by Oriental Insurance Company Ltd.	Madhya Pradesh High Court Branch at Indore.	PENDING

S.No.	Case No. & Title	Case History	Court's Name	Status
17	W.P.No.2509/2000 filed by All Assam Motor Transport Association.	Revision of Motor Tariff.	High Court at Guwahati.	PENDING
18	W.P.No.3651/2000 filed by Greater Guwahati United Motor Transport Association.	Revision of Motor Tariff.	High Court of Guwahati.	PENDING
19	W.P. Nos.18197 & 18198/2001 filed by Mr. K. Chandra & Ms.N. Arul Selvi	Petition filed for the post of Assistant in any Insurance company in Tamil Nadu or in the Southern Region.	High Court of Madras	PENDING
20	O.P.No. 33815/2001 Filed by Cdr.K.P. Raghavn,	Petition filed for inclusion in the list of categorized surveyors/loss assessors.	High Court of Kerala at Ernakulam	PENDING
21	WPC 04/2002 Mr. S.P.Sarma vs Union of India & others	The petitioner (A surveyor) filed a case in High Court, Guwahati against categorization.	High Court, Guwahati	WITHDRAWN
22	CMP No. 22842-OP Bi.13542 of 2002 – A Sreedharan Vs. IRDA and others	The petitioner filed a case in High Court of Kerala for agency commission of agents	High Court, Kerala	PENDING
23	CWIC 16445 of 2001 by Ram Bahadur Vs. Union of India and others	The petitioner filed a case in High Court of Patna against categorization of surveyor	High Court, Patna	WITHDRAWN
24	COP No. 8/2002 by Shri Arokyasami Vs. LIC and IRDA	The petitioner filed a case for renewal of agency licence		PENDING
25	OP NO. 26861/2001 by Shri T. D. James Vs. United India	The petitioner filed a case in High Court of Kerala for Agency	High Court, Kerala	PENDING
26	WPC 2679/2002 Sh. Dalal Chandra Das, Surveyor Vs. Union of India and IRDA	License Renewal The petitioner filed a case in High Court, Guwahati, Assam for categorization of surveyor	High Court, Guwahati, Assam	PENDING
27	Case by Mini Bus Operator Cooperation Committee Vs. Union of India	Rita Sinha, Advocate sent us writ application on the matter moved as unlisted Motion before his Lordship the Hon'ble Justice Pinaki Chandra Ghose	High Court of Calcutta	PENDING
28	WA No. 178 of 2002 & 311 of 2002 – Mr. P. Soundarajan Vs. IRDA	The petitioner filed a case in High Court, Madras for basis/ classification of surveyors for the purpose of allotment of survey by the insurers.	High Court Madras	PENDING

S.No.	Case No. & Title	Case History	Court's Name	Status
29	Case No. 34 of 2002 – Mr. K. Patnaik Vs. United India Insurance Co.	Case filed in Consumer Dispute Redressal Commission, Cuttack (Orissa)	Consumer Dispute Redressal Commission	PENDING
30	O.P. No. 26263 of 2002 filed by Mr. B.K. Emil & others	Loading of Motor Premium & refusal of Motor cover by insurers.	High Court of Kerala at Ernakulam	PENDING
31	O.P.No. 26884 of 2002 filed by Mr.M.K.Subramanian and others.	Loading of Motor Premium.	High Court of Kerala at Ernakulam	PENDING
32	O.P.No.27542 of 2002 filed by Mr. K.U.Varunni	Filed for upgrading the Category granted to the surveyor.	High Court of Kerala at Ernakulam	PENDING
33	W.P. No. 35543 & 35544 of 2002 filed by Lorry, Tanker and Van owners association.	Loading of Motor Premium & refusal of Motor cover by insurers	High Court of Madras at Chennai.	The Court has directed that TP insurance cover be provided for transport vehicles subject to filling of proposal forms and payment of requisite premium.
34	O.P. No. 26976 of 2002 filed by Mr. P. L. Joy, Trissur Dist.	Increase in Motor insurance premia tariffs	High Court of Kerala at Ernakulam	PENDING
35	O.P. No. 27074 of 2002 filed by Mr. C.P. Giri & others, Ernakulam	Enhancement of Premium in respect of Motor Vehicles	High Court of Kerala at Ernakulam	PENDING
36	O.P.No.27745 of 2002 filed by T.M. Saseendran & others	Enhancement of Premium in respect of Motor Vehicles	High Court of Kerala at Ernakulam	PENDING
37	O.P. No. 26816/2002 filed by Kadeeja T.A.	Enhancement of Premium in respect of Motor Vehicles	High Court of Kerala at Ernakulam	PENDING

(v) International cooperation in insurance

International Association of Insurance Supervisors (IAIS)

IRDA is a member of the International Association of Insurance Supervisors (IAIS) which was established in the year 1994 and has representatives from supervisory authorities of some 100 jurisdictions. The IAIS promotes cooperation among insurance regulators and between different financial institutions. IAIS establishes principles and standards related to insurance and organises training for specialists in newly emerging markets. The activities of IAIS are aimed at establishing stable, reliable and effective insurance markets, which protect the interests of holders of insurance policies.

Guidance papers issued by the IAIS provide the basis for training and support on issues related to insurance supervision. The IAIS also organizes meetings and seminars for insurance supervisors. The IAIS has also offered membership to industry associations, professional associations, and insurance and reinsurance companies. The consultants and international financial associations are granted membership as observer members. At present there are 60 observer members.

The Association is managed by the Executive Committee comprised of 15 members representing different parts of the world. The Executive Committee represents IAIS to the outside world and takes all decisions necessary to achieve its objectives. India has been a member of IAIS since 1996 and represents interests of insurance regulators of emerging markets and has recently been elected to the Executive Committee. The activities of IAIS are supported by the Secretariat with its seat at the Bank for International Settlements (BIS) Building in Basel (Switzerland).

In addition to the Executive Committee, the IAIS has three major committees to execute its policies viz., the Technical Committee, which is responsible for developing the principles and standards to form cautious and effective insurance regulations; the Emerging Markets and Education Committee whose main objective is to promote appropriate principles regarding regulation and supervision of insurance by preparing training manuals and organising regional training; and the Budget Committee which is responsible for managing IAIS financial matters. These committees are further supported by various sub-committees and working groups. Members of IAIS take important decisions at General Meetings convened during Annual Conferences, including those pertaining to future works of the organisation, changes in Articles of Association, as well as selection of members of the Executive Committee and adoption of documents (standards, principles, guidance papers). We are members of the Technical and Emerging Market Committees.

IAIS is one of the members of the Financial Stability Forum – FSF and contributes a great deal to this organisation. Further more, in collaboration with the International Accounting Standards Committee (IASC), IAIS has played a part in establishing standards. In May, 2000 IAIS was granted the observer status at the Insurance Committee of OECD. Close interaction with UNCTAD and the International Insurance Foundation (IIF) has resulted in organisation of training seminars for emerging markets. Officials of the Authority have been participating in the various programmes organized under the aegis of IAIS. More recently, IAIS has initiated steps towards cooperation with the World Trade Organisation (WTO).

The Authority has been actively associated with the working of the following Committees/Sub-Committees with members of the Authority as members of these Committees:

TABLE – 49
IAIS COMMITTEES/SUB-COMMITTEES

S. No.	Committee/Sub-Committee	Member
1	Executive Committee	Rangachary N
2	Emerging Markets and Education Committee	Rangachary N
3	Technical Committee	Rangachary N
4	Accounting Sub-Committee	Rangachary N
5	Task Force on Assessment and Implementation of Insurance Core Principles	Rangachary N
6	Working Group on Future & Financing Structure of IAIS	Rangachary N
7	Working Group on Observership & Membership Issues	Rangachary N
8	Insurance Fraud Sub-Committee	Sharma R C
9	Insurance Laws, Regulations, Practices & Standards Sub-Committee	Sharma R C
10	Reinsurance Sub-Committee	Sharma R C

In fact, it was under the aegis of the Emerging Markets and Education Committee that the Authority had organised a training programme for insurance regulators from SAARC countries. The Authority is committed to implementing the core principles of insurance supervision. Continuous efforts are made by the Authority towards its endeavour to harmonize various regulations and guidelines issued by it with these principles. It may be mentioned that the Authority is hosting the IAIS Tripartite Meeting at New Delhi in January, 2003 along with the International Association of Insurance Supervisors on the subject of insurance frauds and anti-money laundering measures.

National Association of Insurance Commissioners:

Similarly, IRDA has been receiving unstinted support from the National Association of Insurance Commissioners (NAIC), USA, the apex body of the American insurance regulators. NAIC has the distinction of bringing into effect prudential regulations and coordinating the activities of the state regulators of insurance to bring about a uniform approach to the regulation of the industry. NAIC periodically conducts training programmes and seminars to which the representatives of IRDA have been invited.

South Asian Regulators' Forum:

South Asian insurance regulators from Bhutan, India, Nepal, Maldives and Sri Lanka have promoted South Asian Insurance Regulators' Forum to ensure the development and maintenance of a well-regulated and dynamic insurance sector in the region. This is an important initiative in insurance supervision amongst South Asian regulators. The primary objective of the Forum is to promote cooperation among South Asian Insurance Regulators to facilitate regulatory activities; the sharing of information and experiences; the training of regulatory staff and the harmonisation of legislative approaches and financial reporting systems, to the extent feasible. The proposal to create a South Asian Insurance Regulators' Forum was mooted by India and Sri Lanka at the Annual Conference of the International Association of Insurance Supervisors in Bonn. The Forum proposes to liaison with the International Association of Insurance Supervisors and other international, inter-governmental and regional organisations dealing with insurance-related issues. The Forum will also focus on issues of global concern including money laundering, mergers and cross border operations. The first meeting of the Forum was held in December, 2001 at Colombo, Sri Lanka. The Chairman of the Authority was designated as the Vice President – President Elect, at the meeting.

The South Asian insurance industry cannot remain oblivious to current and emerging issues of global concern and there is a need to develop approaches and solutions best suited to the reality that exists in the region. It is expected that the Forum shall be instrumental in assisting countries in the region to consider the feasibility of setting up funds such as the Riot, Civil Commotion, War and Terrorism Fund, and also the formation of a region-specific reinsurance company specially designed to cater to the war and terrorism-related risks in countries of the region.

Asian Development Bank (ADB):

The ADB conducted a study of the existing legislative framework on insurance in the country, regulations notified by the Authority and the approach followed by the IRDA for supervision of the insurance industry. The study was conducted over a period of three months. In the report submitted, ADB has made a number of recommendations/ suggestions on the following:

- IRDA needs a business plan to clearly set out a statement about nature of future prudential supervision to operate effectively in a scenario of high degree of autonomy which is free from bureaucratic culture, transparent and has adequate financial independence.
- Role of members should not be allowed to influence on the development of a permanent cadre of professional staff.
- For keeping high degree of professionalism, the Authority should offer a professional grade structure for its staff and a case-based organisational structure may be adopted.
- A single comprehensive and cohesive insurance legislation may be adopted on modern supervisory principles.
- In respect of financial monitoring, unrealized gains may be permitted to be released to provide bonuses to the policyholders on the recommendations of appointed actuary. Time frames for submitting financial statements may be reduced. The role of appointed actuary system may be further strengthened.
- The Authority should adopt long-term training programmes designed for each professional grade.
- The financial independence of the Authority must be ensured.

The Authority has, in principle, accepted the recommendations of the ADB team and has taken steps on recommendations pertaining to development of a professional grade of officers, providing opportunities to upgrade their professional skills and providing a 'case based' organisational structure.

Interaction with other professional institutes:

The professional meetings and seminars of the Canadian Institute of Actuaries are attended by officers and members of the Authority.

The Authority is also participating in the exercise "Managing Regulatory Change in Life Insurance and Pensions" started by the Australian Agency for International Development (AusAID), the Asian Development Bank (ADB), the Commonwealth Bank of Australia, AXA Asia Pacific Holdings, and the Australian APEC Study Centre.

The USAID programme has also allocated some grants for capacity building for technical training of the officers of the Authority. IRDA has utilized this for the development of actuarial profession in non-life areas by means of workshops and training programmes; and also for the training of its staff.

The World Bank has extended assistance to the IRDA to achieve some of its objectives of insurance awareness and advocacy. The officers of the Authority have benefited from Distance Learning Programmes of Insurance Supervisors in South Asia and have been rewarded for the best case presentation for non-life.

The Authority has thus established itself in the world stage and has participated in many international seminars and conferences, where its Chairman and members have been invited to deliver theme or keynote addresses.

Formulation of Disciplines In Respect Of Insurance Sector on Domestic Regulations As Mandated Under Article (VI): 4 of General Agreement on Trade in Services

Financial services include two broad categories of services: (a) *insurance and insurance-related services* (b) *banking and other financial services*. Insurance and insurance-related services cover life and non-life insurance, reinsurance, insurance intermediation such as brokerage and agency services, and services auxiliary to insurance such as consultancy and actuarial services.

As a result of the negotiations a new and improved set of commitments in financial services under the GATS was agreed on 12 December 1997. Improvements were made in other services such as asset management, provisioning, and transfer of financial information with the introduction of more flexibility in reinsurance allowed to be taken abroad. As per the commitment made, reinsurance can be taken up with foreign players to the extent of the residual uncovered risk which could be done after obligatory or statutory placements with Indian companies domestically. All commitments (in financial services) are subject to entry domestic laws, rules and regulations and the terms and conditions of RBI, SEBI and any other competent authority of India.

The mandate of the negotiations is clearly laid out in Part IV of GATS entitled "Progressive Liberalization". The main aim of these negotiations is to achieve greater degree of liberalization in all the service sectors and in all the four modes of supply of delivery of Services. The negotiations will be comprehensive, covering all sectors and modes of supply, with no a *priori* exclusions in order to achieve an overall balance for all the WTO Members.

(vi) Public Complaints

Most insurance companies have set up customer grievance cells for redressal of any complaints. A number of the private insurers have also set up 24-hour toll-free call centers to monitor consumer grievances, claims and queries. However, in some cases where the policyholders are not satisfied with the insurance companies, they approach the Authority – both formally and informally for the settlement of their grievances. The Authority has a mechanism for dealing with the complaints of policyholders on a continuous basis. The grievances cell is manned by a senior officer of the Authority. Timely attention is given to all these complaints through a vigorous follow-up with the insurers, and they are advised to settle claims and grievances promptly. The summary of the complaints received by the Authority is given at *Annex VI*. Based on its experiences on the public grievances and complaints, the Authority took due care by notifying a comprehensive set of regulations for protection of interests of policyholders.

(vii) Functioning of the Advisory Committee

The Insurance Advisory Committee has been established under the IRDA Act, to advise the Authority on matters relating to the making of the regulations and on such other matters as may be prescribed. All regulations notified by the Authority are finalized in consultation with this Committee. During the period under report, one meeting of the Committee was held. Till date five meetings of the Committee have been held. The 25 member Committee represents the interests of commerce, industry, transport, agriculture, consumer fora, women, surveyors, agents, intermediaries, organisations engaged in safety and loss prevention, research bodies and employees' association in the insurance sector. The list of members of the Advisory Committee is placed at *Annex VII*.

(viii) Functioning of Ombudsman

The institution of Insurance Ombudsman has great importance and relevance for the protection of interests of policyholders and also to build up their confidence in the system. This institution has helped to generate and sustain the faith and confidence amongst the consumers in insurers. The Insurance Council which is the administrative body has appointed twelve Ombudsmen across the country and has equipped them with the necessary infrastructure. The companies are required to honour the awards passed by an Ombudsman within three months. The awards are binding on the insurance companies; the customer, however, can opt in case he decides to do so, for other methods of grievance settlement. An Ombudsman under the rules, has been entrusted with two functions – conciliation and award making.

The Insurance Ombudsman is empowered to receive and consider complaints in respect of personal lines of insurance from any person who has any grievance against an insurer. The complaint has to be in writing, and addressed to the jurisdictional Ombudsman within whose territory a branch or office of the insurer complained against, is located. The complaint may relate to any grievance against insurer; partial or total repudiation of claims by the insurer; dispute in regard to premium paid or payable in terms of the policy; dispute on the legal construction of the policy wordings in case such dispute relates to claims; delay in settlement of claims and non-issue of any insurance document to customers after receipt of premium.

The limit of an Ombudsman's powers is at present prescribed at Rs. 20 lakhs. The Redressal of Public Grievances Rules, 1998, where under the Insurance Ombudsman have been appointed is complementary to the regulatory functions of Authority which has been mandated to take all necessary steps to protect the interests of the policyholders. The institution of Ombudsman has evoked a good deal of public appreciation.

The tabulations at *Annex VIII* indicate the number of complaints handled by the Ombudsmen. An analysis of the complaints disposed by the Ombudsmen at different centres indicates that the total number of complaints received by the Ombudsmen has increased by more than 60%. During the year 2001-02, 2969 complaints were received by Ombudsmen pertaining to non-life sector, of which 2141 were disposed off. The total claims recommended/awarded by the various Ombudsmen were Rs. 477.52 lakhs to the complainants. In the life sector, 1967 were received out of which 1506 were disposed off. The total claims recommended/awarded by the various Ombudsmen were Rs. 259.29 lakhs.

From time to time the offices of Insurance Ombudsmen also bring out literature to educate the consumers about various avenues for redressal of their grievances.

TABLE – 50

NAMES AND ADDRESSES OF OMBUDSMEN

Office of the Ombudsman	Ombudsman	Secretary
AHMEDABAD		
2nd Flr., Ambica House, Nr. C.U.Shah College 5, Nayvug Colony, Ashram Road, AHMEDABAD – 380 014 Fax: 079-7546142 E-mail: insombahd@rediffmail.com	Shri A.N. Poddar (O) 7546150 (R) 6843993	Sh. P. Ashokkumar (O)7546139 (R) 6401925
BHOPAL @ #		
1st Floor, 117, Zone-II, (Above D.M. Motors Pvt. Ltd.) Maharana Pratap Nagar, BHOPAL – 462 011 Fax: 0755-578103 E-mail: insombmp@satyam.net.in	Sh. Tej Shankar * (O) 578100 (R) 425093	Shri K.V. Rao (O)578102
BHUBANESWAR		
62, Forest Park, BHUBANESWAR – 751 009 Fax: 0674-531607 Email: susantamishra@yahoo.com; ioobbsr@vsnl.net	Shri Jagannath Swain (O) 535220 (R) 325168	Shri T.C. Mohapatra (O) 533798 (R) 432862
CHANDIGARH		
S.C.O. No. 101,102 & 103, 2nd Floor, Batra Building, Sector 17-D, CHANDIGARH – 160 017 PBX: 0172-706468 Fax: 0172-708274	Shri Dharam Vir (O) 706196 (R) 746580	Shri J.P. Nahar (O) 705861 (R) 547890
CHENNAI ##		
Fatima Akhtar Court, 4th Flr., 453(old 312), Anna Salai, Teynampet, CHENNAI – 600 018 Fax: 044-4333664 E-mail ad: insombud@md4.vsnl.net.in	Shri V. Jayaraman ** (O) 4333678 (R) 4985051	Shri N. Lakshmi- Narayana (O) 4333664 (R) 2393666
DELHI		
2/2 A, Universal Insurance Bldg. Asaf Ali Road, NEW DELHI – 110 002 Fax: 011-3230858	Shri C.S. Rao (Officiating)*** (O) 3239611 (R) 6877972	Shri M. K. Kapoor (O) 3230858 (R) 5885697
GUWAHATI		
Aquarius, Bhaskar Nagar, R. G. Baruah Rd. GUWAHATI – 781 021 PBX: 0361-415430 Fax: 0361-414051	Shri S.K. Dhar (O) 413525 (R) 517921	

Office of the Ombudsman	Ombudsman	Secretary
HYDERABAD 6-2-47, Yeturu Towers, Lane Opp.Saleem Function Palace, A. C. Guards, Lakdi-Ka-pool, HYDERABAD – 500 004. Fax: 040/3376599 E-mail ad: insombud@hd2.vsnl.net.in	Shri C. S. Rao (O) 6574325 (R) 3745530	Shri P.H. Khan (O) 6504122 (R) 3538892
KOCHI 2nd Flr., CC 27/2603 Pulinat Building Opp. Cochin Shipyard, M.G. Road, ERNAKULAM – 682 015 Fax: 0484-373336 E-mail: insuranceombudsmankochi@hclinfinet.com	Shri E.Achuttan Unni (O)373334 (R)373311	Dr.Chinnaswamy (O)373338 (R)361503
KOLKATA North British Bldg. 29, N. S. Road, 3rd Flr., KOLKATA – 700 001. Fax: 033-2212668	Shri D.K.Gangopadhyay (O) 2212666 (R) 3348319	Shri S. Ghose (O) 2212667 (R) 3593762
LUCKNOW Chintel's House, 1st Flr., 16, Station Road, LUCKNOW – 226 001 Fax: 0522-636755 E-mail: insomblko@sify.com	Shri R. N. Tripathi (O) 635486 (R) 301574	
MUMBAI 3rd Flr., Jeevan Seva Annexe (Above MTNL) S. V. Rd., Santa Cruz (W) MUMBAI – 400 054 PBX: 022-6106889 Fax: 022-6106052 Email: ombudsman.i@hclinfinet.com	Shri G. Krishnamurthy (O)6106928 (R)6243650	Shri B.D. Benegal (O) 6106360 (R) 8997797

* Since Retired – 4.4.02

** Since Retired – 2.8.02

*** Shri M. Venkateshwaran Iyer took over as Ins. Ombudsman on 17.6.02

\# Bhopal Office is being looked after by Shri R.N. Tripathi, Ins. Ombudsman, Lucknow

\## Chennai Office is being looked after by Shri G. Krishnamurthy, Ins. Ombudsman, Mumbai

(ix) Review of performance of various Committees set up from time to time by the IRDA

The working of the Authority is facilitated by the various committees constituted by it from time to time, including the Insurance Advisory Committee, the Reinsurance Advisory Committee and the Consumer Advisory Committee. The Surveyors and Loss Assessors Committee was set to work out the modalities for categorizing the existing surveyors. A Committee to Review Agents Compensation Scheme has been set up to examine the existing commission structure for agents and suggest modifications in the same to reflect the needs of the evolving insurance industry. The report of the Committee is awaited. The Authority has also set up an Accounts Committee to look into the representations received by it from the insurers on IRDA (Preparation of Financial Statements and Auditor's Report) Regulations, 2002.

The Insurance Advisory Committee is a body which is consulted before regulations are notified.

Recently, the Authority has also constituted a core group to assist the Law Commission to review the Insurance Act, 1938.

(x) Review of the advisory functions performed by the Authority from time to time

Capital Markets Committee:

The Ministry of Finance has taken an initiative to develop the growth of the financial sector by directing IRDA, RBI and SEBI to monitor the operations of the players in the industry so as to ensure free flow of information among the regulators in matters of mutual concern. The various issues which have been covered in this regard include investment by insurance companies and norms for entry of banks/NBFCs into insurance business, etc. The Reserve Bank of India grants permission to such organisations to enter insurance business only on the basis of approvals granted by IRDA. However, the statutory body does stipulate maintenance of "arms' length" approach as to ensure that risks of insurance business are not transferred to the parent entity, and the banking business does not get contaminated by any risks as may arise from the insurance business. The Reserve Bank of India also keeps the Authority apprised of any special requests for transmission of foreign exchange made by the insurance companies to meet regulatory requirements of supervisory bodies in other countries where they are carrying on operations. Mutual consultations are also carried out on matters concerning foreign direct investments, FIPB approvals, interpretation of various sections and reporting requirements, and the regulators keep each other apprised about policy matters of concern. However, the regulators do not transgress on the authority and supervisory control which may fall specifically within the purview of individual regulator.

In a few instances, foreign equity investments have been made in private sector banks which have been set up as insurance joint ventures/subsidiaries in the country. To take care of its concerns, the Reserve Bank of India has initiated steps to restrict/monitor foreign direct investment in such banks. In respect of future applications, RBI furnishes information on FDI holdings in the private sector banks applying for an insurance joint venture, to the Authority before taking a view on the permissible investments of the bank in the joint venture.

The formal platform for interaction between the three regulators in the financial sector is provided by the High Level Coordination Committee on Financial and Capital Markets (HLCCFM). The meetings of the committee are chaired by the Governor, RBI. The committee places high priority on issues concerning investor protection, particularly small investors.

Others:

The Authority has been made the nodal point for collection and dissemination of statistics pertaining to the insurance sector. The compilation has been initiated by the Ministry of Statistics and Programme Implementation based on the recommendations of the National Statistical Commission. The scope of the statistics proposed to be compiled include income & expenditure, assets liabilities, sources and uses of funds, investments, term structure and non-resident operations of insurance companies covering aspects such as life and non-life insurance, reinsurance, pension, superannuation, health insurance and crop insurance. As per the requirement of the Commission, the compilation of statistics shall also cover insurance statistics pertaining to Postal life, Employees' State Insurance, Army and other Group Insurance Schemes, pension and superannuation schemes.

Officers of the Authority have been nominated to the Tenth Five Year Plan Working Sub Group on Health Economics where issues relating to spread of health insurance have been discussed in depth for formulating an appropriate strategy for implementation. Earlier officers have been also nominated for the Sub Group on Disaster Management under the aegis of the Ministry of Agriculture on natural and man-made catastrophes. Similarly, in respect of issues pertaining to General Agreement on Trade in Services with respect to formulation of standards and movement of natural persons, nodal officers have been nominated for interactions with Ministry of Commerce and Industry.

In the area of life insurance, IRDA members were nominated by the Government to the Bhattacharya Committee on suggesting an alternative Pension System for civil servants and also to the Eradi Committee on taxation of life insurance companies.

(xi) Other activities having a bearing on the insurance market

To ensure compliance of the Insurance Act, IRDA Act and the Regulations made there under, the Authority has been conducting off-site inspections based on various returns submitted by the insurers. To facilitate the process, the Authority is putting in place systems for electronic submission of returns. The finalisation of the same would enable the Authority to receive and appraise the various returns on-line. Recently, the Authority also started the process of on-site inspections. Under the Scheme, a team of officers of the Authority visit the office of the insurer and examine such aspects as compliance of the various regulations pertaining to appointment of various managerial personnel, including the appointed actuary, file and use procedures, investment policy of the insurer, compliance of the rural and social sector obligations, issue of advertisements as per the advertisement & disclosure regulations, maintenance of records pertaining to various board and general body meetings, consumer redressal mechanism, etc. Explanations for deviations, if any, are called for and the insurers are advised to initiate remedial measures to ensure proper compliance.

In addition, periodical review meetings are held with the individual company's management and appointed actuaries to monitor insurers' performance. The Authority has also initiated to process of panel review of the actuarial reports submitted by the life and non-life insurers. Another proposal in the pipeline is that of Investment Audit.

It has been the Authority's philosophy that the insurers, intermediaries and the professionals associated with the industry follow the process of self-regulation, through adoption of good corporate governance principles. In addition, the self-regulatory bodies such as the councils of the insurers, the Actuarial Society of India and the Surveyors and Loss Assessors Association, adopt and implement professional standards and prudential management practises.

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PART-III

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STATUTORY FUNCTIONS OF THE AUTHORITY ENSHRINED IN THE SECTION 14 OF THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999

(a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration:

The Financial Year 2001-02 marked the second year of operation of insurance companies in the liberalized economic environment. During the year, six new insurance companies were granted registration to operate in the country, of which four were in life segment and two in non-life segment. Today the insurance industry has ventures with foreign participants from across the globe including U.K., U.S.A., Canada, France, Germany, Netherlands, South Africa, Australia and Japan. The foreign partners perceive that the Indian market is expected to grow rapidly and thus provide business opportunities in the long run. The foreign partners have rich experience in the insurance market, which will enable the ventures promoted within the country to offer new products and provide better services to the policyholders. Simultaneously, the Indian partners have vast experience as industrial groups. Thus the joint ventures have been promoted by financially sound groups which are fully aware of the need for commitment of resources – technical, monetary and human, in the long run. Besides entry of new companies, a number of insurance companies increased their paid-up capital during the financial year. The performance of insurance companies is regularly monitored to ensure compliance of various requirements as provided in the regulations.

The regulations further require each insurer to seek renewal of certificate of registration before 31st December each year. All the insurance companies, both life and non-life, upon compliance of the specified norms, applied for renewal of license, which were granted by the Authority. No license has been modified, withdrawn, suspended or cancelled during the period.

(b) Protection of the interests of the policyholders in matters concerning assigning of policy, nomination by policyholders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance:

With a view to strengthening the regulations for protection of the interests of the policyholders, the Authority notified the IRDA (Protection of Policyholder' Interests) Regulations, 2002. While laying down guidelines for both, new as well as existing insurance contracts, the regulations provide for the manner of presentation of prospectus of any insurance product, mode of furnishing details therein and claims procedure in respect of life and general insurance policies. The regulations also require each insurer to set up an in-house grievance redressal machinery, review of speed of settlement of claims and prompt servicing of policyholders. The regulations also provide for penal provisions in case of delay in settlement of claim amount by the insurer.

The other mechanisms for protection of interests of the policyholders include the "file and use" requirement for non-tariff products, advertisement and disclosure regulations which make it obligatory on the part of insurance companies to disclose the benefits under a given policy along with terms and conditions thereof; code of conduct for the agents; grievance cells in the insurance companies; and the Ombudsman scheme for grievance redressal. The Regulations will go a long way in mitigating and redressing the grievances of policyholders both, in the life and non-life segments.

(c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents:

The Authority has notified regulations for various intermediaries including agents, third party administrators, brokers and corporate agents. While notifying the regulations for grant of license to various intermediaries, the Authority has spelt out the requisite minimum qualifications to apply for license, and code of conduct for the intermediaries on grant of license. It has also laid down practical training and examination requirements for grant of license.

(d) Specifying the code of conduct for surveyors and loss assessors:

The regulations for licensing, professional qualification and code of conduct for the insurance surveyors were notified by the Authority in the year 2000. While laying down the duties and responsibilities of surveyors and loss assessors, the regulations also require maintenance of proper records, adherence to disclosure norms, code of conduct and acquiring practical training. As a step towards introducing professionalism amongst surveyors and loss assessors, the Authority carried out an exercise for categorization of existing surveyors during the year 2001-02. In addition, the Bill to grant statutory status to the Institute of Surveyors and Loss Assessors is also under consideration of the Government.

(e) Promoting efficiency in the conduct of insurance business:

In order to promote efficiency in the conduct of insurance business the Insurance Association and Life Insurance and General Insurance Councils have been revived and they are responsible for setting the norms for market conduct and ethical behaviour by the insurers. Members of the Authority, as also the representatives from the industry are part of this set up.

Training and continuous professional development has been stipulated for all intermediaries who shall be licensed by the Authority with a view to improve their knowledge base and service levels. This will enhance the efficiency of the intermediaries operating in the market.

To improve service efficiency, new players have set up call centres which are functioning on 24/7 basis. Benchmarks to continuously improve customer care have been adopted.

(f) Promoting and regulating professional organisations connected with the insurance and reinsurance business:

With a view to introduce the concepts of good corporate governance at all levels, the Authority has been striving towards promoting professional organisations in the Industry. Already the Insurance Institute of India, which acts as the nodal organization for imparting insurance education is actively associated with the growth of the insurance industry and in the maintenance of high educational and professional standards. Similarly the Actuarial Society of India is associated with the growth of actuarial science as a profession in the country. With the objective of further strengthening these organizations, the Authority is actively pursuing for the grant of statutory status to such bodies, and has already forwarded the draft Bill pertaining to Actuarial of Society of India to the Government.

Further, the Authority in collaboration with the Government of Andhra Pradesh has set up the Institute of Insurance and Risk Management (IIRM) which has been given the mandate to conduct research in insurance and financial risk management. It is proposed that the Institute would carry out research and development activities to facilitate the Authority's obligations to the insuring public besides assisting in the development of professions related to the business of insurance. The Authority is particularly keen on the development of the professions of actuarial science and risk management in the country.

The Centre for Insurance Research and Education has been set up under a MOU entered into with the Indian Institute of Management, Bangalore to further the Authority's objective of insurance research and education. Further, the Institute of Chartered Accountants of India in consultation with the officials of the Authority, has brought out guidance notes for its members for conduct of audit of both life and non-life companies.

The Authority is also encouraging the efforts of the private sector towards promoting the profession of insurance. As an appropriate step in this direction, the syllabii of four institutes conducting diploma courses in insurance have been approved by the Authority. These institutes are RNIS, New Delhi; Institute of Accredited Learning in Management, New Delhi; Birla Institute of Management Technology, New Delhi; and Jaipuria Institute of Management, Lucknow.

(g) Levying fees and other charges for carrying out the purposes of this Act:

The requirement for payment of application/ processing/ registration fee payable by the insurers, surveyors and loss assessors and intermediaries including agents, TPAs, brokers and corporate agents is detailed in the respective regulations pertaining to them. The regulations also provide for payment of renewal fees. The details of the fees payable are given at Annex IX. During the year, as a one time measure, the Authority reduced the levy for renewal of registration of insurers to 10% of 1%of the gross premium for the year 2001-02. More recently, the Authority decided to levy the fee for renewal of registration at the reduced rates for another two years i.e. 2002-03 & 2003-04. It may be mentioned that the regulations provide for levy of renewal fee of 20% of 1% of the gross premium or Rupees Fifty Thousand whichever is higher on the insurers carrying out insurance business in India at the time of renewal of registration every year.

The regulations also have penal provisions in case of delay in payment of requisite fees. However, there has been no occasion to invoke these provisions till date.

(h) Calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organisations connected with the insurance business:

Transparency and access to information are the basic criteria for prevalence of healthy market practises in any regulatory environment. With a view to ensure this, the Authority has laid down clear regulatory requirements for both, insurers and intermediaries. The regulations provide for information to be furnished, the prescribed format and the periodicity thereof. The regulations also empower the Authority to seek any other information as it may deem fit. While laying down the regulations for various players in the industry to furnish returns, the Authority has aimed at explicitly identifying its requirements so as to ensure clarity in the information furnished, in addition to ensuring management by exception, with minimal intervention in case of non-compliance. The insurers are also required to furnish the copies of minutes of their board meetings to the Authority. Other than the traditional method of seeking information through returns, the Authority also proposes to conduct onsite inspections in areas of concern. These inspections are expected to be complimentary to the offsite inspections.

The Authority also provides a platform to the top management of insurers through review meetings held twice a year.

(i) Control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under Section 64U of the Insurance Act, 1938 (4 of 1938):

The Authority has prescribed a "file and use" procedure according to which every insurer is required to file the product and pricing details along with copies of standard terms, conditions and literature to the Authority. In case the Authority does not seek additional information within 30 days of the filing, the insurer can go ahead and market the product. The company-wise details of the products filed by the life and non-life insurers, under the "file and use" procedure with the Authority are placed at Table Nos. 16 and 32 respectively.

In case of tariff products, the insurers are required to file products and pricing details with Tariff Advisory Committee.

(j) Specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries:

The insurance companies and intermediaries are required to maintain their books of accounts and submit returns to the Authority as per the regulations prescribed in this regard:

1. Preparation of Financial Statements and Auditor's Report of Insurance Companies Regulations, 2002
2. Actuarial Report and Abstract Regulations, 2000
3. Assets, Liabilities and Solvency Margin of Insurers Regulations, 2000; and Assets, Liabilities and Solvency Marging of Insurers (Amendment) Regulation, 2002
4. Insurance Surveyors and Loss Assessors (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000
5. General Insurance – Reinsurance Regulations, 2000
6. Life Insurance – Reinsurance Regulations, 2001
7. Investment Regulations, 2000; Investment (Amendment) Regulations, 2001 and Investment (Amendment) Regulations, 2002
8. Third Party Administrators – Health Services Regulations, 2001
9. Licensing of Insurance Agents Regulations, 2000; Licensing of Insurance Agents (Amendment) Regulations, 2002
10. Corporate Agents Regulations, 2002
11. Insurance Brokers Regulations, 2002

The Authority is presently in the process of finalizing the modalities for computerisation of both filing and evaluation of the statutory returns to be filed by the insurers/ intermediaries.

The public sector insurers were given a period of two years from the notification of these regulations, within which they were required to switch over to new regulations and requirements. As on date, all the regulations notified by the Authority are equally applicable to all insurance companies.

(k) Regulating investment of funds by insurance companies:

The regulations lay down detailed guidelines for investment of the funds available with the insurance companies. Simultaneously, the exposure norms in any given company/

industry/group are also explicitly laid down. The objective of the detailed regulatory requirements is to ensure protection of the interests of the policyholders through prudent investment of funds available, as also to ensure that these are properly channelised.

The life insurers have invested close to Rs. 128813 crore in Central Government securities; Rs.132177 crore in State Government & other guaranteed securities. The funds that have flowed into the infrastructure sector are Rs.20741 crore, with Rs.77450 crore in approved investments and Rs.16522 crore in other than approved investments. The total investments of the life insurers were Rs. 246869 crore as on 31st March, 2002. An analysis of the investment returns filed by the life insurers reveals that preference for approved investments as against other than approved investments. The percentage of approved investments to total investment is 31%; and 8% (approx) of the total investments pertain to infrastructure sector.

Of the total investments made by the non-life insurers, Rs.6908 crore have been in Central Government securities, and Rs.9003 crore in State Government and other guaranteed securities. While Rs. 1893 crore have been invested in housing and fire fighting equipment, Rs. 5146 crore have been allocated to the infrastructure sector. The investments in approved and other than approved investments were Rs. 7359 crore and Rs. 2972 crore respectively. The total investments by the non-life insurers stood at Rs. 26373 crore as on 31st March, 2002.

(l) Regulating maintenance of margin of solvency:

The Authority requires both the life and non-life insurance companies to maintain a specified margin of solvency. The information pertaining to the same is required to be furnished as per the forms prescribed in this regard. It is satisfying to know that all insurers have complied with the solvency requirements as laid down by the Authority. The information pertaining to margin of solvency has been furnished for the first-time by the public sector insurers.

(m) Adjudication of disputes between insurers and intermediaries or insurance intermediaries:

The Councils of the life and non-life insurers provide them a platform to discuss all matters pertaining to the insurance industry, and the insurers have followed the positive approach of consultation in this regard. Other than this, the insurers and the intermediaries have access to the Authority in case of any grievance. All complaints received by the Authority are taken up with the concerned insurer and efforts are made to ensure speedy disposal of the same. Only in extreme cases does the Authority believe in issuing directions for resolution of the grievances. No such directions have been issued till date.

(n) Supervising the functioning of the Tariff Advisory Committee(TAC):

To facilitate the supervision of the functioning of the TAC, the Chairman of the Authority is also the ex-officio Chairman of the TAC, and its functioning is de-facto the responsibility of the Authority. Tariff Advisory Committee controls and regulates the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business relating to fire, marine (hull), motor, engineering and workmen's compensation (WC). The list of existing tariff business controlled by the Committee is placed at Table No.51.

In the year 2001-02, the TAC witnessed a number of changes as it adapted itself to the evolving aspirations of the insurance market. In addition, the TAC also geared itself up to handle the onerous task of compilation of statistical data covering such data elements as line of business, coverage, class, territory, premium, claims paid and outstanding. The TAC is also in the process of broad basing its various committees to provide representation to the private insurers.

During the year, the TAC revised the rating guidelines for ocean going vessels; the revised motor tariff was implemented effective 1st July, 2002; and comments on the draft of the revised Industrial All Risks (IAR) Tariff were invited. In the aftermath of the events of 9/11, the TAC also took initiative to continue with the terrorism cover without any limitation by applying 10% surcharge. The Committee is also in the process of rationalizing tariffs related to engineering, workmen's compensation, loss of profits (Fire) and industrial all risks.

Besides regulating the tariff for various insurance products, the Committee also looks into cases of breach of tariff stipulated, and action has been taken against defaulting insurers including imposition of penalty.

With a view to drawing upon the experiences of insurers globally, a delegation of officers of TAC visited USA and UK to study data management systems and developments regarding terrorism cover. The Committee on motor also had meetings with insurance brokers from abroad to learn from their experiences on developing rating models, and to assist in making them relevant to the Indian markets.

TABLE – 51

LIST OF EXISTING TARIFF BUSINESS CONTROLLED BY TAC

FIRE	All India Fire Tariff, Petrochemical Tariff, Industrial All Risks Tariff, Consequential Loss (Fire) Tariff
MARINE	Marine Hull Tariff, Fishing Vessels Tariff, Tea Tariff
ENGINEERING	Contractor's All Risk Tariff (CAR), Contractors Plant and Machinery Tariff (CPM), Electronic Equipments Insurance Tariff (EEI), Machinery Breakdown Tariff (MB), Civil Engineering Completed Risks Tariff (CECR), Storage cum Erection Tariff (SCE), Loss of Profit, Boiler and Pressure Vessels Tariff, Deterioration of Stocks (Potato) Tariff etc.
MOTOR	All India Motor Tariff
MISCELLANEOUS	Workmen Compensation Tariff

(o) Specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organisations referred to in clause (f)

The Authority places significance on promoting professionalism in the business of insurance. With this end in view, it is pursuing the objective of ensuring statutory status to the Actuarial Society of India and the Institute of Surveyors and Loss Assessors. Another step in this direction has been the promotion of the Institute of Insurance and Risk Management. Other than this, there is a proposal under the active consideration of the Authority where under the insurers shall contribute a specified percentage of their premium income to fund schemes aimed at such activities. No concrete steps have been taken in this direction as yet.

(p) Specifying the percentage of life insurance business and general insurance business to be undertaken by the insurers in the rural or social sector

The Authority has laid down requirements for both life and non-life insurers to undertake business in the rural and social sectors. The requirements in this regard are linked to the year of operation of the insurer. Over the last one year, the Authority had been receiving representations from various players in the industry on the need to modify these regulations. Amendments to the regulations pertaining to Obligations of Insurers to Rural and Social Sectors have been recently notified. Under the amendments, the term "rural sector" has been redefined, and the term "agricultural pursuits" has been elaborated. The amendments also dwell on the "informal sector". Simultaneously, the obligations for the life insurers towards the rural sector have been raised. In keeping with the need for insurers meeting their obligations to the society, the Authority has further stipulated that in terms of volume of business, no insurer shall undertake rural/social sector business less than what was recorded for the accounting year ended 31st March, 2002. The amendments are effective from the financial year 2002-03.

(q) Exercising such other powers as may be prescribed

In exercise of the powers conferred on it, the Authority has been issuing directions, orders and regulations so as to ensure healthy growth of the industry and to protect the interests of the policyholders. The directions issued include those pertaining to payment of agency commission, appointed actuaries, maintenance of healthy market practises and appointment of officers/staff on deputation.

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PART – IV

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ORGANISATIONAL MATTERS OF THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY

(i) Organisation

During the financial year 2001-02, the constitution of the Authority underwent changes on account of some of the members ceasing to be part of it. The following persons are presently members of the Authority:

1. Shri N.Rangachary, Chairperson
2. Shri H.O.Sonig, Member
3. Shri R. C. Sharma, Member
4. Shri P.A. Balasubramanian, Member

The appointments have been made in terms of Section 4 of the IRDA Act, 1999. During the year, Shri Harbhajan Singh, ex-Chairman, Allahabad Bank, retired from services of IRDA on expiry of his term as Member on 31st March, 2002. Prior to this, Shri S.D. Mohile passed away on 26th February, 2002. Shri R.C.Sharma who was previously General Manager, The Oriental Insurance Company Limited, joined the Authority as Member (Non Life) on 1st October, 2001. Shri P. A Balasubramanian, joined the Authority as Member (Actuary) on the 15th March, 2002.

Other than the whole-time members, the Authority also comprises the following part-time members:

1. Shri T.K.Viswanathan, Member Secretary of Law Commission, Government of India
2. Ms Manisha Mohan Andhansare
3. Shri A.R. Barwe, ex-Deputy Managing Director, State Bank of India
4. Shri Ashok Chandak, President, Institute of Chartered Accountants of India

Presently, the Authority consists of the Chairman, three whole-time members, and four part-time members, representing a spectrum of fields including life, non-life, actuarial science, finance, law, accountancy and a consumer representative. The Act envisages the Authority to consist of five whole-time members and four part – time members, besides the Chairman.

With a view to providing advisory support to the Authority, the services of Shri N.K.Shinkar, retired Chairman of the Life Insurance Corporation of India, as Consultant-Actuary are being availed. In addition, services of Shri C N S Shastri, ex-Managing Director, General Insurance Corporation of India are being utilized by the Authority in a similar capacity.

As a matter of policy, the Authority has envisaged for itself a lean organizational structure, duly supported by technically qualified and competent officers drawn from the industry. Further, in keeping with the ever-increasing regulatory functions, steps have been initiated to increase the staff strength. Thus, officers were recently recruited to take the total staff strength to 38. Further, with a view to expose its officers to the evolving international trends in the financial markets and to keep them apprised of the regulatory trends in the insurance industry globally, the Authority pursues the policy of continuous upgradation of the skills and talents of its officers. Accordingly, regular opportunities for training and orientation are provided by deputing the officers of the Authority for various seminars and training programmes both within the country and abroad.

Amongst various training programmes and seminars attended by the officers of the Authority, were those organized for Asian Directors by Monetary Authority of Singapore; Training Programmes on Life Insurance and Pensions organized by Australian APEC Study Centre; Programmes on Customer Service and Solvency Issues organized by National Association of Insurance Commissioners, Seminar on Onsite Inspection by Financial Services Authority, Japan; Training on Insurance Broking by Lloyds' London; besides training programmes organized by IAIS, etc. The officers of the Authority also got an opportunity to participate in a four-week training programme organized by the IRDA for regulators in the SAARC countries. The exposure at various levels for its officers, enables the Authority to draw upon the experiences of regulators at global levels, and is aimed at maintaining the highest professional standards in regulating the insurance industry.

(ii) Meetings of the Authority

During the year 2001-02 (April to March), six meetings of the Authority were held.

(iii) Human Resources

At present, on the date of publication of this report, IRDA has 28 officers and 10 staff members (total 38) in various cadres.

(iv) Promotion of official language

With a view to strengthening the implementation of the official language policy of the Government of India, the Authority has appointed a Hindi Officer. IRDA has also been making available various regulations, notifications and other useful material issued by it in bi-lingual form. Efforts have also been initiated to make available the various publications in regional languages in the foreseeable future. With a view to facilitating preparation of educational material related to insurance market in different languages including Hindi, expertise is being provided to various institutions.

(v) Status of information technology

The Internet, e-mail, networked systems and databases are changing the way businesses communicate. Hence, the Authority is in the process of employing the power of today's technology to combine virtual, electronic and paper sources for more efficient information sharing, as to serve its needs for better dissemination of information, collation of statistics and to interact with the insurers and intermediaries.

Network and Communications:

As part of modernisation of Authority, all the workstations in the Authority's Office are connected through Local Area Network (LAN) and made ready to work in a client-server computing environment. High-end Pentium workstations with latest office automation software have been provided to each dealing officer.

For effective/speedy communication and also to access the latest information about the insurance industry from all over the world, each dealing officer has been provided on-hand internet facility through ISDN connection. In order to enable the intermediaries/public to submit its queries/ grievances directly to the dealing officers, their e-mail ids/ contact numbers along with the information about subjects being handled etc., are available on the Authority's website.

Databases:

Computerisation of the process of evaluation of statutory returns and development of databases of insurers/ intermediaries is considered as one of the vital areas for effective regulation. To achieve this end, the Authority is in the process of development of Management Information System (MIS). The design aspects of MIS have already been frozen and the development/deployment of the same is in progress.

In order to share critical information within the Authority as well as with concerned segments of public, the Authority is in process of developing a comprehensive database containing all information pertaining to Acts, Rules, Regulations, Guidelines, Notices, Circulars and Clarifications issued to Insurers/Intermediaries from time-to-time.

Authority's website:

The Authority has been making constant efforts at development of the Insurance Industry. As a part of this activity, the official website of Authority www.irdaindia.org (which is the main source of Information for all Insurers, intermediaries and the general public) has been totally revamped and the following additional features have been included:

- Subject-wise classifications of information – relevant information pertaining to a particular topic, including acts, regulations, circulars, notices and forms etc. is available in relevant segment
- Facility to view surveyors' categorisation by entering the surveyor's license number
- Final Accounts of the Authority
- Business figures of insurers with graphical presentation

The website is being updated on a regular basis

Agent Registration Portal (www.irdaonline.org):

The licensing process of insurance agents has already been online since October, 2000 and has been well received by the users. In order to streamline the registration process further, the following additional facilities have been incorporated:

- Care-Site Maintenance [to handle the clarifications sought by Designated Persons – (DP)]
- Alert Management Systems to send instant messages/ alerts to Designated persons who are on-line
- Cancellation Request Approval Workflow
- Analysis Reports i.e. Licenses issued to Rural/Urban area etc.
- Improved version of trial run (Registration) for new DPs
- Termination of Agents and blocking them for further registration

Electronic Office:

Discussions, Presentations and Training Programmes are being organised on periodic basis to understand the emerging technologies to attain complete Electronic Office environment. Technologies such as document management, workflow, video conferencing and electronic filing of data are also being explored for their feasibility and introduction of same within the Authority.

(vi) Accounts

The accounts of the Authority for the period ended 31st March, 2001 have been audited by the Comptroller and Auditor General (C&AG) of India. The audited accounts have been forwarded to the Government of India to be placed in both the Houses of Parliament. The C&AG has suggested that there should be a physical verification of assets of the Authority, which has since been carried out. A copy of the accounts for this period together with the comments of the C&AG is part of this report *(Annex XI)*.

The Accounts of the Authority for the financial year 2001-02 have been finalized and adopted by the Authority, on scrutiny by the Auditors M/s. Vishwanath Singh and Associates. These have been forwarded to the Comptroller and Auditor General of India, whose report on the same is awaited. A copy of the accounts of the Authority for this year as passed by it and furnished to audit by C&AG is attached to this report *(Annex XII)*.

(vii) Shifting of Headquarters of the Authority:

The Government of India in November 2001 decided to shift the headquarters of the Authority to Hyderabad from New Delhi. In implementation of this Order, the actuarial department of the Authority was established in Hyderabad in April 2002 and the other departments moved to Hyderabad in August 2002. The office of the Authority is located in Parisrama Bhavanam where a portion of the third floor has been given to it free of rent by the Government of Andhra Pradesh. The Authority has retained the office in New Delhi in the Jeevan Bharati building from where the work relating to the issue and renewal of surveyors' licenses is being done, besides liaison with the ministries and other agencies.

The Government of Andhra Pradesh has allotted a 5-acre land in the financial district in Hyderabad. The Authority is presently on the exercise of short-listing the architects to advise it on the building plan. The Authority hopes to start the building work in 2003 and complete it in early 2004.

PART-V

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CONCLUDING REMARKS

The last two years have witnessed the growth of the insurance sector under the aegis of the Authority, in its role as the regulator of an industry which has a sweet mix of the public sector insurers with their vast experience and exposure/penetration in the industry, and the fledgling private ventures, promoted by groups with industrial/ banking/finance experience in collaboration with global giants with expertise in the insurance industry. The opening up of the industry has come at a time when, the expectations of the millions in the country are increasing with their sense of social and economic awakening. The Authority, therefore, has to brace itself to meet the challenges of regulating and guiding various players in the insurance market including the insurers, intermediaries, surveyors and loss assessors, and ensure that the industry meets the aspirations of the policyholders and the economy at large, as it has access to a large chunk of household savings.

While the year 2000-01 witnessed the establishment of a regulatory framework, the year 2001-02, would be recalled for consolidating upon the foundation laid in the previous year. The various areas which preoccupied the Authority included supervision of the institutions already established, development of a strong intermediary framework, strengthening the reporting requirements and further hastening the process of harmonization of the practises and procedures followed in the Indian market with the international standards. The Authority has, thus, taken a proactive role in establishing a vibrant insurance market in the country.

Briefly, the key areas of reforms that would push the insurance sector ahead towards higher growth include:

- access to timely and reliable statistical data and information about policies for the insurance market as well as to the public in order to instill a degree of credibility
- development of benchmarks based on international best practises to raise the standards of the Indian insurance sector
- strengthening of the supervisory and regulatory mechanisms, a role that has been played convincingly by the IRDA
- promoting self-regulatory organisations in order to ensure market participation in decision-making
- incorporation of stability and high solvency standards
- allowing alternative channels for improvements in the structure of the insurance markets

In addition, further initiatives which could provide impetus for growth to the insurance sector include:

- In the coming months there are plans to introduce pension schemes for ensuring social security insurance to the unorganized sector
- A crop insurance company is being set up by the government with a corpus of Rs.200 crore to provide a focused approach to meet the needs of the farmers who are exposed to the vagaries of nature and other catastrophes
- There is a renewed thrust on generating business in the rural areas by insuring their lives and assets
- Insurers are being encouraged to write health insurance business
- The existing law was being amended to allow entry of cooperatives into the insurance sector
- Debt market is also expected to look up with long dated securities available, which in turn will aid in infrastructure development
- The new insurers are redesigning and innovating products to offer customized solutions both to the individuals and the industry

And yet, there are areas of concern. Various issues which will preoccupy the Authority in the foreseeable future include:

- The insurers evolving a mechanism of self-regulation while underwriting business. A number of insurers would have drawn upon their experience to draw up prudent plans to capture a part of the insurance market. This is particularly of significance for the non-life insurers, where individual lines of business have impacted their profitability.
- The insurers need to keep an eye on the management expenses. Efforts at aggressively capturing the market have also been accompanied by a skewed growth in the expenses ratios. This is particularly true for the

private insurers. In respect of the public sector insurers, the management expenses which have become inbuilt over the years, need to be brought down in tandem with the requirements laid down by the Authority.

- While initiative has been taken to underwrite business in the social and rural sectors, insurers have to devise covers to meet the specific requirements of the economically weaker sections. A lot of scope exists in this particular area.

- At the time of grant of registration to the insurers, the Authority places a lot of significance on the promoters' ability to commit resources to the venture in the long run. This is on account of an understanding that during the initial years of operations, insurers would be incurring underwriting losses. Thus, while meeting the solvency requirements, the insurers would also need to bring in additional funds at regular intervals.

- In the economic environment where interest rates are continuously declining, a mismatch in the assets and liabilities of the insurers, particularly in the life segment, can impact the solvency of the insurers. Prudent investment is the need of the hour. Prudent investment decisions further need to be followed up with continuous review of the investment portfolio to ensure the basic principles of liquidity, return and safety. It is in this direction that initiative on investment audit has been taken.

- World over insurers have been moving towards the concept of risk based capital to improve the performance of their companies. The Authority is also weighing the possibilities of introducing the same for insurers within the country. The risk based capital approach addresses the various risks faced by the insurers, including asset risk, underwriting risk and business risk, and aims at minimizing the possibilities of insolvency of the insurer.

While the Authority does not perceive for itself, the role of a policeman, following the principle of "trust but verify", and to ensure compliance of areas of concern to it, on-site inspection has been initiated during the current year. The inspection is being carried out by the Chartered Accountants empanelled with the Authority. The exercise is a complement to the continuous review of financial and other information furnished by the insurers to the Authority.

In addition to the efforts of the Authority to facilitate penetration of insurance through out the country, a number of initiatives have also been taken by the Government of India in this regard. The much awaited Insurance (Amendment) Act, 2002 has opened the doors for corporate agents and brokers, introduced a number of modes of payment of premium, and has also modified the provisions relating to distribution of surplus in case of life insurance business. Further, an exercise has also been initiated where under the Law Commission has been entrusted with the review of legislations pertaining to insurance laws.

The entry of foreign partners in the insurance sector was marked by investment of upto 26% of equity in the joint ventures promoted within the country. There have been demands from various quarters for enhancement of this limit to upto 49%, in view of the capital intensive nature of the industry. In fact, the same has also been recommended by the N.K. Singh Committee set up to review the foreign direct investments in India. The views of the Authority on this subject have been communicated to the Government.

The initiatives taken by the Authority over the last two years, and its thinking on the developments required to pave the way for a vibrant insurance sector, coupled with a positive approach towards liberalization as reflected in the 10th Plan document approved by the Planning Commission, should lay the foundation for growth in insurance penetration and density. In the years to come, the face of insurance as it is perceived today, would have undergone a dramatic change in terms of the needs of the insured being met and the insurers developing products to meet them. And the resources raised by the insurance sector would be channelised in meeting the requirements of socio-economic development.

ANNEX – I

REGULATIONS FRAMED UNDER INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY ACT, 1999 AND THE INSURANCE (AMENDMENT) ACT, 2002

1. Insurance Regulatory and Development Authority (Actuarial Report and Abstract) Regulations, 2000
2. Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) Regulations, 2000
3. Insurance Regulatory and Development Authority (Insurance Advertisements and Disclosure) Regulations, 2000
4. Insurance Regulatory and Development Authority (Licensing of Insurance Agents) Regulations, 2000
5. Insurance Regulatory and Development Authority (General Insurance – Reinsurance) Regulations, 2000
6. Insurance Regulatory and Development Authority (Appointed Actuary) Regulations, 2000
7. Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000
8. Insurance Regulatory and Development Authority (Meetings) Regulations, 2000
9. Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000
10. Insurance Advisory Committee (Meetings) Regulations, 2000
11. Insurance Regulatory and Development Authority (Investment) Regulations, 2000
12. Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002
13. Insurance Regulatory and Development Authority (Licensing, Professional Requirements and Code of Conduct) Regulations, 2000
14. Insurance Regulatory and Development Authority (Conditions of Service of Officers and Other Employees) Regulations, 2000
15. Insurance Regulatory and Development Authority (Life Insurance – Reinsurance) Regulations, 2000
16. Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001
17. Insurance Regulatory and Development Authority (Third Party Administrators – Health Services) Regulations, 2001
18. Insurance Regulatory and Development Authority (Re-insurance Advisory Committee) Regulations, 2001
19. Insurance Regulatory and Development Authority (Protection of Policy Holders' Interest) Regulations, 2002
20. Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2002
21. Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of Insurers) (Amendment) Regulations, 2002
22. Insurance Regulatory and Development Authority (Licensing of Corporate Agents) Regulations, 2002
23. Insurance Regulatory and Development Authority (Licensing of Insurance Agents) (Amendment) Regulations, 2002
24. Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002
25. Insurance Regulatory and Development Authority (Manner of Payment of Premium) Regulations, 2002
26. Insurance Regulatory and Development Authority (Obligations of Insurers to Rural or Social Sectors) (Amendment) Regulations, 2002
27. Insurance Regulatory and Development Authority (Protection of Policyholders' Interest) (Amendment) Regulations, 2002

ANNEX – II

EXEMPTED INSURERS

Sr. No.	Name of Company
1	Gujarat Insurance Fund
2	M.P. State Crop Insurance
3	Daman & Diu Crop Insurance Fund
4	Dadra & Nagar Haveli Crop Insurance
5	Kerala State Insurance Department
6	Karnataka Govt. Insurance Department
7	Tamil Nadu Crop Insurance Fund
8	Pondichery Crop Insurance Fund
9	Karnataka Govt. Crop Insurance Fund
10	A.P State Crop Insurance
11	Rajasthan State Insurance Fund
12	Delhi State Crop Insurance Fund
13	Haryana State Crop Insurance Fund
14	H.P. State Crop Insurance
15	U.P Crop Insurance Fund
16	Rajasthan State Crop Insurance Fund
17	CHNHB Association
18	West Bengal Crop Insurance Fund
19	Orissa State Crop Insurance Fund
20	Bihar Crop Insurance
21	Tripura Crop Insurance
22	Assam State Crop Insurance
23	Meghalaya State Crop Insurance Fund
24	Manipur State Crop Insurance Fund
25	Andaman & Nicobar Administration Crop Insurance Fund
26	Maharashtra State Crop Insurance Fund
27	Maharashtra Govt. Insurance Fund
28	Goa State Crop Insurance

ANNEX – III

DISTRIBUTION CHANNEL STATISTICS – LIFE INSURERS – INDIVIDUAL AGENTS

Name of Insurer	Number of Agents	Urban Agents	Rural Agents
Allianz Bajaj Life Insurance Co. Ltd.	4377	4336	41
Tata AIG Life Insurance Company Ltd.	7038	7026	12
AMP Sanmar Insurance Co. Ltd.	484	415	69
Birla Sun Life	2009	2008	1
HDFC Standard Life Insurance Co. Ltd.	3214	3154	60
ICICI Prudential Life Insurance	10861	10663	198
ING Vysya Life Insurance Co. Pvt. Ltd.	1135	1131	4
Life Insurance Corporation of India	442680	251378	191302
Max New York Life Insurance Co. Ltd.	2620	2615	5
MetLife India Insurance Co. Pvt. Ltd.	417	417	0
Om Kotak Mahindra Life Insurance Co. Ltd.	1348	1259	89
SBI Life Insurance Company Limited	719	713	6
Subtotal	**476902**	**285115**	**191787**
DISTRIBUTION CHANNEL STATISTICS – NON-LIFE INSURERS – INDIVIDUAL AGENTS			
Tata AIG General Insurance Company Ltd.	495	492	3
Bajaj Allianz General Insurance Co. Ltd.	353	353	0
ICICI Lombard General Insurance Co. Ltd.	78	78	0
IFFCO-TOKIO General Insurance Co. Ltd.	98	87	11
The New India Assurance Co. Ltd.	9755	8284	1471
National Insurance Co. Ltd.	7838	6731	1107
The Oriental Insurance Co. Ltd.	6749	5439	1310
Reliance General Insurance Company Ltd.	149	146	3
Royal Sundaram Alliance Insurance Co. Ltd.	68	59	9
United India Insurance Co. Ltd.	7679	5738	1941
Subtotal	**33262**	**27407**	**5855**
TOTAL – Life & Non Life Individual Agents	**510164**	**312522**	**197642**

ANNEX – IV

DISTRIBUTION CHANNEL STATISTICS – LIFE INSURERS – CORPORATE AGENTS

Name of Insurer	Number of Agents	Urban Agents	Rural Agents
Allianz Bajaj Life Insurance Co. Ltd.	18	18	0
Tata AIG Life Insurance Company Ltd.	68	68	0
AMP Sanmar Insurance Co. Ltd.	1	1	0
Birla Sun Life	33	33	0
HDFC Standard Life Insurance Co. Ltd.	35	35	0
ICICI Prudential Life Insurance	80	80	0
ING Vysya Life Insurance Co. Pvt. Ltd.	3	3	0
Life Insurance Corporation of India	20	19	1
MetLife India Insurance Co. Pvt. Ltd.	5	5	0
Om Kotak Mahindra Life Insurance Co. Ltd.	12	12	0
Subtotal	**275**	**274**	**1**
DISTRIBUTION CHANNEL STATISTICS – NON-LIFE INSURERS – CORPORATE AGENTS			
Tata AIG General Insurance Company Ltd.	121	120	1
Bajaj Allianz General Insurance Co. Ltd.	18	18	0
ICICI Lombard General Insurance Co. Ltd.	1	1	0
IFFCO-TOKIO General Insurance Co. Ltd.	13	13	0
The New India Assurance Co. Ltd.	5	5	0
National Insurance Co. Ltd.	12	11	1
The Oriental Insurance Co. Ltd.	4	4	0
Reliance General Insurance Company Ltd.	28	28	0
Royal Sundaram Alliance Insurance Co. Ltd.	3	3	0
United India Insurance Co. Ltd.	3	2	1
Subtotal	**208**	**205**	**3**
TOTAL Life & Non-Life – Corporate Agents	**483**	**479**	**4**

ANNEX – V
THIRD PARTY ADMINISTRATORS – HEALTH SERVICES

S.No.	Company	Contact Person/Address	Telephone No.
1	Dawn Services Pvt. Ltd. (License No. 001)	Dr. R. Suresh Kumar Managing Director & CEO Plot No. 37, Santoshima Colony, West Marredpally, Secunderabad-500026.	7808810 7808809
2	Family Health Plan Ltd. (License No. 013)	Mr. C. V. Ramana Reddy Chief Executive Officer 34, Sai Enclave, 1st Avenue Road No. 12, Banjara Hills, Hyderabad-500 034.	3371167 6510102 6629245
3	Medicare TPA Services (I) Pvt. Ltd. (License No. 012)	Brig D J Ghoshal (Rtd)Director Flat No 10, Paul Mansions, 6, Bishop Lefroy Road, Kolkata-700 020.	2873385
4	Parekh Health Management (Pvt.) Ltd. (License No. 002)	Mr. Nimish R. Parekh, Chief Executive Officer, The Forum, 2nd Floor, Raghuvanshi Mills Compound, 11/12, Senapati Bapat Marg, Mahalakshmi, Mumbai-400 013.	4611022 to24
5	Medi Assist India Pvt. Ltd. (License No. 003)	Mr. S. Sitharamu Chief Executive Officer No. 650, Eleventh Main (J P Nagar Main Road), Jayanagar, 5th Block, Bangalore-560 041.	6597595
6	Guardian Health Management Pvt. Ltd. (License No. 004)	Dr. Olinda Timms KSCMF Bldg. No. 8, Cunningham Road, Bangalore-560 052.	2204643 2265744
7	MD India Healthcare Services (Pvt.) Ltd. (License No. 005)	Mr. Brij Sharma Chief Executive Officer 261/2/7, Silver Oak Park, Baner Road, Pune-411 045.	7292040 – 43
8	ICAN Health Services Pvt. Ltd. (License No. 014)	Dr. Col. O.P. Arora Managing Director A-9/2, Meera Nagar, Koregaon Park, Pune-411 001.	4001171 to 73
9	Paramount Health Services Pvt. Ltd. (License No. 006)	Dr. Nayan Shah, Managing Director 81, Barodawala Mansion, Dr. Annie Besant Road, Worli Naka, Mumbai-400 018.	4620800
10	E Meditek Solutions Ltd. (License No. 007)	Mr. Gopal Verma Managing Director B-231 C, Greater Kailash Part-I, New Delhi-110 048.	6430885 6430884

S.No.	Company	Contact Person/ Address	Telephone No.
11	Heritage Health Services Pvt. Ltd. (License No. 008)	Mr. Dipayan Gupta, Chief Administrative Officer McLeod House, 3, Netaji Subhash Road, Kolkata-700 001.	4980776
12	Universal Medi-Aid Services Ltd. (License No. 009)	Mr. G. P. Sureka Chief Executive Officer 230, Sharda Niketan, Pitampura, Delhi-110 034.	7033440
13	Medicare Foundation Pvt. Ltd. (License No. 010)	Mr. Akshay Jain Chief Executive Officer Diamond Chambers, 1st Floor,Opp. Education Dptt., Panjim-Goa.	423488 423489
14	Tower Insurance Services Pvt. Ltd. (License No. 011)	Ms. M S Mahindra, Chairman 519 Maker Chamber V, Nariman Point, Mumbai-400 021.	2844364 2835359
15	M/s. Raksha TPA Pvt. Ltd. (License No. 015)	Ms. Ritu Nanda Director A-1, Friends Colony (E), New Delhi-110065.	6821618 6447603.
16	M/s. TTK Healthcare Services Private Limited (License No. 016)	Shri Girish Rao Executive Director 37/1-1 Aga Abbas Ali Road, Bangalore-560 042.	080-5583641 080 – 5583632
17	M/s. Anyuta Medinet Healthcare Pvt. Ltd. (License No. 017)	Dr. N. Ravindra Shetty Director 65, Lavelle Road, 4th Cross, Bangalore-560 001.	2214766 2210205
18	M/s. East West Assist Pvt. Ltd. (License No. 018)	Dr. N P S Chawla Managing Director 37, Prithviraj Road, New Delhi-110 011.	4699229 4623738
19	M/s. Med Save Health Care (License No. 019)	Mr.Rajan Subramaniam Chief Executive Officer F-701A Lado Sarai, Behind Golf Course, New Delhi-110 0030.	6611061-66 Fax – 6611067
20	M/s. Genins India Ltd. (License No. 020)	Mr. Rakesh Kapoor Managing Director 41, Arun Vihar, Sector-37, NOIDA-201 303.	4430329/139

Note:

Two companies have been issued Letters of Intent for grant of licence to operate as Third Party Administrators (Health Services):

1. M/s. Alankit Healthcare Private Ltd
2. M/s. Bhaichand Amoluk Insurance Services Private Ltd

ANNEX – VI

SUMMARY OF COMPLAINTS RECEIVED BY THE AUTHORITY (FOR THE PERIOD 1/4/2001 TO 24/7/2002)

Total No. Of Complaints	**428**
Complainant	
Company	156
Individuals	272
Department-wise Distribution	
Fire	80
Marine Cargo	16
Marine Hull	4
Engg	14
Motor	100
Mediclaim	96
Miscellaneous	63
Others	55
Type of Complaint	
Non-settlement/delay in settlement of claim	228
Wrongful repudiation of claim/settlement of a claim for lower amount	51
Non-renewal/cancellation/non-issuance/other issues related to policy	43
Unhelpful/wrong attitude of the officials	46
Other reasons	60
Action Taken	
Action Taken & Matter closed	96
Letter acknowledged & Reply awaited	34
No response	298
State-wise distribution	
Andhra Pradesh	16
Assam	2
Bihar	6
Chattisgarh	2
Delhi	66
Goa	1
Gujarat	22
Haryana	8
Himachal Pradesh	1
Jammu & Kashmir	0
Jharkhand	6
Karnataka	11
Kerala	4
Madhya Pradesh	19
Maharashtra	130
Orissa	5
Punjab	8
Rajasthan	13
Tamil Nadu	26
Uttar Pradesh	45
Uttranchal	6
West Bengal	31

ANNEX – VII

INSURANCE ADVISORY COMMITTEE MEMBERS

As per the Notification dated: 23rd May, 2000 the following Members were appointed with effect from 1st June, 2000:

1. Mr. V.S. Vyas, Jaipur
2. Mrs. Pushpa Girimaji, New Delhi
3. Mr. A.C.Mukherjee, Kolkata
4. Mr. T.S. Vishwanath, FCA, New Delhi
5. Dr. D.N. Buragohain, Director, IIT, Guwahati
6. Mr. C.N.S.Shashtri, Puttaparthi (Andhra Pradesh)
7. Mr. S.V.Mony, Chennai
8. Chairman, LIC of India, Mumbai
9. Chairman, GIPSA
10. The Director, NIA Pune
11. The Director, IIM Bangalore
12. Mr. S.P. Subhedar, Actuary, Mumbai
13. The President, Bengal Chamber of Commerce, Kolkata
14. Mrs. Ela Bhat, SEWA, Ahmedabad
15. Mr. T. Ramanan, Risk Insurance, Mumbai
16. Mr. Fali Poncha, Mumbai
17. Mr. Saumil Mehta, Surveyor, Mumbai
18. Mr. A.V. Tyagi, General Secretary, NFIFW, Lucknow
19. Mr. John Koshy, Agent, Cochin
20. Mr. D. Varadarajan, Advocate, New Delhi
21. The Director, Central Road Research Institute, Pune
22. The Vice Chancellor, Punjab Agricultural University, Ludhiana
23. Mr. Liyaquat Khan, Lucknow
24. Mr. A.K. Venkatsubramanian, IAS Retd Secretary. Deptt. of Consumer Affairs, Govt. of India (added subsequently)
25. Mr. V.K. Bhasin, Joint Secretary, Ministry of Law, New Delhi (added subsequently)

ANNEX – VIII (a)

OFFICE OF THE GOVERNING BODY OF INSURANCE COUNCIL

Summary of Complaints disposal for the year ending 2002 (Life Insurance)

Ombudsman Centres	Total No.of Complaints	No. of Complaints disposed by way of			Total Compl'ts Disposed off	Total o/s Complaints	Amount by R'tion (Rs.000)	Amount by Award (Rs.000)	Total Amount (Rs.000)
		Re'dations	Award	Not enter'nable					
Delhi	473	196	33	45	274	199	3932	2873	6805
Chennai	183	Nil	43	138	181	2	Nil	841	841
Lucknow	321	173	56	87	316	5	5255	2171	7426
Hyderabad	77	Nil	35	24	59	18	Nil	Nil	Nil
Kochi	52	Nil	31	15	46	6	Nil	384	384
Calcutta	249	148	Nil	6	154	95	3773	Nil	3773
Chandigarh	48	16	9	12	37	11	280	142	422
Bhopal	230	Nil	49	160	209	21	Nil	3537	3537
B'neshwar	76	42	Nil	20	62	14	1557	Nil	1557
Mumbai	148	Nil	20	80	100	48	Nil	301	301
Guwahati	53	16	21	4	41	12	9	391	400
Ahmedabad	57	7	6	14	27	30	Nil	483	483
Total	**1967**	**598**	**303**	**605**	**1506**	**461**	**14806**	**11123**	**25929**

ANNEX – VIII (b)

OFFICE OF THE GOVERNING BODY OF INSURANCE COUNCIL

Summary of Complaints disposal for the year ending 2002 (General Insurance)

Ombudsman Centres	Total No.of Complaints	No. of Complaints disposed by way of			Total Compl'ts Disposed off	Total o/s Complaints	Amount by R'tion (Rs.000)	Amount by Award (Rs.000)	Total Amount (Rs.000)
		Re'dations	Award	Not enter'nable					
Delhi	615	255	72	109	436	179	2811	3368	6179
Chennai	202	Nil	82	93	175	27	Nil	619	619
Lucknow	199	89	37	55	181	18	2733	523	3256
Hyderabad	222	Nil	93	110	203	19	Nil	Nil	Nil
Kochi	95	Nil	42	35	77	18	Nil	2198	2198
Calcutta	357	248	Nil	14	262	95	9668	Nil	9668
Chandigarh	109	32	36	18	86	23	686	829	1515
Bhopal	264	46	1	126	173	91	5589	1792	7381
B'neshwar	236	115	Nil	23	138	98	6368	Nil	6368
Mumbai	285	Nil	85	92	177	108	Nil	3490	3490
Guwahati	60	9	31	7	47	13	398	2761	3159
Ahmedabad	325	4	74	108	186	139	22	3897	3919
Total	**2969**	**798**	**553**	**790**	**2141**	**828**	**28275**	**19477**	**47752**

ANNEX – VIII (c)

OFFICE OF THE GOVERNING BODY OF INSURANCE COUNCIL

Combined Summary of Complaints disposal for the year ending 2002

Ombudsman Centres	Total No.of Complaints	No. of Complaints disposed by way of			Total Compl'ts Disposed off	Total o/s Complaints	Amount by R'tion (Rs.000)	Amount by Award (Rs.000)	Total Amount (Rs.000)
		Re'dations	Award	Not enter'nable					
Delhi	1,088	451	105	154	710	378	6743	6241	12984
Chennai	385	Nil	125	231	356	29	Nil	1460	1460
Lucknow	520	262	93	142	497	23	7988	2694	10682
Hyderabad	299	Nil	128	134	262	37	Nil	Nil	Nil
Kochi	147	Nil	73	50	123	24	Nil	2582	2582
Calcutta	606	396	Nil	20	416	190	13441	Nil	13441
Chandigarh	157	48	45	30	123	34	966	971	1937
Bhopal	494	46	50	286	382	112	5589	5329	10918
B'neshwar	312	157	Nil	43	200	112	7925	Nil	7925
Mumbai	433	Nil	105	172	277	156	Nil	3791	3791
Guwahati	113	25	52	11	88	25	407	3152	3559
Ahmedabad	382	11	80	122	213	169	22	4380	4402
Total	**4936**	**1396**	**856**	**1395**	**3647**	**1289**	**43081**	**30600**	**73681**

ANNEX – IX

FEE STRUCTURE FOR INSURERS AND VARIOUS INTERMEDIARIES

		Processing Fee	Registration Fee	Renewal Fee	Periodicity of Renewal
1	Insurers (Life/Non-life/ Reinsurance)	-	Rs. 50,000	20% of 1% of Gross Premium *	Every year (by 31st December)
2	Third Party Administrators	Rs. 20,000	Rs. 30,000	Rs. 30,000	3 years
3	Brokers				
	Direct Broker	-	Rs. 25,000	0.50% of brokerage & fees earned in the preceding financial year subject to minimum of Rs. 25,000 and maximum of Rs. 1,00,000/-	Every year
	Reinsurance Broker	-	Rs. 75,000	0.50% of brokerage & fees earned in the preceding financial year subject to minimum of Rs 75,000 and maximum of Rs. 3,00,000/-	Every year
	Composite Broker	-	Rs. 1,25,000	0.50% of brokerage & fees earned in the preceding financial year subject to minimum of Rs. 1,25,000 and maximum of Rs. 5,00,000/-	Every year
4	Surveyors And Loss Assessors				
	Individual Category A	-	Rs. 10,000	Rs. 250/- for every category	5 years
	B	-	Rs. 7,500		
	C	-	Rs. 5,000		
	Corporate Category A	-	Rs. 25,000	Rs. 250/- for every category	5 years
	B	-	Rs. 20,000		
	C	-	Rs. 15,000		
5	Corporate Agents	-	Rs. 250 for corporate insurance executive Rs. 500 for specified person	The additional fees payable to the authority, under the circumstances mentioned in sub-section (3) of Section 42 of the Act, shall be Rs 100/-person.	3 years

***Reduced by 50% for a period of three years, i.e., 2001-02 to 2003-04**

ANNEX – X

FOREIGN DIRECT INVESTMENT IN COMPANIES GRANTED LICENSE/REGISTRATION

R1 Application No.	Date of issue of R1 Application	Name of the Company	Paid-Up Capital (Rs. in Crores)	Foreign Direct Investment (Rs. in Crores)	As % of Equity	Name of the Foreign Partner	Date of Submission of R1	Date of Registration	Registration No.	Date of Commencement of Business	Life or Non-life
6	16/08/2000	HDFC Standard Life Insurance Co. Ltd.	168	31.25	18.60%	Standard Life	25.08.2000	23.10.2000	101	12.12.2000	Life
8	16/08/2000	Max New York Life Insurance Co. Ltd.	105 increased to 250 crores in 2001-02	65.00	26.00%	New York Life	01.09.2000	15.11.2000	104	26.03.2001	Life
1	16/08/2000	ICICI Prudential Life Insurance Co. Ltd.	150 increased to 190 crores in 2001-200	49.40	26.00%	Prudential	16.08.2000	24.11.2000	105	19.12.2000	Life
14	30/08/2000	Om Kotak Mahindra Life Insurance Co. Ltd.	101	26.26	26.00%	Old Mutual	01.09.2000	10.01.2001	107	17.05.2001	Life
12	21/08/2000	Birla Sunlife Insurance Co. Ltd.	120 increased to 150 crores in 2001-2002	39.00	26.00%	Sunlife	28.09.2000	03.01.2001	109	19.03.2001	Life
11	21/08/2000	Tata AIG Life Insurance Co. Ltd.	125 increased to 185 crores in 2001-2002	48.10	26.00%	AIG	06.10.2000	12.02.2001	110	02.04.2001	Life
21	11/2000	SBI Life Insurance Co. Ltd	125	32.50	26.00%	Cardiff	31.01.2001	30.3.2001	111	15.06.2001	Life
22	01/12/2000	ING Vysya Life Insurance Co. Ltd.	110	28.60	26.00%	ING	04.12.2000	02.8.2001	114	01.09.2001	Life
27	01/02/2001	Allianz Bajaj Life Insurance Co. Ltd.	150	39.00	26.00%	Allianz	20.02.2001	03.8.2001	116	28.09.2001	Life
15	08/2000	Metlife India Insurance Co. Pvt. Ltd.	110	28.59	25.99%	Metlife	25.04.2001	06.8.2001	117	04.01.2002	Life
32	01/06/2001	AMP Sanmar Life Insurance Co. Ltd.	125	32.50	26.00%	Sanmar Life Ins. Co.	11.06.2001	03.01.2002	121	03.01.2002	Life
30	29/05/2001	Dabur – CGU Life Insurance Co. Ltd	110	28.60	26.00%	CGU Life Assurance Co.	29.05.2001	14.05.2002	122	06.06.2002	Life
		TOTAL (LIFE)		**448.80**							

R1 Application No.	Date of issue of R1 Application	Name of the Company	Paid-Up Capital (Rs. in Crores)	Foreign Direct Investment (Rs. in Crores)	As % of Equity	Name of the Foreign Partner	Date of Submission of R1	Date of Registration	Registration No.	Date of Commencement of Business	Life or Non-life
7	16/08/2000	Royal Sundaram Alliance Insurance Co. Ltd.	101 increased to 130 crores in 2001-02	33.80	26.00%	Royal Sun Alliance	28.08.2000	23.10.2000	102	23.03.2001	Non-life
4	16/08/2000	Reliance General Insurance Co. Ltd.	102.0007	Nil	Nil	Promoted by Indian Promotors only	24.08.2000	23.10.2000	103	23.03.2001	Non-life
9	16/08/2000	IFFCO-Tokio General Insurance Co. Ltd.	100	26.00	26.00%	Tokio Marine	08.09.2000	04.12.2000	106	04.12.2000	Non-life
10	21/08/2000	Tata AIG General Insurance Co. Ltd.	125	32.50	26.00%	AIG	06.10.2000	22.01.2001	108	22.02.2001	Non-life
13	18/09/2000	Bajaj Allianz General Insurance Co. Ltd.	110	28.60	26.00%	Allianz	01.02.2001	02.05.2001	113	10.05.2001	Non-life
24	20/12/2000	ICICI Lombard General Insurance Co. Ltd.	110	28.60	26.00%	Lombard	27.01.2001	03.08.2001	115	31.08.2001	Non-life
34	02/11/2001	Cholamandalam General Insurance Co. Ltd.	100	Nil	Nil	Promoted by Indian Promotors only	22.11.2001	15.07.2002	123	11.09.2002	Non-life
35	04/04/2002	HDFC-CHUBB General Insurance Co. Ltd	101	26.26	26.00%	CHUBB	27.2.2002	27.09.2002	125	17.10.2002	Non-life
		TOTAL (NON-LIFE)		**175.76**							

ANNEX – XI

ACCOUNTS OF THE AUTHORITY FOR THE PERIOD ENDED 31ST MARCH, 2001

AUDIT CERTIFICATE

I have examined the Receipts and Payments Account, Income and Expenditure Account for the year ended 31st March 2001 and Balance Sheet as on 31st March 2001 of Insurance Regulatory and Development Authority, New Delhi. I have obtained all the information and explanations that I have required and subject to the observations in the appended Audit Report, I certify as a result of my audit that in my opinion, these accounts and Balance Sheet are properly drawn-up so as to exhibit a true and fair view of the state of affairs of Insurance Regulatory and Development Authority, New Delhi according to the best of my information and explanations given to me and as shown by the books of organisation.

-Sd-
Director General of Audit
Central Revenues

Place: New Delhi
Date 25th July, 2002

APPENDIX

AUDIT REPORT ON THE ACCOUNTS OF INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FOR 2000-2001

1. Introduction

The Insurance Regulatory and Development Authority (Authority) was established on 19 April, 2000 under the Insurance Regulatory and Development Authority Act, 1999. The main powers and functions of the Authority are to:

a. protect the interests of holders of Insurance policies;
b. regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental there to;
c. issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel registration, and
d. levy fees and other charges for carrying out the purposes of the Act.

The audit of the accounts of the Authority has been entrusted under Section – 19 (2) of the Comptroller and Auditor General (Duties, Powers and Conditions of Service) Act, 1971

2. Sources of Receipts

During the year 2000-01, the Authority received Rs. 1.50 crores from the Government of India, Ministry of Finance (Department of Economic Affairs) as grant for meeting day to day expenses. The total receipts of the Authority (others than the sum of Rs. 1.50 crores received from the Ministry of Finance) were Rs. 21.86 crores. The total expenditure was Rs. 1.67 crores.

3. Comments on Accounts

3.1 Physical Verification of Assets

In terms of the provisions contained in Rule 112 (iii) of the General Financial Rules, Fixed Assets need to be verified at least once a year and results of the verification recorded on the inventory. The Authority has Fixed Assets valued at Rs. 22,69,754.68 as per the Balance Sheet as on 31st March 2001. However, no physical verification of the fixed assets was carried out. On this omission being pointed out by Audit, the authority stated (January 2002) that it would adopt the procedure of physical verification of fixed assets, from now onwards.

3.2 Receipt of Registration Fees of Rs. 2,75,21,432.50 not routed through Cash Book

Scrutiny of the Current Account maintained in HDFC Bank Ltd., revealed that an amount of Rs. 2,75,21,532.50 was received during the year as Registration Fees from Agents. These receipts had not been entered in the Cash Book.

The Authority stated (February 2002) that the procedure had been changed with effect from 4th December 2001. Compilation of a separate account of the past period in respect of Registration Fees is to be maintained and compliance of the same will be verified in the next audit.

3.3 Revision of accounts at the instance of audit

The accounts for 2000-01 were revised by the Authority at the instance of audit in following cases:

i) The Authority was not showing the financial assistance amounting to Rs.150,01,000 received from the Ministry of Finance in its Income and Expenditure Accounts as income. At the instance of audit it was shown as income. As a result revision, "excess of expenditure over income" changed to "excess of income over expenditure".

ii) Earlier amount of Contributory Provident Fund (C.P.F.) Employees' contribution (including interest thereon) was kept out of accounts. On being pointed out in audit, the Authority revised the Balance Sheet. An amount of Rs. 91,062/- was shown as liability under the head "Provident Fund Trust" and corresponding amount was shown in the assets side under the head "Fixed Deposits with Banks".

-Sd-
Director General of Audit
Central Revenues
New Delhi

Place: New Delhi
Date: 25th July, 2002

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI

Form A

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

BALANCE SHEET AS AT MARCH 31, 2001

LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)
GENERAL FUND	
i) IRDA Fund [See Note 4]	
– At beginning of the year	–
– Receipts in the year	893,243.68
– Balance at end of the year	893,243.68
ii) Capital Fund	
– Capital Grants	–
– Balance at the beginning of the year	–
Add: Value of Fixed Assets received as grants during the year	–
iii) Surplus and Funds	
– Balance as per last Balance Sheet	–
Add: Excess of Income Over Expenditure as per Income and Expenditure Account – Annexed	12,478,206.44
Less: Excess of Expenditure Over Income as per Income and Expenditure Account – Annexed	–
– Balance at the end of the year	13,371,450.12
iv) Gift and Donations	–
v) Other Balances	–
LOANS	
i) Secured (stating the security offered for the purpose)	–
ii) Unsecured	–
iii) Loan from Government of India	–
iv) Other Loans	–

ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
FIXED ASSETS [See Note 1]	
– Gross Block	2,269,754.68
– Less: Depreciation	(697,331.62)
– Net Block	1,572,423.06
– Capital Work-in-Progress	–
INVESTMENTS [See Note 2]	
(Method of Valuation – at Cost]	
i) Securities of Central and State Government	–
ii) Units	–
iii) Fixed Deposits with banks	204,766,622.00
(Including moneys belonging to the Emploees Provident Fund Trust to be formed)	–
iv) Others	
CURRENT ASSETS [See Note 3]	31,500.00
i) Deposits with Agencies	
ii) Advances recoverable in cash or kind or for value	1,335,759.50
to be received	266,192.88
iii) Other Current Assets	
iv) Cash & Bank Balances	15,000.00
a. Cash in Hand	12,190,515.18
b. Bank Balance	6,321,977.50
v) Sundry Debtors	

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
BALANCE SHEET AS AT MARCH 31, 2001

LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)	ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
CURRENT LIABILITIES AND PROVISIONS (See Note 6)			
i) SUNDRY CREDITORS:			
– for Capital Items	–		
– for Other Items	18,962,541.00		
ii) PROVISIONS:			
– Provision for doubtful debts and advances	–		
– Provision for depletion in value of investment	–		
iii) OTHER LIABILITIES:			
– Unspent Grants	–		
– Interest payable to Government/Other Loans	–		
– Provident, Retirement & Other Welfare Funds:			
(a) Provident Fund Trust	91,062.00		
(b) Other Welfare Funds	–		
(c) Retirement Benefit Fund and Staff Benefit Fund:	–		
v) Others	–		
a. Other Liabilities	4,987,536.00		
b. Registration Renewal fees received in advance	189,087,401.00		
	226,499,990.12		**226,499,990.12**

Significant Accounting Policies and Notes Forming Part of Accounts – Annexure IX

Notes

1. The information relating to Fixed Assets is to be given in Annexure I.
2. The information relating to Investments is to be given in Annexure II.
3. The information relating to Current Assets,Loans and Advances is to be given in Annexure III.
4. Details of IRDA Fund is to be given in Annexure IV (Fund should include grants received from Central Government, other organisations and bodies in terms of Section 16 of the Act).
5. Details of Contingent Liabilities is to be given in Annexure V.
6. All information relating to significant accounting policies and notes forming part of accounts is to be given in Annexure IX.
7. All annexes to Statement of Affairs and notes/information relating to accounting policy forming part of Accounts.

-Sd-	-Sd-	-Sd-	-Sd-
R.K. Sharma	TK Viswanathan	H.O. Sonig	N. Rangachary
Chief Accounts Officer	Member	Member	Chairman

Form B

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
INCOME AND EXPENDITURE FOR THE PERIOD ENDED MARCH 31, 2001

EXPENDITURE	FIGURES FOR THE CURRENT YEAR (Rs.)	INCOME	FIGURES FOR THE CURRENT YEAR (Rs.)
Payment to Chairperson and Members	4,502,236.00	Grants in Aid	
Payment to and Provision for members of Staff [See Note 1]	728,403.30	Received	15,001,000.00
		Receivable	–
		Less: Transferred to Capital Fund	–
Establishment Expenses [See Note 2]	10,213,460.50	Registration Fees	
Rent	24,300,031.60	Agents	33,743,663.00
Research & Consultation Fees	–	Surveyors and Insurance intermediaries	552,565.00
Seminars,Conference, Publications, etc.[See Contra]	–	Insurance Companies	650,000.00
Interest [See Note 3]	–	Renewal Fees	–
		Others	–
Depreciation	697,331.62	Penalties,Fines etc.	–
Capital Assets Written Off	–	Seminar, Conferences and Publications etc.	
Loss on Write Off of Asset	–	Income from Investments – Interest on deposits with Scheduled Banks	2,959,252.00
Provision for doubtful debts and advances	–	Interest on Deposits	–
Development Expenditure	–	Interest on Advances	
Promotional Expenditure	–	i) granted to members of staff for housing purposes	–
Other Expenses	–	granted to members of staff for other purposes	–
Excess of Income Over Expenditure carried to Balance Sheet	12,478,206.44	ii) Others	–
		Miscellaneous Income	13,189.46
		Excess of Expenditure over income carried to Balance Sheet	–
	52,919,669.46		52,919,669.46

Significant Accounting Policies and Notes Forming Part of Accounts – Annexure IX

Notes

6 Details of Reserve & Funds to be given in Annexure V.
7 All information relating to significant accounting policies and notes forming part of accouts is to be given in Annexure X
8 All Annexures to 6A and notes/information relating to accounting policy forming part of accounts.
1 The information relating to payment to and provision for employees is to be given in Annexure VI.
2 The information relating to establishment expenses is to be given in Annexure VII.
3 The information relating to interest amount is to be given in Annexure VIII.
4 All Annexures to Income and Expenditure Account and Notes/Information relating to Significant Accounting Policies form part of accounts.

-Sd-	-Sd-	-Sd-	-Sd-
R.K Sharma	TK Viswanathan	H.O. Sonig	N. Rangachary
Chief Accounts Officer	Member	Member	Chairman

Form C

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2001

S.No.	RECEIPTS	AMOUNT (Rs.)
1	To Balance brought forward	
	i) Cash at Bank	–
	ii) Cash in hand	–
	iii) Cheques on hand	–
	iv) Cash/Cheques in transit	–
2	To Registration Fees	
	– Insurance Companies	650,000.00
	– Insurance Brokers	–
	– Insurance Surveyors	552,565.00
	– Insurance Agents	27,521,532.50
	– Others	–
3	To Registration Renewal Fees	
	– Insurance Companies	188,026,302.00
	– Insurance Brokers	–
	– Insurance Surveyors	–
	– Insurance Agents	–
	– Others	–
4	To Penalties, Fines from insurers and intermediaries	–
5	To Seminar, Conferences etc.	–
6	To Income from Investments	–
7	To Sale of Investments	–
8	To Grants	–
	i) Initial Grant from Government of India	15,001,000.00
	ii) Gift and Donations	–
9	To Loans –	
10	To Sales of Publication etc.	–

S.No.	PAYMENTS	AMOUNT (Rs.)
1	By Research and Consultation Fees	–
2	By Seminars, Conference, Publications etc.	–
3	By Rent Payments	1,812,126.60
4	By Development Expenditure	–
5	By Promotional Expenditure	–
6	By Payment to Chairperson and Members	
	(i) Pay and Allowances	1,179,067.00
	(ii) Other Benefits	247,616.00
	(iii) Travelling Expenses	3,042,715.00
7	By Establishment Expenses	
	(i) Pay and Allowances	728,403.30
	(ii) Other Benefits	–
	(iii) Travelling Expenses	1,528,397.00
	(iv) Retirement Benefits	–
8	By Office Expenses	6,529,637.00
9	By Interest on	
	(i) Government Loans	–
	(ii) Other Loans	–
10	By Purchase of Assets	1,376,494.00
11	By Capital Work-in-Progress	–
12	By Advances to staff and others including travel advance	296,440.87
13	By Investments – [Includes FD made on behalf of PF Trust to be made]	204,676,378.00

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2001

S.No.	RECEIPTS	AMOUNT (Rs.)	S.No.	PAYMENTS	AMOUNT (Rs.)
11	To Sale of Assets	–	14	By Repayment of Government Loans	–
12	To interest received on		15	By Repayment of Other Loans	–
	– Deposits	1,858,200.99	16	By Other Expenses	–
	– Advances	–		By Balance carried forward	
	– Others	–		i) Cash at Bank	12,190,515.18
13	To Recoveries from Employees			ii) Cash in hand	15,000.00
	(a) Loans and Advances	–		iii) Cheques in hand	–
	(b) Interest on Loans and Advances	–		iv) Cash/Cheques in Transit	–
	(c) Misc.	–			
14	To Other Receipts	13,189,46			
		233,622,789.95			233,622,789.95

-Sd-	-Sd-	-Sd-	-Sd-
R.K Sharma	TK Viswanathan	H.O. Sonig	N. Rangachary
Chief Accounts Officer	Member	Member	Chairman

ANNEXURE I

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001
FIXED ASSETS SCHEDULE

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
Particulars	Cost as on 1.4.2000	Additions During the Year*	As on 31.3.2001	As on 1.4.2000	For the Year	Up to 31.3.2001	As at 31.3.2001	As at 31.3.2000
Vehicles	–	194,343.68	194,343.68	–	50,315.58	50,315.58	144,028.10	–
Equipments	–	710,081.05	710,081.05	–	216,345.59	216,345.59	493,735.46	–
Furniture and								
Fixtures	–	340,782.95	340,782.95	–	97,439.40	97,439.40	243,343.55	–
Computers	–	1,024,547.00	1,024,547.00	–	333,231.05	333,231.05	691,315.95	–
Total	**–**	**2,269,754.68**	**2,269,754.68**	**–**	**697,331.62**	**697,331.62**	**1,572,423.06**	**–**

*Includes assets taken over from erstwhile Insurance Regulatory Authority and Life Insurance Corporation of India and Industrial Finance Corporation of India Limited as under:

Vehicles	194,343.68
Equipments	224,675.05
Furniture and Fixtures	68,975.95
Computers	405,266.00
	893,260.68

ANNEXURE II

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

INVESTMENTS

PARTICULARS	Figures for the Current Year (Rs.)
Fixed Deposits with Scheduled Banks	204,856,866.00

Name of Bank	Date	Amount	Rate of Interest	Period	Date of Maturity	Interest Received	Interest Accrued
Indian Overseas Bank	4-Mar-01	185,676,378	6.25%	31 days	3-Apr-01	–	890,229
HDFC Bank	15-Feb-01	19,000,000	9%	46 days	1-Apr-01	–	210,822
Total (A)		**204,676,378**					**1,101,051**
The Following Fixed Deposit have been kept made on behalf of Provident Fund Trust							
Indian Overseas Bank	6-Dec-00	10748	7.00%	6 Months	6-Jun-01	–	241
Indian Overseas Bank	5-Jan-01	16248	7.00%	6 Months	5-Jul-01	–	270
Indian Overseas Bank	5-Feb-01	20780	7.50%	6 Months	5-Aug-01	–	213
Indian Overseas Bank	9-Mar-01	21234	7.00%	6 Months	9-Sep-01	–	94
Indian Overseas Bank	31-Mar-01	21234	7.00%	6 Months	30-Sep-01	–	–
Total (B)		**90244**					**818**
Grand Total (A+B)		**204,766,622**					**1,101,869**

Others	
(a) Quoted – Cost and Market Value	–
(b) Unquoted	–

ANNEXURE III

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

CURRENT ASSETS, LOANS AND ADVANCES

PARTICULARS	Figures for the Current Year Rs
DEPOSITS	
– With Agents	31,500.00
ADVANCES RECOVERABLE IN CASH OR	
IN KIND OR FOR VALUE TO BE RECEIVED	
– Prepaid Expenses	233,890.50
– Interest Accrued but not due – Bank deposits	1,101,051.00
– Interest Accrued but not due – Bank deposits held on behalf on Provident Fund Trust	818.00
TOTAL	1,335,759.50
OTHER CURRENT ASSETS	
– Loans to Staff for various purposes	215,325.88
– Others – Advance Travel	50,867.00
TOTAL	266,192.88
CASH AND BANK BALANCES	
– Cash in hand	15,000.00
– Balances with Scheduled Banks In Current Account	12,190,515.18
TOTAL	12,205,515.18
SUNDRY DEBTORS	
[Unsecured – Considered Good]	
(Outstanding for a period of less than 6 months)	
Agents	5,260,878.50
Insurance Companies	1,061,099.00
TOTAL	6,321,977.50

ANNEXURE IV

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

PARTICULARS	Figures for the Current Year Rs
Grant from Government of India	-

ANNEXURE V

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2001

CONTINGENT LIABILITIES

PARTICULARS	Figures for the Current Year Rs
	–

ANNEXURE VI

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2001

PAYMENT TO AND PROVISION FOR EMPLOYEES

PARTICULARS	Figures for the Current Year Rs
Salaries, Allowances, Wages and Bonus	670,489.90
Bonus	–
Contribution to Provident Fund, etc.	45,913.40
Gratuity	2,183.00
Staff Welfare Expenses	–
Others	3,805.00
Book Grant	–
Leave Travel Concession	–
Insurance	1,693.00
Canteen Expenses	3,903.00
Monetary Award – Studies	–
Contribution to Group Insurance Scheme	–
Reimbursement of expenses incurred by Staff	–
Leave Salary	416.00
Total	**728,403.30**

ANNEXURE VII

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED AS AT MARCH 31, 2001

ESTABLISHMENT EXPENSES

PARTICULARS	Figures for the Current Year Rs
Repairs & Maintenance of Buildings (Rs.693693 Payable to LIC)	787,324.00
House Keeping – Office Maintenance	159,179.00
Repairs & Maintenance of Equipments	44,425.00
Repairs and Maintenance – Others (Rs.1350000 Payable to LIC)	1,356,290.00
Electricity (Payable to LIC)	200,000.00
Insurance – Vehicle	6,524.00
Rates and Taxes	–
Printing and Stationery	2,050,100.00
Books/Journals etc.	91,186.00
Postage, Telegraphs, Telephones, etc. (Provision of Rs.55000 for Exp)	721,662.00
Travelling and Conveyance – Inland	1,381,304.00
Travel – Foreign	147,093.00
Legal and Professional Charges	285,716.00
Education/Training/R&D/Grievances Redressal Expenses	–
Audit Fees	–
Software	150,000.00
Publicity & Advertisement	572,574.00
Recruitment	–
Expenses of Meetings of Authority & Advisory Committee & Other	
meeting expenses including daily allowances paid	–
to the members of the Committee	767,758.00
Membership and Subscription	244,664.50
Security Services	167,369.00
Web Portal Development Expenses (Rs.75000 payable to Maruthi IT.Com)	900,000.00
Other Expenses	180,292.00
TOTAL	**10,213,460.50**

ANNEXURE VIII

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2001

INTEREST

PARTICULARS	Figures for the Current Year Rs
Government	–
Banks	–
Others	–
Total	–

ANNEXURE IX

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

(Unless otherwise specified, all amounts are in rupees)

1. BACKGROUND

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (The Authority) was established by an Act of Parliament and was constituted on April 19, 2000 by a notification issued in the Gazette of India. The Authority was established with a view to protect the interests of the holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. The Authority, in terms of Section 13 of Insurance Regulatory and Development Authority Act, 1999 [Act], has been vested with the assets and liabilities of the Interim Insurance Regulatory Authority as are available on the appointed day i.e. April 19, 2000. In terms of Section 16 of the Act a fund shall be constituted namely 'The Insurance Regulatory and Development Authority Fund" [Fund]. The accounts of the Fund have been accordingly drawn and are for the period April 19, 2000 to March 31, 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting save for revenue recognition on cash basis as explained hereunder, and in accordance with the applicable standards on accounting issued by the Institute of Chartered Accountants of India. The significant accounting policies are as follows:

(a) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is provided pro-rata to the period of use on reducing balance method using rates determined based on the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs 5,000 have been depreciated 100% in the year of purchase.

(b) Investments

Investments are stated at cost.

(c) Revenues

(i) Registration Fees

(a) received from Companies seeking for the first time, registration as insurance companies are treated as income of the year of receipt

(b) received from existing insurers in advance for renewal registrations already granted are treated as income of the year to which they relate

(ii) License Fees

License Fees received from insurance agents, surveyors and other insurance intermediaries are treated as income of the year in which it is received. Agents and surveyors licenses are current for those years from date of issue and subject to renewal at the end of their currency. It is not practicable to distribute the License Fees over the years to which they relate.

(iii) Grant from Ministry of Finance, Government of India

Initial Grant received is considered as part of 'The Insurance Regulatory and Development Authority Fund".

(d) Foreign currency transactions

Non-monetary foreign currency transactions are recorded at rates of exchange prevailing on the dates of the transactions. Monetary foreign currency assets and liabilities are translated into rupees at the rates of exchange prevailing on the balance sheet date. The differences in translation of foreign currency liabilities related to the acquisition of fixed assets are adjusted in the carrying value of fixed assets. Other translation differences are reflected in the Income and Expenditure Account.

(e) Web Portal Development and Maintenance

Expenses incurred on Web Portal Development and Maintenance is charged to the Income and Expenditure Account in the year of incurrence.

(f) Retirement benefits

(i) Appropriate contribution is made to recognised provident fund.

(ii) Leave encashment is accounted for in the year of payment.

(iii) Necessary provision is made in the accounts for gratuity liability.

3. Fixed assets include Rs 8,93,260.68 taken over by the Authority from the erstwhile Interim Insurance Regulatory Authority in terms of section 13 of the Act. In addition, some of the assets belonging to Life Insurance Corporation of India Limited and Industrial Finance Corporation of India limited have been taken over at Re 1 each.

4. INCOME-TAX

No income tax provision has been made in view of income of the authority being exempt under Section 10 (23BBE) of the Income-tax Act, 1961 effective assessment year 2001-2002.

5. PRIOR YEAR COMPARATIVES

This being the first account, there are no comparative prior period figures.

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ANNEX XII

UNAUDITED ACCOUNTS OF THE AUTHORITY FOR THE YEAR ENDED MARCH 31, 2002

ANNEX XII

UNAUDITED ACCOUNTS OF THE AUTHORITY FOR THE FINANCIAL YEAR 2001-02

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
BALANCE SHEET AS AT MARCH 31, 2002

Form A

FIGURES FOR THE PREVIOUS YEAR (Rs.)	LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)	FIGURES FOR THE PREVIOUS YEAR (Rs.)	ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
	GENERAL FUND			**FIXED ASSETS** [See Note 1]	
	i) IRDA Fund [See Note 4]		2,269,754.68	– Gross Block	4,642,112.68
	– At beginning of the year	893,243.68	697,331.62	– Less: Depreciation	1,808,601.62
893,243.68	– Receipts in the year	–			
893,243.68	– Balance at end of the year	893,243.68	1,572,423.06	– Net Block	2,833,511.06
	ii) Capital Fund			– Capital Work-in-Progress	–
	– Capital Grants	–		**INVESTMENTS** [See Note 2]	
	– Balance at the beginning of the year	–		(Method of Valuation – at Cost)	
	Add: Value of Fixed Assets received as grants during the year	–			
	iii) Surplus and Funds			i) Securities of Central and State Government	–
	– Balance as per last Balance Sheet	12,478,206.44		ii) Units	–
12,478,206.44	Add: Excess of Income Over Expenditure as per Income and Expenditure Account – Annexed	336,916,567.87	204,766,622.00	iii) Fixed Deposits with banks (including moneys belonging to the Employees Provident Fund Trust to be formed)	574,227,907.78
	Less: Excess of Expenditure Over Income as per Income and Expenditure Account – Annexed	–			
12,478,206.44	– Balance at the end of the year	349,394,774.31		iv) Others	–
	iv) Gift and Donations	–		CURRENT ASSETS, LOANS AND ADVANCES	
	v) Other Balances	–		[See Note 3]	
	LOANS				
	i) Secured		31,500.00	i) Deposits with Agencies	57,840.00
	(stating the security offered for the purpose)	–	266,192.88	ii) Loans & Advances to Staff	2,021,953.88
	ii) Unsecured	–	6,321.977.50	iii) Amount Due from insurance Companies & Others	573,298.00
	iii) Loan from Government of India	–			
	iv) Other Loans	–			
	CURRENT LIABILITIES AND PROVISIONS [See Note 5]		1,335,759.50	iv) Other Current Assets	20,031,959.00
	i) SUNDRY CREDITORS:			v) Cash & Bank Balances	
	– for Capital Items	–	15,000.00	a) Cash in Hand	18,998.00
18,962,541.00 –	– for Other Items – [Includes amount refundable Rs. 89,641,595 for change in renewal fees]	98,205,957.00	12,190,515.18	b) Bank Balances	5,558,629.27

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
BALANCE SHEET AS AT MARCH 31, 2002

FIGURES FOR THE PREVIOUS YEAR (Rs.)	LIABILITIES	FIGURES FOR THE CURRENT YEAR (Rs.)	FIGURES FOR THE PREVIOUS YEAR (Rs.)	ASSETS	FIGURES FOR THE CURRENT YEAR (Rs.)
	ii) PROVISIONS:				
–	– Provision for doubtful debts and advances	229,485.00			
–	– Provision for depletion in value of investment	–			
	iii) OTHER LIABILITIES:				
–	1. Unspent Grants	–			
–	2. Interest payable to Government/Other Loans	–			
	3. Provident, Retirement & Other Welfare Funds:				
91,062.00	(a) Provident Fund	764,552.00			
–	(b) Other Welfare Funds	–			
–	(c) Retirement Benefit Fund and Staff Benefit Fund:	–			
	4. Others (Specify)				
4,987,536.00	– other Liabilites (TDS)	1,292,305.00			
189,087,401.00	– Registration Renewal fee received in Advance	154,543,780.00			
226,499,990.12		605,324,096.99	**226,499,990.12**		**605,324.096.99**

Significant Accounting Policies and Notes Forming Part of Accounts – Annexure IX

Notes

1 The information relating to Fixed Assets is given in Annexure I.

2 The information relating to Investments is given in Annexure II.

3 The information relating to Current Assets,Loans and Advances is given in Annexure III.

4 Details of IRDA Fund is given in Annexure IV (Fund includes grants received from Central Government, other organisations and bodies in terms of Section 16 of the Act).

5 Details of Contingent Liabilities is given in Annexure V.

6 All information relating to significant accounting policies and notes forming part of accounts is given in Annexure IX

7 All annexes to Statement of Affairs and notes/information relating to accounting policy forming part of Accounts.

-Sd-	-Sd-	-Sd-	-Sd-
R.K. Sharma	R.C. Sharma	H.O. Sonig	N. Rangachary
Chief Accounts Officer	Member	Member	Chairman

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI

Form B

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2002

FIGURES FOR THE PREVIOUS YEAR (Rs.)	EXPENDITURE	FIGURES FOR THE CURRENT YEAR (Rs.)
1,388,813.00	Payment to Chairperson and Members	2,359,356.00
728,402.90	Payment to and Provision for members of Staff [See Note 1]	6,036,219.00
13,326,883.90	Establishment Expenses [See Note 2]	21,601,397.77
24,300,031.60	Rent	8,673,118.00
	Research & Consultation Fees	–
	Seminars,Conference, Publications, etc. [See Contra]	–
	Interest [See Note 3]	–
697,331.62	Depreciation	1,111,270.00
	Capital Assets Written Off	–
	Loss on Write Off of Asset	–
–	Provision for doubtful debts and advances	229,485.00
	Development Expenditure	–
	Promotional Expenditure	–
–	Other Expenses	40,390.00
12,478,206.44	Excess of Income Over Expenditure carried to Balance Sheet	336,916,567.87
52,919,669.46		376,967,803.64

FIGURES FOR THE PREVIOUS YEAR (Rs.)	INCOME	FIGURES FOR THE CURRENT YEAR (Rs.)
	Grants in Aid	
15,001,000.00	Received	–
	Receivable	–
	Less: Transferred to Capital Fund	–
	Registration Fees	
33,743,663.00	Agents	110,756,681.50
–	Surveyors and Insurance intermediaries	–
–	TPA	520,000.00
650,000.00	Insurance Companies	300,000.00
	Renewal Fees	
–	Insurance Companies	234,561,500.00
552,565.00	Surveyors and Insurance intermediaries	717,487.00
–	TPA	420,000.00
	Others	–
	Penalties,Fines etc.	–
	Seminar, Conferences and Publications etc.	
2,959,252.00	Income on Investments – Interest on deposits with Scheduled Banks	29,452,612.14
	Interest on Deposits	–
	Interest on advances	
–	i) granted to members of staff for housing purposes	16,578.00
–	ii) granted to members of staff for other purposes	2,562.00
–	iii) Others	–
13,189.46	Miscellaneous Income	220,383.00
	Excess of Expenditure over income carried to Balance Sheet	
52,919,669.46		376,967,803.64

Significant Accounting Policies and Notes Forming Part of Accounts – Annexure VI

Notes

1 The information relating to payment to and provision for employees is given in Annexure VI.
2 The information relating to establishment expenses is given in Annexure VII.
3 The information relating to interest amount is given in Annexure VIII.
4 All Annexures to Income and Expenditure Account and Notes/Information relating to Significant Accounting Policies form part of accounts.

-Sd-
R.K Sharma
Chief Accounts Officer

-Sd-
R.C. Sharma
Member

-Sd-
H.O. Sonig
Member

-Sd-
N. Rangachary
Chairman

Form C

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

S.No.	RECEIPTS	AMOUNT (Rs.)
1	**To Balance brought forward**	
	i) Cash at Bank	12,190,515.18
	ii) Cash in hand	15,000.00
	iii) Cheques on hand	–
	iv) Cash / Cheques in transit	–
2	**To Registration Fees**	
	– Insurance Companies	300,000.00
	– Insurance TPA	520,000.00
	– Insurance Surveyors	–
	– Insurance Agents	120,042,916.90
	– Others	–
3	To Registration Renewal Fees	
	– Insurance Companies	287,273,518.00
	– TPA	420,000.00
	– Insurance Surveyors	717,487.00
	– Insurance Agents	–
	– Others	–
4	To Penalties, Fines from insurers and intermediaries	
5	To Seminar, Conferences etc.	
6	To Income from Investments	
7	To Sale of Investments	–
8	To Grants	
	i) Initial Grant from Government of India	–
	ii) Gift and Donations	579,884.00
9	To Loans	–
10	To Sales of Publication etc.	–
11	To Sale of Assets	–

S.No.	PAYMENTS	AMOUNT (Rs.)
1	By Research and Consultation Fees	–
2	By Seminars, Conference, Publications etc.	–
3	By Rent Payments	27,095,405.00
4	By Development Expenditure	–
5	By Promotional Expenditure	–
6	By Payment to Chairperson and Members	
	(i) Pay and Allowances	1,817,631.00
	(ii) Other Benefits	174,299.00
	(iii) Travelling Expenses	4,110,687.00
7	By Establishment Expenses	
	(i) Pay and Allowances	5,002,762.00
	(ii) Other Benefits	178,012.00
	(iii) Travelling Expenses	5,433,106.00
	(iv) Retirement Benefits	229,853.00
8	By Office Expenses	9,866,324.27
9	By Interest on	
	(i) Government Loans	–
	(ii) Other Loans	–
10	By Purchase of Assets	2,372,357.68
11	By Capital Work-in-Progress	565,800.00
12	By Advances to staff and others including travel advance	1,971,690.00

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY, NEW DELHI
THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT
RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

S.No.	RECEIPTS	AMOUNT (Rs.)	S.No.	PAYMENTS	AMOUNT (Rs.)
12	To interest received on		13	By Investments – [Includes FD made on behalf of PF Trust to be made]	369,461,286.00
	– Deposits	11,478,804.14	14	By Repayment of Government Loans	–
	– Advances	–	15	By Repayment of Other Loans	–
	– Others	–	16	By Other Expenses	40,390.00
13	To Recoveries from Employees			By Balance carried forward	
	(a) Loans and Advances	138,722.00		i) Cash at Bank	5,558,629.27
	(b) Interest on Loans and Advances	–		ii) Cash in hand	18,998.00
	(c) Misc.	–		iii) Cheques in hand	–
14	To Other Receipts	220,383.00		iv) Cash/Cheques in Transit	–
		433,897,230.22			433,897,230.22

-Sd-
R.K Sharma
Chief Accounts Officer

-Sd-
R.C. Sharma
Member

-Sd-
H.O. Sonig
Member

-Sd-
N. Rangachary
Chairman

ANNEXURE I

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND
ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2002
FIXED ASSETS SCHEDULE

		GROSS BLOCK				DEPRECIATION			NET BLOCK	
Particulars	Cost as on 1.4.2001	Additions During the Year*	Sold/ Diposed Off During the year	As on 31.3.2002	As on 1.4.2001	For the Year	Adjustments	Up to 31.3.2002	As at 31.3.2002	As at 31.3.2001
OFFICE PREMISES										
(A) LAND	–	–	–	–	–	–	–	–	–	–
(B) BUILDING	–	–	–	–	–	–	–	–	–	–
RESIDENTIAL	–	–	–	–	–	–	–	–	–	–
FLATS	–	–	–	–	–	–	–	–	–	–
(A) LAND	–	–	–	–	–	–	–	–	–	–
(B) BUILDING	–	–	–	–	–	–	–	–	–	–
VEHICLES	194,343.00	–	–	194,343.68	50,315.58	37,289.00	–	87,604.58	106,739.10	144,028.10
EQUIPMENTS	710,081.00	709,212.00	–	1,419,293.05	216,345.59	105,190.84	–	321,536.43	1,097,756.62	493,735.46
FURNITURE AND										
FIXTURES	340,783.00	11,129.00	–	351,911.95	97,439.40	54,324.58	–	151,763.98	200,147.97	243,343.55
COMPUTERS	1,024,547.00	1,652,017.00	–	2,676,564.00	333,231.05	914,465.81	–	1,247,696.86	1,428,867.14	691.315.95
TOTAL	**2,269,755.00**	**2,372,358.00**	**–**	**4,642,112.68**	**697,331.62**	**1,111,270.23**	**–**	**1,808,601.85**	**2,833,510.83**	**1,572,423.06**

*Includes assets taken over from erstwhile Insurance Regulatory Authority and Life Insurance Corporation of India and Industrial Finance Corporation of India Limited as under:

	2001-2002	2000-2001
Vehicles	–	194,343.68
Equipments	–	224,675.05
Furniture and Fixtures	–	68,975.95
Computers	–	405,266.00
		893,260.68

ANNEXURE III

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2002

CURRENT ASSETS, LOANS AND ADVANCES

PARTICULARS	Figures for the Current Year Rs	Figures for the Previous Year Rs.
DEPOSITS		
– For Premises	22,500.00	–
– With Others – MTNL	35,340.00	31,500.00
	57840.00	31,500.00
LOANS & ADVANCES TO STAFF		
– Housing Loan to Staff	1,209,600.00	–
– Loans to Staff for other purposes	756,092.88	215,325.88
– Other Advances – Festival	56,261.00	–
– Others – Advance for Travel	–	50,867.00
TOTAL	**2,021,953.88**	**266,192.88**
AMOUNTS DUE FROM INSURANCE COMPANIES & OTHERS		
– Insurance Companies – (Indicates the amount due from State Insurance Companies	229,485.00	1,061,099.00
– Agents – (Indicates the amount of expired cheques in hand received from agents earlier)	343,813.00	5,260,878.50
TOTAL	**573,298.00**	**6,321,977.50**
OTHER CURRENT ASSETS		
– Expenses Recoverable	425.00	–
– Prepaid Expenses	346,195.00	233,890.50
– Interest Accrued but not due – Bank Deposits (Includes Rs. 25,540 on Fixed Deposit held on behalf of PF Trust to be formed)	19,100,399.00	1,101,869.00
– Interest Accrued but not due – Staff Loans	19,140.00	–
– Advances on Capital Account – (For Software development)	565,800.00	–
TOTAL	**20,031,959.00**	**1,335,759.50**
CASH AND BANK BALANCES		
– Cash in hand	18,998.00	15,000.00
– Cheques in hand	–	–
– Cash/Cheques in transit	–	–
– Balances with Scheduled Banks		
a) In Current Account	5,558,629.27	12,190,515.18
b) on Deposit Account	–	–
TOTAL	**5,577,627.27**	**12,205,515.18**
– Balance with Non Scheduled Bank		
a) In Current Account	–	–
b) In Deposit Account	–	–
TOTAL	–	–

ANNEXURE IV

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2002

PARTICULARS	Figures for the Current Year Rs	Figures for the Previous Year Rs
Grant from Government of India	–	893,243.68

ANNEXURE V

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT MARCH 31, 2002

CONTINGENT LIABILITIES

PARTICULARS	Figures for the Previous Year Rs
	Nil

ANNEXURE VI

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31st, 2002

PAYMENT TO AND PROVISION FOR EMPLOYEES

PARTICULARS	Figures for the Current Year Rs	Figures for the Previous Year Rs
i) Salaries, Allowances, Wages and Bonus	4975,533.00	670,489.90
ii) Bonus	–	–
ii) Contribution to Provident Fund, etc.	298,737.00	45,913.00
iv) Gratuity	210,148.00	2,183.00
v) Staff Welfare Expenditure	–	–
vi) Others	–	3,805.00
– Book Grant	–	–
– Leave Travel Concession	14,045.00	–
– Insurance	–	1,693.00
– Canteen Expenses	–	3,903.00
– Monetary Award – Studies	–	–
– Contribution to Group Insurance Scheme	21,770.00	–
– Reimbursement of expenses incurred by Staff	169,426.00	–
– Leave Salary	346,560.00	416.00
Total	**6,036,219.00**	**728,402.90**

ANNEXURE VII

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31st, 2002

ESTABLISHMENT EXPENSES

PARTICULARS	Figures for the Current Year Rs.	Figures for the Previous Year Rs.
Repairs & Maintenance of Buildings & Premises	2,267,704.00	787,324.00
House Keeping – Office Maintenance	825,542.00	159,179.00
Repairs & Maintenance of Equipments	–	44,425.00
Repairs and Maintenance – Others	23,075.00	1,356,290.00
Electricity (Payable to LIC)	803,258.00	200,000.00
Insurance – Vehicle	15,300.00	6,524.00
Rates and Taxes	–	–
Printing and Stationery	690,481.00	2,050,100.00
Books/Journals etc.	63,628.00	91,186.00
Postage, Telegraphs, Telephones, etc.	1,210,860.27	792,370.00
Travelling and Conveyance Inland (Includes Payable to LIC Rs. 711755/-)	4,945,309.00	4,394,750.40
Travel – Foreign	5,367,184.00	147,093.00
Legal and Professional charges	1,440,279.00	285,716.00
Education/Training/R&D/Grievances Redressal Expenses	–	–
Audit Fees	99,520.00	–
Software	–	150,000.00
Publicity & Advertisement	2,062,541.00	572,574.00
Recruitment	–	–
Expenses of Meetings of Authority & Advisory Committee & Other meeting expenses including daily allowances paid	–	–
To the members of the Committee	195,685.00	767,758.00
Membership and Subscription	415,835.50	244,664.50
Security Services	225,879.00	167,369.00
Web Portal Development Expenses (Rs. 33215 payable to Maruthi IT.Com)	564,300.00	900,000.00
Canteen Exp.	143,523.00	–
Car Repair and Maintenance Expenses	52,560.00	29,269.00
Other Expenses	188,934.00	180,292.00
TOTAL	**21,601,397.77**	**13,326,883.90**

ANNEXURE VIII

ATTACHED TO AND FORMING PART OF INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

INTEREST

PARTICULARS	Figures for the Current Year Rs
Government	–
Banks	–
Others	–
Total	–

ANNEXURE IX

THE INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY FUND ACCOUNT

NOTES TO THE FINANCIAL STATEMENTS

(Unless otherwise specified, all amounts are in rupees)

1. **BACKGROUND**

   INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY (The Authority) was established by an Act of Parliament and was constituted on April 19, 2000 by a notification issued in the Gazette of India. The Authority was established with a view to protect the interests of the holders of insurance policies, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. The Authority, in terms of Section 13 of Insurance Regulatory and Development Authority Act, 1999 [Act], has been vested with the assets and liabilities of the Interim Insurance Regulatory Authority as are available on the appointed day i.e. April 19, 2000. In terms of Section 16 of the Act a fund shall be constituted namely 'The Insurance Regulatory and Development Authority Fund" [Fund]. The Fund shall constitute of all common grants, fees and charges received by the Authority, all sums received by the Authority from such other source as may be decided upon by the central Government and the percentage of prescribed premium income received from the insurer. The Fund shall be applied for meeting the salaries allowances and other remuneration of the members, officers and other employees of the Authority and the other expenses of the Authority in connection with discharge of its functions and for the purposes of the Act.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

   The financial statements are prepared under the historical cost convention, on the accrual basis of accounting save for revenue recognition on cash basis as explained hereunder, and in accordance with the applicable standards on accounting issued by the Institute of Chartered Accountants of India. The significant accounting policies are as follows:

   (a) Fixed assets and depreciation

   Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is provided pro-rata to the period of use on reducing balance method using rates determined based on the rates specified in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs 5,000 have been depreciated 100% in the year of purchase.

   (b) Investments

   Investments are stated at cost.

   (c) Revenues

   (i) Registration Fees

   (a) received from Companies seeking for the first time, registration as insurance companies are treated as income of the year of receipt

   (b) received from existing insurers in advance for renewal registrations already granted are treated as income of the year to which they relate

   (ii) License Fees

   License Fees received from insurance agents, surveyors and other insurance intermediaries are treated as income of the year in which it is received. Licenses issued to insurance agents, surveyors and other insurance intermediaries are current for those years from date of issue and subject torenewal at the end of their currency. It is not practicable to distribute the licence fees over the years to which they relate..

   (iii) Grant from Ministry of Finance, Government of India

   Initial Grant received has been treated as income of the year in which it is received.

   (d) Foreign currency transactions

   Non-monetary foreign currency transactions are recorded at rates of exchange prevailing on the dates of the transactions. Monetary foreign currency assets and liabilities are translated into rupees at the rates of exchange prevailing on the balance sheet date. The differences in translation of foreign currency liabilities related to the acquisition of fixed assets are adjusted in the carrying value of fixed assets. Other translation differences are reflected in the Income and Expenditure Account.

(e) Web Portal Development and Maintenance

Expenses incurred on Web Portal Development and Maintenance is charged to the Income and Expenditure Account in the year of incurrence.

(f) Retirement benefits

Retirement benefits to employees comprise contribution to provident fund, gratuity and leave encashment, which are provided in accordance with the Regulations made under the Act.Leave encashment is provided for at the current encashable salary for the entire unavailed leave balances.The Authority has established a IRDA Employees Provident Fund Trust for the benefit of its officers and other employees subsequent to the close of the year. Pending establishment, the contribution made by the Authority and of the employees has been earmarked and deposited in fixed deposits with a scheduled bank.The liability for gratuity is determined based on actuarial valuation, in accordance with gratuity scheme framed by the Authority.

3. **INCOME-TAX**

No income tax provision has been made in view of income of the authority being exempt under Section 10 (23BBE) of the Income-tax Act, 1961 effective assessment year 2001-2002.

4. The renewal fees from State Insurance agencies have not been accounted for in the absence of information of gross insurance premium.

5 The Authority has received a letter from Ministry of Finance, Department of Economic Affairs dated July 17,2002 directing the Authority to deposit the moneys so far collected by the Authority in the Public Account of India as non-interest bearing account and allowing the Authority to withdraw a specified amount in the beginning of each year from the said Public Account for meeting its expenditure. The Authority, based on legal opinion obtained, is seeking review of the direction received as the Authority is of the view that the funds raised by it from the insurers and the intermediaries do not have the character of Government Revenue and cannot form part of the Public Fund of India, which position is in accord with the legal opinion obtained by the Authority. The authority has taken up the issue with the Government of India.

6 In the absence of agent wise accounting of License Fee the amount deposited in excess of the recoverable License Fee (based on licenses issued during the year) has been treated as licence fee income.

7. **PRIOR YEAR COMPARATIVES**

Previous period represents the period April19,2000 (the Date of Constitution of IRDA) till March 31,2001. Previous year figures have been regrouped wherever considered necessary to make them comparable with the current year’s figures.