सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

UNION GOVERNMENT
NO. 14 (COMMERCIAL) OF 1995

THE NEW INDIA ASSURANCE COMPANY LIMITED

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Report of the Comptro
and Auditor General
of India

No 14, 15, 17, 18, 19
(Commercial)
(English)

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PREFACE

Audit Boards are set up under the supervision and control of the Comptroller and Auditor General of India to undertake comprehensive appraisals of the performance of the Companies and Corporations subject to audit by Comptroller and Auditor General of India.

2. The report on the New India Assurance Company Limited was finalised by an Audit Board consisting of the following members:

1.Shri C.K.Joseph	Deputy Comptroller and Auditor General-cum-Chairman, Audit Board from 13 December 1993 to 20 March 1995.
2.Shri Ramesh Chandra	Deputy Comptroller and Auditor General-cum-Chairman, Audit Board from 6 April 1995.
3. Shri Ananda Shankar	Principal Director of Commercial Audit and Ex-Officio Member, Audit Board, Bombay from 1 June 1990 to 10 July 1994.
4. Shri Nand Lal	Principal Director of Commercial Audit and Ex-Officio Member, Audit Board, Bombay from 10 July 1995.
5.Shri S.Sathyamoorthy	Principal Director of Commercial Audit and Ex-Officio Member Audit Board-IV, New Delhi from 30 June 1993.
6.Shri S.Parthasarathy	Part-time Member Ex-General Manager of GIC Ltd.
7.Shri S.Krishnamoorthy	Part-time Member- Ex-Managing Director Of GIC Ltd.
8. Shri R.N.Ghosh	Director(Commercial) O/O C&AG of India from 28 June 1994.

The part time members are appointed by the Government of India (in the respective Ministry or Department controlling the Company or Corporation) with the concurrence of Comptroller and Auditor General of India.

3. The report was finalised by the Audit Board after taking into consideration the discussions held with the Ministry of Finance, Department of Economic Affairs (Insurance Division) on 24 August 1995.

4. The Comptroller and Auditor General of India wishes to place on record his appreciation of the work done by the Audit Board.

OVERVIEW

1. Introduction

1. The New India Assurance Company Limited, Bombay, established in 1919, became one of the four subsidiaries of the General Insurance Corporation after nationalisation in 1973, the others being National Insurance Company Ltd., the Oriental Insurance Company Ltd. the United India Insurance Company Ltd. Twenty one erstwhile insurers were merged with the Company with effect from 1 January, 1974.

(Para 1.1)

2. Objectives

The main objectives of the Company at the time of nationalisation were:

(i) to serve better the needs of economy by securing development of general insurance business to the best interests of the community and

(ii) to ensure that operation of economic system does not result in the concentration of wealth to the common detriment.

(Para 2.1)

3. Capital Structure

The authorised share capital of the Company is Rs 55 crores divided into 10 crore equity shares of Rs 5 each and 5 lakh preference shares of Rs 100 each.

As on 31 March 1994 the paid-up capital of the company was Rs 40 crores consisting of 8 crore equity shares of Rs 5 each.

(Para 3)

4. Organisational Structure

The Company has a four-tier organisational structure consisting of Head Office, 21 Regional Offices, 315 Divisional Offices and 833 Branch Offices. The operating units are the Divisional Offices and Branch offices with Regional and Head Offices rendering supervisory functions. The management vests with a Board of Directors of minimum four and maximum eleven directors.

(Para 4.1)

5. General Insurance Business

The following types of general insurance business are transacted by the company.

(i) Fire Insurance.

(ii) Marine Insurance comprising Marine Cargo and Marine Hull.

(iii) Miscellaneous Insurance comprising Motor Insurance, Engineering, Personal Accident Insurance, Burglary Insurance, Cattle Insurance, etc.

While premium rates for certain types of insurance are covered by tariff fixed by the Tariff Advisory Committee, certain business, mostly miscellaneous, is non-tariffed.

The Gross Direct premium in India earned by the Company during 1993-94 was Rs 1362.63 crores. The market share of the Company continued to hover around 30 percent over the years, though the company maintained market leadership.

The results were showing overall underwriting profit during the years 1991 - 92 to 1993-94 while during 1989-90 and 1990-91 there were underwriting losses.

(Paras 5.1, 5.2.2 & 5.2.3)

6. Fire Insurance.

(i) Fire insurance business showed profit in all the years from 1989-90 to 1993-94.

(ii) The Company's gross direct premium generally grew at a faster pace than that of the industry as a whole.

(iii) Following types of lapses were also noticed resulting in loss of revenue:

(a) tariff rates determined by engineers were not applied for recovery of premium.

(b) flaws in underwriting due to non-adherence of tariff provisions.

(Paras 6.1, 6.2, 6.3 6.4 & 6.5)

7. Marine Insurance

(a) Marine Cargo portfolio showed profit in all the years from 1989-90 to 1993-94.

(b) Instances were noticed where discounts were irregularly sanctioned in Marine policies and Subrogation rights were not properly enforced after settlement of marine claims.

(c) The Marine Hull business which resulted in losses upto 1991-92 showed marginal profit during 1992-93 and 1993-94.

(d) There was considerable delay in submission of applications to TAC for rating and in recovery of additional premium.

(paras 7.2.1, 7.2.2, 7.3. 7.4.1 and 7.4.3)

8. Miscellaneous Insurance

(A) Motor Insurance:

The company has incurred losses in motor insurance in all the years between 1989-90 and 1993-94. In 1993-94 the loss was Rs 81.79 crores. There were heavy losses under Third Party Claims.

(B) Other Miscellaneous Insurance

The business showed profits except in 1989-90 when there was a loss of Rs.1.03 crores.

(i) Workmen's Compensation Policy

The sum insured under the policy initially is the estimated wages which is subject to adjustment on the expiry of the policy on the basis of actual wages paid. However, such adjustments were seldom carried out.

(paras 8.2.2, 8.2.3, 8.5.1 and 8.9)

(ii) Rural Insurance

Cattle Insurance

This covers IRDP and non-IRDP schemes. System lapses were noticed in implementation of this business.

(para 8.10.2)

9. Acceptance of Risk

Claims of Rs 1.18 crores were settled even when the full premium was not collected and when the premium debited exceeded bank guarantee limit. In a few cases premium was collected after the expiry of time limit prescribed.

(para 9)

10. Procurement of Business:

Business is underwritten by the company through the Development Officers who are employees and through agents who are paid agency commission.

The incentive scheme framed for the development officers does not disqualify them from earning profit incentive even in cases where their business is not profitable.

As most of the agents work under the supervision of Development Officers, the business procured by the agents fetches commission for them and incentive to the Development Officers.

(paras 10.1 and 10.2.2)

11. Foreign Operations:

(i) The Company continued to transact direct business abroad through branches/agencies/associate companies as was done before nationalisation.

(ii) Though the underwriting results of four branches and two agencies showed continuous losses the operations were allowed to continue.

(Para 11.1,and 11.3)

12. Reinsurance:

(i) The objective of the company is to maximise net retained premium, earn substantial foreign exchange and augment financial resources.

(ii) Except in 1989-90, the reinsurance transactions resulted in overall drain on foreign exchange.

(iii) No statistics are maintained to show the profitability or otherwise of business procured by various brokers.

(para 12.2, 12.4 & 12.5.5)

13. Investments

The accruals of the Company are to be invested in accordance with Government guidelines and the provisions of the Insurance Act.

The investments in the socio-oriented sector rarely touched the stipulated 70 percent. Consequently the investments in market sector exceeded the envisaged 30 percent.

(paras 13.1 and 13.6)

14. Customer Service

As on 31 March 1994, 15644 claims amounting to Rs 11524.39 lakhs were pending settlement for over five years.

(para 16)

15. Accounts

Transfer of funds

The Company claimed Rs 34.96 lakhs from banks in 25 cases towards interest @ 12 percent p.a. for credits after delay ranging from 14 to

701 days, while transferring funds from Divisions to Head Office but could recover Rs.5.37 lakhs only so far (August 1995).

(para 17.1)

16. Internal Audit

The recommendation of a committee constituted by GIC, to make the internal audit teams officer-oriented, is yet to be implemented by the company.

(para 18.1)

1. Introduction

1.1. The New India Assurance Company Limited was incorporated as a Public Limited Company in July 1919 to deal with only general insurance business. Though life insurance business was also taken up by the Company during 1929, it was taken over by Life Insurance Corporation of India (**LIC**) in January 1956. Consequent on the passing (January 1973) of General Insurance Business (Nationalisation) Act, 1972 the entire General Insurance business was taken over by the Central Government under this Act, and a holding company called the General Insurance Corporation of India (**GIC**) was formed (November 1972) for the purpose of superintendence, control and carrying on the business of general insurance in the country. The New India Assurance Company Limited (**NIAC**) became one of the four subsidiaries of GIC with effect from 1st January 1973, the others being National Insurance Company Limited, United India Insurance Company Limited and the Oriental Insurance Company Limited.

Pursuant to the New India Assurance Company Limited, (Merger) Scheme, 1973 framed by the Government, twenty one erstwhile insurers as detailed in Annexure-I were merged with the Company with effect from 1st January 1974.

1.2 Economic indicators of Indian Insurance Industry.

The significance of the insurance industry in the economy is represented by two indicators, insurance penetration and insurance density. Insurance penetration is the ratio of premium income to the gross domestic product (GDP). It not only indicates the significance of the insurance industry in a national economy, but also the development of this branch of economy in relation to the economy as a whole. If this indicator increases, it signifies that the insurance industry is developing at a faster pace than the country's economic activity. Insurance density on the other hand, is the per capita expenditure on insurance and expresses the overall premium income of a country in relation to its population. Developed economies show a high insurance density as compared to developing and under-developed economies. Insurance penetration and insurance density of the Indian insurance industry as a whole and of some other developed and developing markets, for the five years 1989-1993 are shown below.

Country	Insurance penetration					Insurance Density (In US$)				
	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
1. Brazil	0.91	1.20	1.20	3.70	1.06	7.50	14.64	24.10	34.40	31.30
2. Egypt	0.84	0.73	0.70	0.80	0.58	9.30	5.65	4.00	4.40	4.60
3. Germany	2.48	3.53	3.50	3.50	4.07	453.70	899.76	794.60	805.80	864.40
4. U.K	3.41	3.43	3.60	4.00	4.19	485.20	629.51	681.20	627.00	683.20
5. India	0.49	0.56	0.60	0.50	0.56	1.60	1.87	1.50	1.70	1.60
6. Indonesia	0.59	0.68	0.70	0.70	0.66	3.10	3.93	4.00	4.50	5.10
7. Japan	2.41	2.37	2.30	2.20	2.70	533.00	607.04	663.50	673.50	937.90
8. Mexico	0.83	0.73	0.80	1.00	1.06	18.20	19.31	25.90	35.90	42.00
9..Philip-pines	0.73	0.80	0.90	0.90	0.86	5.20	4.98	6.30	7.70	7.10
10.Thailand	0.73	0.83	0.90	0.90	1.23	8.80	11.82	14.10	17.10	24.20
11.China	0.62	0.67	0.70	0.70	0.68	1.90	1.90	2.20	2.50	3.10
12.South Korea	1.85	2.12	2.30	2.50	2.55	91.60	117.10	144.00	167.90	190.90
13.Israel	4.03	3.62	3.20	3.60	4.08	373.20	391.34	379.20	400.40	504.80
14.Taiwan	4.15	1.32	1.40	1.50	1.62	92.70	102.01	121.80	149.50	168.00

While most of the European countries and Japan were having higher share in the World Market on non-life insurance premium, countries like China, South Korea, Israel and Taiwan were also ahead of Indian Market in premium procurement among the Asian countries. The Management attributed (October 1993) this trend to lack of general insurance awareness and insureds' tendency to take out insurance covers strictly to meet statutory or commercial obligations.

2. Objectives

2.1. The main objectives of the Company at the time of nationalisation were:

(i) to serve better the needs of economy by securing the development of general insurance business to the best interests of the community;

(ii) to ensure that the operation of the economic system does not result in the concentration of wealth to the common detriment.

The Company translated these broad objectives into corporate goals and corporate objectives.

2.2. The Corporate goals/objectives were:

(i) to continue to operate on sound lines adding financial strength to the operations and thereby acting as a catalyst of national economic growth;

(ii) to provide effective, efficient and meaningful service to the clients;

(iii) to spread message of insurance as widely as possible;

(iv) to plan and monitor business development in a manner which fulfils/balances classwise growth, appropriate regional distribution and effective sectorwise extension;

(v) to build up effective and efficient manpower complement at all levels on a time scale;

(vi) to plan for significant growth in foreign business, for earning valuable foreign exchange for the country;

(vii) to undertake active, viable reinsurance trading internationally to maximise net retained premium, earn substantial foreign exchange and augment the financial resources; and

(viii) to make use of the surplus funds available from operation to maximise earning within the framework of guidelines applicable.

3. Capital Structure

The authorised share capital of the Company is Rs 55 crores comprising 10 crore equity shares of Rs 5 each and 5 lakh preference shares of Rs 100 each. As on 31 March 1994, the paid-up equity capital was Rs 40 crores consisting of 8 crore equity shares of Rs 5 each, including bonus shares (Rs 36.15 crores) issued in 1976 and 1990 by capitalisation of premium on shares and general reserves.

4. Organisational Structure

4.1. The overall control and management of the Company is vested with the Board of Directors. The Articles of Association of the Company provide for a Board with a minimum of four and a maximum of eleven directors to be appointed by Chairman GIC with the previous approval of Central Government. Though the Articles of Association do not stipulate that the General Managers of the Company shall be appointed as Directors, generally all the General Managers are appointed as Directors. The Central Government and GIC are also represented on the Board by one nominee each. The Organisational structure of the Company is given in Annexure II.

4.2. The Company has a four-tier organisational pattern consisting of Head Office (H.O.), Regional Offices (R.O.), Divisional Offices and Branch Offices. As on 31 March 1994, the Company had 21 Regional Offices, 315 Divisional Offices and 833 Branch Offices spread all over India. Regional Offices act as Head Office in supervising, controlling and monitoring operations of the Divisional and Branch Offices under their control. The Divisional Offices and the Branch Offices are the operating units where underwriting and settlement of claims take place. Minimum premium norms were laid down by GIC from time to time for opening of Regional, Divisional and Branch Offices.

5. General Insurance Business

5.1 The following types of General Insurance business are transacted by the Company :

(i) Fire Insurance,

(ii) Marine Insurance comprising Marine Hull & Marine Cargo and

(iii) Miscellaneous Insurance comprising Motor insurance, Engineering insurance, Personal Accident insurance, Burglary insurance, Cattle insurance,etc.

While the premium rates chargeable for Fire, Marine, Erection All Risks, Motor, Workmen's Compensation and Tea Crop Insurance are governed by tariff fixed by Tariff Advisory Committee (TAC), other business, mostly under miscellaneous Insurance are non-tariffed rates. Since 1 April 1994 the Marine Cargo Insurance business has been de-tariffed.

5.2. Growth of Business:

5.2.1. The Company's corporate plan (December 1986) had envisaged a growth rate of 19 percent every year so as to achieve a premium income of Rs 684.00 crores by the end of 1989. The corporate plan for the year 1992-93 to 1996-97 visualised an annual growth rate of 18%. As against this, the growth rate ranged between 15.96 percent and 29.17 percent during 1989-90 to 1993-94 and the gross premium income reached a level of Rs 648.12 crores by 1989-90 and Rs 1362.63 crores by 1993-94. Responding to a query (August 1995) as to whether the Ministry had signed MOU with the Insurance Companies, the Audit Board was informed that there was no such system existing.

5.2.2. The Gross Direct Premium earned by the Company during the last five years upto 1993-94 ranged between Rs 648.13 crores (1989-90) and Rs 1362.63 crores (1993-94) as against that of entire industry ranging between Rs 2174.50 crores (1989-90) and Rs 4449.44 crores (1993-94). However, while the Company retained the market leadership, its market share of premium continued to hover around 30 percent throughout the period.

5.2.3. The table below shows the Company's total Gross Direct Premium Income in India, Gross Direct Claims and profitability for the last five years :

(Rs in crores)

Years	Premium	Commission	Claims	Exp.of. Management.	Reserve Strain	Balance
1989-90	648.13	14.18	469.59	148.47	69.02	(-)53.13
1990-91	837.22	17.54	586.32	168.55	106.00	(-)41.19
1991-92	983.02	20.06	646.19	196.50	92.68	27.59
1992-93	1175.06	22.86	666.54	215.59	119.89	150.18
1993-94	1362.63	26.35	782.35	240.02	102.53	211.38

5.2.4. The business procured through organised sector remained more or less static during the last five years ranging between 68 percent and 69 percent and the coverage of insurance in respect of Public sector clients ranged from 14.8 percent in 1989-90 to 16.3 percent in 1993-94. The Management stated (October 1993) that being a Tata concern prior to the nationalisation, the Company had more business affinity to tied and organised sectors. Further, the low priority given to insurance by public sector, non-review of the value of assets by them and their lack of appreciation of the value of insurance on replacement value basis, economy measures etc. were also advanced as the reasons for low coverage of insurance in respect of public sector units.

5.3. Tariff Advisory Committee

TAC is a statutory body formed under the Insurance Act, 1938. The Act empowers TAC to lay down rules, regulations, rates, advantages, terms and conditions that may be provided in respect of any risks which TAC considers proper to regulate and control. The rates fixed by TAC are binding on all insurers and any violation is considered to be breach of tariff under Sec.64 of the Act.

Accordingly, TAC have prescribed tariff for Fire insurance, Marine cargo insurance, Motor insurance, Engineering business insurance and Workmen's compensation insurance leaving all other insurance as non-tariffed. In some cases, there are market agreements among the companies which lay down guidelines for covering of risks, the terms and conditions etc.

6. Fire Insurance

6.1 The table below gives the projected growth of premium income, the actual premium earned and the net profit/loss in respect of fire business for the five years upto 1993-94:

(Rs in lakhs)

Years	Projection of gross premium as per corporate plan	Budgeted premium	Actual gross direct premium	Gross Direct claims	Agency Commission	Exp.of Mgt.	Reserve Strain	Net Profit(+)/ Loss (-)
1989-90	17700	15900	16952	6965	82	5248	2022	2635
				(41.1)	(0.5)	(31.0)	(11.9)	(15.5)
1990-91	*	19500	20727	10842	98	5067	1887	2833
				(52.3)	(0.5)	(24.4)	(9.1)	(13.7)
1991-92	*	26100	25448	12402	112	6598	2361	3975
				(48.7)	(0.4)	(25.93)	(9.3)	(15.62)
1992-93	31700	32301	31712	11558	136	7584	3132	9302
				(36.4)	(0.4)	(24.0)	(9.9)	(29.3)
1993-94	38902	38000	37410	9309	156	8282	2849	16814
				(24.9)	(0.4)	(22.14)	(7.6)	(44.94)

(Figures in brackets represent percentage to Gross Direct Premium) (* Period not covered by corporate plan)

6.2. The Company's rate of growth of fire premium outpaced that of the industry during the five years ending 1993-94 as indicated by the table below :

Years	Market Growth		New India's Premium Growth	
	Gross Direct Premium (Rs in crores)	Percentage Growth	Gross Direct Premium (Rs in crores)	Percentage growth
1989-90	568.24	26.8	169.52	31.3
1990-91	658.58	15.9	207.27	22.4
1991-92	795.08	20.7	254.48	22.7
1992-93	932.12	17.2	317.12	24.6
1993-94	1096.20	17.6	374.10	17.9

It was stated by the Management (November 1993) that the growth rate in fire insurance was mainly dependent upon industrial growth rate as a whole.

6.3. Underwriting of Risks

All risks above a prescribed monetary limit are to be inspected by the Company's engineers who specify the premium rates chargeable for the particular risks. When the Ministry's attention was drawn to the number of risks awaiting inspection for the purpose of rating, Ministry attributed this to shortage of qualified engineers who are required to physically inspect the risks to arrive at the correct ratings. In cases where the risks were inspected by the Company's engineers, though the premium rates prescribed by them were as per the tariff for the particular blocks, depending on the nature of construction, occupation and contents, it was noticed during test check in Audit that in four cases, (Ahmednagar 2 cases and Ahmedabad and Bangalore 1 case each), the operating offices did not apply the correct rates resulting in a loss of premium of Rs 15.89 lakhs out of which the company could recover Rs.9.17 lakhs only.

The tariff provides that the exact amount of Insurance against the various items insured under the policy must be communicated to the insurer within a period of 60 days from the commencement of the insurance or renewal date as the case may be. In one case (policy issued on 1 April, 1990), the Company had to forego a premium of Rs 24.70 lakhs on account of failure to charge the highest rates in the absence of block-wise details furnished by the insured within the stipulated period of 60 days. The Ministry's reply that the Insured had furnished details in May 1990 itself is not found correct as the said letter did not give block-wise details as required under Tariff provisions.

6.4. The rate chargeable for the risk under "multiple occupancies" shall be the rate applicable to the highest rated portion, unless the communicating portions are segregated from the higher ratable block by a perfect party wall. It was noticed during test check in Audit that in two cases (Berhampur and Calcutta DO X), the Divisions charged "per se" rates even though the lower ratable blocks were communicating with the higher ratable portions of the risks, resulting in loss of premium to the extent of Rs 13.74 lakhs. The Ministry stated (August 1995) that inspite of efforts by the company the Insured refused to pay.

6.5 Fire tariff provides for the premium rates to be charged for various items of risk. Due to non-adherence to tariff provisions and incorrect application of tariff rates, the Company incurred a total loss of revenue of Rs 33.49 lakhs in seven Divisional Offices during the period 1987-88 to 1990-91 (Vide Annexure-III). Out of this, the company has recovered Rs. 13.09 lakhs.

6.6. Loss of Profits Insurance

It was noticed in a review of consequential loss (fire) policies issued by the underwriting offices that either the basis rate was incorrectly computed or the tariff provisions were violated and consequently, the Company had foregone revenue to the extent of Rs 51.37 lakhs in three cases. Out of this Rs.25.37 lakhs pertaining to one case was recovered.

6.7. Extraneous Perils

The Standard Fire policies exclude certain perils from its scope. Some of these perils are extended to the policy by an endorsement on payment of additional premium. The perils such as Earthquake, Flood, Spontaneous Combustion, Terrorism are covered under the term "Special Perils" or "Extraneous Perils". It was noticed during test check in Audit that in four cases premium for extraneous perils was not charged as per tariff resulting in loss of premium of Rs 7.81 lakhs. The company stated that a recovery of Rs. 4.50 lakhs has been made (August 1995).

In response to a query by Audit Board (August 1995) as to whether any internal control system existed in the company to detect such underwriting lapses during the currency of the policy, the Ministry stated that the company did not have any internal control system separately from Internal Audit.

6.8. Non Standard Claims

A claim falling under a policy and supported by reports of loss assessors, will be settled as a "Standard Claim". On the other hand, a claim is treated as "Non Standard" when it does not fall within the scope of the policy or there is lack of supporting evidence of loss. An "Ex-gratia" claim is one where there is no legal liability to indemnify the insured. However, a claim can be settled on ex-gratia basis, only when the property damaged is either not insured or the policy does not cover the particular peril causing damage and the insured is able to demonstrate that such absence of cover was purely on account of reasons like clerical error. It was noticed during test check in Audit that the Company settled five cases on ex-gratia basis involving claim settlement of Rs 103.27 lakhs though these cases could be rejected because of false declaration of class of construction, the stocks under loss not being mentioned in the policy, insured not belonging to the tiny sector and risk not being covered under the policy. However, in some cases the ex-gratia payment was approved by the Board without considering the continuous adverse claim experience in respect of the insured. The guidelines for settlement of ex-gratia claim should also include consideration of adverse claim experience in respect of the insured.

7. Marine Insurance

7.1 The following table indicates marine insurance premium procured by the Company as compared to that of the Industry :

(Rs in lakhs)

	Market Share		NIAC's share	
Year	Gross Direct Premium	Percentage Growth Premium	Gross Direct	Percentage Growth
1989-90	34037	15.7	11336	13.5
1990-91	41825	22.9	13628	20.2
1991-92	49992	19.5	17582	29.0
1992-93	56466	13.0	22358	27.2
1993-94	83231	47.4	24108	7.8

7.2. **Marine Cargo Insurance.**

7.2.1 The following table indicates the projected Gross Direct Premium in India, Actual Premium earned and the net profit under Marine Cargo insurance business of the Company for the five years upto 1993-94:

(Rs in lakhs)

Years	As per Corporate plan	Budgeted	Gross Direct Premium	Gross Direct claims	Agency com.	Expenditure of Management.	Reserve strain	Net Profit(+) Loss(-)
1989-90	10700	9900	9075	5076	98	1453	1378	1070
				(55.9)	(1.1)	(16.0)	(15.2)	(11.8)
1990-91	*	10600	11195	6278	118	1635	2120	1044
				(56.1)	(1.1)	(14.6)	(18.9)	(9.3)
1991-92	*	13100	14095	5705	150	2004	2900	3336
				(40.5)	(1.1)	(14.22)	(20.6)	(23.67)
1992-93	16700	16393	16263	5600	172	1941	2167	6383
				(34.4)	(1.1)	(11.9)	(13.3)	(39.3)
1993-94	20988	19500	17790	8601	195	2055	1527	5412
				(48.3)	(1.1)	(11.5)	(8.6)	(30.4)

(Figures in brackets represent percentage to Gross Direct Premium) { Period not covered by corporate plan}

7.2.2 Marine Special Declaration Policies

The All India Marine Cargo Tariff, provides for turnover discount under Marine Special Declaration policies if the average loss ratio for the three years immediately preceding the expiring year is within 60 percent after allowing the discount. The offer of turnover discount is intended to act as an incentive to the client for payment of premium in advance. The tariff, therefore, prohibits the grant of turnover discount once the initially declared sum insured is exhausted in order to curb the tendency of the insured to deliberately declare a lower sum-insured at the time of taking the policy and thereby making payment of a lesser premium in advance. The insured is expected to furnish actual despatches made during the policy period and the excess despatches, if any, over and above the declared Sum Insured are to be treated as covered under open policy and premium charged without allowing turnover discount. It was seen during test check in Audit that in nine cases, turnover discounts aggregating Rs 9.26 lakhs were allowed even though the sum-insured had already been exhausted. It was also noticed that in six cases irregular discounts amounting to Rs 50.04 lakhs were allowed even though the clients were not entitled for the same due to either (a) the claims ratio being in excess of 60 percent or (b) the refusal of TAC for grant of such discounts.

7.2.3 Special Declaration Policy provides for a category-wise cover of goods to be despatched by the insured. The premium is charged as per the rate for each category of goods, being less for non-hazardous goods and more for hazardous. Similarly, premium rates for despatches below 80 Kms are lower than those for despatches above 80 kms. During test check, it was noticed in Audit that in four cases the insured availed of inadmissible turnover discount of Rs 4.05 lakhs on actual despatches made for each category without full payment of premium in advance as the initial estimates were so made as to avail of lower rates. Special Declaration Policy further envisages that the Sum Insured under a renewed policy should not be less than the aggregate value of the despatches made during the currency of the preceding year's policy. The Ministry agreed (August 1995) that the Special Declaration Policy conditions did not provide for estimation of category-wise and distance-wise despatches based on previous year's turnover to avoid the tendency of the Insured to pay less premium in advance. The Audit Board observed that the lacuna in the policy needed to be rectified

7.3. Subrogation

7.3.1. Where a loss has been settled, the underwriter is entitled to place himself in the position of the insured and become subrogated to the rights of the insured against the carriers. In a number of cases, either prompt recovery action was not initiated after obtaining the letter of subrogation, or the claims were settled in full but no recovery was effected. The amount recovered from the road carriers was marginal (10 percent to 15 percent) as against the amount of claim settled.

7.3.2. No legal action, except in a few cases, has been taken against the carriers and the Company was satisfied with the meager offer received from the carriers through the recovery agents, thereby losing their subrogation rights. The recovery fees charged by the recovery agents on "Road Recovery" alone works out to Rs 4.29 lakhs for the years 1989 to 1991 as against the total recovery of Rs 34.19 lakhs. No action has been taken for strengthening the enforcement of subrogation rights in order to increase the percentage of recovery. The Management stated (November 1993) that litigation process involved considerable time and expense and it was not a viable proposition to resort to litigation against carriers in respect of small losses. The Ministry stated (August 1995) that no codified policy is existing regarding the norms or guidelines issued in regard to recovery cases which were being pursued for enforcing subrogation rights , but agreed to look into the matter so as to streamline the system of enforcing the rights.

7.3.3. Six cases involving an amount of Rs 89.76 lakhs were noticed during test check in Audit where recovery against the carriers was effected only to the extent of Rs 0.08 lakh due to reasons such as survey not being conducted, claim being time-barred, claim not properly being pursued etc.

7.4 Marine Hull Insurance

7.4.1 The results of Marine Hull business written in India for the five years upto 1993-94 are detailed below :

(Rs in lakhs)

Year	Projection as per Corporate plan	As per Budget	Actual gross direct premium	Gross Insured claims	Agency commi-ssion	Management expenses	Reserve strain	Net profit(+)/ Loss(-)
1989-90	2800	1900	2261	1560	6	472	430	(-)207
				(69.0)	(0.3)	(20.9)	(19.0)	(9.2)
1990-91	*	2100	2433	3416	10	411	172	(-)1576
				(140.4)	(0.4)	(17.0)	(7.1)	(64.8)
1991-92	*	2800	3487	2804	8	580	1054	(-)959
				(80.4)	(0.2)	(16.63)	(30.23)	(27.5)
1992-93	4200	5612	6095	2624	9	828	2608	26
				(43.1)	(0.1)	(13.6)	(42.8)	(0.4)
1993-94	7923	7200	6318	5010	10	1021	223	54
				(79.3)	(0.16)	(16.16)	(3.53)	(0.8)

(Figures in brackets represent percentage to Gross Direct Premium) {* Period not covered by corporate plan}

The Management explained (March 1994) to the Audit Board that losses in Marine Hull Insurance were attributable to hulls being old, freight rates being down resulting in owners not maintaining the ships well and lack of trained staff. On being asked about continued losses in Marine Hull business, the Ministry stated (August 1995) that the situation was common for all the companies and the rating formula provided for penalty for adverse claims ratio.

7.4.2 In respect of policies issued to Great Eastern Company Limited, the company could recover the additional premium of Rs 40.88 lakhs, only after considerable delay ranging from 45 days to 2 years and 10 months as the rating from TAC itself was received belatedly.

7.4.3. TAC envisages that applications for initial rating shall be submitted in the prescribed form within 60 days, from the date of attachment of risk. It was, however, observed that there was delay ranging from 20 days to 3 years and 10 months in 38 cases during 1987-88 to 1990-91 in submission of applications to TAC. The Audit Board indicated that there was undue delay in rating Hull Insurance. The Ministry while agreeing (August 1995) to look into the system for improvement stated that the delay was due to belated receipt of data by TAC from the Insured and the Insurance Companies. The Audit Board emphasised the need for holding regular meeting of TAC to avoid such delays.

8. Miscellaneous Insurance

8.1 All types of General Insurance business which do not fall under Fire or Marine Insurance business, are covered under the category "Miscellaneous Insurance". The different types of miscellaneous insurance covered by the Company are (i) Motor

Insurance, (ii) Engineering Insurance, (iii) Personal Accident Insurance, (iv) Burglary Insurance, (v) Mediclaim Insurance (vi) Cash-in-transit Insurance, (vii) Workmen's Compensation Insurance and (viii) Other classes of Accident Insurance such as Bankers' Indemnity, Jewelers' Block Policy and Fidelity Guarantee Insurance.

In addition, the following types of business are also underwritten which are mainly intended for weaker sections of the society and grouped under Rural Insurance : (i) Cattle Insurance, (ii) Janata Personal Accident/Gramin Accident, (iii) Personal Accident & Social Security Scheme (PASS) and Hut Insurance, (iv) Agricultural Pumpset Insurance and (v) Borewell/Horticultural Insurance etc.

8.2 Motor Insurance

8.2.1. The Motor Insurance forms predominant portion of the Miscellaneous Portfolio of the Company. With the number of vehicles plying on the roads on the increase, there has been a quantum increase in premium income under this class of business. The Motor Insurance business is fully tariffed and the rates of premium and the scope of cover are standardised.

8.2.2. The following table shows the projected premium income as per Corporate Plan, the Budgeted premium, actual premium income earned, net profit/loss under Motor Insurance business for the five years upto 1993-94 :

(Rs in lakhs)

Year	Projection as per Corporate Plan	As per budget	Actual gross direct premium	Gross direct claims	Agency commi-ssion	Expendi-ture of Manage-ment	Reserve strain	Net profit(+)/ loss(-)
1989-90	19200	18400	19535	22073 (112.99)	526 (2.69)	3942 (20.18)	1702 (8.71)	(-)8708 (44.58)
1990-91	*	20600	27917	26315 (94.26)	722 (2.58)	5424 (19.42)	4191 (15.01)	(-)8735 (31.28)
1991-92	*	31550	31166	29028 (93.14)	810 (2.59)	5816 (18.69)	1624 (5.21)	(-)6112 (19.64)
1992-93	35100	33732	33516	32029 (95.56)	869 (2.59)	6370 (19.00)	1175 (3.50)	(-)6927 (20.67)
1993-94	38352	38300	37852	35896 (94.84)	983 (2.6)	6984 (18.45)	2168 (5.73)	(-)8179 (21.61)

(figures in brackets are percentage to Gross Direct Premium) (* Period not covered by corporate plan)

8.2.3 The Company incurred loss in Motor Insurance in all the years. There were heavy losses under Third Party Insurance in all the years ranging from 200 to 316 percent. Responding to a query about heavy losses in Motor Insurance, the Ministry stated (August

1995) that the same was also brought out in the report of Malhotra Committee. In spite of the continuous losses suffered by the Company in Motor business, it has not contemplated loading of premium for vehicles having adverse claim experience with a view to increasing the premium base.

8.2.4 There was an upward revision in premium for third party cover for commercial vehicles during 1989-90. Category-wise and class-wise details of Motor claims experience for third party cover alone were not maintained by the Company to ascertain whether the increase in premium was effective. The Management was hopeful (November 1993) of generating the data in near future with progressive computerisation.

8.3. Control of Salvages

When once the claim is settled by the Company, the replaced parts (salvages) become the property of the insurers. Though GIC has not issued any guidelines regarding treatment of salvages at the time of settlement of claims, in practice, the salvage value is adjusted as mutually agreed upon by the insured and the insurer. The Management clarified (March 1994) to the Audit Board that general guidelines were issued by GIC on disposal of salvage. The Ministry stated (August 1995) that well-laid down systems and procedures exist. The Ministry further assured that the Management is always alert and tries to avoid deterioration in value of salvages and minimise garage charges. However, a review of the salvage register maintained by the Branches of a Division attached to Bombay Regional Office revealed that proper salvage details are not maintained and there were delays in disposal of salvage ranging from 43 days to more than one year. Belated disposal of salvage entailed payment of avoidable rental charges of Rs 2.54 lakhs to the garages and deprived the Company of better value for salvage owing to deterioration.

8.4 Issue of Cover Notes

8.4.1. Motor Vehicles Act provides for issue of cover notes immediately pending issue of regular policy documents on realisation of premium. Proper records have not been maintained by the operating offices to ensure utilisation of cover notes issued to the Development Officers/Agents and proper account of premium.

A City branch attached to Howrah division maintained no control register to ensure proper utilisation of cover notes though 30 books containing 1200 cover notes were issued as per Stock Register during the period 1 April 1989 to 31 March 1992.

New Chassis manufactured by an automobile company based at Madras are being covered under Motor Trade Policy. The Division issued (February 1992) an open policy agreeing to cover all despatches from factory to Regional Sales Offices/Dealers at various places throughout India which is subject to declaration by the Insured as and when the Chassis are despatched. As the Insured has a very wide network, the Division entrusted the book containing pre-signed cover notes with the Insured in advance for utilisation at their end as and when the despatches were made. Provisional premium, on estimated basis, was collected in advance every month to cover all the cover notes and adjustments were made subsequently on the basis of actual despatches.

8.4.2. The issue of pre-signed cover notes is against the prescribed procedure. On an average, 40 to 45 days were required for a cover note to reach the Division after the same is issued by the Insured at the point of despatch. In some cases, the cover terminated even before the premium for the cover notes was debited to the Bank Guarantee Account as they reached destination. The Division had, thus, virtually no control over issue of such cover notes. The Ministry stated (August 1995) that such facilities are extended only to well established clients with proper maintenance of accounts. However, no detailed guidelines or procedures were laid down to have effective control in respect of pre-signed cover notes entrusted to the clients.

8.5 Other Miscellaneous Insurance

8.5.1. The following table indicates the projected premium as per Corporate Plan, Budgeted and actual premium earned with profitability under Miscellaneous insurance business other than Motor, for the five years upto 1993-94:

(Rs in lakhs)

Year	Projected as per Corporate Plan	Budget	Actual Gross Direct Premium	Gross Direct Claims	Agency Commi-ssion	Expendi-ture of Management	Reserve strain	Net Profit(+)/ Loss(-)
1989-90	18200	16400	16990	11285	706	3732	1370	(-) 103
				(66.4)	(4.2)	(22.0)	(8.1)	(-)(0.7)
1990-91	*	19900	21450	11781	806	4317	2230	2316
				(54.9)	(3.8)	(20.1)	(10.4)	(10.8)
1991-92	*	23050	24106	14680	926	4652	1329	2519
				(60.9)	(3.8)	(20.0)	(5.5)	(9.8)
1992-93	28500	29102	29920	14843	1100	4836	2907	6234
				(49.6)	(3.7)	(16.2)	(9.7)	(20.8)
1993-94	35510	34000	36893	19419	1291	5660	3487	7036
				(52.6)	(3.5)	(17.6)	(9.5)	(16.8)

(Figures in brackets are percentages to Gross Direct Premium) {* Period not covered by corporate plan}

8.5.2. The premium projected in the Corporate Plan was not achieved in the year 1989-90 and the miscellaneous business showed losses during 1989-90. The Management stated (November 1993) that the premium projected in the Corporate Plan could not be achieved due to industrialisation not taking place at the pace anticipated.

8.6 Engineering Insurance:

8.6.1. Erection All Risks Insurance

The marine-cum-storage-cum erection of a clearly identifiable project is covered against "all risks" under Engineering Insurance. The premium rate for marine-cum storage-cum-erection cover (MCE) is tariffed. In cases where the sum insured is over Rs 50 crores, rating of MCE policy is to be referred to TAC for special rating. The following table indicates the premium procured by the Company in Engineering business insurance as compared to the market premium and the claims experience for the last five years upto 1993-94, and the growth rate of premium of the Company is higher than the market growth except during 1991-92 :

(Rupees in lakhs)

Year	Gross Direct Market Premium	Growth Per-centage	Gross Direct NIAC Premium	Growth Per-centage	Percentage of NIAC Share to Market share	Gross Incurred claims of NIAC	Percentage of claims to Gross Direct Premium
1989-90	16072	28.2	5698	33.7	35.45	3655	64.2
1990-91	20560	27.9	7398	29.8	35.98	3836	51.9
1991-92	23547	14.5	8417	13.8	35.74	5116	60.8
1992-93	28254	20.0	10905	29.6	38.59	4109	37.7
1993-94	37300	32.0	7015	41.6	18.80	2548	36.3

8.7 Banker's Indemnity Scheme provides for issue of a package policy to any bank (including co-operative bank) for indemnifying against specific risks of direct loss of money and/or securities sustained by the insured and discovered during the period referred to in the policy. The claim experience of this business has generally shown an adverse trend as indicated below :

(Rs in lakhs)

Year	Gross Direct Premium	Gross Direct claims	Percentage
1989-90	53.69	56.98	106.1
1990-91	68.00	38.55	56.7
1991-92	68.46	99.52	145.4
1992-93	253.00	331.00	130.8
1993-94	200.00	(-)28.00	-

8.8. Health Insurance

8.8.1. Apart from insurance of properties, the Company provides for payment of compensation in the event of hospitalisation due to illness or in the event of death or disablement of the insured resulting solely and directly from an accident. The policy can be taken by an individual or by group of persons.

GIC issued directives that all policies issued prior to January 1988, where the average loss ratio during the last three years exceeded 80 percent, were to be renewed only after loading the expiring premium rates in such a way as to bring down the loss ratio to 80 percent. However, this directive was not followed resulting in short-collection of premium of Rs 9.62 lakhs. While the Ministry stated that Rs. 2.14 lakhs was recovered in one case, in the other two cases it contended that since the group being more than 500 persons the policy is to be treated as non-tariff. However, the GIC's directives regarding loading based on claims experience does not differentiate on the basis of the size of the group.

8.9. Workmen's Compensation (WC) Policy protects the employer's statutory liability under the Fatal Accident Act, 1855, the Workmen's Compensation Act, 1923, and common law for death or disability of workmen arising out of employment, injuries or occupational diseases. The sum insured under the policy shall be initially the estimated wages which is subject to adjustment at the expiry of the policy period based on the actual wages paid. However, adjustments were not carried out in a number of cases on the ground that the Insured had not declared the actual wages at the time of expiry of the policy. The Ministry contended that loss of premium due to non adjustment of WC policies is prevalent in all the companies including global market and the possible solution could be charging lumpsum premium. The Management agreed to consider (August 1995) suitable measures to remedy the situation.

During test check, it was noticed that in five divisions a number of policies remained unadjusted as shown below:

D.O.	Total Policies issued	Policies unadjusted	Percentage
120600	85	35	41.2
120700	280	255	91.0
110600	713	551	77.3
110800	10	10	100.0
210500	20	20	100.0

8.10 Rural Insurance

8.10.1. The post-nationalisation period of insurance industry emphasised development of Rural Insurance covers to extend insurance protection to the remotest rural areas. Important among these covers are cattle, agricultural pumpsets and Janata Personal Accident and Gramin Accident policies.

8.10.2. Cattle Insurance

The following table indicates the coverage of cattle livestock insurance business by the Company as compared to the entire Industry :

(Figures in lakhs)

Year	No.of animals covered		Gross Direct Premium Rs	Incurred claims Rs.	Percentage Claim Ratio
	Industry	New India			
1989-90	181.9	36.6	2112.97	1992.34	94.3
1990-91	172.6	33.7	2117.00	1593.42	75.3
1991-92	163.8	22.8	2109.04	1554.71	73.7
1992-93	180.6	25.6	2195.21	1655.12	75.4
1993-94	177.36	25.2	2670.57	1552.20	58.1

Considering the total cattle livestock population of 2720 lakhs, the coverage of less than 200 lakhs (6.5 percent) by the entire insurance industry is quite insignificant. This indicated that the rural marketing force of the Company needs to be strengthened.

The insurance covers cattle under IRDP and non-IRDP schemes. The claims ratio was more in the case of non-IRDP schemes covered animals than those covered under IRDP .

Almost all the animals covered were financed through banks and policies were issued on the strength of proposals submitted by the banks and the certificate furnished by the Veterinary Officers about the particulars of the animals. Though the animals covered were being identified by the ear tags, there is no system to verify whether the ear tags were actually affixed by the operating offices for identification at the time of claim. The Management stated (January 1994) that (i) the identification was done by ear tags besides natural identification marks noted in the health certificate issued by Veterinary Doctor, (ii) their veterinary officers were advised to carry out spot verification periodically and wherever tags were not available necessary retagging was carried out and (iii) on completion of tagging and retagging work, prescribed fee was paid to vets/para vets/taggers.

In the present system of Cattle Insurance, it is difficult to ensure that pre-acceptance health check-up has been done as envisaged. At the grass root level, death verification is often loose and open to doubt. It is not always the case that all animals belonging to an owner are insured and consequently the possibility of claim on uninsured animal cannot be ruled out. The Management stated (January 1994) that they had advised their operating offices not to allow selection, though in the case of bank-financed cattle, this could not be ensured in spite of persuasion. The scope of the policy needs to be amplified so as to plug the loopholes.

The policies issued to cover private animals constituted only 10 percent of the total cattle portfolio. The Ministry stated that due to a number of constraints such as non-availability of rural representatives and development officers, animal coverage on the scales envisaged could not be achieved.

The implementation of the scheme has been slack and irregularities noticed in test check of the cattle insurance policies issued by Nagpur Divisional Office I & II during 1987-88 to 1990-91 are given below:

(i) Non collection of certificate for proof of death.

(ii) Non-insistence of postmortem certificate at the time of settlement of claim.

(iii) Settlement of claims without adhering to policy conditions such as production of ear tags, photographs, panchnamas which are pre-requisite to prove genuineness of the claim.

In some cases, Development Officers of the Branches to whom the ear tags were issued did not send periodical returns to show the utilisation of ear tags by them with such details as ear tag number, corresponding Policy number, date of issue of policy, date of tagging, balance stock of ear tags with them at the end of every month, etc. No watch is kept for the receipt of these details so as to minimise the possible misuse and to serve as a loss control measure. While the Ministry agreed that most of the cattle heads covered are those financed through banks, it stated that elaborate instructions are issued regarding identification of cattle and sometimes because of the nature of activities which are spread over vast areas, many times in remote locations, full observance of rules may not be possible. Further Ministry stated (August 1995) that only animals in the age group of 2 to 10 years are covered under insurance and that wherever ear tags were not collected, photographs and other relevant documents were called for and after complete satisfaction, the claims were settled. The Ministry added that wherever spot policies were issued and claims settled without proper sanction, officials were chargesheeted and suitable penalties have been levied on those found guilty.

8.11. Agricultural Pumpset Insurance

The cover granted under Agricultural Pump Set insurance is basically meant for rural farmers which indemnifies the risk against unforeseen and sudden physical damage caused by fire, burglary, loss due to mechanical or electrical break-down of pump set whilst fixed in the premises. The scheme was introduced in 1976.

The coverage of the Pumpset Insurance by the Company declined from 2.02 lakh in 1988-89 to 1.44 lakh in 1993-94 whereas in the case of the industry as a whole the coverage increased from 5.48 lakh to 5.85 lakh during 1988-89 to 1993-94. The Company's claim ratio increased from 26.32 percent in 1988-89 to 31.50 percent in 1993-94 which was generally higher than that of the industry. The Company's share of the market has been decreasing and it registered an all time low of 20.8% in 1990-91. The Ministry stated that efforts were continuing to improve the performance in the Agricultural

Pumpset Insurance. Further, the Ministry stated that the decline in market share was mainly due to slowing down of banking finance.

8.12. Personal Accident and Social Security Scheme (PASS)

PASS introduced by the Government of India on 15 August 1985 has been extended to cover all the districts in the country.

This scheme was taken up by the Company on 15 August 1985 on an agency basis for GIC. The main objective of the scheme is to provide a survivor benefit cushion for the rehabilitation of a poor family affected by accidental death of its earning member who is not covered for compensation under any insurance scheme of any law/statute. The net premium under the scheme increased from Rs 100 lakhs in 1989-90 to Rs 175 lakhs in 1993-94 while the claim ratio declined from 85.38 percent to 44.00 percent during the same period.

8.13. Hut Insurance

8.13.1. The Hut Insurance which is meant for very poor families in rural areas was introduced from 1 May 1988 on an agency basis for GIC/Government of India. The main objective of the scheme is to provide relief to very poor families in rural areas when their huts and/or belongings are destroyed by fire.

8.13.2 The net premium under the scheme in the case of the Company increased from Rs 100 lakhs in 1989-90 to Rs 229 lakhs in 1993-94 while the claim ratio declined from 12.92 percent to 3.90 percent during the same period.

9. Acceptance Of Risk

9.1. Section 64 VB of the Insurance Act, 1938 stipulates that no risk can be assumed without prior payment of full premium except when

(i) the entire amount of the premium is guaranteed to be paid by a bank before the end of the first calendar month after the month in which the risk is assumed, or

(ii) an advance deposit is made with the insurer to the credit of the Insured sufficient to cover the payment of the entire amount of premium.

9.2. As a large number of claims were reported to be outstanding in various Divisional Offices for want of compliance of section 64 VB, the provisions of the Act and Rules were re-examined by GIC and fresh guidelines were issued in February 1990.

Instructions were also issued (March 1990) to follow the tariff rules and statutory provisions scrupulously in future. In test check, it was seen that despite issue of these guidelines, the premium was collected much after the expiry of the month succeeding the month in which the risk was assumed;in 12 cases the delay ranging from one to seven months. The Ministry contended that claims mentioned by Audit are few and exceptional in nature but it was ensured that the premium was received in all the cases.

9.3. In four cases, claims to the extent of Rs 118.43 lakhs were settled even though full premium was not collected in advance and the risk was accepted against a bank guarantee when the balance available under bank guarantee was not sufficient to cover the premium.

10. Procurement Of Business

10.1 Development Officers

10.1.1. The operating offices such as Divisions and Branches underwriting the organised business, perform the same through Development Officers who are employees of the Company. The Development staff are governed by the General Insurance (Rationalisation of Pay Scales and other conditions of service) Scheme framed by the Central Government. The Scheme provides for the minimum premium income to be procured by each development staff.

10.1.2. In addition three types of incentives are available to the Development Officers under the amended Class-II scheme, subject to fulfilment of the criteria laid down:

10.1.3. The profit incentive for the performance year is payable to a Development Officer whose cost ratio is within stipulated limits and operating surplus' is not below 20 percent of the scheduled premium income of that year. While working out the operating surplus, claims in excess of Rs 1 lakh arising out of any single claim are limited to Rs 1 lakh only which enables the Development Officer to earn profit incentive although his business is not profitable, thus defeating the very purpose and commercial basis of giving incentives.

10.1.4. The Cost-based growth incentive is paid when Development Officer's cost ratio does not exceed the stipulated limit - same as for profit incentive - and his premium procurement during the performance year is atleast Rs 3 lakhs and has registered a minimum increase of Rs 60,000 in scheduled premium income over the previous performance year.

10.1.5. The Cost-saving production incentive is paid to a Development Officer operating below the stipulated limits of cost and after adjusting his premium income for notional credit or debit for non-traditional business. This incentive is, therefore, given with a view to developing non-traditional business like Rural, Personal, etc. The Management stated (December 1993) that the entire class-II scheme including the three incentives was under close scrutiny of a committee especially constituted by GIC to review the same. On the question of introduction of disincentives for non-performance of development officers; the Ministry stated (August 1995) that such disincentives already existed including termination of service but were seldom implemented. When enquired about the implicit contradiction in payment of several incentives vis-a-vis the operating surplus, the Ministry agreed in principle that every development officer should be a profit centre. The Audit Board was also informed (August 1995) that the Scheme was under review.

10.2. Agents

10.2.1. Business is also procured through agents on payment of commission. The following table indicates the commission paid and its ratio to the gross premium income relating to organised business for the five years upto 1993-94 :

(Rs in lakhs)

	Fire			Marine			Motor			Miscellaneous			Total		
Year	Premium	Commission	Percentage	Premium	Commission	Percentage	Premium	Commission	Percentage	Premium	Commission	Percentage	Premium	Commission	Percentage
1989-90	9154	82	0.89	5697	104	1.82	18148	526	2.89	11438	706	6.17	44437	1418	3.19
1990-91	10749	98	0.91	6471	128	1.97	25625	722	2.82	14570	806	5.53	57450	1754	3.05
1991-92	13238	112	0.85	8318	158	1.90	28272	810	2.87	15788	926	5.86	65616	2006	3.06
1992-93	15746	136	0.86	10654	181	1.70	29825	869	2.91	18024	1100	6.10	74249	2286	3.08
1993-94	19532	156	0.79	11820	205	1.73	33967	983	2.89	21110	1291	5.12	86429	2635	3.05

10.2.2. The performance of the agents is not assessed periodically either by the Division or by the controlling Regional Office. There is no specific yardstick fixed for recruitment of agents and there is no system for removal of Benami (dummy) agents or non-performing agents. During a test check of selected Divisional Offices, it was revealed that the percentage of non-performing agents to total number of agents varied from 7 to as high as 73. The Management stated (December 1993) that the shortcomings in respect of appointment and renewals/terminations of agent's licences, were examined by GIC and revised guidelines framed. It was further stated that their performance was reviewed at the stage of renewal and it had been made compulsory for agents to collect their commission cheques in person.

10.2.3. The majority of the non-traditional business like insurance of cattle, pumpset, etc. is procured through banks as they are financed by banks or subsidised through Integrated Rural Development Programme and Small Farmer Development Agency Schemes. Coverage of non-traditional insurance to individuals where no bank is involved is negligible. The banks usually stipulate compulsory insurance of assets financed by them to protect their interest. Thus, the role of Agents in procuring such business is insignificant. Despite this, commission at the rate of 15 percent is allowed to the Agents. The Management stated that (December 1993) the payment of commission had been retained in respect of such business in the rural sector only as the business was still in its infancy.

While some of the agents procure business directly for the underwriting offices to which they are attached, majority of the agents work under the supervision of Development Officers and are attached to them as far as the procurement of business is concerned. The business procured by the agents is also taken credit of by the concerned Development Officers, for calculation of incentive due to them. For the same business procured, the agent gets commission and the Development Officer gets incentive. Thus, a double tier reward structure operates in such cases. The Management had justified (December 1993) the double tier system as the agent would act as a primary underwriter and also provide personalised guidance. While payment of commission to agents for procurement of such business is acceptable, benefit given to Development Officers for the same business by way of incentives is not justifiable.

11. Foreign Operations

11.1. Before nationalisation of the Insurance Industry in 1973, Indian Insurance companies were also transacting direct business abroad through their branches, agencies and associate companies and continued the same even after nationalisation. As on 31 March

1994, the Company carried on business in various foreign countries as shown in Annexure IV.

11.2. The Gross Direct Premium derived through its foreign operations and the incurred claims and its ratio to the premium for the five years upto 1993-94 are given below:

(Rs in crores)

	1989-90	1990-91	1991-92	1992-93	1993-94
Fire:					
Premium	17.65	21.82	39.30	49.92	60.81
Incurred claims	8.24	17.19	39.50	33.82	46.32
Claims Ratio(%)	46.7	78.8	100.5	67.75	76.20
Marine:					
Premium	10.32	11.57	19.35	20.13	34.06
Incurred claims	8.32	10.38	18.54	17.21	33.71
claims Ratio (%)	80.6	89.7	95.8	85.49	98.97
Miscellaneous:					
Premium	41.30	55.26	106.56	141.68	159.02
Incurred claims	21.97	38.14	72.90	97.69	121.75
Claims Ratio (%)	53.2	69.0	68.4	68.95	76.56
Total:					
Premium	69.27	88.65	165.21	211.73	253.89
Incurred claims	38.53	65.71	130.94	148.72	201.78
Claims Ratio(%)	55.6	74.1	79.2	70.24	79.44

While operating surplus during 1989-90 was favourable, the period 1990-91 to 1993-94 experienced higher claim ratio in fire and marine business. The Management attributed (January 1994) the above to the catastrophic events like national calamities and Gulf war which had significant impact on results of underwriters all over the world.

Of the total gross premium of Rs 253.89 crores earned in 1993-94, 56.9 percent (Rs 144.45 crores) was derived out of developed markets. Thus only 43.1 percent was procured from developing countries. Japan alone contributed 36.3 percent of the total premium.

11.3 The Committee on Public Undertakings (Eighth Lok Sabha) in their sixth report recommended that the foreign operations by all the subsidiaries of GIC need to be under constant review and appropriate measures taken in cases where the results were unprofitable. Though the underwriting results of the following four branches and two agencies showed continuous losses during the last eight years (1985 to 1993-94), their operations were allowed to be continued :

Place/Terriroty			Accumulated Loss (Rs in lakhs)
1:	Kuwait	(agency)	77.25
2.	Saudi Arabia	(agency)	672.52
3.	Mauritius	(branch)	93.48
4.	Philippines	(branch)	543.89
5.	Australia	(branch)	172.87
6.	London	(branch)	4850.85

Further analysis showed that the branches/ agencies in Kuwait, Saudi Arabia, Philippines and U.K. were incurring underwriting losses continuously till 1993-94. The Ministry stated (August 1995) that the results of foreign operations should be viewed taking into account the reinsurance business generated by foreign operations and the impact of increase in reserve strain and observed as follows:

(i) In respect of Kuwait, the technical loss upto 1992-93 would be reduced to a marginal loss-Rs 13.93 lakhs-when interest and reinsurance claims recoveries were taken into account.

(ii) The under-writing loss in Australia upto 1992-93 would be converted into overall profit of Rs 489.44 lakhs when reinsurance recoveries and interest income were taken into account.

(iii) The underwriting loss of London branch would be reduced to a net loss of Rs 2189 lakhs upto 1992-93 with interest income and reinsurance recoveries. The presence of the branch had been helpful in getting reinsurance placement, back-up and servicing for international and Indian operations, and provided access to EEC countries.

11.4. Country-wise performance of the Company's foreign operations is disçussed below:

Japan

The Company's operations showed an overall loss of Rs 3533.47 lakhs during the five years upto 1993-94. The Company suffered heavy losses during 1990-91 to 1993-94 and showed a surplus in 1988-89 and 1989-90. The Company's cost ratio during 1988-89 to 1991-92 was much higher (ranging from 46 to 54.6) than that of the Japanese market as a whole (around 37). The Management stated (January 1994) that the high cost ratio was due to miniscule share in Japanese market.

Saudi Arabia:

The operations of the agency at Saudi Arabia for the five years upto 1993-94 indicated recurring losses except in 1989-90 and 1991-92 which were attributed (November 1988) to the unsatisfactory performance of agents and the lack of co-operation between the agency and the company's representative. The Company appointed new agents with effect from 1 January 1989. Even after the appointment of new agents, the operations showed underwriting loss. However, the year 1991-92 showed marginal improvement in the operating results.

France

The operations of the Agency in France suffered losses ranging from Rs 1.90 lakhs to Rs 200.00 lakhs in all the years from 1985 to 1992-93 except in 1985 and in 1992-93. The annual percentage of incurred claims to premium ranged from 52 percent to 232 percent during this period. The Paris agency was, however, terminated with effect from 31 December 1992.

Philippines

The operations in Philippines for the five years upto 1993-94 resulted in losses ranging from Rs 35.00 lakhs (1988-89) to Rs. 466.00 lakhs in 1993-94. The losses were attributed (October 1989) to a few big fire claims and the company had written off balances due from agents and reinsurance companies to the tune of Rs 31.06 lakhs pertaining to the period earlier to 1986 as they were treated as irrecoverable.

United Kingdom (U.K.)

The operations in U.K. from 1989-90 to 1993-94 resulted in an accumulated loss of Rs 4580.55 lakhs. The total incurred claims to total premium for the five year period was 115.75 percent the highest being 148.50 percent in 1993-94. The Management attributed (September 1994) the underwriting loss to catastrophic losses and high claim ratio in miscellaneous portfolio due to court award of 3 Million pounds.

Australia

No direct business is underwritten by Sydney branch except accepting reinsurance business locally. The Management has not reviewed the continuance or otherwise of this branch to accept re-insurance business. The Management stated (January 1994) that (i) this was because unlike other branches, there were no ethnic Indians in Australia to be relied upon to produce the critical volume of business and (ii) reinsurance being contact oriented and less expensive, the presence was beneficial.

Thailand

The operations in Thailand for the last eight years showed that the underwriting profit which was maximum at Rs 39.58 lakhs during 1988-89 has shown declining trend subsequently and resulted in a huge loss of Rs 164.0 lakhs in 1993-94. The premium amounting to Baht 48,394,737/- remained outstanding as on 31 March 1994.

Canada

The operations in Canada are practically dormant. The premium collection was negligible in all the years. The Management has stated (January 1994) that the operations would be resumed as and when agreement with a reputed local partner of sound financial status was finalised.

Operations in Singapore

Till the year 1987 the company was also operating branch at Singapore, the results of which were fluctuating from year to year. Though it earned a profit of Rs 91 lakhs in 1988-89 (run-off adjustments), it registered a loss of Rs 72 lakhs in 1989-90 (run-off adjustments).

11.5. The Ministry stated (August 1995) that there is close monitoring of foreign operations by regular review and by taking corrective measures wherever required. On foreign branches which have failed to improve their performance for a long period, the Ministry stated that such foreign branches could be identified for suitable action.

11.6. Apart from the agencies and branches, the Company has a stake in the following associate and subsidiary companies.

Prestige Insurance Company (Nigeria)Limited

The Associate Company was showing good results. The underwriting profit steadily rose from Naira 18.77 lakhs in 1988 to Naira 58.75 lakhs in 1994. However, the year 1993 experienced loss of Naira 93.09 lakhs.

New India Assurance (Ghana) Limited

The Company was passing through an unsatisfactory phase due to local economic and political situation. The results of underwriting business showed declining trend from a profit of cedis 14.22 lakhs in 1988 to a loss of cedis 145.23 lakhs in 1993.

New India Assurance Co.(Sierra Leone) Limited

The Company held the entire share capital of the subsidiary. The results of underwriting business during the five years upto 1993-94 showed profit ranging from Le 6.98 lakhs in 1990 to Le 594.03 lakhs in 1994.

New India Assurance Co.(Trinidad & Tobago) Limited

The working results of the company for the five years showed a declining trend of underwriting profits from TT $. 0.78 lakh in 1990 to a loss of TT$ 21.72 lakhs in 1994.

In this connection, the Malhotra Committee observed (January 1994) "The performance of associates/subsidiaries ranges from satisfactory to consistently dismal".

12. Reinsurance

12.1. Insurance companies apportion a portion of the risk underwritten by them to other insurance companies so that in the event of a loss, it is shared among the companies on an agreed proportion. This is termed as "Reinsurance". While the amount ceded is called "Cession", the amount accepted is called "Acceptance". The Company also accepts cessions from the foreign insurance companies by way of Reinsurance acceptances. The following table shows the total premium accepted as well as ceded by the Company during the five years upto 1993-94.

(Rs in crores)

Year	Reinsurance accepted	Cessions		Total reinsurance operations
		Amount	Percentage to gross direct premium	
1989-90	57.85	258.85	40	316.70
1990-91	65.44	348.15	42	413.59
1991-92	91.90	384.73	39	476.63
1992-93	147.05	539.94	46	686.99
1993-94	124.49	617.71	45	742.20

12.2. Net retention

One of the objectives of the Company outlined in the Corporate Plan (1986-89) is to undertake active, viable reinsurance trading internationally to maximise net retained premium, earn substantial foreign exchange and to augment the financial resources.

The details of gross domestic premium, reinsurance accepted/ceded, net ceded and net retention are given below:

(Rs in crores)

Year	Gross domestic premium (GDP)	Re-insur-ance accepted	Re-insur-ance ceded	Net ceded (4-3)	Net retention (2-5)	Percentage of net retention to GDP.
1	2	3	4	5	6	7
1989-90	648.13	57.85	258.85	201.00	447.13	68.99
1990-91	837.22	65.44	348.15	282.71	554.51	66.23
1991-92	983.02	91.90	384.73	292.13	690.19	70.21
1992-93	1175.06	147.05	539.94	392.89	782.17	66.56
1993-94	1362.63	124.49	617.71	493.22	869.41	63.80

It may be seen from the above table that the percentage of net retention to gross domestic premium is fluctuating from year to year. The Management stated (January 1994) that (i) the net retained premium percentage might fluctuate in some years when major Indian risks like satellites, big petro-chemical or engineering projects had to be insured facultatively abroad and (ii) securing proper protection was the first basic need and maximising retention would follow. The Management further stated that in view of the successive major catastrophes in the world, reinsurance results world over were adverse and the Company had restricted their inward reinsurance acceptance as a cautious and conservative policy and it reduced the net retention though in terms of percentage to total GDP, the progress was satisfactory.

The following table indicates the total Indian Gross Direct Premium and net retained premium and its percentage to the Gross Direct Premium for the five years upto 1993-94, under different classes of business

(Rs in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94
1. Fire					
Gross Direct Premium	16952	20727	25448	31711	37410
Net Premium	10538	10217	16436	19461	20480
Percentage	62.16	49.29	64.59	61.37	54.74
2. Marine Cargo					
Gross Direct Premium	9075	11195	14095	16262	17790
Net Premium	6188	8286	10455	11606	12023
Percentage	68.18	74.01	74.17	71.37	67.58
3. Marine Hull					
Gross Direct Premium	2261	2433	3487	6095	6317
Net Premium	1292	1057	1261	1182	723
Percentage	7.14	43.44	36.16	19.38	11.45
4. Miscellaneous					
Gross Direct Premium	36525	49367	55272	63438	74745
Net Premium	26695	35891	40867	45968	53714
Percentage	73.09	72.7	73.94	72.46	71.86
Total					
Gross Direct Premium	64813	83722	98302	117506	136263
Net Premium	44713	55451	69019	78217	86940
Percentage	68.99	66.23	70.21	66.56	63.80

Miscellaneous portfolio maintained a more or less uniform proportion of net retained premium to gross domestic premium.

12.3. Reinsurance Programme

The Annual Programme to be followed by the Company is drawn up in advance by GIC with the prior approval of the Government. According to the programme, the Company can enter into its own surplus treaties in respect of fire, marine cargo, hull, engineering and miscellaneous insurance business underwritten by them subject to the limit fixed thereon (surplus treaties are placed with overseas reinsurers on reciprocal or non-reciprocal basis).

The Company's net retained risks are further protected by an excess of loss cover in all classes of business other than Marine Hull by GIC for the Market as a whole. Very large risks with values exceeding automatic reinsurance limits provided by reinsurance programme are protected by "Facultative arrangement" with overseas reinsurers.

Unlike cessions, the Company does not have any programme for acceptance in every port folio to know the limit and exposure upto which the risk can be accepted. The Management replied (January 1994) that they had guidelines for acceptances giving monetary limits depending on class of business, type of treaty and area.

12.4. Gain or Drain in Foreign Exchange

The gain or drain in exchange on cash basis (without taking into account the reserves retained by the Company and the reinsurers) on various insurance arrangements made by the Company with overseas reinsurers for the five years are as under:

(a) Outward Business (Rs in lakhs)

Year	Premium	Commission	Incurred claims	Balance
1989-90	6220.61	1878.42	5283.13	940.94 G
1990-91	7334.80	2272.79	4665.41	396.60 Dr
1991-92	5442.83	1518.27	5718.54	1793.98 G
1992-93	10448.00	3337.00	2338.00	4773 .00 Dr
1993-94	11068.00	3056.00	8143.00	131.00 G

(G: Gain; Dr: Drain)

The Management stated (January 1994) that the outward programme was formulated by GIC and cessions of premium and recoveries of claims were done accordingly. It was also stated that in the normal years, since premium would be more than claim recovery it would result in foreign exchange drains; only in years when recovery was more than the premium ceded, it would result in gain.

(b) Inward Business (Rs in lakhs)

Year	Premium	Commission	Incurred claims	Balance	Overall Gain/Drain (inward & outward)
1989-90	6287.80	1961.62	3465.23	860.95 G	1801.89 G
1990-91	7632.68	2325.19	7760.32	2452.83 Dr	2849.42 Dr
1991-92	10260.62	3229.40	9843.99	2812.77 Dr	1018.79 Dr
1992-93	7832.00	2864.00	11662.00	6694.00 Dr	11467.00 Dr
1993-94	11253.00	3168.00	12284.00	4199.00 Dr	4068.00 Dr

(G : Gain ; Dr:Drain)

The Management stated (January 1994) that the premium on inward treaties were booked immediately, while the claims came after a year or so, sometimes many years later. Further, it was stated that since the Rupee currency had been progressively depreciating against most other major currencies, the foreign exchange position became adverse at the time when the claims were booked and settled. It was also stated that though they had stopped writing inward non-reciprocal business from 1 April 1991 and as such there was no inflow of premium for this business, they would still continue to receive claims on the run-off portfolio, which would again result in a foreign exchange drain position.

12.5. Treaties

12.5.1. The following are the number of treaties accepted or cancelled by the Company during the five years upto 1993-94 :

	1989-90	1990-91	1991-92	1992-93	1993-94
Fire					
Total number	797	733	462	60	55
New Acceptances	164	27	8	-	-
Cancellations	102	91	279	402	5
Marine					
Total number	220	188	160	39	35
New Acceptances	12	7	3	--	-
Cancellations	49	39	31	121	4
Miscellaneous					
Total number	308	237	207	42	32
New Acceptances	18	6	9	-	-
Cancellations	84	77	39	165	10
Total	1325	1158	829	141	122

In the year 1987, the Company accepted large number of new treaties, most of which were cancelled in the year 1989-90. The number of new acceptances were comparatively low in the year 1990-91 as against the cancellations. The Management stated (January 1994) that in view of catastrophic events since 1987, it started incurring losses. After 1991, the business was being taken up by GIC only.

12.5.2. The Company's overall results in outward treaties (cessions) and inward acceptances for the five years (1988-89 to 1992-93) in respect of different classes of insurance are given below:

(Rs in lakhs)

	Cessions		Acceptances		Total
Class of Insurance	Premium ceded	Balance to Treaty	Premium accepted	Balance to treaty	Gain/ Drain
Fire	70062.32	6445.85 Dr	58330.85	1921.16 Dr	8367.01 Dr.
Marine Cargo	17172.38	5119.23 Dr	3038.22	2213.62 Dr	7332.85 Dr
Marine Hull	8441.87	181.29 Dr	4873.74	543.77 Dr	725.06 Dr
Miscellaneous	63704.36	2255.04 G	10286.99	682.02 G	2937.06 G
Total	159380.93	9491.33 Dr	76529.80	3996.53 Dr	13487.86 Dr

There was an overall drain on the reinsurance operations of the Company over the last five years caused by overall drain in the case of fire and marine business. Both showed adverse results in cessions as well as acceptances. The Ministry stated (August 1995) that continuous drain in foreign exchange was mainly due to the external environment viz. series of natural catastrophes which hit the world insurance and reinsurance markets in quick succession.

12.5.3. The reinsurance operations of the Company include reciprocal as well as non-reciprocal arrangements with various reinsurance companies outside India as well as with other subsidiaries of the GIC. Separate statistics are not maintained by the Company in respect of placements and acceptances on reciprocal arrangements to ascertain whether the net results show equitable balances and how the imbalances are rectified. In some cases, the Company accepts Retro cessions from the Reinsurers against the cessions to them. As a result of this, the overall exposure cannot be ascertained as the acceptances by the reinsurers also remained uncertain at the time of entering into contract. This is one of the contributory factors for the treaty showing adverse results in recent period.

With effect from 1st April 1991, all non-reciprocal acceptances are made at GIC's level and the premium is shared equally by all the subsidiaries and GIC at 20 percent each.

12.5.4. Though the reinsurance can be accepted either directly or through the brokers, the Company relied largely on brokers rather than approaching the reinsurers directly. The Management emphasised (December 1992) that the services of reputed brokers were essential as they only had the necessary expertise to identify the good security in various parts of the world where they could have business relationship. It was further stated (January 1994) that certain insurance companies like Llyods would not deal except through brokers.

12.5.5. The percentage of brokerage to premium paid to individual brokers varied from 0.77 to 4.44 during the years 1989 to 1993. Statistics of brokerage paid for earlier years were not furnished by the Company. The Company has no system of empanelment of brokers operating in different business through whom reinsurance business can be made. No statistics are maintained to ascertain the profitability of business procured by individual brokers. The Management stated (January 1994) that the individual treaties presented by the brokers were assessed and the broker's financial as well as market standing and also services rendered by him were taken into account.

13. INVESTMENT

13.1. The funds generated through Premium Income, non-cash charges such as depreciation, reserve for unexpired risks and other reserves including undistributed profits are being invested in various forms of approved and unapproved Investments within the framework of Section 27B of the Insurance Act, 1938 and in conformity with the guidelines issued by the Central Government from time to time.

13.2. The Government have been issuing guidelines from time to time in regard to pattern of investments of funds available with insurance companies. The pattern as effective from 1 January 1978 is as under :

(A)Socio Oriented Sector of funds		Percentage of accretion
(1) (a) Central Govt. Securities		12.5
(b)Special Deposits to the extent of 12.5% to be invested out of Central Govt.Securities with effect from 1.1.1987		12.5

		25
(2)State Govt./other approved securites and bonds/debentures issued by various Public Sector Undertakings		10
(3) (a)Loans to State Govt. for Social Housing Programme,etc.	20	
(b) Loans to HUDCO,etc.	15	
	------	35
(B) Market Sector		
(4)Market Investments (i.e. Term loans, debentures, equity, preference,etc.)		30

		100

13.3. The gross amount invested, income earned and yield on the average funds during the five years upto 1993-94 are summarised below :

(Rs in crores)

Year	Gross Investments (year end)	Income	Yield on average funds	Rate of inflation (Base: 1981-82 = 100)
1989-90	1130.64	122.23	11.73	7.5
1990-91	1419.61	156.59	12.28	10.3
1991-92	1788.44	212.17	13.22	13.6
1992-93	2171.88	250.64	12.66	10.1
1993-94	2648.36	276.25	11.46	8.4

(Investments excluding investments in immovable properties, loans to staff for housing)

13.4. The yield on investments generally failed to keep pace with the rise in inflation. The Ministry stated (August 1995) that the concept of yield on investment did not only include income by way of dividend but also included market appreciation of investments.

13.5. The Company's investment in various categories out of annual accruals for the five years upto 1993-94 is as follows :

(Rs. in crores)

Type of Investments	1989-90	1990-91	1991-92	1992-93	1993-94	Total
1. Central Govt. Securities	18.96 (10.66)	51.17 (18.74)	37.89 (10.27)	49.02 (12.78)	107.59 (22.58)	264.63 (15.75)
2. State Govt./ other approved securites/bonds/ debentures issued by Public Sector Undertakings	23.03 (12.95)	28.10 (10.29)	29.33 (7.95)	52.24 (13.62)	20.83 (4.37)	153.53 (9.14)
3. Loans to State) Govt. for) Housing & for) purchase of) fire fighting) equipment)						
4. Loan to HUDCO/) DDA and special) deposits) with Govt.) .of India.)	62.08 (34.89)	65.84 (24.11)	108.32 (29.37)	101.19 (26.39)	191.17 (40.12)	528.60 (31.47)
5. Market Sector	73.83 (41.50)	127.95 (46.86)	193.29 (52.41)	180.99 (47.21)	156.89 (32.93)	732.95 (43.63)
TOTAL	177.90	273.06	368.83	383.44	476.48	1679.71

(Figures in brackets indicate percentages)

13.6. The investment in socio-oriented sector had rarely touched 70 percent during all these years ending 1993-94. In particular, loans to State Government for housing and fire fighting equipments, loans to HUDCO/DDA fell much below the prescribed percentage of 35 percent upto 1993-94. The funds meant for this sector were diverted to the Market Sector, which showed investment higher than its prescribed 30 percent, for all years except 1993-94. The Ministry stated (June 1995) that the shortfalls are carried forward from year to year for the plan period and the State Governments could lift in later years the earlier shortfalls if they are in a position to do so. It was further stated that to ensure availability of funds to meet shortfall the company could not divert the allocations to other sectors and such funds were parked in short term instalments which do not fall under the category 'market sector' and these are carried forward and added to the subsequent year's accretions. This is, however, not borne out by the position of cumulative investments under each portfolio at the end of each year from 1985 to 1993-94, as shown in Annexure V. The total investment under the Market Sector was always much higher than the stipulated 30 percent.

13.7. In its 23rd report, the Committee on Public Undertakings (Eighth Lok Sabha) had also opined that the very purpose of prescribing norms or for laying down guidelines for making investments was defeated, if these were not observed.

One of the reasons for the above distortion was that the Government allowed the re-investment of 50 percent of sale proceeds of equity shares and redemption/repayment proceeds of debentures/preference shares under the same sector with effect from financial year 1 January 1988. Effective from 1 April 1989, Govt. further relaxed and allowed reinvestment of entire sale proceeds of equity and redemption/repayment of debentures/ preference shares in the same category. The proceeds from sale of equity shares/debentures, redemption of Preference Shares/debentures are therefore deducted from the annual accruals for the purpose of investing under various categories.

If this trend is allowed to continue, the policy of the Government to lay greater emphasis on investments in the priority sector of housing would be defeated.

13.8. Central Govt. Securities

13.8.1. The actual accretion as shown in the annual Review of Investments put up to the Board and the actual investments in Central Government Securities are as indicated below:

(Rs in crores)

	1989-90	1990-91	1991-92	1992-93	1993-94	Total
(i)Accretion	177.90	288.97	368.83	383.44	476.48	1695.62
Central Govt. Securities	18.96	51.17	37.89	49.02	107.59	264.63
Special Deposit	15.00	15.00	.40.63	40.91	-	111.54
Total	33.96	66.17	78.52	89.93	107.59	376.17
Percentage	19.09	22.90	21.29	23.45	22.58	22.18

The investment in Central Government Securities was not uniform every year and fell short of 25 percent upto 1993-94 as envisaged in guidelines. No records are maintained regarding the number of issues floated by the Government of India every year and the quantum of subscription made by the company against each. The Management stated (December 1993) that the investment in Central Government Securities was not uniform mainly because (i) investments were made based on estimated accretions which at times varied from actuals (ii) surplus/shortage of previous year was adjusted in subsequent year.

13.9.State Govt. Securities and Loans to State Govt. for Housing & Bonds

The balances of Investments by the Company under this category as at the end of the five years upto 1993-94 are as follows :

(Rs in crores)

	1989-90	1990-91	1991-92	1992-93	1993-94
(i) State Govt. Securities	125.89 (11.13)	154.38 (10.87)	183.71 (10.27)	235.95 (10.86)	256.78 (9.70)
(ii)Bonds of PSUs Loans to State Govt. for Housing /HUDCO	191.28	212.12	219.35	255.54	337.71
Special Deposit	145.00	190.00	209.37	274.09	424.00
	336.28 (29.74)	402.12 (28.32)	428.72 (23.97)	529.63 (24.39)	761.71 (28.76)

(Figures in brackets represent percentages to total investments)

The details of loans disbursed as at the end of 31 March 1994 to various State Govts. for housing and fire fighting equipment are given in Annexure VI.
Seventy eight percent of the total amount of loan of Rs 168.08 crores disbursed to 21 states upto 1993-94 for housing was accounted for by seven states (Rs 131.99 crores). Major states like Maharashtra and Tamilnadu were not disbursed any loan for housing. Similarly, six states received 60 percent of the total loan disbursed for purchase of fire fighting equipment.

The Committee on Public Undertakings (Eighth Lok Sabha) observed in its 6th Report (1985-86) that it was unfair to favour certain states in disregard of the interests of others. It desired that vigorous efforts should be made to promote housing schemes equally in all the states and steps taken to ensure equitable distribution of loans to states for housing schemes keeping in view the size of the states.

13.10. Term Loans:

Investments in term loans and their position as at the end of the five years upto 1993-94 is given below:

(Rupees in crores)

	1989-90	1990-91	1991-92	1992-93	1993-94
Investment	38.50	60.64	69.11	79.54	82.27
Income	3.61	4.68	9.82	11.23	12.98
Yield on Average Funds	10.3	9.4	15.1	15.1	16.0

The Management stated (December 1993) that the Company being a party to a consortium through GIC, had to follow the lead institutions in granting relief and concessions if any of the borrowing companies were facing problems.

13.11. Bills Rediscounting Scheme

13.11.1. The position of investments by the Company in the Bills Rediscounting Scheme as at the end of each year was as follows :

Year	Investments (Rs. in crores)	Income (Rs. in crores)	Percentage yield on average funds
1989-90	54.82	8.96	18.0
1990-91	123.17	22.54	25.3
1991-92	242.75	42.30	23.1
1992-93	78.00	22.01	13.7
1993-94	25.00	4.93	9.6

The investments in BRD Scheme as at the end of 1991-92 showed an all time high of Rs 242.75 crores whereas the same showed a low of Rs 25 crores in 1993-94. The Company while placing the funds against Bills Rediscounting scheme, is not insisting on the actual details of the bills of exchange on which the placements were made and relied on certificates issued by the banks. The Management further stated (June 1995) that since the parking of Short Term Surplus Funds are placed with the Bankers as per the scheme approved by R.B.I these transactions are as per guidelines laid down by R.B.I which contemplates only issue of certificates by the Bank and not the details of the bills held by the Bank on behalf of the company. Moreover as the bills supporting a placement would be large it is neither feasible nor of any utility to the investor to have the details of the bills held.

13.12. Safe Custody of Securities

The Company has been utilising the services of Stock Holding Corporation of India Limited (SHCIL) since August 1989 for (i) safe custody of Securities purchased/held by the Company, (ii) to carry out delivery instructions for purchase/sale of securities, and (iii) collection of Income on behalf of the Company. The service charges paid by the Company for the years 1989-90 to 1993-94 were Rs 154.08 lakhs.

The Company had safe custody arrangements with Central Bank of India also since inception which inter-alia included collection of interest on securities/debentures and dividend on shares.

No physical verification of the actual holding of Shares/Debentures/Securities was conducted by the Company during the recent past and they relied upon the certificate furnished by the Stock Holding Corporation of India/Central Bank of India as at the closing date of the accounts of each year. The certificate furnished by the `holders' contains only the total number of shares in custody and no distinctive numbers of shares/ debentures/preference-shares/securities were mentioned thereagainst.

The Management stated (December 1993) that due to large number of shares/debentures held, it was not possible to insist on indication of distinctive numbers and that the job of verification was entrusted to SHCIL and the same had been done by SHCIL on their behalf. In the absence of verification, the correctness of the actual possession of these securities in the name of the Company could not be ascertained. The Management further stated (August 1995) that the physical verification of securities kept under safe custody of SHCIL has been entrusted to a firm of Chartered Accountants.

13.13. Non-Dividend Paying Equity.

Out of the total equity investments by the Company as on 31 March 1994, the following are the non-dividend paying equity shares.

(Rs in crores)

Dividend not paid for	% to total Equity Investment	Book value	Face value
One year	2.0	8.62	1.90
Two years	0.8	3.29	1.70
Three years	0.6	2.63	0.55
Four years	0.2	0.81	0.97
Five years and above	1.2	4.89	8.03
Total	4.8	20.24	13.15

Of the book-value of Rs 20.24 crores of the non-dividend paying shares, investment of book value of Rs 9.56 crores (47.23 percent) was made prior to 1975. The shares with book value of Rs 10.68 crores (52.76 percent) were acquired during the last 15 years. Out of the total non-dividend paying equity portfolio of Rs 20.24 crores, nearly 83.1 percent is accounted for by engineering, textiles, chemicals, pharmaceuticals and fertiliser industries. The Management stated (August 1995) that as on 31.03.1993 out of Rs.12.16 crores of non-dividend paying equity portfolio, as much as Rs. 8.10 crores (67%) are in the companies with potential for better prospects. The balance of Rs.4.06 crores (33%) represents investments in companies with poor marketability.

Further it was stated that the company had sold non-dividend paying equity shares of book value of Rs. 8 lakhs and booked profit of Rs. 39 lakhs as on 31.03.1995 and that it was not possible to totally eliminate non-dividend paying equity portfolio but the same can be reduced by careful planning of sale of such shares.

13.14. Investments written-off

During the years 1987 to 1990-91, investments of book value of Rs 477.50 lakhs were written off to the extent of Rs 300.33 lakhs. These included those worth Rs 386.38 lakhs (book value) acquired after nationalisation, and the same were written off by Rs 225.48 lakhs. The Management has stated (June 1995) that the investments were written off as per norms and guidelines issued by GIC.

13.15. Delay in transfer of shares.

The Company purchased (March 1982) 12000 shares of a company 'A' in the private sector @ Rs 41.25 each through a broker and instructed (4 March 1982) its bankers to make payment for these shares against delivery. When these shares were forwarded to company 'A', they transferred (June 1982) 2000 shares in the name of the Company but refused to transfer the remaining shares and retained those share certificates since they had a money recovery suit against the seller of the shares. The High Court passed an order on 9 March 1982 restraining the firm from alienating/transferring the shares held by them.

The Company filed a suit in 1985 against the company 'A', the broker and the seller, for getting the shares registered in its name together with accrued dividends on the ground that the purchase was completed on 3/4 March 1982 i.e. when they agreed to buy much before the court order or alternatively, to recover the price paid for the shares with interest thereon from the broker or the seller.

The Company is entitled to 27500 shares of the company 'A', including bonus shares (17,500) issued in 1985 and 1987. The market value of the same as on October 1992 was Rs 125.13 lakhs. The dividend for the same from 1982 to 1992 was Rs 11.24 lakhs. The matter, however, is subjudice.

13.16. Odd Lot Scheme

The Company introduced, in February 1988, the scheme of direct purchase of shares of companies in odd lots which fall under "Approved Investments" under the Insurance Act. The odd lot shares are purchased by the company at its Head Office. Till 1993-94, the company purchased shares worth Rs 360.40 lakhs.

Though the odd lot share scheme does not strictly fall under the insurance business, the Company clarified (March 1994) to the Audit Board that the scheme was started basically as a facility or social service as the Company was to be considered as a Financial Institution.

14. Capital Expenditure

14.1. Office Premises

During test check it was noticed that in two cases in Bombay, the Company had entered into lease agreement but the premises were either left unutilised or partially utilised resulting in infructuous expenditure to the tune of Rs 71.25 lakhs. The Ministry stated that the premises could not be used because of circumstances beyond their control. However, in one case the company has recovered compensation from the landlord while settling the arrears.

14.2. Residential Accommodation

Though the Company had purchased the residential flats and taken their possession, it had taken a long time ranging from three months to seven years in allotting them to its officers.

The terms of the agreement provided for payment of (a) liquidated damages for delay in handing over possession and (b) penal interest calculated at the rate of 18 percent per annum on the amount paid to the builders. The Company filed a suit in July 1989 against two builders for recovery of Rs 33.75 lakhs towards liquidated damages for non-performance of two agreements relating to New Bombay.

In two other cases there were also delays ranging from two to twelve years in handing over the premises to the Company by the builders. In these cases the agreements executed with the builders did not contain any provision for liquidated damages. In yet another case even a formal agreement was not entered into with the lessor.The Ministry stated (August 1995) that the premises could not be used because of circumstances beyond their control.

15. Manpower Analysis

15.1. The staff strength of the Company increased from 21336 in 1989-90 to 24541 in 1993-94 in all categories of employees except in Class II.

Year	Class I	Class II	Class III	Class IV	Total	Rate of growth of staff (%)
1989-90	3647	3923	10976	2790	21336	6.05
1990-91	3953	3641	12031	3082	22707	6.43
1991-92	4017	3723	12252	3158	23150	1.95
1992-93	4078	3605	12637	3177	23497	1.49
1993-94	4238	3576	12683	4044	24541	4.44

No job evaluation or work study has been conducted by the Company. However, a study was conducted in 1979 by the Staff Inspection Unit (SIU) under instructions of the Ministry of Finance at a few selected Divisional and Branch Offices of the subsidiary companies of GIC. Based on this report, GIC fixed following norms for core staff requirements at various operating office :

(i) Controlling D.O.: 12

(ii) Market/Composite D.O. : 15

(iii) Tied D.O.: 14

(iv) Branch : 8

However, no yardsticks were fixed to determine the total staff requirement with reference to details of work load actually handled. In response to a query about the surplus staff and about redeploying them for optimum utilization of their services, the Management stated (August 1995) that there could be some surplus staff in some offices, but there were administrative difficulties in adjusting them against deficit identified in other cites/towns. The company also stated that since 1989-90 no fresh recruitment had taken place except for meeting mandatory requirements and that the efforts were being made to deploy staff so as to overcome over-staffing problem in course of time.

16. Customer Service

The rationale behind the formation of four underwriting companies at the time of nationalisation was to promote healthy competition among them in the field of customer service. The table below shows the position of arrears in the issue of documents relating to policies as well as the claims to be settled at the end of 1989-90 to 1993-94 :

(Figures in lakhs)

Year	No.of Documents (Policies)		No.of Claims	
	Total	Arrears	Total	Outstanding
1989-90	52.09	5.34 (10.25)	8.02	1.78 (22.16)
1990-91	52.58	3.43 (6.52)	8.54	1.75 (20.51)
1991-92	62.00	3.80 (6.13)	8.75	2.00 (22.86)
1992-93	67.67	4.40 (6.50)	8.91	1.84 (20.65)
1993-94	64.25	3.82 (5.95)	6.39	1.94 (30.36)

(Figures in brackets represent percentage of arrears/ outstanding to total)

As on 31 March 1994, 78688 claims are motor third party cases pending with court of which 28487 claims are outstanding for over 3 years. As at 31 March 1994, 37019 claims (Rs 27247.55 lakhs) were pending settlement for over three years. Of this, 15644 claims (Rs 11524.39 lakhs) were pending for over five years. The Company clarified (March 1994) to the Audit Board that the number of outstanding claims should not be a reflection of their customer service as most of the cases were pending in courts.

17. Accounts

17.1. Transfer of funds

It was noticed that there were undue delays ranging from 14 to 701 days in 25 cases in transferring the surplus balances by Banks to the Central Collection Account at Head Office. In one case it was noticed that the Central Bank of India had taken 244 days to credit Rs 1.16 crores transferred from one of the Branches at Calcutta. The Company has claimed a sum of Rs 34.96 lakhs from the banks towards interest @ 12 percent for delayed credit of funds transferred from as many as 100 offices to Central Collection Account. While the Ministry stated that the RBI has issued instructions to Commercial Banks to compensate the clients for delayed credit of transfers on the basis of recommendations of Boiporia Committee, the company could recover Rs. 5.37 lakhs only out of Rs. 34.96 lakhs claimed.

As per the existing system, the claim for interest is made only after the credit comes to Head Office Collection Account. The Management stated (January 1993) that till such time the funds are received at Head Office, they cannot be sure of the transfers effected by the concerned divisions as some of the divisions do not inform them of the transfers made from the Collection Account. It was also stated (November 1993) that control mechanism existed in ROs and HO to bring out non-adherence of instructions by banks and that previous cases of delay are reviewed by Internal Audit. It was, however, noticed in audit that in four cases the bankers have not been transferring their surplus balances according to standing instructions resulting in heavy accumulations at the divisions and loss of investment avenues at Head Office level, resulting in loss of interest of Rs 0.96 lakh.

17.2. Financial Position

The financial position of the Company as reflected in the Annual Report for the five years upto 31 March 1994 is summarised below:

(Rupees in lakhs)

	1989-90	1990-91	1991-92	1992-93	1993-94
Liabilities					
Paid up capital	2590	4000	4000	4000	4000
Insurance Funds	33279	41232	54743	60568	68999
Other Reserves	32283	38660	47746	56418	73865
P&L A/c. Bal.	6187	6601	7883	14443	17948
Estimated liabilities for outstanding claims	44776	57158	71782	84780	98508
Amounts due to other insurance companies	10814	8953	12873	17528	15770
Other owings	34501	32319	42136	53070	60099
Total	**164430**	**188923**	**241163**	**290807**	**339189**
Assets					
Net Fixed Assets	3259	3361	3404	3648	3029
Current Assets	45331	41434	55220	72058	70690
Investments	85066	101654	124442	160509	197235
Loans	30774	42474	58097	54592	68235
Total	**164430**	**188923**	**241163**	**290807**	**339189**

The total assets increased by nearly 2.06 times at 31 March 1994 as compared to 31 March 1990.

17.3. Ratio Analysis

An analysis has been made to ascertain various financial indicators such as leverage, liquidity ratio,etc. for the five years upto 1993-94.

Leverage is a method adopted usually to find out the relationship between networth and overall exposure and is calculated as ratio of net worth to net premium. This measures the solvency margin. Higher the leverage, higher is the solvency margin. Liquidity ratio indicates the ability of a company to discharge liabilities with its assets without impairing the capital. Proprietary ratio indicates the relationship between Proprietary funds and total assets :

	1989-90	1990-91	1991-92	1992-93	1993-94
1.Leverage ratio	203.21%	202.99%	193.71%	206.30	216.30%
2.Liquidity ratio	1.79 times	1.89 times	1.31 times	1.84 times	1.38 times
3.Proprietary ratio	22.93%	24.27%	23.21%	24.40%	27.01%
4.Net premium/ profit ratio	17.76%	15.89%	15.77%	25.68%	26.78%
5.Return on equity ratio	18.81%	17.45%	16.59%	22.33%	21.12%
6.Return on total assets ratio	6.15%	5.98%	6.16%	9.25%	9.46%

17.4. Expenses of Management

Section 40-C of the Insurance Act, 1938 read with Rule 17-E of the Insurance Rules 1939 lays down certain limits for Management Expenses in General Insurance Business. The excess over the prescribed limit was Rs 2116 lakhs, Rs 354 lakhs and Rs 22 lakhs during the period 1989-90 to 1991-92. The company had been able to control the actual management expenses in the last two years within the norms prescribed.

18. Internal Audit

18.1. A Committee constituted by GIC to review the working of the Internal Audit cum Inspection Department of all the subsidiaries, in its report (January 1986) suggested inter alia that internal audit teams should be gradually switched over to officer oriented teams to bring in a degree of maturity essential for a practical approach, the experience and status required to discuss and suggest appropriate measures for future and to present a balanced and useful report. Though the Committee's recommendations were adopted by all the Companies, the Company is still to make the internal audit fully officer-oriented. The Ministry stated (August 1995) that the whole department could become officer-oriented in phases as and when adequate number of officers became available.

18.2. Apart from reporting the systems and procedural lapses, the cases involving substantial monetary value (above Rs 50,000) are reported to Chairman-cum-Managing Director and Board of Directors. The review of Board level queries is done by an Audit sub committee which in turn issue directions after such review. As on 31 March 1994, 1174 cases valuing above Rs 50000 pointed out by Internal Audit involving Rs 2271.25 lakhs were pending clearance. The Ministry stated that out of 830 outstanding cases as on 31 March 1993, 100 cases, the monetary value of which was Rs.329.26 lakhs have been closed

18.3. The internal audit undertakes audit of underwriting and claims, special audit such as incentive audit, systems audit and financial audit besides investigations entrusted to by the Management from time to time on certain specific transactions. As per the action plan approved by the Ministry, the Internal Audit has to conduct audit of all offices at least once a year.

19. Management Information System (MIS)

19.1. Though returns relating to Development operations and Investment are periodically received at Head Office, there is no on-line information system for making spot decisions. No returns are furnished to Management by Reinsurance and Establishment Departments. The Management stated (January 1994) that on line system could be implemented only when all the phases of computerisation had been implemented and revised MOU signed with trade unions concerned. At present, it was stated, only two phases of the computerisation involving various phases had been completed.

19.2. Computerisation

The Company began introducing computerisation in all the offices upto Divisional Office level in a phased manner in November 1986. The computerisation effort was to be directed towards (i) ensuring prompt issue of documents and settlement of claims, (ii) rendering professional advice in Insurance Coverage and risk management (iii) building up of data base and MIS to provide reliable and accurate information in time for decision making.

The action plan for implementation of the system had been revised from time to time and in 1990, GIC had fixed 1 October 1991, 1 April 1992 and 1 October 1992 as the revised target dates for implementation of Underwriting, Accounts and Claims respectively.

The Company has so far incurred a total revenue expenditure of Rs 236.62 lakhs besides the capital expenditure of Rs 729.89 lakhs, but the implementation is not yet complete. The Ministry stated that the Company has computerised (March 1995) 25 offices as a front line office computerisation.

R Chandra

New Delhi
The 26 DEC 1995

(RAMESH CHANDRA)
Deputy Comptroller and Auditor General-
cum-Chairman, Audit Board

Countersigned

New Delhi
The 26 DEC 1995

(C.G. SOMIAH)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-I (Vide Para 1.1)
LIST OF ERSTWHILE INSURERS MERGED WITH THE COMPANY

1. Anand Insurance Company Limited.
2. Bhabha Marine Insurance Company Limited.
3. Commonwealth Assurance Company Limited.
4. Howrah Insurance Company Limited.
5. Indian Merchants Marine Insurance Company Limited.
6. Indian Ocean Insurance Company Limited.
7. Jalanath Insurance Limited.
8. Kalyan Marine Insurance Company Limited.
9. Liberty Insurance Company Limited.
10. Mother India Fire & General Insurance Company Limited.
11. Motorowner's Insurance Company Limited.
12. Narahari Marine Insurance Company Limited.
13. Naranji Bhanabhai and Company Limited.
14. New Merchant's Insurance Company Limited.
15. New Premier Insurance Company Limited.
16. Northern India General Insurance Company Limited.
17. Porbandar Insurance Company Limited.
18. Prachi Insurance Company Limited.
19. Shree Mahasagar Vima Company Limited.
20. South India Insurance Company Limited.
21. Vanguard Insurance Company Limited.

ANNEXURE-II (Vide Para 4.1)
ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

CHAIRMAN CUM MANAGING DIRECTOR

General Manager | General Manager | General Manager | General Manager

Assistant General Managers | Assistant General Managers | Assistant General Managers | Assistant General Managers | Financial Advisor | Chief Vigilance Officer

Managers

Deputy Managers

Assistant Manager

Administrative Officers

Assistant Administrative Officers

ANNEXURE-III (Vide Para 6.5)
DETAILS OF LOSS OF REVENUE

Name of D.O.	Name of Insured	Policy period	Amount (Rs in lakhs).
1.Bombay 120100	M/s.Tata Hydro Electric	1990-91	19.81
2.New Delhi 310100	M/s.Sidharth Slipper Spring	1987-89 & 1990-91	8.30
3.Madras 710300	M/s.SPIC Ltd.,	1988-89	1.66
4.Bombay	M/s.Zenith Chem Ltd.	1989-90	1.62
5.Ahmednagar	Various	1990-91	0.54
6.Muzafarpur	M/s.Bihar State Sugar Co.Ltd.	1987-88	0.19
7.Madras 710700	Standard Motors Ltd.	1988-89	1.37
	TOTAL		33.49

ANNEXURE IV (Vide Para 11.1)
DETAILS OF FOREIGN NETWORK OF THE COMPANY AS ON 31st MARCH

(A) Through its Branches:

1. Bangkok	2. Hiroshima	3. Hongkong
4. Labasa	5. Lautoka	6. London
7. Manila	8. Nagoya	9. Okayama
10. Osaka	11.Port Louis (Mauritius)	12.Sapporo
13. Suva	14.Sydney	15.Tokyo
16. Gifu.		

(B) Through subsidiary and Associate Companies.

1. The Prestige Assurance Co.(Nigeria) Ltd. (formerly known as New India Assurance Co.(Nigeria) Ltd.)
2. New India Assurance Co. (Ghana) Limited.
3. New India Assurance Co. (Trinidad & Tobago) Ltd.
4. New India Assurance Co. (Sierra Leone) Ltd. (Subsidiary).with a branch at Liberia.

(C) Through Agencies:

1. Abudhabi	2. Aruba (Netherlands Antilles)
3. Bahrain	4. Curacao (NA.).
5. Dubai	6. Jeddah (Saudi Arabia)
7. Kuwait	8. Al Khobar (Saudi Arabia)
9. Muscat	10. Paris (upto 1992)
11.Riyadh (Saudi Arabia)	12. Toronto

ANNEXURE-V (Vide Para 13.6)

DETAILS OF PORTFOLIO-WISE CUMULATIVE INVESTMENT

Category	Amount 1985	% to total Inv.	Amount 1986	% to total Inv.	Amount 1987	% to total Inv.	Amount 1988-89	% to total Inv.	Amount 1989-90	% to total Inv.	Amount 1990-91	% to total Inv.	Amount 1991-92	% to total Inv.	Amount 1992-93	% to total Inv.	Amount 1993-94	% to total Inv.
1.Central Govt. Securities	150.06	26.13	170.04	24.77	182.54	23.67	210.57	22.10	229.53	20.30	280.70	19.77	318.59	17.81	367.61	16.93	475.20	17.94
2.State Govt. Securities/ OAS/Debs/ bonds of PSUs	55.81	9.72	59.84	8.72	75.25	9.76	102.86	10.80	125.89	11.13	154.38	10.87	183.71	10.27	235.95	10.86	256.78	9.70
3.Loans to State)] Govt.for)] social housing)] programme and)] for purchase)] of fire)] fighting)] equipments)] 4.Loans to)] HUDCO & DDA)] & special)] deposits with)] Govt. of India)]	143.48	24.99	183.84	26.78	234.43	30.40	289.20	30.35	351.28	31.07	417.21	29.39	469.35	26.24	570.54	26.27	761.71	28.76
5.Market Sector																		
(a)Equity shares	95.01	16.55	102.04	14.87	114.52	14.85	138.52	14.54	172.21	15.23	190.88	13.45	56.09] 215.71]	15.20	77.12] 315.53]	18.08	419.56 81.17	18.91
(b) Preference shares	11.25	1.96	10.63	1.55	10.51	1.36	11.01	1.16	11.02	0.97	11.63	0.82	10.42	0.58	10.72	0.49	10.73	0.4
(c) Debentures	61.02	10.63	82.96	12.09	95.10	12.33	119.43	12.54	141.69	12.53	161.03	11.34	195.09	10.91	268.04	12.34	285.74	10.79
(d) BRS] (e) FD with] banks]	35.28	6.14	44.65	6.50	28.69	3.72	49.73	5.22	60.52	5.35	143.23	10.09	270.37	15.11	246.83	11.36	275.20	10.4
(f) Loans	22.28	3.89	32.40	4.72	30.09	3.90	31.42	3.30	38.50	3.41	60.64	4.27	69.11	3.86	79.54	3.66	82.27	3.1
	574.19		686.40		771.13		952.74		1130.64		1419.70		1788.44		2171.88		2648.36	

(Rupees in crores)

ANNEXURE-VI (Vide Para 13.9)

LOANS DISBURSED TO STATES FOR HOUSING AND FIRE FIGHTING EQUIPMENT AS AT 31.3.1994

Sr. No.	Name of States	Amount sanctioned (Rs)	Rank status	Actual outstandin
HOUSING				
1.	Andhra Pradesh	36.18	1	30.15
2.	Uttar Pradesh	22.09	3	17.04
3.	Orissa	14.79	4	12.13
4.	Karnataka	13.37	5	10.96
5.	Madhya Pradesh	11.99	6	18.95
6.	Haryana	6.47	9	4.98
7.	Kerala	22.58	2	20.38
8.	West Bengal	10.99	7	9.41
9.	Bihar	9.76	8	8.41
10.	Rajasthan	3.27	11	2.08
11.	Jammu & Kashmir	2.70	12	2.21
12.	Gujarat	2.30	13	0.98
13.	DDA	1.65	15	1.09
14.	Punjab	1.36	16	1.20
15.	Meghalaya	1.07	17	0.36
16.	Goa	4.84	10	4.50
17.	Himachal Pradesh	0.95	18	0.57
18.	Tripura	1.97	14	1.74
19.	Assam	0.70	19	0.52
20.	Nagaland	0.45	20	0.34
21.	Manipur	0.15	21	0.11
22.	Sikkim	0.10	22	0.64
	HUDCO	182.70	-	135.06
	GIC Griha Vitta	39.00	-	25.87
FIRE FIGHTING				
1.	West Bengal	10.50	1	7.43
2.	Uttar Pradesh	6.70	2	4.15
3.	Madhya Pradesh	5.06	4	2.92
4.	Kerala	5.19	3	3.22
5.	Rajasthan	3.53	6	2.15
6.	Orissa	3.85	5	3.32
7.	Gujarat	2.79	8	0.67
8.	Bihar	2.64	9	1.90
9.	Assam	3.20	7	2.28
10.	Jammu & Kashmir	2.48	11	1.55
11.	Maharashtra	2.75	10	1.82
12.	Meghalaya	1.19	14	0.55
13.	Haryana	1.40	13	1.35
14.	Mizoram	0.50	16	0.37
15.	Nagaland	0.51	15	0.37
16.	Himachal Pradesh	0.48	17	0.19
17.	Tripura	0.36	18	0.13
18.	Manipur	0.34	19	0.14
19.	Andhra Pradesh	1.50	12	1.40
20.	Karnataka	1.50	12	1.50
21.	Tamilnadu	1.50	12	1.40