

Understanding of Financial Statement of General Insurance

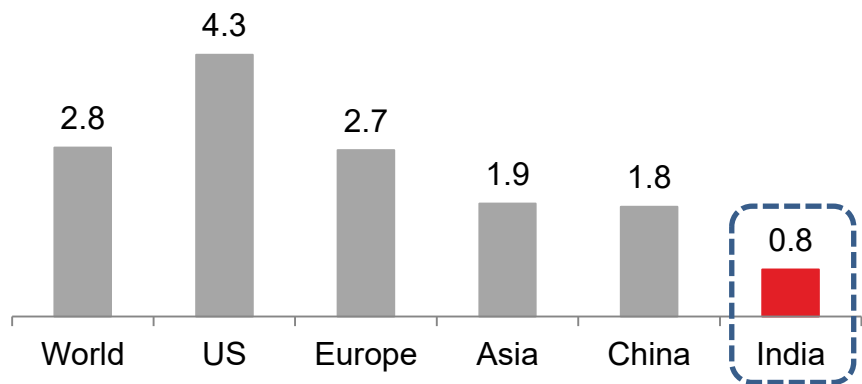
August 4, 2018

CA Rakesh Rathi

Indian General Insurance Industry Overview

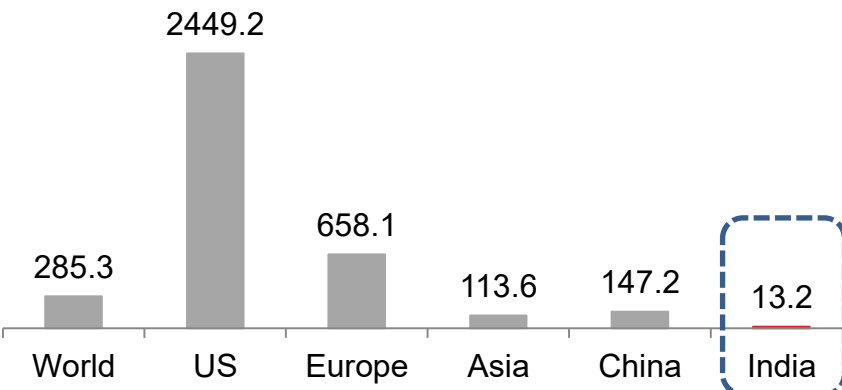
15th largest market - 0.83% of global non-life premium; Low penetration, insurance density & favourable demographics present growth opportunity

Non-Life Penetration: Premium as % of GDP (2016)



Source: Swiss Re sigma No. 3/2017

Non-Life Density: Premium per capita (in USD, 2016)



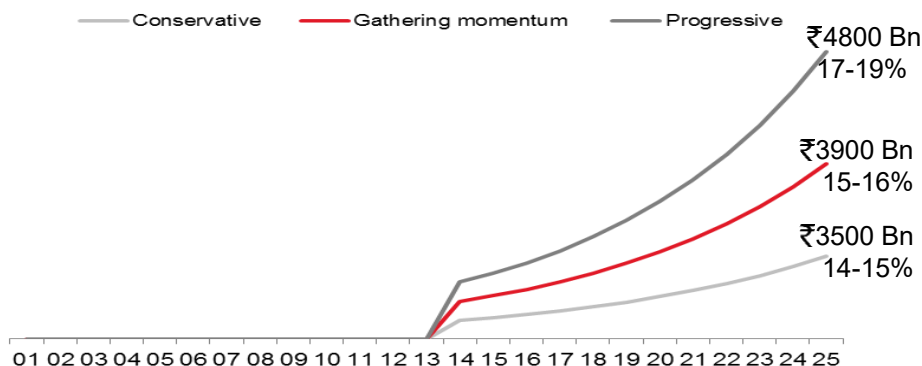
Source: Swiss Re sigma No. 3/2017

Insurance penetration low across segments

Asset / Risk category	Penetration	Global Benchmark
New cars (<3 yrs.)	80%	85%
Old cars (>3 yrs.)	60%	85%
Commercial vehicles	70%	>85%
Two Wheelers	25%	>90%
Home	< 1%	>95%
Retail Health: Mass Affluent	20%	90%
Retail Health: Mass market	Very low	75%

Source: FICCI – India General Insurance 'Vision 2025'

Non-Life Insurance Industry Premium: Projections



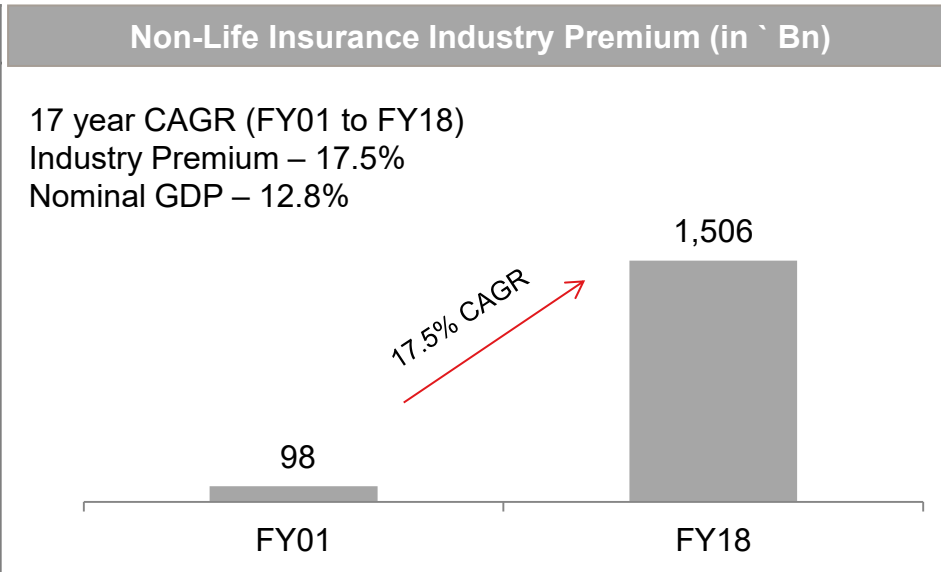
Source: McKinsey

Indian General Insurance Industry Overview

24 private insurers in the market today; driving growth

1973	2001	2007	2012	2015	2017
Nationalization: 107 insurers consolidated into 4 state insurers	Sector opened to pvt. participation; FDI upto 26% allowed; Market size ` 100 Bn	Detariffing of market; Motor Pool formed for Commercial Vehicles	Motor Pool disbanded: Industry losses at ~ ` 150 Bn	Insurance Amendment Bill ▪ FDI up to 49% allowed ▪ Reinsurance branches allowed	Listing of non-life insurers

Key Industry Statistics	
General Insurers	Public – 4 Pvt. – 21
Standalone Health Insurers (SAHI)	6
Specialized Insurers (Agri EXIM)	2
Reinsurers – Indian & Branches	1 8 branches
Agents & Brokers	~726,000 and 400
Gross Direct Premium - FY18	~` 150,600 Cr
Retail: Corporate: Agri share	57 : 26 : 17
Public: Private	51 : 49
Policy Count & Average Ticket Size	~180 mn ~` 8,200
Offices & Employees	~11,300 offices ~125,000 employees
<ul style="list-style-type: none"> ▪ Free pricing except Motor Third Party Liability ▪ Partial wording detariffed for Fire /Engg. /Motor 	



Source: GI Council, MOSPI

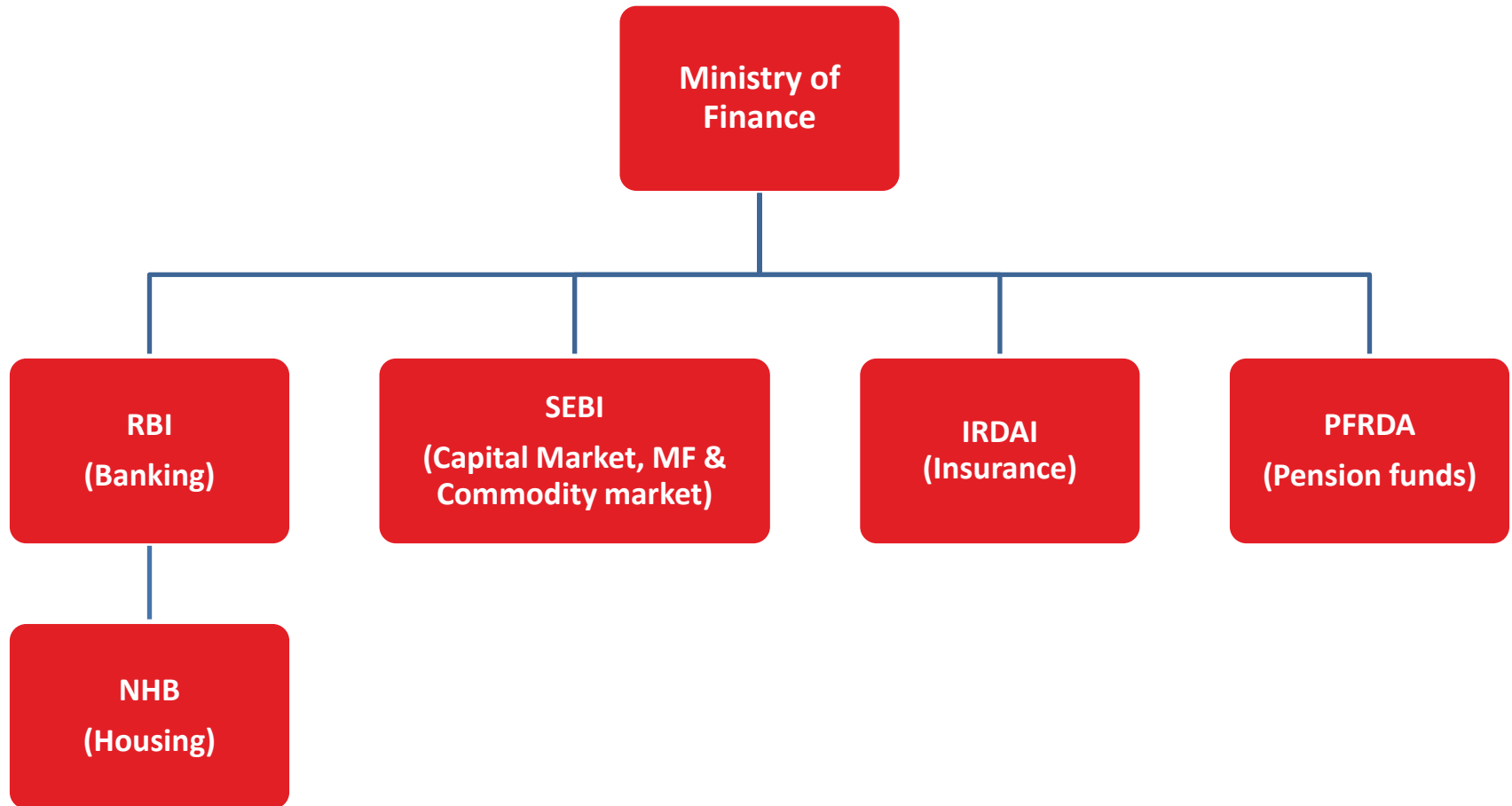
Industry Overview

Industry growth at 18% for FY18; Motor TP, Health & PA drive growth

In ` Cr

Name of the Insurer	FY17			FY18		
	GDP	Mkt Shr	Growth	GDP	Mkt Shr	Growth
ICICI Lombard	10,725	8.4%	33%	12,357	8.2%	15%
Bajaj Allianz	7,633	6.0%	31%	9,445	6.3%	24%
HDFC ERGO	6,189	4.9%	46%	7,290	4.9%	18%
IFFCO Tokio	5,564	4.4%	51%	5,632	3.7%	1%
Tata AIG	4,168	3.3%	41%	5,436	3.6%	30%
Reliance	3,935	3.1%	41%	5,069	3.4%	29%
Cholamandalam	3,133	2.5%	28%	4,102	2.7%	31%
SBI General	2,604	2.0%	28%	3,544	2.4%	36%
Royal Sundaram	2,204	1.7%	29%	2,623	1.7%	20%
Universal Sompo	1,287	1.0%	42%	2,311	1.5%	80%
Shriram	2,041	1.6%	2%	2,101	1.4%	3%
Future Generali	1,816	1.4%	17%	1,906	1.3%	5%
Bharti AXA	1,297	1.0%	2%	1,758	1.2%	36%
Others	1,145	0.9%	35%	1,852	1.2%	53%
Private Total	53,742	42.1%	35.4%	65,426	43.4%	21.6%
Star Health	2,962	2.3%	48%	4,145	2.8%	40%
Apollo Munich	1,302	1.0%	27%	1,718	1.1%	32%
SAHI Others	1,596	1.3%	42%	2,436	1.6%	53%
SAHI Total	5,860	4.6%	41.1%	8,298	5.5%	41.7%
New India	19,098	15.0%	26%	22,696	15.1%	19%
United India	15,801	12.4%	29%	17,300	11.5%	8%
National	14,001	11.0%	17%	16,339	10.9%	15%
Oriental	10,798	8.5%	30%	11,450	7.6%	6%
Public Total	59,698	46.8%	25.0%	67,785	45.1%	13.8%
AIC	7,064	5.5%	101%	7,823	5.2%	11%
ECGC	1,268	1.0%	-4%	1,240	0.8%	-2%
Spl PSUs Total	8,332	6.5%	73.0%	9,063	6.0%	8.8%
Grand Total	1,27,631	100%	32.0%	1,50,572	100.0%	18.0%

Framework of the Financial system of India



Statutes and Regulations-Governing Laws

- Regulator - Insurance Regulatory and Development Authority (IRDAI) operating under the Ministry of Finance, Government of India.
 - Insurance Act, 1938, Insurance Law (Amendment) Act, 2015 and Rules thereunder – Amendments to be approved by parliament only
 - Regulations – Amendments by Board of IRDAI
 - Circulars, corrigendums, guidelines & Orders issued by operative management of IRDAI
- The Companies Act, 2013 w.e.f April 1, 2014; The Companies Act 1956 upto March 31, 2014
- The Income Tax Act, 1961 and Rules made thereunder
- Good and Services Tax Act, 2017 and Service Tax under The Finance Act 1994
- Foreign Exchange Management Act, 1999
- Labour related laws

Important Provisions -Insurance

Rural & Social Obligation:

- Obligation of doing business in the Rural and Social sector (Sec. 32B, 32C and IRDAI (Obligations of Insurers to Rural and Social Sectors) Regulations 2015)
 - Rural Obligation – 7% of the Direct Written Premium
 - Social Obligation (No. of lives) – basis no. of years in operations – 5% of last year's total lives covered under individual and group policies in relation to A&H.

Commission, Brokerage & Rewards :

- Prohibition to pay commission / brokerage or otherwise for procuring business to person(s) other than agent(s) or broker(s) (Sec.40)
- Agency Commission / Brokerage / Rewards can be paid only to the extent permitted by IRDAI (Payment of Commission or Remuneration or Reward to Insurance Agents and Insurance Intermediaries) Regulations, 2016. The insurance Company cannot pay to agents / brokers any amount other than Commission/Brokerage /Reward under any other name.

Prohibition of rebates (Sec. 41):

- No person shall allow or offer any rebate of premium for taking out or renewing or continuing a policy except such rebate as may be allowed in accordance with the publish prospectus or tables of the insurer.

64 VB – Premium to be received in advance:

- No risk to be assumed unless receipt of premium in advance in the manner prescribed by IRDAI. Also, any refund of premium (cancellation of policy, excess premium received etc.) should be in the name of insured. (Sec.64VB)

Important Provisions -Insurance

40 C – Limitation of Expenses :

- The total expenses (Commission/Brokerage and operating expense) regulated under Section 40C of the Insurance Act 1938 and IRDAI (Expense of Management of Insurers transacting General or Health Insurance business) Regulations, 2016, not to exceed approx. 32%-33% of GWP

Implication: To ensure compliance, need to maintain balanced composition of business with corporate and rural business at ~ 35-40% of GWP

Solvency Ratio

- The total Available Solvency Margin (ASM) to Required Solvency Margin (RSM). Both ASM and RSM is calculation as per the method prescribed under regulation and circulars issued by the authority in this regard

Implication: Solvency ratio determines health of the insurance company and thereby its ability to honour claims when they arise

Investment Regulations

Government Securities

Minimum 20%

Government Securities or Other Approved Securities

Minimum 30%
including 20% in
Government sec.

Housing and loans to State Government for housing
and fire fighting equipments and Investments
in infrastructure sector

Minimum 15%

Other Investments

Maximum 55%

Insurance Terminology

- Gross Written Premium (GWP)
 - Gross Direct premium (GDPI) plus
 - Reinsurance accepted
- Net Written Premium (NWP) = GWP less Reinsurance ceded
- Unexpired Premium Reserve (UPR)
 - 1/365 method
- Net Earned Premium (NEP)
 - NWP less Change in UPR (Unearned Premium c/f (less) Unearned Premium b/f)
- Net commissions
 - Gross commission and brokerage less
 - Reinsurance commission income
- Net incurred claims
 - Gross claims paid direct & Reins accepted less
 - Recoveries on reinsurance ceded plus
 - Change in Outstanding claims (net of RI ceded) plus
 - Change in IBNR & IBNER: Claim (Accident Event) may have incurred in the year of accounting but not intimated/reported/ Not enough reported till year-end. Valued based on actuarial methods.
 - Other Claims related expenses (Solatium Fund, TPA charges, Pre inspection charges, etc.,)
- Expenses of management
 - All operating expenses of the Company

Basis of preparation of Financial Statement

The basic accounting principles remain same for accounting of general insurance business. On account of peculiar nature of general insurance business, there are certain intricacies in accounting of various general insurance transactions

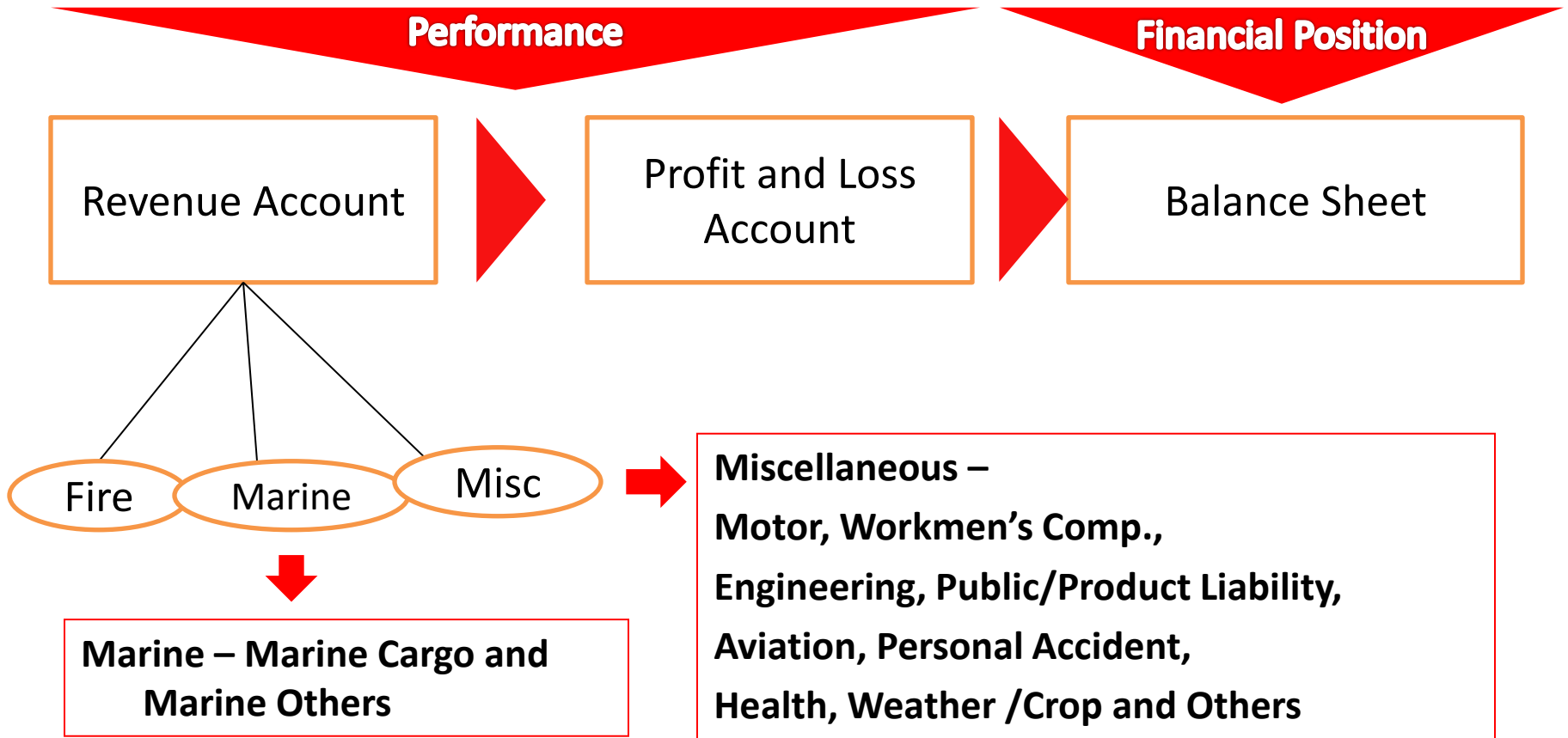
Insurance Regulatory and Development Authority (Preparation of Financial Statements & Auditor's Report of Insurance Companies) Regulations, 2002

All mandatory Accounting Standards issued by The Institute of Chartered Accountants of India to be adhered to subject to the following:

- (i) Accounting Standard 3 (AS 3), Cash Flow Statements – Cash Flow Statement shall be prepared only under the Direct Method.**
- (ii) Accounting Standard 13 (AS 13), Accounting for Investment is not applicable.**
- (iii) Accounting Standard 17 (AS 17) – Segment Reporting – as prescribed under IRDAI Regulation – Any other segment contributing more than 10% of the total premium of the insurer shall be shown separately.**

Financial statements

The financial statements of a General Insurance Company include:



Revenue Account

- As per IRDAI, separate revenue accounts to be prepared for Fire, Marine and Miscellaneous business.
- Miscellaneous business includes Motor, Workmen's Comp., Engineering, Public/Product Liability, Aviation, Personal Accident, Health and Others lines of businesses.

The contents of a Revenue Account is as under:

Income

- Premium Earned (Net) (NEP)
- Investment Income (Policy holders' share)

Total Income (A)

Expenses

- Claims Incurred (Net of reinsurance recovery)
- Commission, Brokerage (Net of commission on RI ceded)
- Operating Expenses

Total Expenses (B)

Operating Profit (Loss) for the Period (A-B)

Sample Revenue Account

(` '000)

	Particulars	Schedule	FIRE INSURANCE	MARINE INSURANCE	MISCELLANEOUS INSURANCE	TOTAL
1	Premiums Earned (Net)	1	976,000	590,000	20,472,000	22,038,000
2	Profit/Loss on Sale/Redemption of Investments (Net)		23,000	8,000	494,000	525,000
3	Accretion/(Amortisation) of Debt Securities		(2,000)	(1,000)	(78,000)	(81,000)
4	Others:		-	-	-	-
5	Interest, Dividend and Rent – Gross		326,000	65,000	5,547,000	5,938,000
	TOTAL (A)		1,323,000	662,000	26,435,000	28,420,000
1	Claims Incurred (Net)	2	626,000	374,000	16,302,000	17,302,000
2	Commission (Net)	3	(186,000)	35,000	(2,427,000)	(2,578,000)
3	Operating Expenses Related to Insurance Business	4	748,000	267,000	6,849,000	7,864,000
4	Premium Deficiency		-	-	-	-
	TOTAL (B)		1,188,000	676,000	20,724,000	22,588,000
	Operating Profit/(Loss) (A-B)		135,000	(14,000)	5,711,000	5,832,000
	APPROPRIATIONS					
	Transfer to Shareholders' Account		135,000	(14,000)	5,711,000	5,832,000
	Transfer to Catastrophe Reserve		-	-	-	-
	Transfer to Other Reserves		-	-	-	-
	TOTAL (C)		135,000	(14,000)	5,711,000	5,832,000



Profit and Loss Account

- Operating Profit /(Loss) (As per three Revenue Accounts)
- Add: Income from Investments (Shareholders' share)
- Less: Expenses other than those relating to Insurance business (e.g. Bad Debts, Expenses indicated by IRDAI to be borne by Shareholders etc.,)
- Profit / (Loss) before tax (PBT)
- Less: Provision for Taxation
- Net profit / (Loss) for the period after tax (PAT)
- Less: Appropriations (Dividends, Transfer to Reserve)
- Balance carried forward to Balance sheet

Sample Profit and Loss Account

Particulars	(` '000)
OPERATING PROFIT/(LOSS)	
Fire Insurance	135,000
Marine Insurance	(14,000)
Miscellaneous Insurance	5,711,000
	5,832,000
INCOME FROM INVESTMENTS	
Interest, Dividend and Rent – Gross	1,102,000
Profit on sale of investments	186,000
Accretion/(Amortisation) of Debt Securities	(28,000)
	1,260,000
OTHER INCOME	-
TOTAL (A)	7,092,000
PROVISIONS (OTHER THAN TAXATION)	
For dimunition in the value of investments	-
For doubtful debts	-
	-
OTHER EXPENSES	
Expenses other than those related to insurance business	
Employees' related remuneration and welfare benefits	35,000
Corporate Social Responsibility Expenses	46,000
Remuneration to directors and others	4,000
Interest on Debentures	1,90,000
TOTAL (B)	2,75,000
PROFIT/(LOSS) BEFORE TAX	6,817,000
Provision for Taxation	
- Current Tax / Minimum Alternate Tax (MAT)	10,55,000
- Deferred Tax	86,000
PROFIT/(LOSS) AFTER TAX	5,676,000
APPROPRIATIONS	
Balance of Profit/(Loss) brought forward from previous year	4 51,000
BALANCE CARRIED FORWARD TO BALANCE SHEET	6,127,000



Balance sheet

Balance sheet : Summarises Assets and Liabilities of a Company on a specific date.

Major component of Balance sheet of a General insurer include :

- **Liabilities**
 - Share capital
 - Reserves & Surplus
 - Accumulated profits
 - General reserve
 - Share Premium
 - Any other Specific Reserve
 - Fair Value Change (Change in Market value of Equity and Mutual fund Investments)
 - Borrowings includes Other forms of Capital
- **Assets**
 - Investments – Shareholder's and Policy holder's
 - Fixed assets
 - Net Current assets (Current assets (less) Current liabilities)
 - Debit Balance in Profit and loss a/c (Accumulated Losses)

Sample Balance sheet

Particulars	(` '000)	(` '000)
SOURCES OF FUNDS		
SHARE CAPITAL		7,050,000
RESERVES AND SURPLUS		13,127,000
FAIR VALUE CHANGE ACCOUNT - SHAREHOLDERS		48,000
FAIR VALUE CHANGE ACCOUNT - POLICY HOLDERS		155,000
BORROWINGS		2,500,000
DEFERRED TAX LIABILITY		86,000
TOTAL		22,966,000
APPLICATION OF FUNDS		
INVESTMENTS - SHAREHOLDERS		18,900,000
INVESTMENTS - POLICYHOLDERS		67,269,000
LOANS		-
FIXED ASSETS		2,110,000
CURRENT ASSETS		
Cash and Bank Balances	3,406,000	
Advances and Other Assets	28,949,000	
Sub-Total (A)		32,355,000
CURRENT LIABILITIES	72,365,000	
PROVISIONS	25,303,000	
Sub-Total (B)		97,668,000
NET CURRENT ASSETS/(LIABILITIES) (C) = (A-B)		(65,313,000)
MISCELLANEOUS EXPENDITURE		-
(to the extent not written off or adjusted)		
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		-
TOTAL		22,966,000

Investment

Investment is Segregated in Policy holders fund and Shareholders fund as prescribed under IRDAI Regulation

Policyholders' Fund comprise of followings :

- Reserves for outstanding Claims
- Reserves for IBNR and IBNER
- Reserves for Unexpired risk (URR)
- Policy Holder's Due
- Balance due to / from insurance and Reinsurance Companies
- Outstanding Premium
- Premium Received in Advance
- Unallocated Premium

Shareholders' Fund :

- Balance amount after reducing Policy holders fund from total Investment

Current Assets / Current Liabilities

Current Assets

- Cash and Bank Balance
- Advances to employees and suppliers.
- Income accrued on Investments (*due dates of interest after reporting date*)
- **Outstanding Premium**
- **Due from other entities carrying insurance business (*co-insurance and reinsurance receivables*)**
- Deposits for premises

Current Liabilities and Provisions

- **Balance due to other Insurance Companies (*co-insurance and reinsurance payables*)**
- **Premium received in advance (*for policies commencing after reporting date*)**
- Sundry Creditors (*mainly suppliers*)
- **Claims outstanding including IBNR (*pending approval, payment*)**
- **Unclaimed Amount of Policy holders**
- **Reserve for Unexpired Risk (*premium portion proportionate to policy period falling into next reporting period*)**

Accounting policies and Notes

- Disclosure as per Accounting standards, IRDAI regulations (including circulars and notifications), Companies Act 1956 and Companies Act 2013
- Major component of Notes to accounts includes:
 - Significant accounting policies of the Company
 - Disclosures pertaining to IRDAI Regulations such as LOB wise Reinsurance cession and retention, Claims paid in India and Outside India, Rural / Social Obligation, etc.
 - Details of deferred tax Assets/ (Liabilities)
 - Related party disclosure
 - Segment wise reporting

Ratios for Performance Evaluation

Gross ratios

Net retention ratio = NWP / GWP

Explaining the quantum of risk retained by a Company

Gross Expense ratio = EOM / GWP

Expenses incurred for running the Company

Net ratios

Net Loss Ratio = Net incurred claims / NEP

Claims borne by the Company on the earned premiums

Net Expense ratio = Total Expenses (commission (net of RI commission) (plus) EOM) / NWP

Total expenses of the Company to the amount of premium retained

Combined ratio = Net loss ratio + Net Expense ratio 

Indicating the quality of the business of the Company

Solvency ratio = Ratio of Available Solvency Margin to Required Solvency Margin (Minimum 1.50) 

Solvency ratio determines health of the insurance company and thereby its ability to honour claims when they arise

Ratios for Performance Evaluation

(` in Cr)

Particulars	FY 20XX
Gross Written Premium	6,603
Net Written Premium	2,665
NWP/ GWP Ratio	40.4%
Net Earned Premium (NEP)	2,204
Net Claim Incurred	1,730
Net Commission	(258)
Operating Expenses	786
Underwriting Profit / (Loss)	(55)
Investment Income	764
Other Expenses	28
Profit/(Loss) before Taxes	682
Taxes	114
Profit/(Loss) after Taxes	568
Networth	2,018
<u>Key Ratios</u>	
Expense Ratio to GWP	11.9%
Expense Ratio to NWP	19.8%
Loss Ratio	78.5%
Combined Ratio	98.3%
ROE	28.1%

Valuation of Listed Insurance Companies

(` in Crore)

Name of the Insurer	Listing Date	IPO Price (in `)	Market Cap (in `)	Valuation at IPO Price			Current Price (in `)	Market Cap (in `)	At Current Valuation			Performance Since Listing
				P/E	P/GWP	P/B			P/E	P/GWP	P/B	
Non Life												
ICICI Lombard General Insurance Company Ltd	Sep 27, 2017	661	29,992	42.7	2.4	8.1	716	33,424	37.8	2.7	7.1	8.32%
General Insurance Corporation of India	Oct 25, 2017	912	80,001	25.6	1.9	4.5	702	61,833	19.1	1.5	1.2	-23.03%
The New India Assurance Company Ltd	Nov 13, 2017	800	65,920	65.4	2.5	6.0	649	52,904	24.2	2.0	3.6	-18.88%
Our General Insurance Company			-	-	-	-	252	17,767	31.3	2.7	8.8	

Note: Market Cap is considered as of June 5, 2018 and Book Value, PAT and GWP is taken as of FY18. Valuation of Our General Insurance Company is done based on simple average of values arrived considering multiples of ICICI Lombard General Insurance Company Limited being only one private insurer

Update on IND AS -Insurance

- The Ministry of Corporate Affairs vide Notification no. G.S.R 111(E) dated 16 Feb 2015 notified the Companies (Indian Accounting Standards) Rules, 2015 (Rules).
- The Insurance Regulatory and Development Authority of India (IRDAI) vide circular no. IRDA/ F&A/ CIR/IFRS/038/03/2016 dated March 1, 2016, directed insurance companies to constitute steering committee to monitor and implement IND AS, in order:
 - To prepare first IND AS financial statements from **April 1, 2018** onwards, and
 - To submit proforma IND AS Financial statements to the Authority from the quarter ended **December 31, 2016**, onwards.
- Further, The Insurance Regulatory and Development Authority of India (IRDAI) vide circular no. IRDA/ F&A/ CIR/ACTS/146/06/2017 dated June 28, 2017, deferred the implementation of IND AS in the Insurance Sector in India for a **period of two years** and the same shall now be implemented effective **2020-21**.
- Deferment is done in view of new IND AS 117 on Insurance Contracts (replaces IND AS 104) would be applicable from April-2020-21.

Thank You

Schedules 1 to Revenue Account

PREMIUM EARNED (NET)

(` '000)

	Fire	Marine			* Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total		
Premium from direct business written-net of Service tax/GST	6,197,000	1,146,000	397,000	1,543,000	57,184,000	64,924,000
Add: Premium on Re-insurance accepted	705,000	128,000	-	128,000	277,000	1,110,000
Less: Premium on Re-insurance ceded	(5,602,000)	(714,000)	(344,000)	(1,058,000)	(32,728,000)	(39,388,000)
Net Premium	1,300,000	560,000	53,000	613,000	24,733,000	26,646,000
Add/(Less): Adjustment for changes in reserve for unexpired risks	(324,000)	(22,000)	(1,000)	(23,000)	(4,261,000)	(4,608,000)
Total Premium Earned (Net)	976,000	538,000	52,000	590,000	20,472,000	22,038,000

- Premium - In the contract of insurance, it is the price for which the insurer undertakes to discharge his liabilities under the contract to pay the sum insured in case the event insured against happens.
- Coinsurance: Is the distribution of the insurance business made by the insured amongst various insurers. The liability of each insurer in the loss shall be limited to the proportion set against each.
- Reinsurance: Arrangement by an insurer with another insurer (re-insurer) for spreading the accepted risks and protecting retained risks



Schedules 1 to Revenue Account Cont...

Miscellaneous Premium Breakup	Motor-OD	Motor-TP	Motor Total	Workmens Compensation	Public Liability	Engineering	Aviation	Personal Accident	Health Insurance	Weather/Crop	Others	Total Miscellaneous
Premium	7,166,000	9,389,000	16,555,000	134,000	43,000	1,231,000	210,000	5,424,000	9,913,000	21,011,000	2,663,000	57,184,000
Add: Premium on Re-insurance accepted	-	-	-	-	-	84,000	71,000	3,000	13,000	-	106,000	277,000
Less: Premium on Re-insurance ceded	(3,451,000)	(2,392,000)	(5,843,000)	(5,000)	(22,000)	(1,051,000)	(203,000)	(1,725,000)	(4,282,000)	(18,102,000)	(1,495,000)	(32,728,000)
Net Premium	3,715,000	6,997,000	10,712,000	129,000	21,000	264,000	78,000	3,702,000	5,644,000	2,909,000	1,274,000	24,733,000
Add/(Less): Adjustment for changes in reserve for unexpired risks	(1,277,000)	(770,000)	(2,047,000)	(3,000)	3,000	(15,000)	56,000	(837,000)	(962,000)	(248,000)	(208,000)	(4,261,000)
Total Premium Earned (Net)	2,438,000	6,227,000	8,665,000	126,000	24,000	249,000	134,000	2,865,000	4,682,000	2,661,000	1,066,000	20,472,000



Schedules to Revenue Account cont....

Schedule 2 - CLAIMS INCURRED (NET)

(` '000)

	Fire	Marine			* Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total		
Claims paid direct	2,559,000	871,000	55,000	926,000	32,789,000	36,274,000
Add: Claims on Re-insurance accepted	196,000	27,000	2,000	29,000	105,000	330,000
Less: Claims on Re-insurance ceded	(2,216,000)	(481,000)	(69,000)	(550,000)	(21,379,000)	(24,145,000)
Net Claims paid	539,000	417,000	(12,000)	405,000	11,515,000	12,459,000
Add: Claims Outstanding at the end of the year	761,000	504,000	3,000	507,000	27,685,000	28,953,000
Less: Claims Outstanding at the beginning of the year	(674,000)	(533,000)	(5,000)	(538,000)	(22,898,000)	(24,110,000)
Total Claims Incurred (Net)	626,000	388,000	(14,000)	374,000	16,302,000	17,302,000

Note: Claims Outstanding includes IBNR (incurred but not reported)and IBNER (incurred but not enough reported)

Schedule 3 - COMMISSION (NET)

(` '000)

	Fire	Marine			* Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total		
Commission paid direct	445,000	101,000	3,000	104,000	4,574,000	5,123,000
Add: Commission paid on Re-insurance accepted	51,000	7,000	-	7,000	29,000	87,000
Less: Commission received on Re-insurance ceded	(682,000)	(68,000)	(8,000)	(76,000)	(7,030,000)	(7,788,000)
Net commission paid/(received)	(186,000)	40,000	(5,000)	35,000	(2,427,000)	(25,78,000)



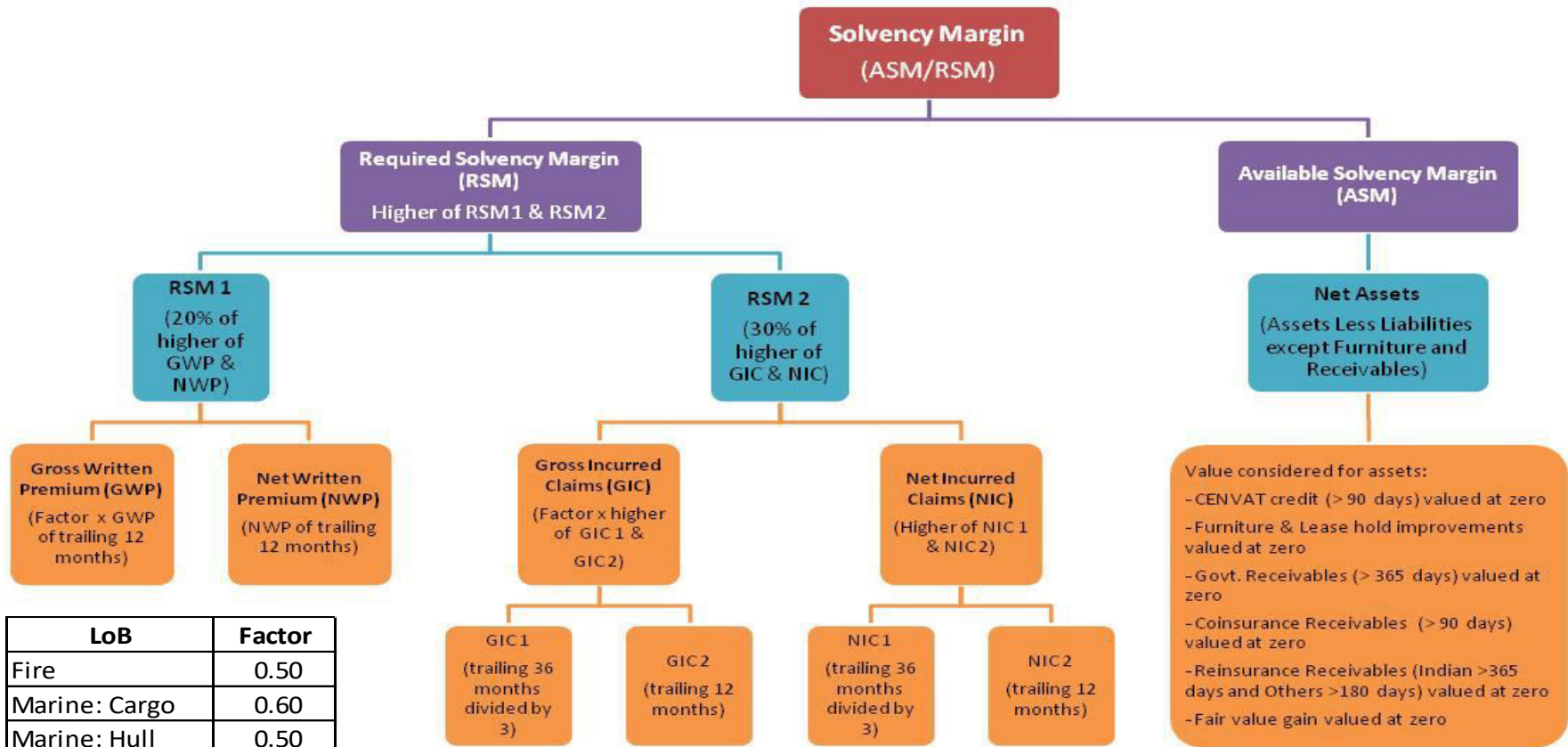
Schedules to Revenue Account cont....

OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

(` '000)

	Fire	Marine			* Miscellaneous	Total
		Marine Cargo	Marine Hull	Marine Total		
Employees' remuneration and welfare benefits	273,000	50,000	15,000	65,000	2,280,000	2,618,000
Travel, conveyance and vehicle running expenses	9,000	1,000	-	1,000	78,000	88,000
Training expenses	57,000	10,000	3,000	13,000	477,000	547,000
Rents, rates and taxes	41,000	7,000	2,000	9,000	340,000	390,000
Repairs	15,000	2,000	-	2,000	126,000	143,000
Printing and stationery	11,000	2,000	-	2,000	93,000	106,000
Communication	6,000	1,000	-	1,000	47,000	54,000
Legal and professional charges	165,000	29,000	8,000	37,000	1,375,000	1,577,000
Auditors' fees, expenses etc						
(a) as auditors	-	-	-	-	4,000	4,000
(b) as advisor or in any other capacity,	-	-	-	-	-	-
(c) in any other capacity	-	-	-	-	2,000	2,000
Advertisement and publicity	66,000	16,000	1,000	17,000	866,000	949,000
Interest and bank charges	5,000	101,000	-	101,000	324,000	430,000
Others:						
Electricity expenses	7,000	1,000	-	1,000	63,000	71,000
Office expenses	3,000	-	-	-	26,000	29,000
Miscellaneous expenses	7,000	1,000	-	1,000	57,000	65,000
Information Technology expenses	37,000	7,000	2,000	9,000	311,000	357,000
Postage and courier	14,000	2,000	-	2,000	116,000	132,000
Loss on sale of assets (net)	4,000	-	-	-	30,000	34,000
Depreciation	28,000	5,000	1,000	6,000	234,000	268,000
Total Operating Expenses	748,000	235,000	32,000	267,000	6,849,000	7,864,000

Solvency

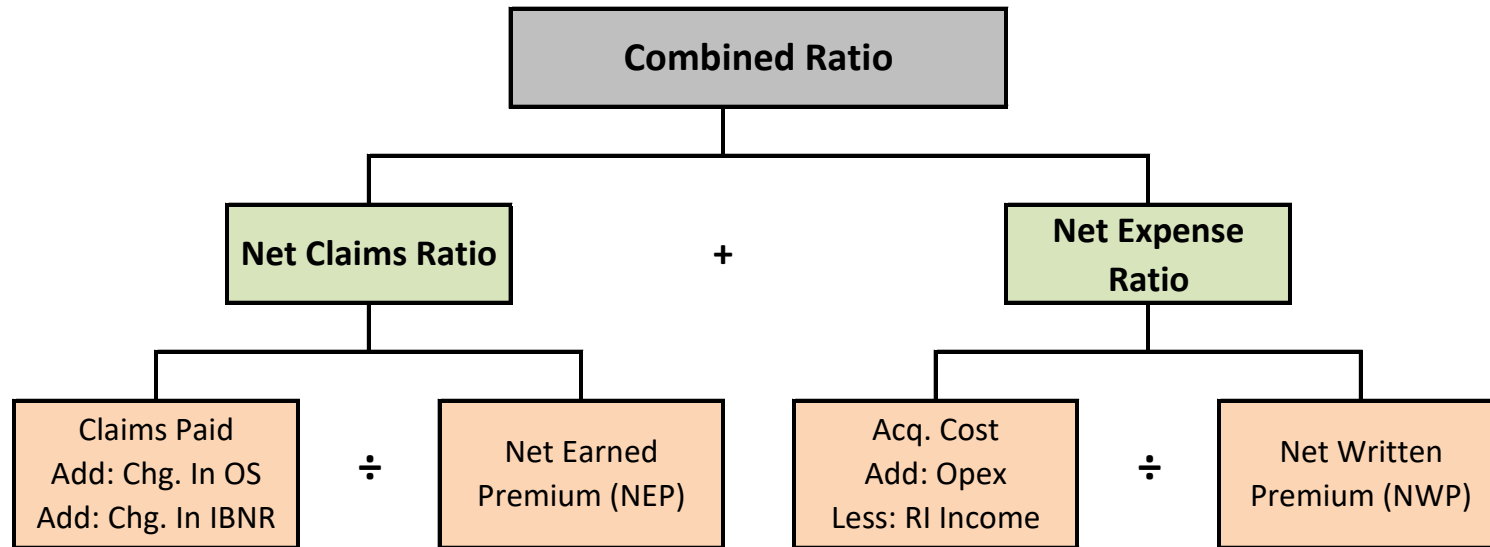


LoB	Factor
Fire	0.50
Marine: Cargo	0.60
Marine: Hull	0.50
Motor	0.75
Engineering	0.50
Aviation	0.50
Liability	0.75
Crop insurance	0.50
Others	0.70

- Solvency calculation is governed by IRDAI (Assets, Liabilities and Solvency Margin of General Insurance Business) Regulations, 2016
- IRDAI has prescribed minimum solvency ratio to be maintained at 1.5 times
- Solvency return submission to IRDAI on a Quarterly basis

Combined Ratio

Key indicator of the performance of a Product / Line of business and company as a whole



Ratio lower than 100% indicated that the product / line of business / company is profitable

