

Healthy growth. Healthier profits.

Cholamandalam MS General Insurance Company Limited
ANNUAL REPORT 2013 – 2014



Healthy growth. Healthier profits.



FY 2013-14 was indeed a great year for Chola MS. Not only did we surge ahead, but we also attained milestones of which we are proud - a ₹1015 million PBT and a ₹18,551 million GWP. A strong vision, inspiring goals, unrelenting passion and synergised efforts - the hallmarks of successful organizations - have been the driving force behind Chola MS' remarkable growth story.

In the coming year, we're determined to push the boundaries and emerge stronger, brighter and healthier.

We're already well on our way in that direction, with the soon-to-be-launched Chola Healthline range of plans. These unique plans are guaranteed to bring true peace of mind to all our customers, thus showcasing our promise of 'With you when you need us most.'

Going forward, we believe that the strength of our bonds with our banca partners, agents and employees, and our unwavering focus on our T3 philosophy – Trust, Transparency & Technology, will help bring bigger growth and profits.



**AWARDS
&
ACCOLADES**



Best "Health Insurer Claims Team of the Year-2013" at the claims Asia Awards 2013, Hongkong



The Innovation Heroes Achievers Series 2013 Award by DynamicCIO.com



The CEF Asian Customer Engagement Award for 'Excellence in Television Creativeness' (Chola MS brand film)

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Board of Directors

S B Mathur	Chairman
R Beri	Director
Pradeep V Bhide	Director
N Srinivasan	Director
S S Gopalarathnam	Managing Director
Tsuyoshi Yamane	Wholetime Director

Top Management Team

S S Gopalarathnam	Managing Director
Tsuyoshi Yamane	Wholetime Director
Vedanarayanan Seshadri	Chief Marketing Officer
A Jeganathan	Senior Vice President - Underwriting & Reinsurance
V Suryanarayanan	Senior Vice President & CFO
R Suresh	Senior Vice President - Claims
V Sundar	Senior Vice President - IT & Operations
Prabhu Nambiappan	Vice President - Human Resources
Suresh Krishnan	Vice President - Internal Audit & Company Secretary

Auditors

M/s. Brahmaya & Co,
Chartered Accountants

48 Masilamani Road, Balaji Nagar, Royapettah, Chennai - 600 014

M/s. Sundaram & Srinivasan
Chartered Accountants

23 C.P.Ramaswamy Road, Alwarpet, Chennai - 600 018

Registered Office:

CIN U66030TN2001PLCO47977

"Dare House", No.2, N.S.C.Bose Road, Chennai 600 001.

Phone: 91-44-30445400, Fax : 91-44-30445550, Toll Free No. 1800 200 5544

W: cholainsurance.com

Financial Highlights



₹ in million

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Written Premium	1,693	2,202	3,117	5,223	6,854	7,849	9,680	13,465	16,209	18,551
Net Earned Premium	711	884	1,273	2,489	3,854	4,623	6,274	8,691	11,674	14,314
PBT before IMTPIP	(33)	(25)	138	186	251	162	388	586	1,124*	1,565*
PBT	(33)	(25)	138	105	118	19	(226)	155	890	1,015
PAT	(33)	(31)	125	72	70	24	(229)	191	602	701
Net Worth	1,294	1,262	1,380	1,434	1,475	2,793	2,570	3,257	4,359	5,824
Fixed Assets (net)	90	80	115	230	281	140	289	359	496	577
Investment portfolio	1,982	2,160	2,543	3,300	3,648	5,721	9,661	12,573	17,242	23,282
Earnings per Share (₹)	(0.24)	(0.22)	0.88	0.51	0.49	0.11	(0.86)	0.69	2.08	2.37
Book Value per Share (₹)	9.11	8.89	9.72	10.10	10.39	10.46	9.63	11.48	14.93	19.49

* For FY 2012-13 & FY 2013-14 PBT is before losses from IMTPIP & declined pool

PBT - Profit before tax

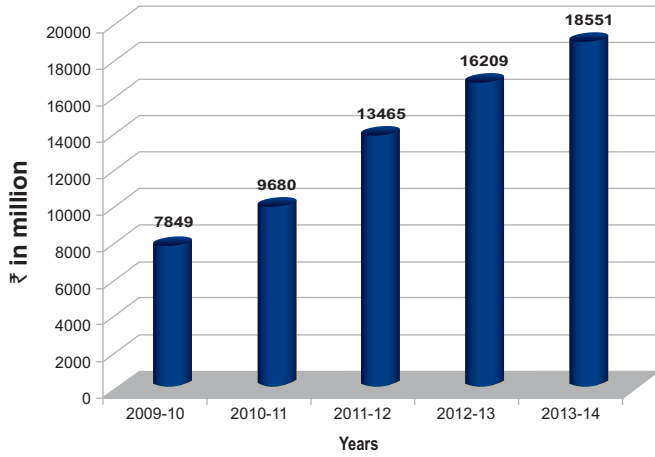
IMTPIP - Indian Motor Third Party Insurance Pool

PAT - Profit after tax

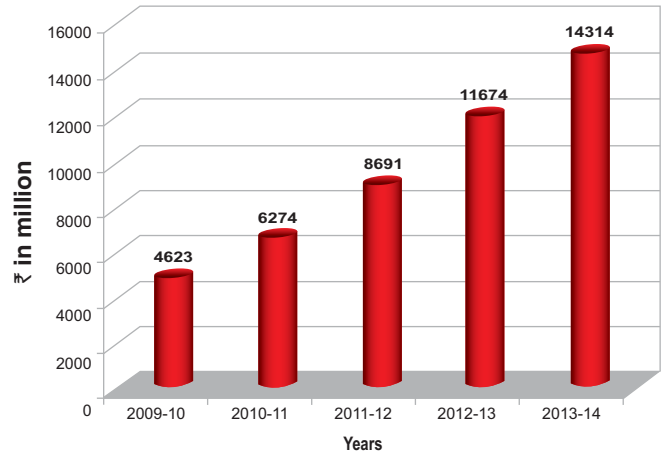
Key Financial Indicators



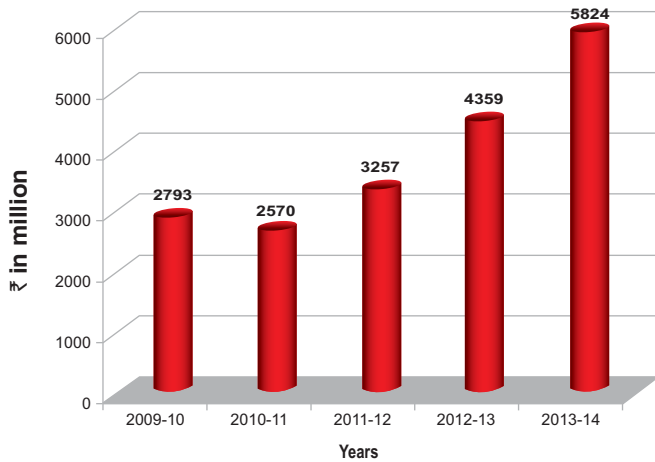
Gross Written Premium



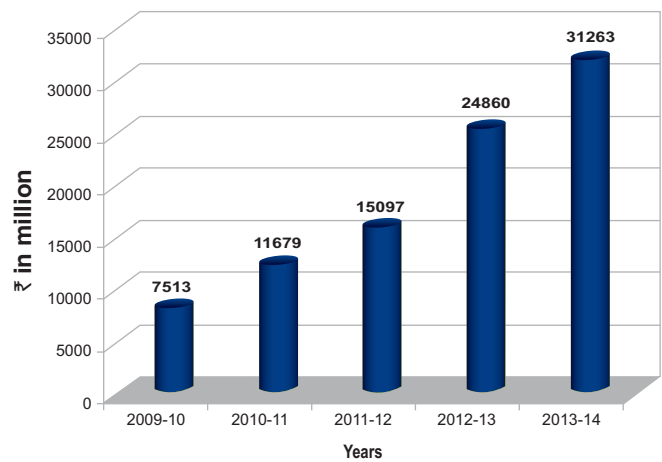
Net Earned Premium (Including IMTPIP)



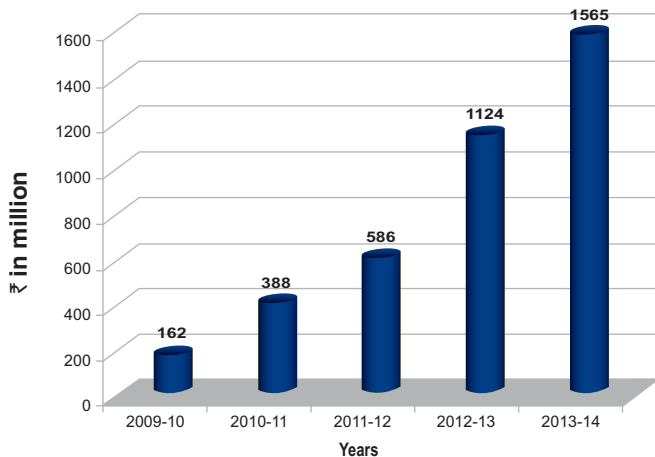
Net Worth



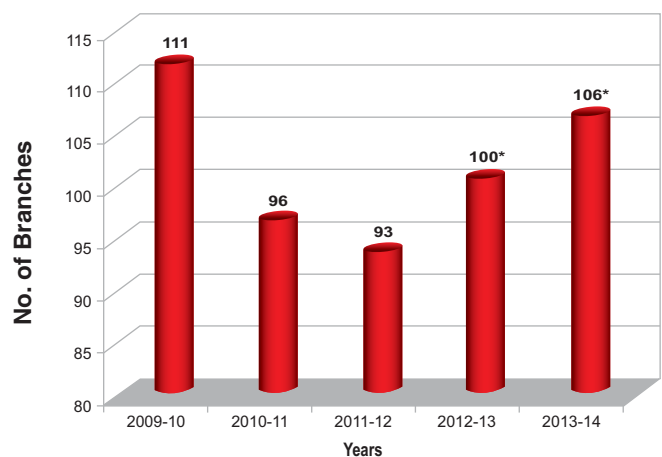
Total Assets



PBT before IMTPIP*



Branch office Network



* IMTPIP-Indian Motor Third Party Insurance Pool
For FY 2012-13 & 2013-14 PBT is before losses from IMTPIP & declined pool

* Excludes Head Office



Dear Shareholders,

The financial year 2013-14 has been an eventful year in the history of Chola MS. Despite economic slowdown, the Company has achieved a growth rate of 14.5% - higher than the Industry growth rate of 12.2% with a Gross Written Premium of ₹ 18551 million from ₹ 16209 million for the previous year. For the first time, the Company has crossed the ₹1 billion mark of Profit Before Tax amounting to ₹ 1015 million translating to 14% growth. The operating profits of the company stood at ₹ 1565 million (before motor and declined pool) achieving a significant growth of 39% over the previous year.

During the year under review, the Company embarked on many new initiatives and consolidated its position in preferred lines of business. A clear strategy on distribution helped the company retain its market position amidst fierce competition. Specifically on the Health line of business, the company launched a mass media campaign with the overall theme of "With you when you need us most". This campaign helped us connect with customers and prospects creating significant awareness across the country. Incidentally, this campaign bagged "Excellence in Television Creativeness" and the same was given by CEF Asian Customer Engagement forum.

In order to align with our Vision & Mission and to live our Brand Philosophy – T3 – Trust, Transparency and Technology – the Company has launched several technology and operational initiatives. In Health and Motor, many of the products are available on electronic & mobile platform. The Company has been awarded as the "Best Health Insurer Claims Team" for the year 2013 across Asia held at HongKong during November 2013. This has helped the Company to continue its belief in customer centricity.

With renewed sentiments and a stable government, we expect the economy to revive slowly but surely. With this background, we will work towards our Vision of being the preferred choice for our clients, business partners and employees through core values of trust and transparency aided by technology. Our Mission will be to bring "Peace of Mind" to our clients by protecting them from financial risks.

I take this opportunity to thank the customers, regulator, business partners, intermediaries, reinsurers and vendors for their support and contribution in our growth. I also wish to place my sincere thanks to our shareholders – Tube Investments of India Limited and MSI, Japan for their support and faith in us. Lastly my appreciation and thanks to the team of Chola MS for their continued dedication and commitment for profitable growth.

We at Chola MS are convinced that we will "Surge to stay ahead" and continue adding value to all stakeholders.

Regards,

S S Gopalarathnam



Profile of Directors



Mr. S B Mathur
*Independent Director
& Chairman*

- Is a Chartered Accountant, Part 1 & 2 of ICWA (London);
- Has over 42 years of experience in the insurance industry;
- Served as an Administrator in Specified Undertaking of the Unit Trust of India (SUUTI);
- Has served as Chairman of LIC and Secretary General of Life Insurance Council;
- Is a Board member of various companies including ITC Limited, IL&FS Limited, Ultratech Cement Limited, Axis Bank Limited, NSE, Havells India Limited, India Mortgage Guarantee Corporation Private Limited, Mindas Corporation Limited etc.;
- Has been associated with the Company as Chairman since July 2010.

- Holds a honours degree in Arts- History and is a MBA from Birla Institute of Technology & Science, Pilani;
- Has over 37 years of experience in general insurance;
- Served as Insurance Ombudsman for Delhi and Rajasthan;
- Was Chairman cum Managing Director of The New India Assurance Company Limited;
- Had been the Chairman of National Insurance Academy, Insurance Institute of India;
- Has held directorships in GIC, GIC Housing Finance, TAC etc.;
- Is a Board member of Trans Africa Assurance Company Limited, Uganda;
- Has been associated with the Company as a director since July 2010.



Mr. R Beri
Independent Director



Mr. Pradeep Vasudeo Bhide
Non-Executive Director

- Is a IAS (Retd.) and holds a Bachelors degree in Science and Law and a Masters degree in Business Administration with specialisation in Financial management;
- Has held senior positions at the State and Central Government levels;
- Was the Managing Director at APCO and Godavari Fertilisers & Chemicals Limited;
- Is a Board Member of various companies including Tube Investments of India Limited, L&T Finance Limited, GlaxoSmithkline Pharmaceuticals Limited, Heidelberg Cement India Limited, NOCIL Limited, A.P.I.D.C Venture Capital Private Limited etc.;
- Has been associated with the Company as a director since April 2013.

- Is a Chartered Accountant and Company Secretary;
- Is the Group Director - Finance, of the Murugappa Group;
- Has over 30 years of varied experience in the areas of Corporate Finance, Legal, Projects and General Management;
- Is the Vice Chairman of Cholamandalam Investment and Finance Co. Limited;
- Is a Board member of Tube Investments of India Limited, Murugappa Holdings Limited, Cholamandalam MS Risk Services Limited etc.;
- Has been associated with the Company as a director since August 2007.



Mr. N Srinivasan
Non-Executive Director



Mr. S S Gopalarathnam
Managing Director

- Holds a Bachelors degree in Commerce and is a fellow member of the Institute of Cost & Works Accountants of India and has done an advanced management program in Harvard University;
- Has been associated with the Murugappa Group for nearly 35 years since 1979 in various capacities;
- Spent 21 years in Tube Investments of India Limited in various roles like Finance, Exports and Business operations;
- Was Head of Corporate & strategic planning at the Murugappa Group for 1½ years;
- Has been associated with the Company for more than 13 years since its inception in the capacity of CFO, President - Operations and since April 2008 as the Managing director.

- Is a Bachelor of Commerce from Keio University, Japan;
- Working with Mitsui Sumitomo Insurance Co. Limited, since 1983;
- Has over 29 years of experience in general insurance;
- Has been associated with the Company since August 2009 as a non-executive director and from April 2010 as a Wholetime director.



Mr. Tsuyoshi Yamane
Wholetime Director

Directors' Report to Members



Your directors have pleasure in presenting the thirteenth annual report together with the audited financial statements of the Company for the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

(₹ in million)

Particulars	2013-14	2012-2013
Gross Written Premium (GWP)		
a) Direct	18551	16209
b) Reinsurance Acceptance	167	307
Total GWP	18718	16516
Net Earned Premium	14314	10689
Net Claims Incurred	10379	7246
Net Commission and expense of management	4116	3484
Investment Income	1746	1164
Other Income (net)	-	1
Operating Profits	1565	1124
Motor pool losses & Declined pool losses (Net of investment income)	(550)	(234)
Profit before tax	1015	890

INDUSTRY SCENARIO

The Gross Written Premium of Non-Life Insurers is reported at around ₹ 729 billion, a growth of around 12.2% over the previous year. This performance is being viewed in the wake of sluggish economic growth and a steep drop in automobile sales. The market share of public sector companies was 56% and the private sector companies with a year-on-year growth of 14.4% constituting 44%. Motor, Health and Fire insurance continued to constitute a significant portion of the insurance portfolio at about 80%.

The growth of the health insurance lines of business dipped to 12.9% from the earlier year's level of 17.4%.

In commercial lines, the intense competition and the continuing inadequate premium pricing had the effect of dipping underwriting profitability.

SUMMARY OF COMPANY PERFORMANCE

The Company achieved a GWP (direct) of ₹ 18551 million registering a growth of 14.5% over the previous year. The Company's market share as at March 31, 2014 was 2.54% (w/o specialized companies).

The higher than industry growth, in a tough external environment, was made possible by a marked improvement in the efficiency of various channels of business sourcing, strong growth in the individual health and weather lines of business. The Company consciously pared down its focus on the government sponsored health insurance schemes in view of the changed policy terms and predatory pricing by some insurers.

The underwriting results were impacted to a certain extent by catastrophes like Uttarakhand floods, Cyclone Phailin and a few large losses in commercial lines. Together with investment income, the Company recorded its highest ever operating profits.

The Company for the first time crossed ₹ 1 billion mark in profit before tax after absorption of:

- the last and final tranche of losses from dismantled IMTPIP of ₹ 549 million
- losses from declined pool of ₹ 172 million arising from the revision in Ultimate Loss Ratio advised by IRDA for the year 2012-13
- Estimated losses from declined pool of ₹ 75 million for the year 2013-14

AWARDS AND ACCOLADES

- Chola MS HELP, the claim processing cell of the Company, has been awarded as "Health Insurer Claims Team for the year 2013" at the Claims Asia Awards 2013 held at Hongkong in November 2013.
- During the year the Company was awarded the "Edge award" for best innovator in Mobile space, second time in a row.
- Ranked number 1 amongst the panel insurers by Toyota Tsusho Insurance Brokers (I) Private Limited consistently throughout the year.

BUSINESS OPERATIONS

Growth in business operations were driven by a strong performance in retail with bancassurance and proprietary distribution channels growing at 18%.

The company renewed its bancassurance arrangement with IndusInd Bank for another 5 years. Distribution building in proprietary channels gained momentum with implementation of transformation programs in agency and direct sales teams. The renewal efficiencies across all channels continued to improve and contributed significantly to top line growth.

Continued focus on tractor dealerships and tie-ups resulted in a 47% growth in GWP with 1.2 lac tractor customers acquired during the year.



Emphasis on rural markets continued with scale up of weather Insurance business in FY 13-14. Business teams expanded Weather Insurance offerings to Bihar, UP, Haryana, Rajasthan and Tamil Nadu.

The Company also launched a focused 360 degree campaign on Health Insurance products during the year. Retail health volumes grew by 33% backed by strong growth in bancassurance partnerships. The Company started building its presence in social media through targeted campaigns to enhance brand awareness.

A dedicated vertical focusing on capability building was set up and several programs were launched for various channels throughout the year.

The commercial lines of business continue to be impacted by severe pricing pressures in Fire and Engineering leading to a drop in volumes. Tight focus on risk selection and ensuring adequacy of pricing led to muted volumes.

UNDERWRITING

Indian market went through a tough phase as the competition pushed down the rates in most lines of General Insurance business. The Company continued its focus on writing preferred segment of business and was selective in accepting referral and declined segments of business.

The Underwriting process got fine-tuned regularly to enhance the profitability of each line of business. During the year under review, lot of initiatives were taken to strengthen the Underwriting team by inducting relevant line experienced people. Underwriting e-newsletter was launched to increase the technical knowledge level of the underwriting and business team.

CLAIMS

The year under review witnessed the claims management function continuing its focus on Turnaround Time (TAT) / disposal, Customer Service, process improvements and containing claims ratios. Over 2,50,000 claims were serviced and settled during the year.

Highlights during the year included:

- (a) Improved disposal of claims which enabled the Company to reduce the closing outstanding claims to 3273 in Motor Own Damages (OD), 2418 in Commercial Lines, 744 in Health, 12999 in RSBY which are lower than previous year.
- (b) Turnaround Time across all Lines of Business (LOB) showed an improvement throughout the year.
- (c) Initiated Claims Transformations across the (LOBs), which yielded better productivity and enhanced disposal.

(d) Dedicated Customer Relationship team at HO for servicing large customers and for speedy disposal of the claims.

(e) More than 10569 claims were compromised during the year compared to 8038 claims, the previous year.

(f) Accolades from various courts for proactive approach in compromise.

(g) Utilization of e-auction and online salvage settlers for improved salvage realization.

The Company underwent surveillance audit for ISO certification 9001:2008 for health claim processing and Motor OD.

The Company will continue to focus on cost control through vendor management, improving customer contactability, customer satisfaction through improving the TAT in claim settlements, improving theft recoveries in motor, automation of work processes to offer expeditious services to policyholders.

REINSURANCE

Chola MS Reinsurance programme was structured in line with the business plan of the Company. For the year under review, GIC-Re was the lead insurer and major Global Reinsurers participated in the programme. The Re-insurance Market was soft as there were no major catastrophic events affecting the global Re-Insurers. Due to improved Marine portfolio results, the Company was able to shift the Proportional program Lead to GIC from MSI. Also the capacity in Marine and Liability LOB were increased.

INVESTMENTS

The Company's investment portfolio including motor pool investments grew to ₹ 23282 million as at March 31, 2014 (₹ 17242 million as of March 31, 2013). The prudent investment management policy with its emphasis on the objectives of safety, liquidity and optimizing yield aided by the interest rate environment helped in growing the investment income and in securing a gross yield of 9.3% (previous year 9.0%) – the highest in the last several years. The investment portfolio duration was at 3.21 years with adequate liquidity.

HUMAN RESOURCES

Training & Development

- Employee engagement and thrust on training-functional as well behavioral was given during the year under review. This included training both by



external faculty as well as through various in-house knowledge management programmes.

- HR Operations was streamlined to provide better service to employees. A new HRMS workflow based portal – “Chola Engage”, was launched in December 2013 which facilitated in automating and speeding delivery of HR services.

The overall staff strength as of March 31, 2014 was at 721.

INFORMATION TECHNOLOGY

The Company continued to focus on Technology with various enablements to support the business strategy of sustained profitable growth. The particular areas were in Customer Relationship Management (CRM). Process Automation on Business Process Management platform and a workflow enabled HRMS and portal solutions enabling partner and employees with self servicing facilities.

In the digital space, the Chola MS “Buy-on-line” site was upgraded to have Motor, Health, Accident and Travel, including Home products enabling end customers to buy and renew their policies.

In the mobility space, Chola MS launched the “Wellness on-the-Go” application on android platform with delivery of e-cards for health, Hospital locator with geo tagging, Value added services locator and a suite of wellness application specially designed for Chola MS Health Customers.

Further, the Company launched “Proposal on-the-go” for all Health products, a near Straight Through Policy processing application and the motor Premium calculator and quote builder with integrated messaging systems.

The prestigious CRM project Phase 2 and Phase 2A was launched covering customer servicing by contact center, campaign management and lead management on mobile platform.

With a view to enhance Turnaround Time and Process automation, critical processes like Health Endorsements, Health Commercial RFP and intermediary payout management were automated.

During the year, the Company launched the Human Resources Management System with workflow and messaging integration covering employee recruitment and on boarding, leave and attendance management, employee separation management, payroll and employee self service workflow was launched.

SUPPORT FROM MSI

Mitsui Sumitomo Insurance Company Limited (MSI) Japan, the joint venture partner continues to provide

support especially in areas of re-insurance, business development with Japanese and Korean clients in India, claims processes and training.

NETWORTH AND SOLVENCY

In order to augment its solvency position and in accordance with the business plan for the year, the Company had a capital infusion of ₹ 750 million by way of rights issue made to the existing shareholders in September 2013. The paid-up capital as at March 31, 2014 is at ₹ 2988 million and the networth as at that date is ₹ 5824 million.

The Company’s solvency ratio as at March 31, 2014 is 1.61 times as against the mandated threshold of 1.50 times.

DIVIDEND

Though the Company has reported net profits of ₹ 701 million, the Board does not recommend any dividend this financial year, considering the need for capital to support the planned business growth of the next financial year.

TRANSFER TO RESERVES

The Company had created a Contingency Reserve for Unexpired Risks of ₹ 252 million in March 2013, for the health line of business based on the 1/365 method availing the option provided in terms of IRDA circular no. IRDA/ F&I/CIR/ F&A/015/02/2011 dated February 2, 2011. In line with the provisions of the said circular, the balance in this reserve of ₹ 252 million is transferred to the General Reserve.

Further, as an appropriation of profits, a sum of ₹ 500 million is also being transferred to the General Reserve.

OUTLOOK FOR 2014-15

Considering the prevailing optimism arising from an anticipated uptick in the economy arising from a new Government, the industry growth in 2014-15 is expected to be around 15% and cross ₹ 800 billion. The industry is expected to grow faster in the second half of the year with revival in the auto sector and the growth in the health line of business. Efforts from all players in deepening the penetration in the industry should help in sustaining the growth momentum and result in improved operating results.

The revision in motor third party premium pricing announced effective April 1, 2014, though inadequate, is a laudable step by the Regulator. The entry of new players, proposal to permit newer channels such as



insurance marketing firms etc., are likely to alter the market dynamics and pose a fresh set of challenges.

The Company is planning a rationalized growth across lines, geographies and channels enabled by its key initiatives in mobile technology, CRM and data analytics.

The Company's brand essence continues to be customer centricity through Trust, Transparency and Technology.

CORPORATE GOVERNANCE

A report on the corporate governance, including the status of the implementation of mandatory and non-mandatory norms as per IRDA circular no. IRDA/F&A/CIR/025/2009-10 dated August 5, 2009 is attached and forms part of the directors' report.

AUDIT COMMITTEE

As required under Section 292A of the Companies Act, 1956, the Audit Committee comprises four non-executive directors. Mr. S B Mathur, Mr. R Beri, Mr. Katsuhiko Kaneyoshi and Mr. N Srinivasan. The role of the Committee is detailed in the corporate governance report attached hereto and forming part of this report.

DIRECTORS

During the year, Mr. Pradeep V Bhide who held office as additional director till the 12th annual general meeting held on July 27, 2013 was appointed as director of the company, Mr. Katsuhiko Kaneyoshi, MSI nominee, stepped down from the Board effective March 31, 2014 consequent to taking higher and additional responsibilities in MSI.

The Board places on record its appreciation for the services rendered by Mr. K Kaneyoshi during his tenure of office as director of the Company.

Mr. S B Mathur and Mr. N Srinivasan, directors, retire by rotation and Mr. R Beri retire at the ensuing Annual General Meeting.

PUBLIC DEPOSITS

The Company has not accepted any public deposits during the year under review.

AUDITORS

Your directors recommend the appointment of joint statutory auditors of the Company, M/s Brahmayya & Co, Chartered Accountants, Chennai and M/s Sundaram & Srinivasan, Chartered Accountants,

Chennai for a period of one year from the conclusion of the ensuing Annual General meeting to the general body.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required to be furnished in this report under Section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished. The foreign exchange earnings and outgo during the year was ₹ 1472 million and ₹ 1799 million respectively.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended March 31, 2014 and the Balance Sheet as at that date ("financial statements") and confirm that:

- in the preparation of the Profit & Loss account for the financial year ended March 31, 2014 and the Balance Sheet as at that date ("financial statements"), applicable accounting standards read together with IRDA Orders / Regulations/ Circulars mandating financial statements related prescriptions have been followed.
- appropriate accounting policies have been selected and applied consistently (except changes mandated by the regulator and more specifically detailed in Note 7 of Schedule 16 to the financial statements) and such judgments and estimates that are reasonable and prudent have been made (including those with respect to the contingent liabilities more specifically dealt with in Note 8 of Schedule 16 to the financial statements, the estimation of declined pool losses etc.) so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period. We have relied on the Appointed Actuary certificate and his professional judgment on the determination of the IBNR/IBNER requirements as of March 31, 2014.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company



has established internal control systems, consistent with the size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals.

- the financial statements have been prepared on a going concern basis.

PARTICULARS OF EMPLOYEES

Information under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is appended.

MANAGEMENT REPORT

In accordance with Part IV, Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors Report of Insurance Companies) Regulations 2002, the Management Report attached to this report forms part of the financial statements.

ACKNOWLEDGEMENT

The directors wish to thank the Insurance Regulatory Development Authority (IRDA) and other statutory authorities for their continued support and guidance. The directors also place on record their sincere thanks for the support and co-operation extended by the policyholders, re-insurers, bancassurance partners, insurance agents, brokers and other constituents/intermediaries.

The directors also thank the employees of the Company for their contribution to the Company's operations during the year under review.

For and on behalf of the Board

April 24, 2014
Chennai

S B Mathur
Chairman



Corporate governance is about commitment to values and ethical business conduct. It is also about how an organization is managed and defines the relationships between its corporate and business structure, its culture, policies and its various stakeholders. Key elements in corporate governance are transparency, internal controls, risk management and internal/external communications.

CORPORATE GOVERNANCE PHILOSOPHY:

The Company, a joint venture between the Murugappa Group and Mitsui Sumitomo Insurance Company Limited, Japan, is committed to the highest standards of corporate governance in all its sphere of activities and processes. The Company has always believed in and practiced various elements of corporate governance since its inception.

The Board recognizes that, the governance expectations are constantly evolving and it is committed to keeping its standards of elements of corporate governance under review to meet both letter and spirit of the law and its own demanding levels of business ethics.

The Company believes that sound corporate governance practices are crucial to the smooth, effective and transparent operations of a Company and the Company recognises the expectations of all stakeholders in this regard. Everything the Company does is defined and conditioned by the highest standards of governance, which serve its values. The Company is committed to uphold the core values of integrity, passion, responsibility, quality and respect in dealing with all stakeholders of the Company in pursuing its spirit of enhancing corporate governance at all times. The Company continues to focus on building trust with the shareholders, policyholders, employees, customers, vendors and other stakeholders based on the principles of good corporate governance.

The Company firmly believes in and follows the Arthasastra quote,

“The fundamental principle of economic activity is that, no man you transact will lose, then you shall not.”

The corporate governance philosophy of the Company is driven by the following fundamental principles:

- Adhere to corporate governance standards beyond the letter of law;
- Maintain transparency and high degree of disclosure levels;
- Maintain a clear distinction between the personal and corporate interest;
- Have a transparent corporate structure driven by business;
- Ensure compliance with applicable laws.

With customer centricity being the focus area of the Company and T3 – Trust, Transparency & Technology being its motto, the Company strives to keep up with highest standards of corporate governance and this is reflected in the vision of the Company - “to be preferred choice for our clients, business partners and employees through core values of trust and transparency aided by technology”. Stepping into its 12th year of operations in FY 2014-15, the Company reinforces its commitment to corporate governance principles. The Company’s governance framework encompasses not only regulatory and legal requirements but also several voluntary practices aimed at maximising shareholders values legally, ethically and on a sustainable basis.

BOARD OF DIRECTORS:

The corporate governance principles of the Company ensure that the Board remains informed, independent and involved in the Company’s affairs and that there are ongoing efforts to enhance the standards of corporate governance to mitigate ‘non-business’ risks.

The Company has in place an appropriate risk management system covering the various risks that the Company is exposed to which are discussed and reviewed by the Risk Management Committee of the Company on a quarterly basis. The Company has established a business continuity management framework for mitigating business disruption risks. The asset liability management is reviewed by the Risk Management Committee of the Board on a quarterly basis. Further, the outsourcing arrangements of the Company are governed by the Board approved outsourcing policy which is reviewed by the Board periodically.

The Company is committed to the highest standards of governance and integrity in all its dealings with various stakeholders and has a zero tolerance to fraud. As a part of its ongoing efforts to ensure that the Company operates in an ethical manner and as per IRDA requirements an anti fraud policy approved by the Board has been put in place. The purpose of the policy is to protect the brand, reputation and assets of the Company from loss or damage resulting from suspected or confirmed incidents of fraud/misconduct.

The Company’s commitment to ethical and lawful business conduct is a fundamental shared value of the Board of Directors, the senior management and all employees of the Company. Consistent with its values and beliefs, the Company has formulated a “Code of Conduct” applicable to the employees of the Company. Further the Company has also put in place a “Whistle Blower Policy” for reporting any concerns or grievances by employee / customers / intermediaries and others dealing with the Company. The Company has a well



formulated “Code of conduct for dealing in securities” applicable to officers involved in investment activities of the Company to ensure that their personal trading does not conflict with their duties and responsibilities and to prevent them from taking any advantage of any price sensitive information pertaining to listed securities.

The Board is fully aware of its fiduciary responsibilities and recognises its responsibilities to policyholders, shareholders and other stakeholders to uphold the highest standards in all matters concerning the Company and has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review processes.

Directors at Chola MS possess the highest personal and professional ethics, integrity and values and are committed to representing the long-term interests of the stakeholders. The basic responsibility of the Board is to provide effective governance over the Company’s affairs and exercise its reasonable business judgment on the affairs of the Company. The Company’s day to day affairs are managed by the Managing Director, ably assisted by a management team under the overall supervision of the Board.

The Company has also in place the Chola MS Way - a document listing the guidelines and principles which the employees and representatives of the Company need to adhere to while performing their respective roles in the Company.

BOARD COMPOSITION AND CHANGES DURING THE YEAR:

The Board has been constituted in a manner, which results in an appropriate mix of executive/ non-executive and independent directors to ensure proper governance and management. The Board members have collective experience in diverse fields like insurance, finance, investments, compliance and general management. The directors are elected based on their qualification and experience in varied fields as well as Company’s business needs. At the time of induction of a director on the Board of the Company, a directors’ handbook comprising the compendium of the role, powers and duties to be performed by a director is given to the new director.

The Company, being a joint venture Company between the Murugappa group (MG) represented by Tube Investments of India Limited (TII) and Mitsui Sumitomo Insurance Company Limited (MSI), Tokyo comprises representatives of MG and MSI in addition to Independent Directors. The Board comprises of 7 directors viz: 2 MG non-executive directors, 1 MG Managing Director, 1 non executive MSI director, 1 MSI Wholetime Director and 2 independent directors. A brief profile of the directors is provided

elsewhere in the annual report for the information of the shareholders.

During the year, Mr. Pradeep V Bhide, was appointed as MG nominee with effect from April 30, 2013 and the nomination of Mr. Katsuhiko Kaneyoshi was withdrawn by MSI with effect from March 31, 2014.

Mr. Tsuyoshi Yamane, Wholetime Director of the Company whose tenor of office expired on March 31, 2014 has been re-appointed for a further period of one year from April 1, 2014 subject to approval of IRDA and the shareholders at the General body meeting.

The offices of the Chairman and CEO of the Company have been kept separate. All the Board members including the independent directors have the opportunity and access to interact with the management. An annual certificate of independence is obtained from the independent directors besides obtaining an annual declaration from all directors in accordance with the provisions of Companies Act. Further, an annual declaration confirming the ‘Fit & Proper’ criteria prescribed in the corporate governance guidelines issued by IRDA is also provided by all the directors.

The details of directors as at March 31, 2014 including the details of their other Board directorship is provided below:

Name of the Director	Nature of Directorship	No. of Directorship excluding Chola MS*
Mr. S B Mathur	Non-executive / Independent	11
Mr. R Beri	Non-executive / Independent	-
Mr. P V Bhide	Non-executive / MG nominee	6
Mr. N Srinivasan	Non-executive / MG nominee	5
Mr. S S Gopalathnam	Managing Director / MG nominee	1
Mr. Tsuyoshi Yamane	Wholetime Director / MSI nominee	1

**excludes private limited companies, section 25 companies, foreign companies and alternate directorships.*

BOARD MEETINGS:

The Board of Directors meet at regular intervals with an annual calendar of meetings circulated at the beginning of the year. The Board is regularly briefed and updated on the key activities of the business and is provided with briefings and presentations on operations, quarterly financial statements and other matters concerning the Company. Besides, information about statutory compliance, minutes of Committees of the Board and other information as required under the IRDA regulations are provided to the directors on a regular basis. The Board on a quarterly basis also reviews the important regulatory changes and correspondence between two meetings.



The dates of the Board meetings are fixed in advance for the full calendar year to enable maximum attendance from Directors. During the year ended March 31, 2014, 5 meetings of the Board of Directors were held i.e. April 30, 2013, July 27, 2013, October 22, 2013, January 27, 2014 and March 24, 2014.

COMMITTEES OF THE BOARD:

Various Committees have been constituted to support the Board in discharging its responsibilities and in line with the requirements of various statutes.

The Board at the time of constitution of Committee defines the terms of reference for the said Committee and also authorises the Committee certain powers from time to time. Various recommendations of the Committees are submitted to the Board for approval. The minutes of the meetings of all Committees are circulated to the Board for its information and noting. Besides, the members of the Committees, senior management team also attend the meetings of the Committees as and when necessary.

The constitution of Corporate Social Responsibility (CSR) Committee was made mandatory for certain class of companies under the provisions of the Companies Act, 2013. Accordingly, the Board at its meeting held on March 24, 2014 approved the constitution of CSR Committee from April 1, 2014 with Mr. S B Mathur, Mr. P V Bhide and Mr. S S Gopalarathnam as its members. The terms of reference of CSR Committee includes formulation and recommendation of CSR policy to the Board, monitor the projects and programs undertaken for CSR activities and recommend CSR expenditure to the Board for approval. The Company has also constituted an "Insurance Awareness Committee" in terms of the requirements of IRDA. The following are the eight Committees of the Board:

S.No.	Mandatory
1	Audit Committee
2	Investment Committee
3	Risk Management Committee
4	Policyholders' Protection Committee
5	Nomination & Remuneration Committee
6	Corporate Social Responsibility Committee
	Non-Mandatory
7	Business Committee
8	Management Committee

Audit Committee:

Terms of reference:

The terms of reference of Audit Committee has been reviewed by the Board in line with the requirements of the new Companies Act, 2013. The role of the Audit

Committee includes reviewing the financial statements before submission to the Board, reviewing the adequacy of internal control systems and reviewing the findings of the internal audits/ incident reporting/ related party transactions, appointment of internal auditor, recommendation of appointment of statutory auditors etc., The role of the Committee also includes approving the internal audit plan, reviewing the scope of internal audit procedures and compliance with applicable laws besides approval of non audit services, if any provided by the external auditors. The Committee holds discussions with the internal auditors and statutory auditors periodically.

Composition & meetings:

The Committee comprises four non-executive directors viz., Mr. S B Mathur, Chairman, Mr. R Beri, Mr. Katsuhiko Kaneyoshi and Mr. N Srinivasan. During the year, Mr. Katsuhiko Kaneyoshi ceased to be a member of the Committee consequent to his withdrawal of nomination by MSI with effect from March 31, 2014.

In accordance with the corporate governance guidelines of IRDA and IRDA (Investment) (5th Amendment) Regulations, 2013, the Audit Committee shall be chaired by an independent director who shall also be a Chartered Accountant. Accordingly, the Committee at its meeting held in April 29, 2013 elected Mr. S B Mathur as the Chairman of the Committee who is a Chartered Accountant by profession.

All members of the Committee have knowledge of financial management, audit and accounts. In order to acquaint the members of the Audit Committee of their roles, responsibilities, the regulatory requirements of the Committee and the prevailing best practices within India and globally, a handbook on Audit Committee is provided to the members at the time of appointment.

The statutory auditors and internal auditors are invited for the meetings of the Audit Committee. Further, as a good corporate governance practice, the Audit Committee has in place a system of holding separate discussions with the statutory and internal auditors without the presence of the management team at periodic intervals. The Committee had met 6 times during the year ended March 31, 2014, viz. 1 meeting for reviewing the financial statements, 1 meeting for considering internal audit reports, 3 meetings for reviewing the financial statements as well as internal audit reports and 1 meeting for considering the internal audit plan for the FY 2014-15.

Internal Audit Framework :

The Company has established an internal audit framework with a risk based approach. The internal audit covers auditing of processes as well as transactions. The task of auditing and providing assurances on



various processes, systems etc. has been assigned to a reputed external firm. The matters with regard to transaction audits and compliance with internal policies and procedures are been looked after by an in-house Internal Audit team.

The Company has designed its internal control framework to provide reasonable assurance to ensure compliance with internal policies, regulatory matters and to safeguard reliability of financial reporting and its disclosures. An annual risk based internal audit plan is drawn up on the basis of risk profiling of the businesses / departments of the Company which is approved by the Audit Committee before the beginning of the respective financial year.

At every meeting, Internal Audit's key observations, recommendations and compliance status of the previous key audit findings are reported to the Audit Committee. The Chairman of the Audit Committee briefs the Board on deliberations taken place at the Audit Committee meetings.

Investment Committee:

Terms of reference:

The Committee reviews and recommends to the Board, the investment policy of the Company on a half yearly basis besides reviewing the investment operations of the Company on a quarterly basis and approving investments as per the Investment policy of the Company.

Composition & Meetings:

The Committee comprises six members including the Chief Financial Officer (CFO) and Chief Investment Officer (CIO). Mr. N Srinivasan is the Chairman of the Committee and Mr. S B Mathur, Mr. Tsuyoshi Yamane, Mr. S S Gopalarathnam, Mr. V Suryanarayanan, CFO and Mr. N V Murali, CIO are the members. The Appointed Actuary on consulting basis is invited for all meetings of the Committee. The Committee met 5 times during the year ended March 31, 2014.

Risk Management Committee:

Terms of reference:

The Company is exposed to the impact of changes in the external environment which necessitates continuous monitoring, evaluation and management of significant risks faced by it. The Committee assists the Board in effective operation of the risk management system by reviewing the risks to which the Company is exposed to and the risk mitigation measures undertaken by the Company besides reviewing the framework for identification, measurement, monitoring and controlling of risks and recommending risk management decisions to the Board. The Committee in line with its terms of reference, reviews periodically the

progress in enterprise risk management, risk appetite and tolerance limits, status of implementation of the Information Security and Policy procedures and asset liability management.

Composition & Meetings:

The Committee comprises five members viz., Mr. S B Mathur, Mr. R Beri, Mr. N Srinivasan, Mr. Katsuhiko Kanyeoshi and Mr. S S Gopalarathnam. Consequent to Mr. Kanyeoshi's withdrawal of nomination by MSI, he ceased to be a member of this Committee with effect from March 31, 2014. Mr. S B Mathur, is the Chairman of the Committee. The Committee met 4 times during the year ended March 31, 2014.

Policyholders' Protection Committee:

Terms of reference:

The Committee reviews the grievance redressal mechanism of the Company as well as the status of grievances and customer service related matters on a quarterly basis in accordance with the guidelines issued by IRDA from time to time.

Composition & Meetings:

The Committee comprises four members viz., Mr. R Beri, Mr. N Srinivasan, Mr. Tsuyoshi Yamane and Mr. S S Gopalarathnam. Mr. R Beri, is the Chairman of the Committee. During the year ended March 31, 2014, the Committee met 4 times.

Business Committee:

Terms of reference:

The Committee's role interalia includes review of business operations of the Company, recommending the underwriting strategy/ delegation of authority / business plan to the Board, approval of mega risk / claims in excess of ₹ 50 million and review of status of major claims besides recommending to the Board the annual re-insurance programme.

Composition & Meetings:

The Committee comprises five members viz., Mr. N Srinivasan, Chairman, Mr. R Beri, Mr. Pradeep Bhide, Mr. Tsuyoshi Yamane and Mr. S S Gopalarathnam. During the year, Mr. Pradeep V Bhide was inducted as a member of this Committee by the Board on July 15, 2013. The Committee met 4 times during the year ended March 31, 2014.

Management Committee:

Terms of reference:

The Committee reviews the items on the Board agenda before every meeting of the Board and its role interalia includes implementation of the guidelines issued by the Board for Company's operations, considering the



annual business plan, appointment/ changes in senior management etc.

Composition & Meetings:

The Committee comprises four members viz., Mr. S B Mathur, Chairman, Mr. N Srinivasan, Mr. Katsuhiko Kaneyoshi and Mr. S S Gopalathnam. During the year, Mr. Katsuhiko Kaneyoshi stepped down from the Board with effect from March 31, 2014 and ceased to be a member of this Committee. The Committee met 5 times during the year.

Nomination and Remuneration Committee:

Terms of reference:

The Companies Act, 2013 mandates constitution of Nomination and Remuneration Committee by certain class of companies and prescribes broadly the functions of the Committee. Accordingly, the Board at its meeting held on April 24, 2014, approved the change in nomenclature of “Compensation & Nomination Committee” to “Nomination & Remuneration Committee” and reviewed the terms of reference of the Committee in line with the requirements of the Companies Act, 2013.

The role of Nomination & Remuneration Committee includes, identification of persons for appointment as directors and senior management, recommendation to Board on appointment / removal of directors and senior management, evaluation of performance of directors, formulate criteria for determining qualifications, positive attributes and independence of directors besides formulation of remuneration policy relating to remuneration for the directors, key managerial personnel and such other senior management personnel as may be decided by the Committee etc.

Composition & Meetings:

The Committee comprises four members viz., Mr. R Beri, Mr. S B Mathur, Mr. N Srinivasan and Mr. Katsuhiko Kaneyoshi. Mr. R Beri, is the Chairman of the Committee. Consequent to stepping down from the Board, Mr. Kaneyoshi ceased to be a member of this Committee with effect from March 31, 2014. During the year ended March 31, 2014, the Committee met 4 times.

REMUNERATION OF DIRECTORS:

Managing Director and Wholetime Director are the only executive directors of the Company. The compensation of the Managing Director comprises fixed component and a performance incentive. The compensation is determined based on levels of responsibility and scales prevailing in the industry. The incentive is determined based on certain pre-agreed parameters. The Wholetime director is on secondment from MSI, Japan and the remuneration is paid by way of reimbursement of secondment charges to MSI, Japan. The executive directors are not paid sittings

fees for any Board/ Committee meetings attended by them.

The non-executive directors are compensated by way of commission on profits besides the sitting fees paid to them for attending the meetings of the Board/ Committee in which they are members as permitted by the government regulations. The Commission paid to the Directors are generally, in the normal course, restricted to a fixed sum of ₹ 5 lacs per annum for all the non-executive directors except in certain cases, where directors spend more time in attending the affairs of the Company subject to 1% of net profits of the Company. This sum is reviewed periodically taking into consideration various factors such as performance of the Company, time spent by the directors for attending to the affairs of the Company and extent of responsibilities cast on director under general law and other relevant factors and is payable subject to availability of sufficient profits. The Commission paid to Chairman of the Board is restricted to ₹ 10 lacs which is twice the commission the other members of the Board are entitled.

The remuneration paid to the directors during the financial year ended March 31, 2014 is provided below:

(₹ in million)

Name of the Director	Sitting fees paid	Commission*
Mr. S B Mathur	0.315	1.00
Mr. R Beri	0.345	0.50
Mr. N Srinivasan	0.395	0.50
Mr. Katsuhiko Kaneyoshi** #	0.260	0.50
Mr. P V Bhide	0.100	1.00
Mr. A Vellayan§	–	0.01

* The Commission will be paid to the Non-executive directors after the adoption of annual accounts by the shareholders at the ensuing annual general meeting of the Company.

** The remuneration by way of sitting fees/ commission to the directors representing MSI, is paid to MSI, Japan.

Mr. Katsuhiko Kaneyoshi resigned with effect from March 31, 2014.

§ Mr. A Vellayan resigned with effect from April 13, 2013.

The remuneration paid to Mr. S S Gopalathnam, Managing Director and the secondment charges reimbursable to Mitsui Sumitomo Insurance Company Limited, Japan in respect of Mr. Tsuyoshi Yamane, Wholetime Director in accordance with the terms of appointment approved by the Board of Directors, the shareholders and IRDA is provided in notes 15 and 25 of Schedule 16 to the financial statements.



ATTENDANCE AT BOARD AND COMMITTEE MEETINGS:

The attendance of the Directors at the meetings of the Board / Committees thereof is provided below:

Name of the member and status of directorship held	Board	Audit Committee	Investment Committee	Nomination & Remuneration Committee	Business Committee	Management Committee	Policyholders Protection Committee	Risk Management Committee
	(No. of meetings held)							
Mr. S B Mathur - NED / IND	5(5)	6(6)	5 (5)	4 (4)	NA	5(5)	NA	4(4)
Mr. R Beri - NED / IND	5(5)	6(6)	NA	4(4)	4(4)	NA	4(4)	4(4)
Mr. Pradeep V Bhide - NED*	4 (4)	-	-	-	4(4)	-	-	-
Mr. N Srinivasan – NED	5(5)	6 (6)	5(5)	4 (4)	4(4)	5(5)	4(4)	4(4)
Mr. Katsuhiko Kaneyoshi – NED**	4(5)	5(6)	NA	4(4)	NA	4(5)	NA	3(4)
Mr. S S Gopalarathnam – MD	5(5)	NA	5(5)	NA	4(4)	5(5)	4(4)	4(4)
Mr. Tsuyoshi Yamane – WTD	5(5)	NA	5(5)	NA	4(4)	NA	4(4)	NA

WTD & MD attend the meetings of the Committees in which they are not members as invitees.

CFO/CIO attended all meetings of the Investment Committee held during the year.

MD – Managing Director

WTD – Wholetime Director

NED-Non Executive Director

IND-Independent Director

(No. of meetings held represents no. of meetings held after becoming a member of the Board / Committee)

* Mr. Bhide appointed as director w.e.f. April 30, 2013

** Mr. Kaneyoshi resigned from the Board w.e.f. March 31, 2014

DISCLOSURE UNDER CORPORATE GOVERNANCE GUIDELINES OF IRDA

Additional work entrusted to Statutory / Internal Auditors:

Clause 7.1 of the corporate governance guidelines prescribed by IRDA, requires that the additional work entrusted to the statutory auditors / internal auditors of the Company or their associates to be approved by the Board and disclosed. During the financial year ended March 31, 2014, the below assignments were entrusted to the auditors.

S.No.	Audit firm	Amount (₹ in million)	Work entrusted
1	Sundaram & Srinivasan	0.30	Tax audit & Certification fees for transfer pricing for FY 2013-14
2	Sundaram & Srinivasan & Brahmaya & Co	0.43	Certification matters under IRDA regulations

Claims details:

In terms of the disclosure requirements on claims prescribed in clause 9 of the corporate governance guidelines of IRDA, the details are furnished below for the financial year 2013-14:

S.No	Particulars	No. of claims
1	Claims pending at the beginning of the year	51505
2	Claims intimated during the year	269433
3	Claims disposed during the year	275713
4	Claims pending at the end of the year	45225

Ageing of pending claims	No. of claims
Less than 3 months	20635
3 months to 6 months	3812
6 months to 1 year	6365
1 year and above	14414



GENERAL BODY MEETINGS

The particulars of the General body meetings held in the previous three financial years at the registered office of the Company is provided below:

AGM / EGM	Date of the meeting	Resolutions passed
12 th AGM	July 27, 2013	- approval of audited accounts for FY 2012-13
		- re-appointment of Mr. R Beri & Mr. Katsuhiko Kaneyoshi as Director
		- re-appointment of statutory auditors and approval of remuneration
		- appointment of Mr. Pradeep V Bhide as director
		- re-appointment of Mr. Tsuyoshi Yamane as Wholetime Director for a further period of one year
		- approval for increase in payment of commission to non executive directors
EGM	January 25, 2013	- approval for making donations in excess of limits prescribed under Section 293(1)(e) of Companies Act, 1956
		- approval for re-appointment of Managing Director
11 th AGM	July 28, 2012	- approval of audited accounts for FY 2011-12
		- re-appointment of Mr. N Srinivasan, Mr. Tsuyoshi Yamane & Mr. Hisatoshi Saito as Director
		- re-appointment of statutory auditors and approval of remuneration
		- re-appointment of Mr. Tsuyoshi Yamane as Wholetime Director for a further period of 1 year
		- approval for increase in authorized share capital from ₹ 304 crores to ₹ 324 crores and consequential amendments to the MOA / AOA of the Company
10 th AGM	July 30, 2011	- approval of audited accounts for the FY 2010-11
		- re-appointment of Mr. R Srinivasan, Mr. A Vellayan & Mr. Katsuhiko Kaneyoshi as director
		- appointment of statutory auditors and fixing their remuneration
		- appointment of Mr. S B Mathur & Mr. R Beri as directors



MEANS OF COMMUNICATION

As mandated by IRDA, the Company published its half yearly financial statements as at March 31, 2013 and September 30, 2013 in Business Standard and Makkal Kural within the mandated timeline in May 2013 and November 2013 respectively.

SECRETARIAL AUDIT

The Company is in the practice of conducting periodical secretarial audit by an independent practicing company secretary. In respect of the year ended March 31, 2014, M/s R Sridharan & Associates, practicing company secretary has conducted the secretarial audit and the report has been reviewed by the Board.

COMPLIANCE WITH CORPORATE GOVERNANCE GUIDELINES

IRDA has vide its circular dated August 5, 2009 issued corporate governance guidelines for insurance companies. The Company is in compliance with the guidelines as applicable to it as disclosed in the earlier paragraphs and a certificate to this effect is being provided to the Authority on an annual basis. The certificate as required under IRDA's circular IRDA/

F&I/CIR/F&A/014/01/2010 dated January 29, 2010 is provided below.

The Ministry of Corporate Affairs had issued "Corporate Governance Voluntary Guidelines" in December 2009. While these guidelines provide corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business, the Company has adopted most of the guidelines as detailed in the earlier paragraphs.

Except certain sections, other provisions of the Companies Act 2013, has been notified. The Company is already complying with most of the requirements as laid down under the Act and Rules thereunder and is in the process of complying with other requirements as per the timelimit prescribed under the Companies Act, 2013. Compliance with other requirements would be done within the prescribed time limits as detailed in the Act / Rules.

For and on behalf of the Board

April 24, 2014
Chennai

S B Mathur
Chairman

CERTIFICATION FOR COMPLIANCE OF THE CORPORATE GOVERNANCE GUIDELINES FOR 2013-14

In accordance with the provisions of Corporate Governance Guidelines issued by Insurance Regulatory and Development Authority (IRDA), I, Suresh Krishnan, Company Secretary of the Company hereby certify that the Company has complied with the provisions of Corporate Governance Guidelines for Insurance companies notified by IRDA as amended from time to time and to the extent applicable to the Company and nothing has been concealed or suppressed.

Suresh Krishnan
Company Secretary

Management Report



Registration No: **123**

Date of Registration with the IRDA: **July 15, 2002**

In accordance with Part IV of Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002, the Management submits the following Report:

1. We confirm that the registration certificate granted by the Insurance Regulatory and Development Authority to transact general insurance business is valid and the same has been renewed for the year 2014-2015.
2. To the best of our knowledge and belief, all material sums payable to the statutory authorities, other than contested claims, have been duly paid.
3. We confirm that during the year, the shareholding pattern was in accordance with the statutory / regulatory requirements. No transfer of shares was effected during the year ended March 31, 2014.
4. We declare that the funds of holders of policies issued in India have not been directly or indirectly invested outside India.
5. We confirm that the required solvency margins as prescribed under the Insurance Act, 1938 and the Insurance Regulatory and Development Authority (Assets, Liabilities and Solvency Margin of the Insurers) Regulations, 2000 read together with IRDA Orders NL/ORD/MPL/046/03/2011 dated March 12, 2011, IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012 and letter FNA/GCM/LR/001/2013-14 dated April 11, 2014 has been maintained except as of December 31, 2013 when the solvency margin was at 1.39 times (regulatory requirement of 1.40 times) due to outstanding premium from the government.
6. We certify that the values of all the assets have been reviewed on the date of the Balance Sheet. To the best of our belief the assets set forth in the Balance Sheet as at March 31, 2014, read together with the accounting policies, are shown in the aggregate at amounts not exceeding their realizable or market value wherever applicable. These assets are categorised under the headings – "Loans", "Agents Balances", "Outstanding Premiums", "Interest, Dividend and Rents Outstanding", "Interest, Dividend and Rents Accruing but Not Due", "Amounts Due from Other Persons or Bodies Carrying on Insurance Business", "Sundry Debtors", "Bills Receivable",

"Cash" and several items specified under "Other Accounts".

7. The Company is exposed to a variety of risks associated with its insurance business and the investment portfolio. The Risk Committee of the Board oversees the risk management processes, Asset-Liability Management process and lays down the risk appetite of the Company. The Company periodically reviews and updates detailed Risk Registers in respect of all areas of operations. The Company has in place a Business Continuity Management (BCM) framework.

The Company maintains a diversified portfolio of business across various lines and sub-lines of business. The Company reviews its underwriting standards periodically and has in place a mechanism of risk inspection by independent teams. As a general insurer, the Company is exposed to catastrophe risk which is mitigated by having a separate treaty for catastrophe risks which limits the Company's risk to any single event. Through an appropriate reinsurance program, the Company has kept its risk exposure at a level commensurate with its capacity. Operational risks are sought to be managed by a system of internal controls, limits on delegation of authority and segregation of duties where practical.

The Company has an offsite disaster recovery centre for its data back ups. The Company has a separate internal audit team which audits the operations at its branch offices according to an audit plan approved by the Audit Committee of the Board of Directors.

8. The Company does not have operations in any other country.
9. The information relating to the trend of claim settlements for the years ended March 31, 2014, March 31, 2013, March 31, 2012, March 31, 2011 and March 31, 2010 is detailed in Annexure 1.
10. As at March 31, 2014, the investments of the Company comprise of investments in Government securities (both Central & State Govt securities), housing, infrastructure and other corporate bonds, fixed deposits with banks, money market instruments, other investments and listed equity shares. The investments in Government securities, housing, infrastructure and other corporate bonds are considered as "held to maturity" and are measured at historical cost subject to amortization. Investments in fixed deposits of banks are measured at face value. Investments in listed



equity shares are measured at the last quoted price and the unrealised gain / loss credited to Fair Value Change Account except where the extent of diminution in value is considered permanent in which case an appropriate level of provisioning is carried.

11. The Company has adopted a prudent investment policy with emphasis on balancing requirements on portfolio duration, maintaining liquidity and optimising returns. Emphasis has been on investing in low risk investments such as Government securities, fixed deposits with banks, corporate bonds with minimum credit rating of AA- and with a presence in equity. The Company carries out a periodic review of the investment portfolio and the investment policy. The management is confident of the quality and performance of the investments.

12. The Management of Cholamandalam MS General Insurance Company certifies that :

a) The financial statements have been prepared in accordance with applicable accounting standards read together with the regulations stipulated and Orders / Circulars issued by the IRDA, the provisions of the Insurance Act, 1938 and the Companies Act, 1956 and disclosures have been made wherever the same is required. There is no other material departure from the accounting standards and generally accepted accounting principles in the general insurance industry.

b) The Company has adopted accounting policies and applied them consistently (including those specifically required by various IRDA regulations) and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as of March 31, 2014, and of the profit for the year ended March 31, 2014.

c) The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 and the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d) The financial statements of the Company have been prepared on a going concern basis.

e) The Company has an internal audit system commensurate with the size and nature of the business. The management certifies that adequate internal control systems and procedures were in existence for this financial year.

13. During the year under report,

(a) The Company has exceeded the management expenses limit prescribed in Rule 17E of the Insurance Rules, 1939. The Company, over the years, has been continuously reducing this deviation from the permitted levels and has accordingly represented to IRDA through the General Insurance Council for revision in the limits.

(b) The Company has realisable Outstanding Premium from Central & State Governments under Rashtriya Swasthya Bima Yojana Scheme / Weather Insurance Schemes (Schedule 12 to the financial statements) beyond 30 days being the time limit prescribed under Rule 59 (a) of the Insurance Rules, 1939. The Company has obtained a relaxation of norms from IRDA for such outstanding premium from Central & State Government.

14. Payments made to individuals, firms, companies and organisations, other than related parties, in which directors are interested in terms of Section 299 of the Companies Act, 1956 are included in Annexure 2. Transactions with related parties in terms of Accounting Standard 18 are included in Note 15 of Schedule 16 to the financial statements.

For and on behalf of the Board of Directors

S B Mathur
Chairman

S S Gopalarathnam
Managing Director

N Srinivasan
Director

Tsuyoshi Yamane
Wholetime Director

Suresh Krishnan
Company Secretary

V Suryanarayanan
Chief Financial Officer

April 24, 2014
Chennai



Annexure 1

Trend of Claims Settlement for the last five financial years

Period	No. of Claims									
	Aviation	Engg	Fire	Liability	Marine	Misc	Accident	Health	Travel	Motor
30 days										
2013-14	-	63	102	248	9,289	568	1,578	133,489	99	53,016
2012-13	-	88	122	298	9,611	249	461	159,149	50	43,393
2011-12	-	181	154	375	8,561	1,154	539	115,879	382	52,553
2010-11	-	290	97	51	6,733	1,544	911	77,676	45	37,915
2009-10	-	274	284	29	4,578	360	2,049	84,466	225	39,545
30 days to 6 months										
2013-14	-	285	281	293	5,608	567	106	19	-	28,268
2012-13	-	336	300	416	4,294	602	894	238	55	43,812
2011-12	-	370	529	231	4,703	869	1,072	3,739	158	47,636
2010-11	-	323	191	136	4,436	1,279	1,819	1,156	217	48,745
2009-10	-	346	268	128	4,023	738	3,415	11,518	742	23,592
6 months to 1 year										
2013-14	-	101	139	32	556	17	6	-	-	4,815
2012-13	-	107	129	73	790	45	101	-	4	5,637
2011-12	-	139	190	52	848	37	161	1,223	40	3,935
2010-11	-	115	103	59	554	186	535	232	80	2,454
2009-10	-	172	167	98	708	223	696	-	118	1,372
1 year to 5 years										
2013-14	-	31	50	21	231	19	2	-	-	6,710
2012-13	-	35	65	30	246	22	211	-	1	4,443
2011-12	-	37	81	66	170	17	275	-	11	2,807
2010-11	-	59	65	37	94	58	587	-	28	1,631
2009-10	-	126	114	73	189	59	68	-	45	1,119
5 years and above										
2013-14	-	-	1	1	-	-	-	-	-	637
2012-13	-	-	2	1	-	-	1	-	-	152
2011-12	-	-	-	-	-	-	1	-	-	91
2010-11	-	-	-	-	-	-	-	-	-	153
2009-10	-	-	-	-	-	1	-	-	-	38

(₹ in lakhs)

Period	Claims Amount paid to Insured									
	Aviation	Engg	Fire	Liability	Marine	Misc	Accident	Health	Travel	Motor
30 days										
2013-14	-	22	45	23	513	2,145	1,801	12,712	343	9,329
2012-13	-	16	124	25	634	150	401	14,008	8	6,290
2011-12	-	93	95	33	533	23	308	9,702	22	7,387
2010-11	-	49	856	7	477	93	264	8,028	31	4,326
2009-10	-	138	97	33	407	27	366	12,775	72	4,964
30 days to 6 months										
2013-14	-	398	3,368	77	2,028	170	241	8	-	24,184
2012-13	-	474	2,079	116	3,838	317	1,273	172	115	22,824
2011-12	-	226	1,034	68	1,677	67	1,114	747	229	20,450
2010-11	-	211	1,073	93	1,603	179	1,159	431	207	16,671
2009-10	-	491	1,174	99	1,824	241	1,286	2,254	366	8,304
6 months to 1 year										
2013-14	-	755	4,833	46	2,141	47	30	-	-	9,414
2012-13	-	190	590	65	720	289	188	-	45	8,756
2011-12	-	246	1,881	30	798	17	181	542	58	5,769
2010-11	-	893	336	42	508	85	248	54	216	4,144
2009-10	-	599	841	45	308	153	168	-	246	2,119
1 year to 5 years										
2013-14	-	210	841	57	288	78	36	-	-	16,085
2012-13	-	349	897	67	388	45	194	-	12	9,389
2011-12	-	285	1,155	53	357	35	171	-	39	5,828
2010-11	-	760	955	18	150	223	136	-	31	3,590
2009-10	-	214	1,438	125	251	214	20	-	63	2,143
5 years and above										
2013-14	-	-	16	-	-	-	-	-	-	1,072
2012-13	-	-	2	4	-	-	1	-	-	301
2011-12	-	-	-	-	-	-	-	-	-	129
2010-11	-	-	-	-	-	-	-	-	-	114
2009-10	-	-	-	-	-	3	-	-	-	68

Annexure -2

Payments made to entities other than related parties, in which directors are interested in terms of section 299 of the Companies Act, 1956 (₹ in lakhs)

S.No.	Name of the Director	Entity in which he is interested	Interested as	Amount of payment during FY 2013-14
1	Mr. A Vellayan*	Coromandel International Ltd.	Chairman	1.1
2	Mr. S B Mathur	ITC Limited	Director	21.74

* Includes transactions till April 12, 2013. Mr. A Vellayan resigned from the Board with effect from April 13, 2013.



Sundaram & Srinivasan
Chartered Accountants
23, C P Ramaswamy Road
Alwarpet, Chennai - 600 018

Brahmayya & Co
Chartered Accountants
48, Masilamani Road, Balaji Nagar
Royapettah, Chennai - 600 014

AUDITORS' REPORT ON FINANCIAL STATEMENTS TO THE MEMBERS OF CHOLAMANDALAM MS GENERAL INSURANCE COMPANY LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of Cholamandalam MS General Insurance Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and Revenue Accounts, the Profit and Loss Account and Receipts and Payments Statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.
2. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ("the Insurance Act") read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the Regulations") and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956 ("the Companies Act"), the Balance Sheet, the Revenue Accounts and the Profit and Loss Account are not required to be, and are not, drawn up in accordance with Schedule VI of the Companies Act. The Balance Sheet, the Revenue Accounts and the Profit and Loss Account, are, therefore, drawn up in conformity with the Regulations.

Management's Responsibility for the Financial Statements

3. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and Receipts and Payments Statement of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211, provisions of sub sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, provisions of Section 11 of the Insurance Act read with the IRDA Regulations / Guidelines / Circulars / orders. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

4. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared and give the information required by the Insurance Act read with the Regulations and the provisions of sub-sections (1), (2) and (5) of sub-section of Section 211 and sub-section (5) of Section 227 of the Act and in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;



- b) in the case of revenue accounts of the operating profit for the year ended on that date;
- c) in the case of Profit and Loss Account, the profit for the year ended on that date;
- d) in the case of Receipts and Payments Statement, receipts and payments for the year ended on that date.

Report on Other Legal and Regulatory Requirements

6. We report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) the Balance Sheet, the Revenue Accounts, Profit and Loss Account, and Receipts and Payments Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Receipts and Payments Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read together with IRDA Regulations/Circulars/Orders.
- e) The estimate of claims Incurred But Not Reported [IBNR] and claims Incurred But Not Enough Reported [IBNER] has been certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority [IRDA] and Actuarial Society of India in concurrence with IRDA. We have relied on the appointed Actuary's certificate in this regard.
- f) Investments of the Company have been valued in accordance with the Provisions of the Insurance Act and the Regulations / or Circulars/ or Orders / or Directions issued by IRDA in this regard.

- g) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

7. Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:

- i. We have reviewed the Management Report attached to the financial statements for the financial year ended March 31, 2014 and there is no apparent mistake or material inconsistency therein with the financial statements.
- ii. The Company has complied with the terms and conditions of registration stipulated by IRDA vide their letter dated July 15, 2002.
- iii. We have verified the cash balances at the corporate office of the Company and investments of the Company.
- iv. The Company is not a trustee of any trust.
- v. No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to application and investment of policyholders' funds.
- vi. All expenses of management in respect of Fire, Marine and Miscellaneous Insurance Business have been fully debited to the respective Revenue Accounts.

For **Sundaram & Srinivasan**
Chartered Accountants
Registration No.: 004207S

For **Brahmayya & Co**
Chartered Accountants
Registration No.: 000511S

S Usha
Partner
Membership No: 211785

P Babu
Partner
Membership No: 203358

Place: Chennai
Date : April 24, 2014

Balance Sheet

as at March 31, 2014



FORM B-BS

Registration No.123

Date of Registration with the IRDA July 15, 2002

(₹ '000)

Particulars	Schedule	As at March 31, 2014	As at March 31, 2013
SOURCES OF FUNDS			
Share Capital	5	2,988,057	2,919,875
Reserves and Surplus	6	2,831,072	1,448,279
Fair Value Change Account		5,297	(8,752)
Borrowings	7	-	-
TOTAL		5,824,426	4,359,402
APPLICATION OF FUNDS			
Investments	8	23,282,144	17,241,725
Loans	9	-	-
Fixed Assets	10	576,748	495,927
Deferred Tax Asset (Refer Note 19 of Schedule16)		6,743	6,237
Current Assets			
Cash and Bank Balances	11	249,119	172,848
Advances and Other Assets	12	7,148,256	6,672,768
Sub-Total (A)		7,397,375	6,845,616
Current Liabilities	13	17,467,367	13,423,472
Provisions	14	7,971,217	6,806,631
Sub-Total (B)		25,438,584	20,230,103
Net Current Assets (C) = (A - B)		(18,041,209)	(13,384,487)
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	-	-
Debit Balance in Profit and Loss Account (net of reserves)		-	-
TOTAL		5,824,426	4,359,402
Notes to Financial Statements	16		

The Schedules referred to above form an integral part of the Financial Statements

This is the Balance Sheet referred to in our Report of even date attached

For and on behalf of the Board of Directors

For Sundaram & Srinivasan
Chartered Accountants
Firm Regn No:004207S

For Brahmaya & Co
Chartered Accountants
Firm Regn No:000511S

S B Mathur
Chairman

S S Gopalarathnam
Managing Director

S Usha
Partner
M. No. 211785

P Babu
Partner
M. No. 203358

N Srinivasan
Director

Tsuyoshi Yamane
Wholtime Director

Place: Chennai
Date : April 24, 2014

Suresh Krishnan
Company Secretary

V Suryanarayanan
Chief Financial Officer

Profit & Loss Account

for the year ended March 31, 2014



FORM B-PL

Registration No.123

Date of Registration with the IRDA July 15, 2002

Particulars	Schedule	(₹ '000)	
		Year Ended March 31, 2014	Year Ended March 31, 2013
1 OPERATING PROFIT/(LOSS)			
(a) Fire Insurance		84,271	247,486
(b) Marine Insurance		108,863	88,469
(c) Miscellaneous Insurance		367,672	223,401
2 INCOME FROM INVESTMENTS			
(a) Interest and Dividend – Gross of TDS		438,668	329,200
(b) Profit on Sale of Investments		13,700	9,248
Less: Loss on Sale of Investments		(657)	(2,954)
3 OTHER INCOME		11,864	-
TOTAL (A)		1,024,381	894,850
4 PROVISIONS (Other than Taxation)			
(a) For Diminution in the Value of Investments		-	-
(b) For Doubtful Debts		-	-
(c) Others		-	-
5 OTHER EXPENSES			
(a) Expenses Other Than those Related to Insurance Business		5,500	4,750
(b) Employees' Remuneration and Welfare Benefits		2,106	-
(c) Bad Debts Written Off		-	-
(d) Others		1,000	-
TOTAL (B)		8,606	4,750
Profit Before Tax		1,015,775	890,100
Provision for Taxation			
Current Tax		315,308	257,000
Reversal of MAT Entitlement Credit		-	16,286
Provision for tax no longer required		-	(17,240)
Deferred Tax		(506)	32,093
Profit After Tax		700,973	601,961
APPROPRIATIONS			
(a) Interim Dividends Paid During the Year		-	-
(b) Proposed Final Dividend		-	-
(c) Dividend Distribution Tax		-	-
(d) Transfer to Contingency Reserve for Unexpired Risks (Note 6 of Schedule 16)		-	(252,074)
(e) Transfer to General Reserve		(500,000)	-
Balance of Profit Brought Forward from Previous Year		349,887	-
Balance Carried Forward to Balance Sheet		550,860	349,887
Earnings Per Share - Basic & Diluted (₹) (Face value per share - ₹10)		2.37	2.08

Notes to Financial Statements

16

The Schedules referred to above form an integral part of the Financial Statements

This is the Profit and Loss Account referred to in our Report of even date attached

For and on behalf of the Board of Directors

For Sundaram & Srinivasan
Chartered Accountants
Firm Regn No:004207S

For Brahmayya & Co
Chartered Accountants
Firm Regn No:000511S

S B Mathur
Chairman

S S Gopalarathnam
Managing Director

S Usha
Partner
M. No. 211785

P Babu
Partner
M. No. 203358

N Srinivasan
Director

Tsuyoshi Yamane
Wholetime Director

Place: Chennai
Date : April 24, 2014

Suresh Krishnan
Company Secretary

V Suryanarayanan
Chief Financial Officer

Revenue Account

for the year ended March 31, 2014



Form B - RA

Registration No. 123

Date of Registration with the IRDA July 15, 2002

(₹ '000)

Particulars	Schedule	Fire Business		Marine Business		Miscellaneous Business		Total	
		Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013
1 Premium Earned (Net)	1	409,681	372,088	201,133	153,808	13,702,823	11,148,446	14,313,637	11,674,342
2 Profit / Loss on Sale / Redemption of Investments (Net)		1,895	737	335	206	35,152	15,167	37,382	16,110
3 Others									
Administrative Charges		601	595	583	341	527	553	1,711	1,489
Investment income from pool (Terrorism pool)		41,564	34,034	-	-	8,075	7,158	49,639	41,192
4 Interest and Dividend (Gross of TDS) (Refer Note 4 (d) of Schedule 16 in respect of Miscellaneous Revenue Account)		63,730	38,570	11,267	10,770	1,579,528	1,261,302	1,654,525	1,310,642
TOTAL (A)		517,471	446,024	213,318	165,125	15,326,105	12,432,626	16,056,894	13,043,775
1 Claims Incurred (Net)	2	279,373	99,862	115,246	83,258	10,979,392	8,820,537	11,374,011	9,003,657
2 Commission	3	27,279	(902)	(43,806)	(35,097)	235,174	206,449	218,647	170,450
3 Operating Expenses Related to Insurance Business	4	126,548	99,578	33,015	28,495	3,743,867	3,182,239	3,903,430	3,310,312
4 Premium Deficiency		-	-	-	-	-	-	-	-
TOTAL (B)		433,200	198,538	104,455	76,656	14,958,433	12,209,225	15,496,088	12,484,419
Operating Profit/(Loss) (A - B)		84,271	247,486	108,863	88,469	367,672	223,401	560,806	559,356
APPROPRIATIONS									
Transfer to Shareholders' Account		84,271	247,486	108,863	88,469	367,672	223,401	560,806	559,356
Transfer to Catastrophe Reserve		-	-	-	-	-	-	-	-
Transfer to Other Reserves		-	-	-	-	-	-	-	-
TOTAL (C)		84,271	247,486	108,863	88,469	367,672	223,401	560,806	559,356

Notes to Financial Statements 16

The Schedules referred to above form an integral part of the Financial Statements
As required by Section 40C (2) of the Insurance Act, 1938, we certify that all expenses of management, incurred by the Company, in respect of general insurance business have been fully debited in the respective Revenue Account as expenses

This is the Revenue account referred to in our Report of even date attached

For Sundaram & Srinivasan
Chartered Accountants
Firm Regn No:004207S

For Brahmayya & Co
Chartered Accountants
Firm Regn No:000511S

S Usha
Partner
M. No. 211785

P Babu
Partner
M. No. 203358

Place: Chennai
Date : April 24, 2014

For and on behalf of the Board of Directors
S S Gopalathnam
Managing Director

Tsuyoshi Yamane
Wholetime Director

V Suryanarayanan
Chief Financial Officer

S B Mathur
Chairman
N Srinivasan
Director
Suresh Krishnan
Company Secretary

Receipts and Payments Statement

for the year ended March 31, 2014



(₹ '000)

Particulars	Year Ended March 31, 2014	Year Ended March 31, 2013
Cash Flows from Operating Activities		
Receipts from Policyholders - Premium on Direct Business	18,623,705	15,980,189
Other Receipts	2,042,273	1,717,052
Direct Claims Paid	(9,635,012)	(7,957,583)
Receipts / (Payments) from / to Reinsurers (Net)	(554,062)	(1,643,902)
Receipts / (Payments) from / to Co-insurers (Net)	12,086	92,927
Operating Expenses Paid	(3,796,182)	(2,767,072)
Commission Payments	(731,872)	(604,631)
Deposits and Advances Given	(50,080)	(45,464)
Taxes Paid	(422,503)	(167,374)
Service Tax Paid	(2,080,176)	(1,664,289)
Net Cash Flows from Operating Activities	3,408,177	2,939,853
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(214,737)	(240,185)
Proceeds on Disposal of Fixed Assets	4,987	2,670
Purchase of Investments	(50,121,995)	(36,135,201)
Received from IMTPIP	488,351	-
Sale of Investments	44,146,050	31,544,076
Repayments Received	-	-
Rents/Interest/ Dividends Received	1,618,944	1,168,426
Expenses Related to Investments	(3,508)	(2,864)
Net Cash Flows from Investing Activities	(4,081,908)	(3,663,078)
Cash Flows from Financing Activities		
Proceeds from Issue of Share Capital	750,002	500,550
Net Cash Flows from Financing Activities	750,002	500,550
Net Increase in Cash and Cash Equivalents	76,271	(222,675)
Cash and Cash Equivalents at Beginning of the Year	172,848	395,523
Cash and Cash Equivalents at End of the Year	249,119	172,848

This is the Receipts and Payments Account referred to in our Report of even date attached

For and on behalf of the Board of Directors

For Sundaram & Srinivasan
Chartered Accountants
Firm Regn No:004207S

For Brahmaya & Co
Chartered Accountants
Firm Regn No:000511S

S B Mathur
Chairman

S S Gopalarathnam
Managing Director

S Usha
Partner
M. No. 211785

P Babu
Partner
M. No. 203358

N Srinivasan
Director

Tsuyoshi Yamane
Wholetime Director

Place: Chennai
Date : April 24, 2014

Suresh Krishnan
Company Secretary

V Suryanarayanan
Chief Financial Officer

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 1 Premium Earned (Net)

Particulars	Fire Business		Marine Business		Miscellaneous Business		Total	
	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013
	(₹ '000)							
Premium from Direct Business Written	1,099,044	935,404	649,367	509,847	16,802,734	14,763,655	18,551,145	16,208,906
Add: Premium on Reinsurance Accepted	64,656	71,289	-	-	101,835	235,386	166,491	306,675
Less: Premium on Reinsurance Ceded	567,725	540,502	463,844	366,482	2,166,100	2,108,014	3,197,669	3,014,998
Net Premium	595,975	466,191	185,523	143,365	14,738,469	12,891,027	15,519,967	13,500,583
Adjustment for Change in Reserve for Unexpired Risks	186,294	94,103	(15,610)	(10,443)	1,035,646	1,742,581	1,206,330	1,826,241
Total Premium Earned (Net)	409,681	372,088	201,133	153,808	13,702,823	11,148,446	14,313,637	11,674,342

Note:

Premium Income from business effected:

In India	409,681	372,088	201,133	153,808	13,702,823	11,148,446	14,313,637	11,674,342
Outside India	-	-	-	-	-	-	-	-
Total Premium Earned (Net)	409,681	372,088	201,133	153,808	13,702,823	11,148,446	14,313,637	11,674,342

Schedule 2 Claims Incurred (Net)

Particulars	Fire Business		Marine Business		Miscellaneous Business		Total	
	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013
	(₹ '000)							
Claims Paid								
Direct	910,198	369,224	497,008	557,993	8,227,806	7,030,366	9,635,012	7,957,583
Add: Reinsurance Accepted	(79)	131	-	-	965,114	1,677,996	965,035	1,678,127
Less: Reinsurance Ceded	746,813	246,241	399,781	453,460	2,793,289	2,323,597	3,939,883	3,023,298
Net Claims Paid	163,306	123,114	97,227	104,533	6,399,631	6,384,765	6,660,164	6,612,412
Add : Claims Outstanding at the End of the Year (including the estimates of IBNR and IBNER) (Net)	255,685	139,618	86,898	68,879	8,596,109	4,016,348	8,938,692	4,224,845
Less: Claims Outstanding at the Beginning of the Year (including the estimates of IBNR and IBNER) (Net)	139,618	162,870	68,879	90,154	4,016,348	1,580,576	4,224,845	1,833,600
Total Claims Incurred (Net)	279,373	99,862	115,246	83,258	10,979,392	8,820,537	11,374,011	9,003,657
Note:								
Claims, less reinsurance, paid to claimants								
In India	163,306	123,114	97,227	104,533	6,399,631	6,384,765	6,660,164	6,612,412
Outside India	-	-	-	-	-	-	-	-
* Estimates of IBNR and IBNER at end of the year	14,360	12,581	16,540	15,701	4,708,858	2,244,603	4,739,758	2,272,885
* Estimates of IBNR and IBNER at beginning of the year	12,581	19,950	15,701	20,086	2,244,603	492,514	2,272,885	532,500

The actuarial estimates of IBNR and IBNER are subject to approval from IRDA

Schedules forming part of the Financial statements for the year ended March 31, 2014



(₹ '000)

Particulars	Fire Business		Marine Business		Miscellaneous Business		Total	
	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013
Commission Paid								
Direct	88,219	66,046	18,494	15,610	615,815	506,793	722,528	588,449
Add: Reinsurance Accepted	-	-	-	-	-	-	-	-
Less: Commission on Reinsurance Ceded	60,940	66,948	62,300	50,707	380,641	300,344	503,881	417,999
Net Commission	27,279	(902)	(43,806)	(35,097)	235,174	206,449	218,647	170,450
Agents	4,693	4,794	2,828	2,638	25,374	21,501	32,895	28,933
Brokers	19,260	16,716	11,270	11,349	163,518	126,395	194,048	154,460
Corporate Agency	64,266	44,536	4,396	1,623	426,923	358,897	495,585	405,056
Referral	-	-	-	-	-	-	-	-
Total	88,219	66,046	18,494	15,610	615,815	506,793	722,528	588,449

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 4

Operating Expenses Related to Insurance Business

Particulars	Fire Business			Marine Business		Miscellaneous Business		Total	
	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2013	
	(₹ '000)								
1 Employees' Remuneration and Welfare Benefits	27,453	23,669	8,546	7,279	678,919	654,499	714,918	685,447	
2 Travel, Conveyance and Vehicle Running Expenses	4,716	3,046	1,468	937	116,621	84,240	122,805	88,223	
3 Training Expenses	617	261	192	80	15,268	7,227	16,077	7,568	
4 Rent, Rates and Taxes	3,299	3,896	1,027	990	81,592	176,928	85,918	181,814	
5 Repairs	685	469	213	144	16,946	12,956	17,844	13,569	
6 Printing and Stationery	2,793	1,213	869	373	69,067	33,529	72,729	35,115	
7 Communication	2,095	1,692	652	520	51,817	46,787	54,564	48,999	
8 Legal and Professional Charges	1,997	4,523	622	1,391	167,877	125,066	170,496	130,980	
9 Auditors' Fees and Expenses									
As Auditors	73	66	23	20	1,804	1,814	1,900	1,900	
In any Other Capacity (Tax Audit and Certification)	17	19	5	6	408	535	430	560	
Out of Pocket Expenses	2	2	1	1	57	57	60	60	
10 Advertisement and Publicity	5,866	3,456	1,826	1,063	347,194	95,579	354,886	100,098	
11 Bank Charges	822	659	256	203	20,336	18,227	21,414	19,089	
12 Others									
Power and Electricity	1,216	1,062	379	326	30,074	29,354	31,669	30,742	
Information Technology Expenses	4,472	3,229	1,392	993	110,600	89,290	116,464	93,512	
Marketing Expenses	32,540	23,678	6,474	7,677	1,268,287	1,252,661	1,307,301	1,284,016	
Operating Lease Charges	1,548	1,389	482	427	38,277	38,405	40,307	40,221	
IRDA Registration renewal fees	622	465	194	143	15,393	12,858	16,209	13,466	
Service Tax Expense	131	77	-	277	57,169	39,548	57,300	39,902	
Outsourcing Expenses	17,182	11,725	5,349	3,606	424,907	324,210	447,438	339,541	
Net Exchange (Gain) / Loss	19	21	7	6	612	578	638	605	
Co-insurance Administrative Charges	779	691	175	180	638	325	1,592	1,196	
Terrorism Pool - Management Expenses	8,403	8,242	-	-	1,832	1,734	10,235	9,976	
IMTPIP / DR Pool - Administrative Expenses (Net)	-	-	-	-	775	1,562	775	1,562	
Miscellaneous Expenses (Net) (Note below)	4,219	2,528	1,312	777	104,194	69,902	109,725	73,207	
13 Depreciation	4,982	3,500	1,551	1,076	123,203	96,785	129,736	101,361	
Total	126,548	99,578	33,015	28,495	3,743,867	3,214,656	3,903,430	3,342,729	
Less: Write Back of Provision no longer required	-	-	-	-	-	(32,417)	-	(32,417)	
Total	126,548	99,578	33,015	28,495	3,743,867	3,182,239	3,903,430	3,310,312	

Note:
Miscellaneous Expenses are net of
Profit on sale of Fixed Assets (Net)

31 23 10 7 767 623 808 653

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 5

Share Capital

(₹'000)

Particulars	As at	
	March 31, 2014	March 31, 2013
1 Authorised Capital 324,000,000 (Previous Year: 324,000,000) Equity Shares of ₹10 each	3,240,000	3,240,000
2 Issued Capital 298,805,700 (Previous Year: 291,987,500) Equity Shares of ₹10 each	2,988,057	2,919,875
3 Subscribed Capital 298,805,700 (Previous Year: 291,987,500) Equity Shares of ₹10 each	2,988,057	2,919,875
4 Called-up Capital 298,805,700 (Previous Year: 291,987,500) Equity Shares of ₹10 each fully paid up	2,988,057	2,919,875
Less: Calls Unpaid	-	-
Add : Equity Shares Forfeited (Amount originally paid up)	-	-
Less : Par Value of Equity Shares bought back	-	-
Less : Preliminary Expenses Expenses including Commission or Brokerage on Underwriting or Subscription of Shares	-	-
Total	2,988,057	2,919,875

During the year, 6,818,200 equity shares were allotted to the existing shareholders at a price of ₹110 per share.

Note: Number of Shares held by Tube Investments of
India Limited, the Holding Company

221,115,659 216,070,204

Schedule 5 A

Shareholding Pattern [As certified by the Management]

Shareholder	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
Indian	221,116,218	74	216,070,750	74
Foreign	77,689,482	26	75,916,750	26
Others	-	-	-	-
Total	298,805,700	100	291,987,500	100

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 6

Reserves and Surplus

(₹'000)

Particulars	As at March 31, 2014	As at March 31, 2013
1 Capital Reserve	-	-
2 Capital Redemption Reserve	-	-
3 Share Premium	1,432,645	750,825
4 General Reserve	95,493	
Add: (a) Transfer from Contingency Reserve for Unexpired Risks	252,074	
Add: (b) Transfer from Profit and Loss Account	500,000	95,493
5 Catastrophe Reserve	-	-
6 Contingency Reserve for Unexpired Risks	252,074	
Less: Transfer to General Reserve	(252,074)	252,074
7 Balance of Profit in Profit & Loss Account	550,860	349,887
Total	2,831,072	1,448,279

Schedule 7

Borrowings

1 Debentures / Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
Total	-	-

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 8

Investments

(₹'000)

Particulars	As at March 31, 2014	As at March 31, 2013
Long Term Investments		
Government Securities and Government Guaranteed Bonds including Treasury Bills	7,427,141	5,595,246
Other Approved Securities	-	-
Approved Investments		
- Debentures/Bonds	7,839,617	3,758,182
- Fixed Deposits with Banks	1,105,500	1,485,500
- Equity Shares (Net of Fair Value Change)	105,464	41,082
Investments in Infrastructure and Social Sector Bonds	2,913,470	1,940,084
Other than Approved Investments	252,397	1,201,198
	19,643,589	14,021,292
Less: Provision for diminution in value of investments in equity shares	(11,000)	(11,000)
Total (A)	19,632,589	14,010,292
Short Term Investments		
Government Securities and Government Guaranteed Bonds including Treasury Bills	150,638	-
Other Approved Securities	-	-
Approved Investments		
- Debentures/Bonds	600,264	1,452,352
- Fixed Deposits with Banks	1,850,000	990,000
- Money market instruments	47,812	538,351
Investments in Infrastructure and Social Sector Bonds	400,612	101,295
Other than Approved Investments	600,229	149,435
	3,649,555	3,231,433
Total (B)	3,649,555	3,231,433
Total (A) + (B)	23,282,144	17,241,725

Notes:

- (1) All Investments are performing investments and are in India.
- (2) There are no contracts in relation to investments for purchases where deliveries are pending or for sales where payments are overdue.
- (3) Government Securities aggregating to ₹108,362 thousands (As at March 31, 2013 - ₹110,103 thousands) have been deposited with HDFC Bank under Section 7 of the Insurance Act, 1938.
- (4) Details of Cost and Market Value (₹'000) :

	As at March 31, 2014		As at March 31, 2013	
	Cost	Market Value	Cost	Market Value
a) Equity Shares listed	101,899	96,196	49,834	30,082
b) Government and other securities	7,577,779	7,319,995	5,595,246	5,572,104
c) Fixed Deposit with Banks	2,955,500	2,955,500	2,475,500	2,475,500
d) Corporate Bonds	12,604,857	12,638,259	8,602,546	8,666,404
e) Money Market Instruments	47,812	47,812	538,351	538,351
	23,287,847	23,057,762	17,261,477	17,282,441

- (5) Pursuant to Para 10 of IRDA (Investment) (Fifth Amendment) Regulations 2013, ₹19,240,338 thousands of the investments representing the Technical Reserves as at March 31, 2014 has been notionally allocated as Policyholders' Funds.

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 9

Loans

(₹'000)

Particulars	As at March 31, 2014	As at March 31, 2013
1 Security-wise Classification		
Secured		
(a) On Mortgage of Property	-	-
(b) On Shares, Bonds, Govt. Securities	-	-
(c) Others	-	-
Unsecured	-	-
Total	-	-
2 Borrower - wise Classification		
(a) Central and State Governments	-	-
(b) Banks and Financial Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	-	-
(e) Others	-	-
Total	-	-
3 Performance - wise Classification		
(a) Loans Classified as Standard	-	-
(b) Non-performing Loans less Provisions	-	-
Total	-	-
4 Maturity - wise Classification		
(a) Short Term	-	-
(b) Long Term	-	-
Total	-	-

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 10 Fixed Assets

(₹ '000)

Particulars	Cost / Gross Block		Depreciation / Amortisation		Net Block		
	As at March 31, 2013	As at March 31, 2014	Upto March 31, 2013	For the Year	Upto March 31, 2014	As at March 31, 2014	As at March 31, 2013
Land (Undivided Share)	37,191	37,191	-	-	-	37,191	37,191
Buildings	232,348	311,164	11,325	4,008	15,333	295,831	221,023
Furniture and Fittings	34,917	38,694	25,058	4,453	26,834	11,860	9,859
Information Technology Equipment	175,523	220,350	127,557	35,794	157,451	62,899	47,966
Computer Software (Intangibles)	308,675	365,244	209,574	59,637	269,211	96,033	99,101
Vehicles	21,964	19,343	9,158	4,871	8,197	11,146	12,806
Office Equipment	21,788	21,712	14,753	3,098	17,156	4,556	7,035
Electrical Fittings	27,629	32,247	17,073	4,663	21,258	10,989	10,556
Improvement to Premises	65,476	83,927	24,797	13,212	37,987	45,940	40,679
TOTAL	925,511	1,129,872	439,295	129,736	553,427	576,445	486,216
Capital Work in Progress (Including Capital Advances) (Refer Note 10 (a) of Schedule 16)	-	-	-	-	-	303	9,711
GRAND TOTAL	925,511	1,129,872	439,295	129,736	553,427	576,748	495,927
Previous Year	684,574	250,352	345,333	101,361	439,295	495,927	

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 11

Cash and Bank Balances

(₹'000)

Particulars	As at March 31, 2014	As at March 31, 2013
Cash (including Cheques, Drafts and Stamps)	81,184	55,667
Bank Balances on Current Accounts (with Scheduled Banks)	155,295	114,385
Money at Call and Short Notice	-	-
Others (Bank Deposits under Lien - Note 9 (a) of schedule 16)	12,640	2,796
Total	249,119	172,848
Cash Balance includes Cheques on Hand	79,357	52,744

Schedule 12

Advances and Other Assets

Advances

1 Reserve Deposits with Ceding Companies	-	-
2 Application Money for Investments	-	-
3 Prepayments	7,983	11,393
4 Advances to Directors / Officers	-	-
5 Advance Tax Paid and Taxes Deducted at Source (Net of Provision for Taxation of ₹ 644,573 thousands) (Previous Year - ₹ 329,083 thousands)	172,572	53,595
6 Others: Advances to Employees	757	985
Advances to Vendors	11,750	11,901
Service Tax Unutilised Credit / paid in advance	68,622	-
Service tax paid under protest (Note 8 of Schedule 16)	47,566	74,818
Other Advances / Deposits	24,871	22,952
Total (A)	334,121	175,644

Other Assets

1 Income Accrued on Investments	753,051	520,383
2 Outstanding Premium including Service Tax, if any (includes ₹ 811,049 thousands from Central & State Governments under Rashtriya Swasthya Bima Yojana Scheme and Weather Based Crop Insurance Scheme)	824,641	817,601
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from Other Entities Carrying on Insurance Business	208,441	110,257
6 Due from subsidiaries / Holding Company	-	-
7 Deposit with Reserve Bank of India (Pursuant to Section 7 of the Insurance Act, 1938)	-	-
8 Others: Redemption / Sales proceeds receivable	54,119	5,000
Receivable from IMTPIP Members (includes interest accrued of ₹ 555,627 thousands (Previous Year - ₹ 314,440 thousands)) (Note 4 (b) and (d) of Schedule 16)	4,259,810	4,506,968
Receivable from Terrorism Pool (includes investment income)	613,785	496,073
Deposits for Premises and Advance Rent	40,112	40,842
Receivable from Declined Risk Pool	60,176	-
Total (B)	6,814,135	6,497,124
Total (A + B)	7,148,256	6,672,768

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 13

Current Liabilities

(₹'000)

Particulars	As at March 31, 2014	As at March 31, 2013
1 Agents' Balances	38,724	48,070
2 Balances Due to Other Insurance Companies	806,152	177,784
3 Deposits Held on Reinsurance Ceded	-	-
4 Premiums Received in Advance / Deposits Received	251,158	461,635
5 Unallocated Premium (including Service Tax thereon)	442,054	120,464
6 Sundry Creditors		
- Dues to Micro & Small Enterprises	-	-
- Dues to Others	584,071	439,555
7 Due to subsidiaries / Holding Company	-	-
8 Claims Outstanding		
- Other than IMTPIP (Net of Reinsurance)	8,938,692	4,224,845
- Dismantled IMTPIP	6,230,899	7,606,957
9 Due to Officers/ Directors	-	-
10 Others: Book Overdraft	8,931	177,397
Tax and Other Withholdings	46,939	54,355
Environment Relief Fund	-	137
Service Tax Payable	524	5,458
Value Added Tax Payable	4	-
Unclaimed Amounts of Policyholders (Note 21 of Schedule 16)	119,219	106,815
Total	17,467,367	13,423,472

Schedule 14

Provisions

1 Reserve for Unexpired Risk	7,862,363	6,656,033
Less: Unabsorbed RSBY Enrollment costs	(36,853)	
2 For Taxation	-	-
3 For Proposed Dividends	-	-
4 For Dividend Distribution Tax	-	-
5 Other Provisions		
Premium Deficiency	-	-
Leave and other Employee Benefits	145,707	150,598
Total	7,971,217	6,806,631

Schedule 15

Miscellaneous Expenditure

(To the extent not written off or adjusted)

1 Discount Allowed in Issue of Shares / Debentures	-	-
2 Others	-	-
Total	-	-

Schedules forming part of the Financial statements for the year ended March 31, 2014



Schedule 16

Notes to Financial Statements

1. Background Information

The Company was incorporated on November 2, 2001 under the Companies Act, 1956 and has been issued Certificate of Registration by the Insurance Regulatory and Development Authority to transact general insurance business.

2. Significant Accounting Policies

A. Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention in accordance with the accounting principles prescribed by The Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, Orders / Circulars / Notifications issued by IRDA from time to time, the applicable Accounting Standards notified by the Central Government of India under the Companies (Accounting Standard) Rules, 2006 and the requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from estimates and assumptions used in preparing these financial statements.

B. Revenue Recognition

- (i) Premium (net of service tax) is recognised as income on assumption of risk, after adjusting for unexpired risk, which recognition in the case of Rashtriya Swasthya Bima Yojana Scheme (RSBY) is done based on the uploaded data in respect of the enrolled lives. Any cancellations or changes in premium are accounted for in the period in which they occur.
- (ii) Reserve for Unexpired Risks:
 - a. Direct Business:

Reserve for Unexpired Risk, representing that part of the premium written that is attributable and allocable to the subsequent accounting period(s), is calculated principally on "Day Basis" in terms of Circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013.
 - b. Inward Business from Pooling Arrangements:
 - I. In the case of the inward premium from IMTPDRIP (DR Pool), in view of the "clean cut" arrangement, the entire inward premium is recognized as revenue.
 - II. In the case of the inward premium from Terrorism Pool (Fire and Engineering lines of business), 50% of the premium advised by the Pool Manager for a 12-month period is considered as Reserve for Unexpired Risks.
- (iii) Interest / Dividend income on investments is recognised on accrual basis and is net of accretion of discount or amortisation of premium over the balance period of maturity / holding. Dividend income is recognised when right to receive the same is established.
- (iv) Profit / Loss on sale of investments - Realised gains or losses on investments representing the difference between the sale consideration and the carrying cost is recognised on the date of sale. In determining the realised gain or loss on sale of a security, the cost of such security is arrived on weighted average cost basis. In the case of listed equity shares, profit or loss on sale is adjusted for the accumulated changes in the fair value previously recognised in the fair value change account in respect of the shares sold.

Schedules forming part of the Financial statements for the year ended March 31, 2014



C. Reinsurance Ceded and Commission Received

- (i) Reinsurance premium ceded is accounted in the year of commencement of risk in accordance with the treaty arrangements with the reinsurers. Non-proportional reinsurance cost is recognised when incurred and included in the premium on reinsurance ceded.
- (ii) Commission on reinsurance ceded is recognised as income on ceding of reinsurance premium. Profit commission under reinsurance treaties wherever applicable, is recognized in the year of determination of the profits as per the respective treaties and included in Commission on reinsurance ceded.

D. Acquisition Cost

Costs relating to acquisition of new / renewal of insurance contracts are expensed in the year in which they are incurred.

E. Claims and Premium Deficiency

- (i) Claims incurred (net) include specific settlement costs comprising survey, legal and other directly attributable expenses and are net of salvage value and other recoveries, if any.
- (ii) Estimated liability for outstanding claims in respect of direct business is provided based on claims reported after adjusting claims recoverable from reinsurers / co-insurers, and includes provision for solatium fund.
- (iii) The estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) has been estimated by the Appointed Actuary in compliance with guidelines issued by IRDA vide circular No 11/IRDA/ACTL/IBNR/2005-06 dated June 8, 2006, IBNR Manual dated May 22, 2008 and applicable provisions of the Actuarial Practice Standard 21 issued by the Institute of Actuaries in India. The Appointed Actuary has used alternative methods for each product category as considered appropriate depending upon the availability of past data as well as appropriateness of the different methods to the different lines of businesses.
- (iv) In respect of incoming co-insurance, claims are accounted based on intimations received from co-insurers.
- (v) In respect of Declined Risk Pool, in view of the “clean cut” arrangement, the reserving for claims is made on the entire premium recognized as revenue.
- (vi) Premium deficiency, if any, is calculated based on actuarial valuation duly certified by the Appointed Actuary.
- (vii) In accordance with IRDA Circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013, enrolment costs in RSBY Schemes are absorbed in proportion of the elapsed policy period to total policy period. The costs pertaining to future accounting periods are shown as reduction from Reserve for Unexpired Risks.

F. Allocation of Operating Expenses

Operating expenses relating to insurance business are allocated to specific business segments on actual basis where such expenses are directly identifiable with a specific business segment. Other expenses are apportioned on the basis of net written premium in each business segment.

G. Investments

- (i) Investments maturing within twelve months from the date of Balance Sheet and investments held with the specific intention to dispose of within twelve months from the date of Balance Sheet are classified as short-term investments. Investments other than short term are classified as long-term investments.
- (ii) All debt securities including government securities are considered as “held to maturity” and accordingly stated at historical cost subject to amortisation of premium / accretion of discount over the balance period of maturity/holding.



- (iii) Listed and actively traded equity securities are stated at last quoted closing price on the National Stock Exchange (NSE). Where a security is not listed on NSE, the last quoted closing price on Bombay Stock Exchange (BSE) is adopted.
- (iv) Units of Mutual Funds are valued at the Net Asset Value (NAV). The change in the value is credited / (debited) to the "Fair Value Change Account".
- (v) In accordance with the Regulations, unrealized gain / loss arising due to changes in fair value of listed equity shares and mutual fund investments are taken to the "Fair Value Change Account". The credit balance, if any, in the fair value change account is not available for distribution, pending realisation.
- (vi) The Company assesses at each balance sheet date, whether any impairment by way of diminution, other than temporary, in value of its investments has occurred. Such a diminution, if any, is recognized as an expense in Revenue Account/Profit and Loss account.
- (vii) Segregation of invested assets is done by notionally allocating the closing Technical Reserves (Aggregate of Net Claims Outstanding and Reserve for Unexpired Risk and other related items) to Policyholders' Funds with the balance being reflected as Shareholders' Funds.
- (viii) Investment income, where directly identifiable with a specific business segment is credited to the business segment and in all other cases is allocated to the respective Revenue Account and the Profit and Loss Account based on the ratio of "Technical Funds" and "Shareholders Funds", respectively.

H. Employee Benefits

- (i) Liability for gratuity to employees which is a defined benefit plan is determined on the basis of actuarial valuation using Projected Unit Credit Method as on the Balance Sheet date. This liability is funded through a Gratuity Fund administered by trustees and managed by Life Insurance Corporation of India and the contribution thereof paid / payable is absorbed in the Accounts.
- (ii) Liability for short term compensated absences is recognized based on the eligible leave to the credit of the employees as at the balance sheet date on undiscounted basis. Liability for long term compensated absences is determined on the basis of actuarial valuation using Projected Unit Credit Method as on the Balance Sheet date.
- (iii) Fixed contributions to Provident Fund, Family Pension Fund and Superannuation Fund which are defined contribution plans and Cost of other benefits are recognised in the Accounts on actual cost to the Company.

I. Fixed /Intangible Assets and Depreciation/Amortisation

- (i) Fixed Assets are stated at cost less accumulated depreciation.
- (ii) Depreciation on fixed assets is provided based on the Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 except for the following assets which are depreciated at a higher rate based on their estimated useful life as given below:

Particulars	Estimated Useful Life
Information Technology Equipment	3 Years
Vehicles	4 Years
Office Equipment	4 Years
Electrical Fittings	4 Years
Furniture and Fixtures	5 Years

- (iii) Cost of Improvements to Premises (Leasehold and Owned) is capitalised considering the enduring benefits and is amortised over the primary lease period or 5 years, whichever is lower.
- (iv) Assets individually costing ₹ 5,000 or less are fully depreciated in the year of purchase.
- (v) The carrying amounts of assets are reviewed at each balance sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever



the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use.

- (vi) Computer software includes cost of application software which is amortised over a period of 3 years. Cost of other software is fully amortised in the year of purchase.
- (vii) Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value of the asset and present value of the minimum lease payments at the inception of lease term and are disclosed as leased assets .

Lease payments are apportioned between the finance charges and the corresponding liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Revenue accounts.

Leased assets capitalized under finance lease are depreciated on a straight line basis over the lease term.

J. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the revenue account as per the lease terms.

K. Foreign Currency Transactions

Transactions in foreign currency are recorded at the exchange rate ruling on the date of the transaction. Exchange differences arising on actual payments / realisations are adjusted to the Revenue Account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the rate of exchange prevailing on that date.

L. Taxation

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

Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. In the case of unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only to the extent there is virtual certainty that the deferred tax assets can be realized. Deferred tax assets are reviewed as at each balance sheet date.

3. Terrorism Pool

- (i) Premium received from customers on account of Terrorism cover has been ceded to General Insurance Corporation of India (GIC) Terrorism Pool Account. The Company's share in the Terrorism Pool Account with GIC, based on the statements of account received during the current year for the period upto December 31, 2013 has been accounted under the respective heads as follows :-
 - a) Premium Inwards - Premium on Reinsurance Accepted
 - b) Claims - under Claims Paid and Claims Outstanding
 - c) Management Expenses - under Operating Expenses Related to Insurance Business
 - d) Investment Income (provisional statements received upto March 31, 2014) - under Interest and Dividends in the Revenue Accounts

The resultant surplus / deficit is reflected as RI Receivable / Payable on Terrorism Pool.

- (ii) The Company's share in the Terrorism Pool Account with GIC for the period January 1, 2014 to March 31, 2014 will be accounted on receipt of the relevant statements of account from GIC.



4. Indian Motor Third Party Insurance Pool (IMTPIP)

- a) IRDA had vide its Orders IRDA/NL/ORD/MPL/277/12/2011 dated 23rd December 2011 and IRDA/NL/ORD/MPL/003/01/2012 dated January 3, 2012 directed dismantling of the IMTPIP with effect from March 31, 2012. The dismantling of the pooling arrangement of IMTPIP implied that the insurers liability on motor third party insurance on commercial vehicles stands restated from industry market share basis to actual policy issued basis.
- b) Further, vide Order IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012, IRDA had directed all members to effect the inter-se settlement of the transitional liabilities arising out of the dismantling of IMTPIP. Accordingly, based on the advice from the Pool Administrator, the Company had effected the settlement for the underwriting years 2007-08, 2008-09 and 2009-10 and has created claims outstanding liability for the underwriting years 2010-11 and 2011-12 with a corresponding asset towards receivable from other member companies.
- c) IRDA, vide Order No. IRDA/F&A/ORD/MTPP/070/03-2012 dated March 22, 2012, amongst other things, had provided an option to insurers for a deferred absorption of the differential liability subject to certain conditions listed in the said Order. The Company, having exercised the option, has recognized in its Miscellaneous Revenue Account for the year ended March 31, 2014, ₹549,000 thousands representing final tranche of deferred absorption of the cumulative differential actuarially estimated liability for the underwriting years 2009-10, 2010-11 and 2011-12.
- d) In terms of the above-said Order dated March 22, 2012, the contents of which has been reaffirmed by IRDA vide Order No. IRDA/NL/ORD/MPL/100/03/2014 dated March 28, 2014, the Company has accrued and recognized for the financial year an interest income of ₹286,730 thousands (Previous Year – ₹314,440 thousands) receivable from the members of the erstwhile IMTPIP.

5. Indian Motor Third Party Declined Risk Insurance Pool [DR Pool]

- (i) In accordance with the directions of IRDA, the Company, together with other non-life insurance companies, participates in the Indian Motor Third Party Declined Risk Insurance Pool [DR Pool], a multilateral reinsurance arrangement in respect of specified commercial vehicles and where the policy issuing member insurer cedes the insurance premium to the DR pool (based on underwriting policy approved by IRDA). The DR Pool is administered by General Insurance Corporation of India ('GIC').
- (ii) In terms of the DR Pool agreement,
 - a) Every member insurance company shall underwrite, net of reinsurance, a minimum percentage of "Act only" premium of specified commercial vehicles which is in proportion to the sum of fifty percent of the company's percentage share in total gross premium and fifty percent of the total motor premium of the industry for the financial year.
 - b) The member insurance company has the option of either retaining the "Act only" premium in its books or ceding 75% (Previous Year – 70%) of the premium.
 - c) The fulfilment or shortfall of the above mandatory obligations shall be determined based on actual premium written (net of reinsurance) by the Company and premium retained with respect to the business ceded to the DR Pool.
 - d) The DR Pool shall be extinguished at the end of every financial year on a clean cut basis, based on the statement of accounts drawn by the Pool Administrator.
- (iii) The Company has recognised the DR Pool transactions in its books as under :
 - a) Amounts collected towards declined risks is reflected in GWP (Direct) and the ceding to the DR Pool in Premium on reinsurance ceded.
 - b) Likewise, premium received from the DR Pool is reflected in Reinsurance accepted.
 - c) Earned Premium is considered at 100% of the premium received from the DR Pool since the risks have been transferred on a clean cut basis.
 - d) Likewise, the Company's share of incurred claims of the DR Pool has also been considered on 100% of the earned premium and reflected in Claims Paid and Claims Outstanding.



- e) The Company's share of administrative expenses of the DR Pool is disclosed under expenses of management and are net of deductions, if any.
- (iv) The Motor segment in Miscellaneous Revenue Account for the year ended March 31, 2014 includes:
- ₹171,755 thousands arising out of the differential Ultimate Loss Ratio as directed by IRDA vide Order No. IRDA/NL/ORD/MPL/223/11/2013 dated November 18, 2013 for the underwriting year 2012-13.
 - ₹75,000 thousands for the underwriting year 2013-14 which is a management estimate (based on the statements circulated by GIC for the 9-months period ended December 31, 2013). The difference, if any, between the estimates and the actuals for the underwriting year shall be recognized in the calendar quarter in which the Pool Administrator makes available the audited statement.

6. Contingency Reserve for Unexpired Risks

The Company had created the Contingency Reserve for Unexpired Risks for a value of ₹ 252,074 thousands in March 2013, availing the option provided in terms of IRDA Circular No. IRDA/F&I/CIR/F&A/015/02/2011 dated February 2, 2011.

In terms of the said circular, the balance in the Contingency Reserve for Unexpired Risks has been transferred to General Reserve as on March 31, 2014.

7. Change in Accounting Policy

IRDA vide Circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013, directed the implementation of the Master Circular on Preparation of Financial Statements for General Insurance Business with effect from April 1, 2013.

Pursuant to the above Circular, the following changes have been effected:

- Restriction of the requirement of Reserve for Unexpired Risks to be computed principally on "Day Basis" (based on actual number of days left in the policy period divided by total number of days of policy period) from the earlier requirement of 50% of the net premium written or "Day Basis", whichever is higher.
The change has the effect of reducing the Reserve for Unexpired Risks by ₹36,602 thousands with a consequent increase in the Net Earned Premium in the Marine Revenue Account for the year.
- Change in absorption of the enrollment costs under RSBY Scheme in proportion of the elapsed period to total policy period from the earlier practice of upfront absorption on commencement of policy period.
This change has the effect of reducing the Net Incurred Claims by ₹36,853 thousands with a corresponding increase in the Operating Profit of the Miscellaneous Revenue Account for the year.
- As a result of (a) and (b) above, the Profit before Tax for the year is higher by ₹73,455 thousands.
- Change in the method of allocation of Operating Expenses that are not directly identifiable with a specific business segment on the basis of proportion of Net Written Premium in each business segment from the earlier practice of allocation on the proportion of Gross Written Premium.

Accordingly, the expenses allocation for the previous year ended March 31, 2013 has been reclassified with the following effect:

(₹ '000)

Particulars	As earlier allocated	Changed allocation
Fire Revenue Account	143,499	99,578
Marine Revenue Account	68,394	28,495
Miscellaneous Revenue Account	3,130,836	3,214,656
Total	3,342,729	3,342,729

The above reclassification has no impact on the Profit before Tax for the year.



(₹ '000)

8. Contingent Liabilities

Particulars	As at March 31, 2014	As at March 31, 2013
Partly paid Investments	Nil	Nil
Outstanding underwriting commitments	Nil	Nil
Claims, under policies, not acknowledged as debts - in respect of a disputed claim under a fire Policy	Note (d) below	Note (d) below
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Contested Claims not provided for in respect of Tax matters pending before Appellate Authorities		
(I) Income Tax Matters:		
(i) In respect of disallowance of remittances to Foreign reinsurers for not withholding tax at source together with interest thereon (Note (a) Below)	277,316	212,897
(ii) In respect of disallowance of IBNR/IBNER provisions as an allowable expense (together with interest thereon)	152,164	65,200
(iii) Others	40,755	6,608
	470,235	284,705
(II) Service Tax Matters (in respect of):		
(i) Input Credit Availment on labour charges in motor claims (Note (b) below)	144,050	144,050
(ii) Claim for remittance of Service Tax under "reverse charge" method for Business Auxiliary Services (Note (c) below)	258,768	245,683
(iii) Others (including penalty of ₹ 1,586 thousands (Previous Year - ₹ 1,586 thousands))	27,198	24,777
	430,016	414,510
Reinsurance obligations to the extent not provided for in accounts	Nil	Nil

- a. The contested Income Tax Demands have been ascertained taking into consideration the relief allowed by Commissioner of Income Tax (Appeals) (CIT(A)) and the principles adopted in the orders of the CIT(A) on similar disputed issues in the previous assessment years. The Company is on appeal before CIT(A) for the assessment years 2009-10 and 2010-11 and before Income Tax Appellate Tribunal (ITAT) for earlier assessment years from 2003-04 to 2008-09, with respect to disallowance amounting to ₹1,303,709 thousands (Previous Year - ₹1,036,248 thousands). Pending disposal of the appeals, the amounts so far remitted by the Company / adjusted by the Department stands at ₹176,961 thousands (Previous Year – ₹140,327 thousands) for all the assessment years in respect of the above disallowances. Considering the prevailing industry practice over several decades and the view taken by the Income Tax Department elsewhere in India on the same matter, the Company is of the opinion that the above demand is not sustainable and expects to succeed in its appeals.
- b. The Company is on appeal to CESTAT against the order of the Commissioner with respect to disallowance of availment of input credit of service tax on labour charges in motor claims for the period July 2007 to March 2011 amounting to ₹144,050 thousands (including penalty of ₹64,693 thousands) and made payments of ₹5,000 thousands (Previous Year – ₹5,000 thousands) under protest as per stay orders of CESTAT. Considering the view taken by the Service Tax Department elsewhere in India on the same matter, the Company expects to succeed in its appeal.



- c. The company is on appeal to CESTAT against the order of the Commissioner with respect to the demand of remittance of service tax of ₹258,768 thousands (Previous Year – ₹245,683 thousands) (for the period from 2006-2007 to 2011-2012), including penalty of ₹122,842 thousands (Previous Year – ₹122,842 thousands) under reverse charge method on business auxiliary services availed from certain intermediaries. The company has remitted ₹51,580 thousands (Previous Year – ₹51,202 thousands) under protest. As the service providers have remitted Service Tax, there is no loss of revenue to the Government. Tribunals have held that where the remittance is made and there is no jeopardy to the interests of the Revenue, the demand cannot be enforced. The Company is confident of getting the appeals allowed.
- d. The Company had received a claim intimation in October 2008 for a fire loss from one of its customers, which in the opinion of the management is not admissible on account of violation of express terms and conditions of the policy. This view is substantiated by the Joint Surveyors' report and is also supported by a legal opinion and accordingly the Company has repudiated the claim in March 2009. The customer has since referred the matter to the National Commission established under the Consumer Protection Act. Based on the underlying terms of the policy and the legal opinion, the Company is confident that no liability will arise. The said claim, if provided for, would increase the net incurred claims upto ₹27,600 thousands.

9. Encumbrances

The assets of the Company are free from encumbrances except in the case of

- a) Deposits under lien to banks amounting to ₹12,640 thousands (Previous Year - ₹2,796 thousands)
- b) Garnishee orders by MACT on bank balances amounting to ₹17,144 thousands (Previous Year – ₹Nil) in respect of Motor Third Party Claims. These amounts duly provided for are included in the Outstanding Claims.
- c) Security deposit of ₹18,327 thousands (Previous Year – ₹18,327 thousands) provided by the Company to the Lessor under the operating lease agreement.

10. Commitments

- (a) There are no commitments made and outstanding for loans and investments. Commitments made and outstanding for fixed assets are ₹27,147 thousands (Previous Year - ₹24,763 thousands).
- (b) Bank guarantees provided to customers / Service providers towards performance commitments – ₹2,100 thousands (Previous Year - ₹2,300 thousands).

11. Claims

(₹ '000)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Claims, less reinsurance, paid to claimants:		
- In India	6,660,164	6,612,412
- Outside India	-	-
Ageing of claims (Gross) - including third party motor claims and reported IMTPIP/ Declined Pool claims:		
- Outstanding for more than six months	5,869,711	2,527,884
- Other Claims	3,153,220	3,976,008
Claims settled and remaining unpaid for more than six months	Nil	Nil



12. Premium Retention & Reinsurance

- a) Extent of risk retained and reinsured (including Excess of Loss and Catastrophe reinsurance)

(₹ '000)

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Amount of Business Written (Direct)	% of Business Written (Direct)	Amount of Business Written (Direct)	% of Business Written (Direct)
Risk Retained	15,353,476	82.76	13,193,908	81.40
Risk Reinsured	3,197,669	17.24	3,014,998	18.60
Total	18,551,145	100.00	16,208,906	100.00

The above includes Excess of Loss reinsurance premium of ₹179,188 thousands (Previous Year ₹165,085 thousands) for the year ended on March 31, 2014.

- b) Risk Reinsured includes cession under the IMTPIP and DR Pool arrangement.
- c) As per Insurance Regulatory and Development Authority (General Insurance – Reinsurance) Regulations, 2000 prior approval from IRDA is required in case of placement of surplus over and above the domestic reinsurance arrangements with one reinsurer outside India in excess of 10% of the total reinsurance premium ceded. In terms of the said Regulations, the Company has submitted details in respect of its reinsurance arrangements including those where the reinsurance support exceeds 10% from overseas reinsurers.

13. Sector-wise Percentage of Business

(₹ '000)

Particulars	Year ended March 31, 2014		Year ended March 31, 2013	
	Amount of Business Written (Direct)	% of Business Written (Direct)	Amount of Business Written (Direct)	% of Business Written (Direct)
Rural Sector	3,421,467	18.44	3,009,067	18.56
Other Business	15,129,678	81.56	13,199,839	81.44
Total	18,551,145	100.00	16,208,906	100.00
Social Sector (No. of Lives) (As Certified by the Management)	5,066,122	-	20,407,751	-
Social Sector (No. of Policies) (As Certified by the Management)	191,185	-	145,615	-

14. Employee Benefits

- a) **Defined Contribution Plan**

(₹ '000)

Expenses on defined contribution plan	As at March 31, 2014	As at March 31, 2013
Contribution to Staff Provident Fund / Family Pension Fund	23,731	20,781
Contribution to Superannuation Fund	9,180	8,993
Total	32,911	29,774



b) **Defined Benefit Plan - Disclosure in respect of Gratuity**

The liability in respect of the gratuity plan for employees which is a defined benefit obligation is determined by the Company based on actuarial valuation and the same is funded to Life Insurance Corporation of India (LIC). This valuation considers future salary increases, inflation, attrition levels and other relevant factors such as supply and demand factors in the employment market. The following table, sets out the status of the gratuity plan as at March 31, 2014 as required under AS 15 (Revised).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

(₹ '000)

Particulars	As at March 31, 2014	As at March 31, 2013
Obligations at period beginning	24,823	22,750
Service Cost	5,028	4,287
Interest Cost	1,943	1,820
Actuarial (gain) / loss	3,705	2,382
Benefits paid	3,854	6,416
Obligations at period end	31,645	24,823
Change in Plan Assets		
Plan assets at period beginning, at fair value	20,224	24,613
Expected return on plan assets	2,176	2,027
Actuarial (gain) / loss	-	-
Contributions	6,706	-
Benefits paid	3,854	6,416
Plan assets at period end, at fair value	25,252	20,224

(All Plan Assets are invested in debt instruments)

Reconciliation of present value of the obligation and the fair value of the plan assets

(₹ '000)

Particulars	As at March 31, 2014	As at March 31, 2013
Fair value of plan assets at the end of the year	25,252	20,224
Present value of defined benefit obligations at the end of the year	31,645	24,823
Asset / (Liability)*	(6,393)	(4,599)
* Recognised as (liability) / asset in Balance Sheet respectively		
Gratuity cost for the year		
Service Cost	5,028	4,287
Interest Cost	1,943	1,820
Expected return on plan assets	2,176	2,027
Actuarial (gain) / loss	3,705	2,382
Net Gratuity Cost	8,500	6,462
Assumptions		
Interest rate	9.00%	8.00%
Estimated rate of return on plan assets	9.40%	9.40%
Salary Escalation Rate	6.00%	5.00%
Attrition Rate	1% - 3%	1% - 3%



Other Disclosures

(₹ '000)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013	Year Ended March 31, 2012	Year Ended March 31, 2011	Year Ended March 31, 2010
Present Value of defined benefit obligation	31,645	24,823	22,750	19,147	12,889
Fair Value of Plan assets	25,252	20,224	24,613	17,472	14,180
Surplus / (Deficit)	(6,393)	(4,599)	1,863	(1,675)	1,291

The details with respect to the composition of investments in the fair value of plan assets and the experience adjustments have not been disclosed in the absence of the said information.

The contribution expected to be made by the Company during the financial year 2014-15 amounts to ₹7,041 thousands.

15. Related Party Disclosure

(A) List of Related Parties (Pursuant to Accounting Standard 18 as identified by the Management and relied upon by the Auditors):

- Holding Company: Tube Investments of India Limited
- Fellow Subsidiaries: Cholamandalam Investment and Finance Company Limited, Cholamandalam Distribution Services Limited, Cholamandalam Securities Limited, Shanthy Gears Limited, Financiere C 10 SAS, Sedis SAS, Societe de Commercialisation De Composants Industriels, Sedis Co. Limited, TICI Motors Company Limited, TI Financial Holdings Limited
- Company holding Substantial Interest in Voting Rights: Mitsui Sumitomo Insurance Company Limited
- Company under the same management : Cholamandalam MS Risk Services Ltd.
- Key Management Personnel : Mr. S S Gopalarathnam, Mr. Tsuyoshi Yamane

(B) Details of Related Party Transactions (Pursuant to Accounting Standard 18) :

(₹ '000)

Transaction	Related Party	2013-14	2012-13
Rent Recovery	Mitsui Sumitomo Insurance Company Limited	8,063	6,987
Fees incurred for Risk Inspection and advisory services	Cholamandalam MS Risk Services Limited	82,425	26,967
Premium Income	Tube Investments of India Limited	39,169	48,701
	Cholamandalam Investment and Finance Company Limited	47,422	36,419
	Cholamandalam MS Risk Services Limited	2,878	1,631
	Cholamandalam Distribution Services Limited	683	882
	Cholamandalam Securities Limited	1,623	1082
	Shanthy Gears Limited	3,858	-
Claims Incurred (Net) *	Tube Investments of India Limited	12,723	14,199
	Cholamandalam Investment and Finance Company Limited	52,830	40,669
	Cholamandalam MS Risk Services Limited	569	383
	Cholamandalam Distribution Services Limited	143	428
	Cholamandalam Securities Limited	474	794
	Shanthy Gears Limited	1	-
Commission Expenses	Cholamandalam Distribution Services Limited	49,433	38,130
Brokerage expenses	Cholamandalam Securities Limited	308	10
Reinsurance Ceded	Mitsui Sumitomo Insurance Company Limited	467,054	446,356



(₹ '000)

Transaction	Related Party	2013-14	2012-13
Reinsurance Commission Received	Mitsui Sumitomo Insurance Company Limited	64,471	60,310
Reinsurance Recovery on Claims	Mitsui Sumitomo Insurance Company Limited	809,091	505,625
Management Expenses, Sitting Fees, Secondment charges, Marketing Expenses and Technical fees	Tube Investments of India Limited	-	61
	Mitsui Sumitomo Insurance Company Limited	10,361	10,115
	Cholamandalam MS Risk Services Limited	2,656	2,351
	Cholamandalam Investment and Finance Company Limited	193,825	145,605
	Cholamandalam Distribution Services Limited	-	227
	Cholamandalam Securities Limited	-	71
Management Expenses Recovered	Shanthi Gears Limited	963	-
	Tube Investments of India Limited	206	303
	Mitsui Sumitomo Insurance Company Limited	2,503	3,919
	Cholamandalam MS Risk Services Limited	4,603	3,029
	Cholamandalam Investment and Finance Company Limited	2,701	4,581
Investments in debt instruments during the year	Shanthi Gears Limited	502	-
	Tube Investments of India Limited	97,546	-
Interest Received	Cholamandalam Investment and Finance Company Limited	200,000	190,704
	Cholamandalam Investment and Finance Company Limited	30,111	34,650
Interest Income Accrued	Tube Investments of India Limited	8,197	-
	Cholamandalam Investment and Finance Company Limited	34,754	17,911
Managerial Remuneration – Managing Director	Key Management Personnel (Refer Note 25 (a))	17,106	13,992
Management Expenses (Rent paid)	Key Management Personnel	117	468
Secondment Charges – Whole Time Director	Key Management Personnel	2,292	2,390
Net Amounts Receivable / (Due) at year end			
Payable (Net) -Claims Outstanding	Tube Investments of India Limited	(776)	(1,272)
	Cholamandalam Investment and Finance Company Limited	(5,948)	(4,643)
Receivable/(Payable) (Net)- Due from other entities carrying on insurance business	Mitsui Sumitomo Insurance Company Limited	108,034	19,875
Investments in debt / money market instruments	Tube Investments of India Limited	100,000	-
	Cholamandalam Investment and Finance Company Limited	599,000	399,000
Receivable (Net) – Management expenses and rent	Tube Investments of India Limited	992	787
	Shanthi Gears Limited	126	-
	Mitsui Sumitomo Insurance Company Limited	3,090	1,127
Advance Premium Deposit (Liability)	Tube Investments of India Limited	(592)	(617)
	Cholamandalam Investment and Finance Company Limited	(19,783)	(4,986)



(₹ '000)

Transaction	Related Party	2013-14	2012-13
Receivable / (Payable) (Net) – Risk Services cost, Commission & Marketing Expenses and Management expenses recovery	Cholamandalam MS Risk Services Limited	(8,504)	867
	Cholamandalam Investment and Finance Company Limited	(840)	(16,099)
	Cholamandalam Distribution Services Limited	(1,763)	(1,634)
*Gross Incurred Claims	Tube Investments of India Limited	15,868	19,753
	Cholamandalam Investment and Finance Company Limited	72,921	58,762
	Cholamandalam MS Risk Services Limited	609	425
	Cholamandalam Distribution Services Limited	149	475
	Cholamandalam Securities Limited	502	882
	Shanthi Gears Limited	7	-

16. Earnings Per Share

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Profit After Tax (₹'000)	700,974	601,961
Weighted Average Number of Equity Shares	295,611,420	289,930,445
Earnings per Share – Basic and Diluted (₹)	2.37	2.08
Face Value Per Share (₹)	10	10

17. Segmental Reporting

(A) The Company's primary reportable segments are business segments, which have been identified in accordance with the Regulations. The operating expenses and investment income attributable to the business segments are allocated as mentioned in Note 2. Segments revenue and results have been disclosed as per Annexure A. Due to inherent complexities, segment assets and liabilities have been identified to the extent possible. There are no reportable geographical segments since the Company provides services only to customers in the Indian market.

(B) Segmental Breakup of the Balance Sheet as at March 31, 2014

(₹ '000)

Particulars	Fire	Marine	Miscellaneous	Unallocated	Total
Claims Outstanding	255,685	86,898	14,827,008	-	15,169,591
	(139,618)	(68,879)	(11,623,306)	-	(11,831,803)
Reserve for Unexpired Risk	610,921	56,120	7,195,322	-	7,862,363
	(424,627)	(71,730)	(6,159,676)	-	(6,656,033)
Investments	713,025	121,266	18,406,047	4,041,806	23,282,144
	(394,264)	(102,936)	(14,147,664)	(2,596,861)	(17,241,725)

(Previous year's figures are in brackets)



18. Operating Leases

The Company has operating lease agreements:

(₹ '000)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Lease rent for the office space and residential accommodation generally for a period of 5 years with option to renew and with escalation in rent once in three years	79,066	78,132
The rentals for Information Technology hardware, Branch Infrastructure (Furniture & Fixtures, Office and Electrical equipments) for a period of 4 years and are renewable at the option of the Company	41,161	41,161
Minimum Lease Payments		
Not later than one year	Nil	41,161
Later than one year but not later than five years	Nil	Nil

19. Deferred Tax Assets/(Liability) (net)

The components of deferred tax assets (Net) are as under:

(₹ '000)

Deferred Tax Assets arising on	As at March 31, 2014	As at March 31, 2013
Provision for compensated absences & other employee benefits	14,021	12,332
Provision for diminution in investments	3,739	3,739
Other timing differences	5,080	1,874
Sub-total (a)	22,840	17,945
Deferred Tax Liability arising on		
Timing difference between book and tax written down value of assets	16,097	11,708
Sub-total (b)	16,097	11,708
Deferred Tax Assets/(Liability) (net) (a-b)	6,743	6,237

20. As per IRDA Circular No. 005/IRDA/F&A/CIR/May-09 details of various penal actions, if any, taken by various government authorities during the financial year are given below :

(₹ '000)

S. No.	Authority	Non-Compliance / Violation	Penalty awarded	Penalty paid	Penalty waived / Reduced
1	Insurance Regulatory & Development Authority	Non-compliance with Insurance Brokers Regulations/Non-fulfilment of mandatory volumes in respect of Declined Risk Pool	500 (Nil)	500 (Nil)	Nil (Nil)
2	Service Tax Authority	Refer Note 8 (II)			
3	Income Tax Authority	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
4	Any other Tax Authority (Sales Tax)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
5	Enforcement Directorate / Adjudicating Authority / Tribunal or any Authority under FEMA	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)



S. No.	Authority	Non-Compliance / Violation	Penalty awarded	Penalty paid	Penalty waived / Reduced
6	Registrar of Companies / NCLT / CLB / Department of Company Affairs or any Authority under Companies Act, 1956	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
7	Penalty awarded by any Court / Tribunal for any matter including claim settlement but excluding compensation	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
8	Securities and Exchange Board of India	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
9	Competition Commission of India	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
10	Any other Central / State / Local Government / Statutory Authority	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)

(The figures within brackets represent previous year's figures)

21. As per IRDA Circular No. IRDA/F&I/CIR/CMP/174/11/2010 dated November 4, 2010, the statement showing the age-wise analysis of the unclaimed amounts of the policyholders as at March 31, 2014 is given below :

(₹ '000)

Particulars	Total Amount	4 - 12 months	13 -18 months	19 - 24 months	25 - 30 months	31 - 36 months	Beyond 36 months
Claims settled but not paid to the policyholders / insured due to any reasons except under litigation from the insured / policyholders	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sum due to the insured / policyholders on maturity or otherwise	NA	NA	NA	NA	NA	NA	NA
Any excess collection of the premium/ tax or any other charges which is refundable to the policyholders either as terms or conditions of the policy or as per law or as may be directed by the Authority but not refunded so far	9,802	2,688	1,001	898	1,596	825	2,794
Cheques issued but not encashed by the policyholder / insured	106,964	53,769	13,855	8,550	7,838	6,804	16,148
Total	116,766	56,457	14,856	9,448	9,434	7,629	18,942

22. The balances of amount due to / due from other entities carrying on insurance business, especially the reinsurance balances and the public sector co-insurance balances, are subject to confirmation / reconciliation. Consequential adjustments, if any, will be accounted for on receipt of the statements / confirmation of the balances after examination.
23. In accordance with Circular No. IRDA/F&A/CIR/FA/126/07/2013 dated July 3, 2013 and as certified by the Appointed Actuary, there is no premium deficiency for the company as a whole, as at March 31, 2014.



24. The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

25. Directors’ Remuneration

(a) Remuneration to Managing Director

(₹ '000)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Salaries and Allowances*	15,368	12,234
Contribution to Provident and Other Funds*	1,408	1,082
Perquisites	330	676
Total	17,106	13,992

* Excludes provision for long term compensated absences and the gratuity contribution which are determined actuarially on an overall company basis and accordingly have not been considered in the above information.

The remuneration to the Managing Director is in accordance with the terms of appointment approved by the Board of Directors, the Shareholders of the Company and the Insurance Regulatory Development Authority (IRDA).

Managerial remuneration in excess of ₹15,000 thousands has been charged to Profit and Loss Account in accordance with IRDA directive.

As per the terms of appointment approved by the Board of Directors, the Shareholders and IRDA, there is no remuneration payable in respect of the Wholetime Director, except for Secondment Charges reimbursable to Mitsui Sumitomo Insurance Company Limited, Japan (MS) amounting to ₹2,292 thousands (Previous Year - ₹2,390 thousands).

(b) Remuneration to Non-Executive Directors

(₹ '000)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Commission	3,500	2,272
Sitting Fees	1,415	1,190

26. The Company shares certain costs / service charges with other companies in the Group. These costs have been allocated between the Companies on a basis mutually agreed to between the Companies, which has been relied upon by the Auditors.

27. As prescribed by IRDA, the summary of financial statements and the accounting ratios of the Company are presented in the Annexures attached. Particulars of the risk management architecture and quantitative aspects of claims outstanding are contained in the Management Report.



28. Previous year's figures have been regrouped/reclassified wherever necessary to confirm to the current year's presentation. The summary of the regroupings of the previous year's figures is as follows:

(₹ '000)

S. No.	Sch	Particulars	Previous year figures reported in current year	Reported in previous year	Difference	Reasons
1	4	Legal and Professional Charges	330	-	330	Concurrent audit fees regrouped under Legal and Professional Charges
2	4	In any Other Capacity (Tax Audit and Certification)	-	330	(330)	
3	13	Deposits Held on Reinsurance Ceded	-	33,106	(33,106)	Payable on M&D premium grouped under Balances Due to Other Insurance Companies
4	13	Balances Due to Other Insurance Companies	33,106	-	33,106	
5	12	Advance Tax Paid and Taxes Deducted at Source	100	-	100	Provision for Wealth Tax regrouped under Advance tax Paid
6	13	Sundry Creditors	-	100	(100)	
7	13	Sundry Creditors	17	-	17	Creditors for investment relating to Motorpool investment
8	13	Claims Outstanding - Dismantled IMTPIP	-	17	(17)	
9	4	Miscellaneous Expenses	2,400	-	2,400	Directors' Commission regrouped under Miscellaneous Expenses
10	4	Employees' Remuneration and Welfare Benefits	-	2,400	(2,400)	

Signature to Schedules 1 to 16

For and on behalf of the Board of Directors

S B Mathur

Chairman

N Srinivasan

Director

Suresh Krishnan

Company Secretary

S S Gopalarathnam

Managing Director

Tsuyoshi Yamane

Wholetime Director

V Suryanarayanan

Chief Financial Officer

Place : Chennai

Date : April 24, 2014

Summary of Financial Statements



Registration No: 123

Date of Registration with IRDA July 15, 2002

(₹ '000)

Sl. No	Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
OPERATING RESULTS											
1	Gross Premium Written (Note 1)	18,551,145	16,208,906	13,465,362	9,679,864	7,848,548	6,854,351	5,223,354	3,117,320	2,201,809	1,692,542
2	Net Premium Income (Note 2)	15,519,967	13,500,583	9,907,740	7,268,600	5,146,347	4,341,377	3,211,287	1,592,591	985,500	894,727
3	Income from Investments (Net)	1,741,546	1,367,944	731,176	479,953	400,694	282,980	183,924	94,743	69,500	43,675
4	Others	1,711	1,489	645	746	714	1,201	1,268	1,127	4,500	905
5	Total Income	17,263,224	14,870,016	10,639,561	7,749,299	5,547,755	4,625,558	3,396,479	1,688,460	1,059,500	939,307
6	Commissions (Note 3)	218,647	170,450	136,820	(17,827)	(214,478)	(280,063)	(226,559)	(211,475)	(217,200)	(121,900)
7	Operating Expenses (Note 4)	3,903,430	3,310,312	2,804,107	2,331,067	1,939,517	1,639,532	1,321,193	794,856	571,300	428,616
8	a) Claims	11,374,011	9,003,657	6,581,753	4,857,802	3,443,377	2,757,790	1,556,531	707,663	689,300	547,172
	b) Increase in Unexpired Risk Reserve and Other Outgoes	1,206,330	1,826,241	1,216,439	994,932	523,454	487,731	722,712	319,803	101,500	184,200
	c) Premium Deficiency	-	-	-	(12,826)	12,826	-	(2,400)	2,400	-	(1,417)
9	Operating Profit / (Loss)	560,806	559,356	(99,558)	(403,850)	(156,940)	20,568	25,002	75,211	(85,400)	(97,364)
NON-OPERATING RESULT											
10	Total Income under Shareholders' Account	454,969	330,744	254,506	177,946	175,442	97,925	80,397	62,662	60,439	64,000
11	Profit / (Loss) before tax	1,015,775	890,100	154,950	(225,903)	18,502	118,493	105,399	137,872	(24,961)	(33,364)
12	Provision for Tax	314,802	288,139	(36,290)	3,435	(5,082)	48,581	33,023	13,004	6,214	-
13	Profit / (Loss) after Tax	700,973	601,961	191,240	(229,339)	23,584	69,912	72,375	124,869	(31,174)	(33,364)
MISCELLANEOUS											
14	Policyholders' Account (Note 5)										
	Total Funds	-	-	-	-	-	-	-	-	-	-
	Total Investments	-	-	-	-	-	-	-	-	-	-
	Yield on Investments	-	-	-	-	-	-	-	-	-	-
15	Shareholders' Account										
	Total Funds	-	-	-	-	-	-	-	-	-	-
	Total Investments	-	-	-	-	-	-	-	-	-	-
	Yield on Investments	-	-	-	-	-	-	-	-	-	-
16	Paid up Equity Capital	2,988,057	2,919,875	2,836,450	2,669,600	2,669,600	1,419,600	1,419,600	1,419,600	1,419,600	1,419,600
17	Net Worth	5,824,426	4,359,402	3,256,939	2,569,896	2,793,279	1,475,231	1,434,491	1,379,634	1,262,453	1,293,700
18	Total Assets (Note 6)	31,263,010	24,859,605	15,097,038	11,679,004	7,513,063	5,366,412	4,700,066	3,360,834	2,593,938	2,315,600
19	Yield on Total Investments	9.30%	9.00%	8.50%	7.84%	8.60%	8.02%	8.01%	6.17%	5.58%	5.60%
20	Incurred claims ratio (NIC/ NEP)	79.46%	77.12%	75.73%	77.43%	74.49%	71.56%	62.55%	55.60%	77.98%	77.01%
21	Commission ratio (Commission / Net written premium)	1.41%	1.26%	1.38%	(0.25%)	(4.17%)	(6.45%)	(7.06%)	(13.28%)	(22.04%)	(13.62%)
22	Expenses ratio (Expenses / Gross direct premium)	21.04%	20.42%	20.82%	24.08%	24.71%	23.92%	25.29%	25.50%	25.95%	25.32%
23	Earnings per Share (₹)	2.37	2.08	0.69	(0.86)	0.11	0.49	0.51	0.88	(0.22)	(0.24)
24	Book Value per Share (₹)	19.49	14.93	11.48	9.63	10.46	10.39	10.10	9.72	8.89	9.11
25	Total Dividend	-	-	-	-	-	-	-	-	-	-
26	Dividend per Share (₹)	-	-	-	-	-	-	-	-	-	-
27	Solvency Margin (times)	1.61	1.42	1.33	1.61	1.76	1.02	2.00	2.63	2.51	2.56
28	Solvency Margin (times) (Regulatory Requirement)	1.50	1.40	1.30	1.30	1.50	1.50	1.50	1.50	1.50	1.50

Notes

- Gross Premium Written represents Premium on Direct Business Written.
- Net Premium Income represents Gross Written Premium Net of Reinsurance Accepted & Ceded.
- Commission is net of Commission earned on Reinsurance Ceded.
- Operating expenses are taken net of gains from the sale of fixed assets, if any and excludes exceptional expenditure.
- Pursuant to Para 10 of IRDA (Investment) (Fifth Amendment) Regulations 2013, ₹19,240,338 thousands of the investments representing the Technical Reserves as at March 31, 2014 has been notionally allocated as Policy holders' Funds.
- Total Assets is defined as Net Fixed Assets + Investments + Current Assets+Deferred Tax assets.

Performance Ratios



Registration No: 123

Date of Registration with IRDA July 15, 2002

S. No.	Type of Ratio	Method of Computing	2013-14	2012-13
1	Gross Premium Growth Rate (Segment Wise)	Gross Premium for the Current Year / Gross Premium for the previous year	Schedule 1	Schedule 1
2	Gross Direct Premium to Net Worth Ratio	Gross Premium for the Current Year / (Paid up capital plus Free Reserves)	3.19	3.72
3	Growth Rate of Net Worth	Net Worth as at the current balance sheet date / Net Worth as at the previous balance sheet date	33.61%	33.85%
4	Net Retention Ratio (Segment wise)	Net Premium / Gross Premium	Schedule 2	Schedule 2
5	Net Commission Ratio (Segment wise)	Commission net of Reinsurance / net premium	Schedule 3	Schedule 3
6	Expenses of Management to Gross Direct Premium Ratio (Note 1)	Expenses of management / gross direct premium	24.94%	24.05%
7	Expenses of Management to Net Written Premium Ratio (Note 1)	Expenses of management (operating expenses plus direct commission) / Net Written Premium	29.81%	28.88%
8	Net Incurred Claims to Net Earned Premium	Net Incurred Claims / Net Earned Premium	79.46%	77.12%
9	Combined Ratio	Claims paid plus expenses of management plus commission / Net Written Premium	106.02%	102.91%
10	Technical Reserves to Net Premium Ratio	Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims / Net premium	1.48	1.37
11	Underwriting Balance Ratio (Segment wise) (Note 2)	Underwriting profit / Net premium	Schedule 4	Schedule 4
12	Operating Profit Ratio	Underwriting profit (loss) plus investment income of Policyholders/ Net premium	3.91%	4.78%
13	Liquid Assets to Liabilities Ratio (Note 3)	Liquid assets of the insurer / policy holders' liabilities	0.35	0.19
14	Net Earning Ratio	Profit after tax / Net premium	4.52%	4.46%
15	Return on Net Worth	Profit after tax / Net worth	12.04%	13.81%
16	Available Solvency Margin (ASM) to Required Solvency Margin (RSM) ratio	Available Solvency Margin at the end of the Quarter to the Required Solvency Margin required to be maintained as per regulations	1.61	1.42
17	NPA Ratio		Nil	Nil

Notes

- 1) Expenses of Management represent Operating expenses related to Insurance Business and Commission paid to Agents and Brokers.
- 2) Underwriting Profit represents Segmental Profit / (Loss) excluding Investment Income and other income.
- 3) Liquid Assets represent Cash and Cash Equivalents, Short Term Investments and IMTPIP receivables.

Registration No: 123

Date of Registration with IRDA July 15, 2002

	Year	Fire	Marine		Total	Miscellaneous							Total		
			Cargo	Other than Cargo		Motor	Workmen's Compensation	Public / Product Liability	Engineering	Aviation	Personal Accident	Health Insurance		Others	Total Misc
Schedule 1 Gross Premium for the Current Year / Gross Premium for the previous year (Percentage)	2013-14	17.49%	27.37%	-	27.37%	17.18%	(26.37%)	67.43%	(15.94%)	-	11.77%	-31.02%	347.64%	13.81%	14.45%
	2012-13	30.60%	1.09%	-	1.05%	21.07%	(13.69%)	(23.08%)	33.73%	-	13.04%	22.90%	8.01%	20.57%	20.37%
Schedule 2 Net Retention Ratio (Net Premium / Gross Premium) (Percentage)	2013-14	51.21%	28.56%	95.00%	28.57%	94.56%	94.80%	33.04%	51.17%	-	84.35%	92.52%	23.34%	87.19%	82.92%
	2012-13	46.31%	28.11%	90.00%	28.12%	89.07%	90.00%	58.17%	27.58%	-	63.38%	89.56%	50.64%	85.95%	81.74%
Schedule 3 Net Commission Ratio (Commission Paid Net of Reinsurance / Net Premium) (Percentage)	2013-14	4.58%	(23.62%)	(4.70%)	(23.61%)	2.64%	1.33%	(4.94%)	(5.70%)	-	(1.73%)	3.66%	(40.26%)	1.60%	1.41%
	2012-13	(0.19%)	(24.50%)	(1.67%)	(24.48%)	2.02%	(1.67%)	16.13%	(17.34%)	-	(6.21%)	1.42%	5.11%	1.60%	1.26%
Schedule 4 Underwriting Balance Ratio (Underwriting Profit / Net Premium) (No. of times)	2013-14	(0.06)	0.48	0.95	0.48	(0.17)	0.58	0.52	0.46	-	(0.03)	0.17	0.26	(0.09)	(0.08)
	2012-13	0.47	0.50	-	0.50	(0.18)	0.64	0.53	0.43	-	0.06	0.12	0.35	(0.10)	(0.07)

Note: Ratios in brackets indicate instances where commission earned on insurance ceded exceeded commission paid on gross written premium.





Cautionary Statement

Certain expectations and projections regarding the future performance of the Company referenced in this annual report constitute forward-looking statements. These expectations and projections are based on currently available competitive, financial and economic data, along with the Company's operating plans and are subject to certain future events and uncertainties, which could cause actual results to differ materially from those indicated by such statements.

We undertake no obligation to publicly update any forward-looking statements in this report, whether as a result of new information, future events or otherwise.

Notes





Introducing!

A smart range of health insurance plans



AYUSH (Ayurveda, Unani, Siddha & Homeopathy) treatment covered in addition to Allopathy



Tax benefits



Discount on long term policy purchase

FREEDOM includes benefits of the VALUE plan above, plus...



Freedom to decide your treatment



Freedom to decide your choice of doctor/hospital



Freedom to decide on room



Freedom from surprises



ENRICH includes benefits of the FREEDOM plan above, plus...



Double Sum Insured for 14 critical illnesses & any accident



50% cumulative bonus of your Sum Insured per year; max 100%



Lumpsum for extended hospitalization cover beyond Sum Insured



Free health checkup



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