



Royal Sundaram
General Insurance



ANNUAL REPORT 2009-10

Royal Sundaram Alliance Insurance Company Limited

Royal Sundaram Alliance Insurance Company Limited

Board of Directors

P M Venkatasubramanian	Chairman
S Viji	Director
T T Srinivasaraghavan	Director
A.Rangaswami	Director
S Prasad	Director
A V Rajwade	Director
Srinivas Acharya	Director
Paul Whittaker	Director
Jonathan Hancock	Director
Gregory James Otterson	Director
Gareth Morgan Roberts	Director
Ajay Bimbhet	Managing Director

Audit Committee

S.Prasad	Chairman
P M Venkatasubramanian	Director
Srinivas Acharya	Director
Gregory James Otterson	Director

Chief Financial Officer

Ramkumar Krishnamachari

Company Secretary

S R Balachandher

Statutory Auditors

M/s N C Rajagopal & Co. Chartered Accountants, Chennai
M/s Brahmayya & Co, Chartered Accountants, Vijayawada

Information Security Assurance Services

M/s Tejas Brainware Systems (P) Ltd, Chennai

Internal Auditors

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai
M/s T. Selvaraj & Co, Chartered Accountants, Chennai (Investments)

Registered Office

21, Patullos Road, Chennai 600 002

Administrative / Corporate Office

Sundaram Towers
45 & 46 Whites Road, Chennai 600 014
Tel : 044-28517387 Fax : 044-28517376
Email : customer.services@royalsundaram.in

Regional Offices

Chennai, Gurgaon, Kolkata & Mumbai.

Contents	Page
Directors' Report	3
Auditors' Report	11
Fire Insurance Revenue Account	13
Marine Insurance Revenue Account	14
Miscellaneous Insurance Revenue Account	15
Profit & Loss Account	16
Balance Sheet	17
Schedules	18
Significant Accounting Policies	31
Notes to Financial Statements	36
Management Report	50
Cash Flow Statement	53
Balance Sheet Abstract & Company's General Business Profile	54

DIRECTORS' REPORT

Dear Members,

The Board of Directors of your Company take pleasure in presenting the Tenth Annual Report on the Business and Operations and the Audited Financial Statements of your Company for the year ended 31st March 2010.

Review of the Financial Performance for 2009/2010

The highlights of the Financial Results of the Company are:

	(Rupees in lakhs)	
	2009-10	2008-09
Gross Written Premium	91311	80336
Net Written Premium	75460	66831
Net Earned Premium	71486	59806
Net Incurred Claims	50907	41235
Net Commission – Outgo/(Income)	3077	3206
Expenses of Management	23397	21955
Underwriting Profit /(Loss)	(5895)	(6590)
Investment Income - Policyholders	6971	5648
General Insurance Results Profit /(Loss)	1076	(942)
Investment Income - Shareholders	2300	1908
Other Income/(Outgo)	25	7
Profit Before Tax	3401	973
Provision for taxation	(304)	(407)
Profit After Tax	3097	566

Your Company achieved a Gross Written Premium of Rs. 913.11 cr. for 2009-10 (previous year Rs.803.36 cr.) registering a growth of 13.6%. In 2009-10, the non-life Insurance Market in India grew by about 15%. The market share of the private companies vis a vis public companies continued to remain almost static at last year's level of 40% as many Companies in the private sector chose to slow down their growth rate and concentrate on consolidation due to severe competition and pressure on pricing in the market. Your Company's performance is to be viewed against this backdrop.

The underwriting results are to be viewed in the context of a considerable drop in the premium rates, consequent to the detariff in the Fire, Engineering and Motor segments (contributing nearly 77% of the total portfolio of your Company) and the absorption of our share of Motor Third Party Pool losses.

After considering the investment income of Rs.92.71 cr. (Rs.75.56 cr) and providing for other outgoings and taxes, amounting to Rs.3.04 cr. (Rs.4 cr), the Profit After Tax for the year amounted to Rs.30.97 cr. (Rs.5.66 cr) registering an impressive 447% growth over the previous year. The total reserves of the Company as on 31st March 2010 stood at Rs.43.79 cr. (Rs.12.81 cr).

DIRECTORS' REPORT

Market developments

Despite continuing recessionary conditions across major parts of the World, the Indian economy has shown considerable resilience, with our GDP growth reaching 7.4% for the year ending March 2010. The growth has been spread across all major sectors, with the Automobile industry in particular, registering robust growth. The Insurance industry has been directly benefited by this strong growth in the economy, registering a 15% growth over the previous year. All major product portfolios have exhibited strong growth, reflecting a revival of the economy. Market dynamics have, however, forced many major players to rethink their strategies causing some of them to curtail business growth. These developments have reiterated our strong belief that profitable growth can be achieved only by prudent risk selection, a sound underwriting philosophy and efficient financial management, an approach that your company has consistently followed over the years.

The markets continued to witness intense competition for commercial accounts. Discount levels in Commercial Business increased further. The drop in premium was so severe that many leading insurance players chose to stay out of unviable accounts, resulting in a deceleration in their growth. It is heartening to note that Insurers have started focussing on writing profitable business rather than concentrating on mere volumes.

The Motor Third Party Pool, created effective 1st April 2007 to deal with 'Third party risks' of Commercial Motor Vehicle Insurances, continued for the third year in succession and the share of pool results (which gets allocated to all Member Companies in the proportion of their respective GWP in India to the total GWP of all Member Companies, written in India) a loss of Rs.17.67 cr (Rs.14.74 cr) impacted your Company's profit to that extent in the current financial year. There is clearly a need for revision in the Third Party premium and the same has been taken up by the Industry with the General Insurance Council, for review.

Commercial Insurances

The Commercial Insurance Business, including Commercial Motor Business recorded a growth of 18.3%, resulting in a Gross Written Premium of Rs.347.10 cr (Rs.293.36 cr).

After de-tariff, the Commercial segment of the business continued to witness drop in premiums, aggravated by the competitive environment and entry of new players. The Commercial business reflects our risk appetite, strong risk selection and underwriting philosophy. This approach has ensured a balanced growth in our portfolio.

Personal Insurances

The Personal Insurances Business segment witnessed a growth of 11%, with Gross Written Premium at Rs.568.46 cr (Rs.512.43 cr). Despite increase in competition, the private car Business grew by 11%, demonstrating the Company's capabilities to grow Motor Business in a focussed and sustained manner.

The number of insurance policies issued by the Company during the year was 12,45,491 as against 10,77,153 policies showing a growth of 16%.

During this year too, your Company focussed on strengthening its existing relationships, expanding into more geographies, harnessing the agency and Feet on Street (FOS) channels into delivering improved business numbers, innovating and introducing products suiting different customer bases and above all, augmenting our online presence by introducing a revamped website with greater facilities and ease of operation for our customers.

Your Company continues to enjoy the trust and excellent relationship with all its key Bancassurance partners.

Rural and Social Sector

Your Company continued to surpass its obligations in the Rural and Social sectors, achieving a premium of Rs.92.3 cr. as against the Regulatory requirement of Rs.63.9 cr. Further, in the Social sector, we have covered 5,54,757 lives as against the Regulatory requirement of 45,000 lives.

DIRECTORS' REPORT

Your Company is also determined to develop the Rural and Social sector business by launching simple and affordable insurance covers and focussing on developing rural specific channels.

During the year, your Company made its foray into the Government sponsored health insurance scheme for Below Poverty Line (BPL) families, viz., Rashtriya Swasthya Bima Yojana (RSBY), and has commenced enrolment in 3 districts of Bihar in 2009-10. This will be followed by enrolment in another 5 districts of Bihar and other States in 2010-11.

The foray into the RSBY sector will further strengthen your Company's initiatives in the Rural and Social sectors.

Claims

Your Company continues to ensure prompt, efficient and timely settlement of claims and is striving to be 'Best in Class' on its Turn Around Times (TATs) in settlement of claims.

This has been possible through 'fast-tracking' simple, standard claims up to a threshold, constant training and empowering people, effectively using cashless facility through dealer and hospital networks as well as Third Party Administrators (TPAs).

The claims settlement ratio for 2009-10 was at 92% (91% in 2008-09). During this year, 2.05 lakh claims were settled, of which 75% were settled within a month and 95% were settled within 90 days (comparative ratios for 2008-09 are 82% and 97% respectively).

Investments

Your Company earned an investment income of Rs.92.71 cr. including a profit on sale of investments to the tune of Rs.14.22 cr. for the year ended 31st March 2010 as against Rs.75.56 cr including a profit on sale of investments of Rs.7.0 cr. in the previous year. The yield on daily average funds was at 9.02% compared to 9.4% in the previous year. The Investment portfolio increased from Rs.788.11 cr. in 2008/2009 to Rs.908.01 cr. in 2009/2010, an increase of 15.2%.

During the year, the Company continued to adopt a cautious approach to equity investments due to volatile market conditions. The overall exposure to equities was less than 1% of the total Investment Assets.

Technology

During the year, the Company successfully upgraded and migrated to the XGEN higher version FirstGen Neo 5j (Version 5). It is based on the latest technology and is expected to offer a robust platform to meet our needs.

Your Company continues to constantly review its system capabilities to improve further on customer service, tighter controls, eliminating non-value added processes thereby gaining cost efficiency.

Your Company has been constantly encouraging our valued customers to purchase our retail policies online. More than a million people had visited your Company's website (www.royalsundaram.in) and the business generated through this channel has also been growing steadily. The online portal has been made more robust and user-friendly to enable our customers to buy, through easy steps, both new policies as well as renew retail policies. We expect that this channel will witness significant growth in the coming years and are accordingly geared up to meet the increase in demand.

Outlook for 2010-11

Our performance during 2009-10 has been satisfactory given the challenging market scenario. The market will continue to witness greater competition in 2010-11 with some strong players entering the scene.

DIRECTORS' REPORT

Your Company is well geared to address these challenges by strengthening its existing business relationships, spreading out to tier II locations to take advantage of the opportunities in the retail insurances and thereby aim for profitable business growth.

People

Your Company has 1159 employees as on 31st March 2010. Your Company continues to believe in constant training and enhancement of the skills of its people. This initiative includes sponsoring our employees to attend Training & Career Development Programs conducted both in India and abroad, to further improve upon their domain & leadership capabilities.

Capital & Solvency requirements

Your Company's solvency margin ratio was at 1.58 times of the required solvency margin. The paid up share capital continued at Rs.210 cr. as the Company did not raise any fresh capital during the year.

Dividend

In order to conserve the resources of your Company, your Directors do not recommend any dividend on equity shares for the year under review.

Board of Directors

Mr Scott Pickering and Mr R.Haresh, Directors, relinquished their offices on 25th March 2010. Your Directors place on record their sincere appreciation of the valuable contributions made by them during their tenure as Directors of your Company.

Messrs.A.V.Rajwade, P.M.Venkatasubramanian, S.Viji and Ajay Bimbhet, Directors of your Company, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Mr.Jonathan Lawton Hancock and Mr.S.Prasad were co-opted as Additional Directors in terms of Section 260 of the Companies Act, 1956, on 25th March 2010. They retire at the ensuing Annual General Meeting and being eligible, offer themselves for appointment as Directors, subject to retirement by rotation.

Corporate Governance

During the year, the Insurance Regulatory and Development Authority (IRDA) had issued Guidelines on Corporate Governance for Insurance Companies directing compliance effective from April 1, 2010. Your Company has complied with these guidelines and a detailed report on our compliance, is attached as part of this Report.

Meetings of the Board/Committees held during the year:

Board (6.5.2009;20.7.2009;27.10.2009;9.2.2010; 25.3.2010)	5
Audit Committee (25.4.2009; 5.5.2009; 7.10.2009; 25.3.2010)	4
Investment Committee (6.5.2009; 20.7.2009; 27.10.2009; 9.2.2010; 25.3.2010)	5
Executive Committee (18.6.2009; 14.9.2009; 16.12.2009; 24.3.2010)	4

DIRECTORS' REPORT

Internal Audit

M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, were appointed as Internal Auditors of the Company for the year.

Further, as per mandate of IRDA vide Circular dated 4th August 2009, your Company appointed a separate Internal Auditor M/s T.Selvaraj & Co., Chartered Accountants, Chennai, for carrying out the internal audit of the investment management systems, processes and transactions of the Company.

Statutory Auditors

M/s N.C.Rajagopal & Co., Chartered Accountants, Chennai and M/s Brahmayya & Co., Chartered Accountants, Vijayawada, were appointed as the Joint Statutory Auditors of your Company for 2009-10 and will retire at the conclusion of the forthcoming Annual General Meeting.

M/s Brahmayya & Co., Chartered Accountants, Vijayawada, being eligible, offer themselves for reappointment.

In terms of IRDA's Guidelines governing the appointment of Joint Statutory Auditors of Insurance Companies, M/s N C Rajagopal & Company complete their term of 5 years at the conclusion of the ensuing Annual General Meeting and as stipulated in the Guidelines they will not be eligible for reappointment. In their place, we are proposing the appointment of M/s Sundaram & Srinivasan, Chartered Accountants, Chennai, as the Statutory Auditors of the Company, subject to necessary approvals. The Company has received communication from M/s Sundaram & Srinivasan, Chartered Accountants, stating their willingness to accept the statutory audit of the Company and confirming that they fulfil the eligibility criteria stated under IRDA Regulations for appointment of Statutory Auditors, in the event of their appointment.

Necessary certificates under Section 224(1B) of the Companies Act, 1956, have been received from the Auditors.

Management Report

In accordance with Part IV, Schedule B of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002, the Management Report forms part of the financial statements.

Particulars of Employees Remuneration under Section 217 (2A) of the Companies Act, 1956

Particulars of Employees as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, are set out in the Annexure to this Directors' Report. The Report and Accounts are being sent to the Shareholders of the Company excluding the said information. Any Shareholder interested in obtaining such particulars may write to the Company Secretary.

Particulars regarding Conservation of Energy or Technology Absorption

The Company has no activity relating to conservation of energy or technology absorption and hence, the provisions of Section 217(1) (e) of the Companies Act, 1956 do not apply.

Foreign Exchange earnings and outgo

The Company had foreign exchange earnings equivalent to Rs.4.48 cr. and the outgo amounted to Rs.22.32 cr. for the year ended 31st March 2010.

DIRECTORS' REPORT

Public Deposits

During the year under review, your Company has not accepted any deposits under Section 58-A of the Companies Act, 1956.

Directors' Responsibility Statement

In accordance with the requirements of Section 217(2AA) of the Companies Act, 1956 and in accordance with the Insurance Act, 1938, with respect to Directors' Responsibility statement, it is hereby confirmed that:

- a) in the preparation of the annual accounts for the financial year ended 31st March 2010, the applicable accounting standards, principles and policies have been followed, along with a proper explanation relating to material departures if any;
- b) the Directors have adopted applicable accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and of the net profit of the Company for the year ended 31st March 2010;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938 (4 of 1938) / Companies Act, 1956 (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the Financial Statements on a 'going concern' basis.
- e) an Internal Audit system, commensurate with the size and nature of the business, exists and is operating effectively.

Acknowledgement

Your Company acknowledges with thanks the continued support and guidance of all the Members and Officials of the Insurance Regulatory and Development Authority (IRDA) and the General Insurance Council.

Our thanks are also due to our Bankers, Distribution Partners, Reinsurers, Agents and Brokers for continuing to repose their faith in the Company.

Your Company also thanks its Shareholders who have been a constant source of support and strength. Our sincere thanks are also due to all our policyholders for their continued patronage and faith in our capabilities.

We extend our sincere appreciation to the Management and employees of the Company for their continued commitment, exemplary teamwork and excellent contribution, during the year.

For and on behalf of the Board of Directors

Place: Chennai
Date : May 13, 2010

PM Venkatasubramanian
Chairman

REPORT ON CORPORATE GOVERNANCE

In August 2009, the Insurance Regulatory and Development Authority (IRDA) issued the Corporate Governance Guidelines for Insurance Companies, which came into force from April 1, 2010. Your Company has complied with these guidelines and a Report is furnished hereunder:-

I. Board of Directors

All the members of the Board are eminent persons with considerable expertise and experience in Insurance, Finance, Transport, Automobile, Engineering and Banking sectors. The Company is immensely benefitted by the range of experience and skills that the Directors bring to the Board.

The Board, currently comprises of twelve members of which eleven are Non-Executive Directors. Mr Ajay Bimbhet, Managing Director, is the only Executive Director. The Board is chaired by Mr P.M.Venkatasubramanian, a Non-Executive Director with more than 4 decades of experience in the General Insurance industry.

Mr.A.Rangaswami and Mr S.Prasad are the independent Directors and the composition of the Board is in conformity with the IRDA guidelines on Corporate Governance.

All Directors have executed the Deed of Covenant as required by the above Corporate Governance guidelines issued by IRDA.

II. Board Meetings

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the Company. During the year under review, 5 meetings of the Board of Directors were held on 6.5.2009, 20.7.2009, 27.10.2009, 9.2.2010 and 25.3.2010.

The details of attendance at Board Meetings and details of other Directorships, Committee Chairmanships/ memberships held by the Directors are as follows:

Name of Director	Board Meetings attended	Directorships (other than Royal Sundaram Alliance Insurance Company Limited)		Committees in which Chairman/ Member (other than Royal Sundaram Alliance Insurance Company Limited)	
		Chairman	Director	Chairman	Member
P.M.Venkatasubramanian	4	-	3	4	3
S.Viji	5	2	7	-	4
T.T.Srinivasaraghavan	5	1	6	3	2
Paul Whittaker	2	-	-	-	-
A.Rangaswami	5	-	1	-	-
A.V.Rajwade	4	-	7	5	3
Srinivas Acharya	5	-	8	2	5
Scott John Pickering*	3	-	-	-	-
R.Haresh*	3	7	9	-	-
Jonathan Lawton Hancock^	-	-	1	-	-
Gareth Morgan Roberts	4	-	2	-	-
Gregory James Otterson	4	-	1	-	-
S.Prasad^	1	-	4	4	1
Ajay Bimbhet	5	-	-	-	-

* resigned on 25th March 2010

^ co-opted as additional Director on 25th March 2010.

REPORT ON CORPORATE GOVERNANCE

III. Audit Committee

The Company's Audit Committee was reconstituted during the year. Mr S Prasad, an independent Director, is the Chairman of the said Committee. The Committee comprises of the following members:

S.Prasad	Chairman
P.M.Venkatasubramanian	Member
Srinivas Acharya	Member
Gregory James Otterson	Member

During the year the Committee met 4 times on 25.4.2009, 5.5.2009, 7.10.2009 and 25.3.2010.

IV. Investment Committee

The Company's Investment Committee, constituted in accordance with the IRDA (Investment) Regulations, 2000, comprises of the following members:

P M Venkatasubramanian	Chairman
S Viji	Member
A V Rajwade	Member
Gareth Morgan Roberts	Member
Ajay Bimbhet	Managing Director
O Lakshminarayana	Appointed Actuary
M S Sreedhar	Chief Investment Officer
Ramkumar Krishnamachari	Chief Financial Officer

During the year the Committee met 5 times on 6.5.2009, 20.7.2009, 27.10.2009, 9.2.2010 and 25.3.2010.

V. Risk Management Committee

During the year, the Board constituted a Risk Management Committee as required under the Corporate Governance Guidelines issued by IRDA for Insurance Companies effective from 1st April 2010. The Risk Management Committee comprises of the following Members:

Mr.P.M.Venkatasubramanian, Chairman
Mr.Jonathan Hancock, Member
Mr.Ajay Bimbhet (MD), Member

VI. Policyholders' Protection Committee

During the year, the Board also constituted a Policyholders' Protection Committee as required under the Corporate Governance Guidelines issued by IRDA for Insurance Companies effective from 1st April 2010.

The Policyholders' Protection Committee comprises of the following Members:

Mr A.V.Rajwade, Chairman
Mr.T.T.Srinivasaraghavan, Member
Mr.Ajay Bimbhet (MD), Member

VII. Remuneration of Directors

The Executive Director (Managing Director) is appointed on terms approved by the Shareholders. His remuneration comprises of salary, allowances and perquisites as indicated in Notes to Accounts. The remuneration paid to him has been approved by IRDA. The Non-Executive Directors are paid a sitting of Rs.10,000/- each for every meeting of the Board/Committees.

VIII. Compliance Officer

Mr SR Balachandher, Company Secretary & Head-Compliance, is the Compliance Officer.

For and on behalf of the Board of Directors

Place: Chennai
Date : May 13, 2010

PM Venkatasubramanian
Chairman

CERTIFICATION FOR COMPLIANCE OF THE CORPORATE GOVERNANCE GUIDELINES FOR 2009-10

I, SR Balachandher, Company Secretary & Compliance Officer, Royal Sundaram Alliance Insurance Company Limited (Company), hereby certify that the Company has complied with the corporate governance guidelines for Insurance Companies, for 2009-10, as amended from time to time, and nothing has been concealed or suppressed.

SR Balachandher
Company Secretary & Compliance Officer

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of ROYAL SUNDARAM ALLIANCE INSURANCE COMPANY LIMITED ("the Company") as at 31st March 2010 and the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account of the Company for the financial year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ("the Insurance Act") read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the Regulations") and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956 ("the Companies Act"), the Balance Sheet, the Revenue Accounts and the Profit and Loss Account are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act. The Balance Sheet, the Revenue Accounts and the Profit and Loss Account are, therefore, drawn up in conformity with the Regulations.
4. We report that:
 - i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them satisfactory.
 - ii. In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books.
 - iii. The financial accounting system of the Company is centralised and therefore accounting returns are not required to be submitted by branches.
 - iv. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account dealt with by this report are in agreement with the books of account.
 - v. The estimate of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) has been duly certified by the Company's appointed actuary. The appointed actuary has certified to the Company that the assumptions used for such estimate are appropriate and are in accordance with the requirements of the Insurance Regulatory and Development Authority ('IRDA') and Actuarial Society of India in concurrence with IRDA. We have relied on the appointed Actuary's certificate in this regard.
 - vi. On the basis of the written representations received from the directors, as on 31st March 2010, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of section 274(1)(g) of the Companies Act.
5. In our opinion and to the best of our information and according to the information and explanations given to us:
 - i. The accounting policies selected by the Company are appropriate and are in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act and the accounting principles prescribed in the Regulations and orders or directions issued by IRDA in this behalf. The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act.

AUDITORS' REPORT TO THE MEMBERS

- ii. Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the Regulations.
 - iii. The said financial statements are prepared in accordance with the requirements of the Insurance Act, the Insurance Regulatory and Development Authority Act, 1999, the Regulations and the Companies Act to the extent applicable and in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010
 - b) in the case of the Revenue Accounts, of the operating Profit / Loss for the financial year ended on that date;
 - c) in the case of the Profit and Loss Account, of the profit for the financial year ended on that date; and
 - d) in the case of the Receipts and Payments Account, of the receipts and payments for the financial year ended on that date.
6. Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:
- i. We have reviewed the Management Report attached to the financial statements for the financial year ended 31st March 2010 and there is no apparent mistake or material inconsistency therein with the financial statements.
 - ii. The Company has complied with the terms and conditions of registration stipulated by IRDA vide their letter dated 23rd October, 2000.
 - iii. We have verified the cash balances at the corporate office of the Company and investments of the Company.
 - iv. The Company is not a trustee of any trust.
 - v. No part of the assets of the policyholders' funds have been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to the application and investment of policyholders' funds.
 - vi. All expenses of management in respect of Fire, Marine and Miscellaneous Insurance Business have been fully debited to the respective Revenue Accounts as expenses.

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmayya & Co.
Chartered Accountants
Registration No.000513S

Place: Chennai
Date : May 13, 2010

V. Anantharaman
Membership No : 11043

TV Ramana
Membership No: 200523



REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010 (FIRE BUSINESS)

Form B - RA

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2010	31st March 2009
1 Premiums earned (Net)	1A	129,253	149,476
2 Profit/(Loss) on sale/redemption of Investments		4,905	3,026
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend Rs.37,188 thousand (Previous Year: Rs. 39,851 thousand)] (Refer note 18 of Schedule 17)		35,103	39,650
Total (A)		169,261	192,152
1 Claims Incurred (Net)	2A	49,351	76,312
2 Commission	3A	(25,116)	(34,622)
3 Operating Expenses related to Insurance Business	4	70,180	97,147
4 Premium Deficiency		-	-
Total (B)		94,415	138,837
Operating Profit/(Loss) from Fire Business C = (A-B)		74,846	53,315
Appropriations			
Transfer to Shareholders' Account		74,846	53,315
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		74,846	53,315
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Fire Business have been fully debited in the Fire Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmayya & Co.
Chartered Accountants
Registration No.000513S

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

T T Srinivasaraghavan
Director

S.Prasad
Director

Place: Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010 (MARINE BUSINESS)

Form B - RA

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2010	31st March 2009
1 Premiums earned (Net)	1B & 1C	104,540	75,383
2 Profit/(Loss) on sale/redemption of Investments		2,086	943
3 Others		-	-
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend Rs.10,459 thousand (Previous Year: Rs. 8,089 thousand)] (Refer note 18 of Schedule 17)		9,573	8,027
Total (A)		116,199	84,353
1 Claims Incurred (Net)	2B & 2C	68,243	63,841
2 Commission	3B & 3C	2,392	3,172
3 Operating Expenses related to Insurance Business	4	38,516	35,472
4 Premium Deficiency		-	-
Total (B)		109,151	102,485
Operating Profit/(Loss) from Marine Business C = (A-B)		7,048	(18,132)
Appropriations			
Transfer to Shareholders' Account		7,048	(18,132)
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		7,048	(18,132)
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Marine Business have been fully debited in the Marine Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmayya & Co.
Chartered Accountants
Registration No.000513S

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

T T Srinivasaraghavan
Director

S Prasad
Director

Place: Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

REVENUE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010 (MISCELLANEOUS BUSINESS)

Form B - RA

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2010	31st March 2009
1 Premiums earned (Net)	1D	6,914,848	5,755,701
2 Profit/(Loss) on sale/redemption of Investments		94,562	45,937
3 Others - Transfer fee and Duplicate fee		914	633
4 Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend Rs.591,102 thousand (Previous Year: Rs. 470,283 thousand)] (Refer note 18 of Schedule 17)		550,907	467,235
Total (A)		7,561,231	6,269,506
1 Claims Incurred (Net)	2D	4,973,122	3,983,390
2 Commission	3D	330,391	352,077
3 Operating Expenses related to Insurance Business	4	2,230,994	2,062,881
4 Premium Deficiency		-	-
Total (B)		7,534,507	6,398,348
Operating Profit/(Loss) from Miscellaneous Business C = (A-B)		26,724	(128,842)
Appropriations			
Transfer to Shareholders' Account		26,724	(128,842)
Transfer to Catastrophe Reserve		-	-
Transfer to Other Reserves		-	-
Total (C)		26,724	(128,842)
Significant accounting policies	16		
Notes to financial statements	17		

As required by Section 40C(2) of the Insurance Act, 1938, we hereby certify that all expenses of management in respect of Miscellaneous Business have been fully debited in the Miscellaneous Business Revenue Account as expenses.

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmayya & Co.
Chartered Accountants
Registration No.000513S

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

T T Srinivasaraghavan
Director

S Prasad
Director

 Place: Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

Form B - PL

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2010	31st March 2009
1 OPERATING PROFIT/(LOSS)			
(a) Fire Insurance		74,846	53,315
(b) Marine Insurance		7,048	(18,132)
(c) Miscellaneous Insurance		26,724	(128,842)
2 INCOME FROM INVESTMENTS			
(a) Interest, Dividend and Rent [Net of amortisation] [Gross Interest and Dividend Rs.206,313 thousand (Previous Year -- Rs.172,102 thousand)] (Refer note 18 of Schedule 17)		188,825	170,771
(b) Profit on sale of investments	41,805		20,734
Less : Loss on sale of investments	(666)	41,139	(668)
3 OTHER INCOME (Interest on Income Tax refund and Interest on Staff Loan)		1,955	3,216
Total (A)		<u>340,537</u>	<u>100,394</u>
4 PROVISION (Other than taxation)			
a) For diminution in the value of investments			-
b) For doubtful debts			-
c) Others			-
5 OTHER EXPENSES			
a) Expenses other than those related to Insurance business - Filing fees etc.		451	2,827
b) Bad debts written off		-	-
c) Exchange loss		-	262
Total (B)		<u>451</u>	<u>3,089</u>
Profit Before Tax	(A - B)	<u>340,086</u>	<u>97,305</u>
Provision for Taxation			
- Current [including Wealth Tax Rs.21 thousand (Previous Year -- Rs.28 thousand)]		(58,621)	(51,528)
- Provision for Taxation Prior years		29,201	-
- Deferred		(135)	21,234
- Fringe Benefit Tax (Current year FBT includes Rs. 821 thousands relating to Prior year)		(821)	(10,380)
Profit after tax		<u>309,710</u>	<u>56,631</u>
Appropriations			
(a) Interim dividends paid during the year		-	-
(b) Proposed final dividend		-	-
(c) Dividend distribution tax		-	-
(d) Transfer to any Reserves or Other Accounts		-	-
Balance of Profit/(Loss) brought forward from last year		<u>128,169</u>	<u>71,538</u>
Balance carried forward to Balance Sheet		<u>437,879</u>	<u>128,169</u>
Significant accounting policies	16		
Notes to financial statements	17		
Earning per Share (Basic and Diluted)		1.47	0.33

Per our report of even date attached

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmaya & Co.
Chartered Accountants
Registration No.000513S

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

Place: Chennai
Date : May 13, 2010

For and on behalf of the Board of Directors

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

T T Srinivasaraghavan
Director

S Prasad
Director

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

BALANCE SHEET AS AT 31st MARCH 2010

Form B - BS

Royal Sundaram Alliance Insurance Company Limited

Registration No. and Date of Registration with the IRDA : 102/23.10.2000

(Rs '000)

Particulars	Schedule	31st March 2010	31st March 2009
SOURCES OF FUNDS			
SHARE CAPITAL	5	2,100,000	2,100,000
RESERVES AND SURPLUS	6	437,879	128,169
FAIR VALUE CHANGE ACCOUNT		(6,293)	(28,598)
BORROWINGS	7	-	-
TOTAL		<u>2,531,586</u>	<u>2,199,571</u>
APPLICATION OF FUNDS			
INVESTMENTS	8	9,063,896	7,775,394
LOANS	9	-	-
FIXED ASSETS	10	166,157	175,084
Deferred Tax Assets - Net (Refer note 9(a) of Schedule 17)		104,134	104,269
CURRENT ASSETS			
Cash and Bank Balances	11	405,030	382,378
Advances and Other Assets	12	2,712,320	1,608,291
Sub- Total (A)		<u>3,117,350</u>	<u>1,990,669</u>
CURRENT LIABILITIES			
PROVISIONS	13	5,810,596	4,081,199
Sub - Total (B)	14	<u>4,109,355</u>	<u>3,764,646</u>
Sub - Total (B)		<u>9,919,951</u>	<u>7,845,845</u>
NET CURRENT ASSETS (C)=(A-B)		(6,802,601)	(5,855,176)
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	-
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		-	-
TOTAL		<u>2,531,586</u>	<u>2,199,571</u>
Significant accounting policies	16		
Notes to financial statements	17		

Per our report of even date attached

For N.C.Rajagopal & Co.
 Chartered Accountants
 Registration No.003398S

For Brahmayya & Co.
 Chartered Accountants
 Registration No.000513S

For and on behalf of the Board of Directors

PM Venkatasubramanian
 Chairman

Ajay Bimbhet
 Managing Director

V. Anantharaman
 Partner
 Membership No : 11043

TV Ramana
 Partner
 Membership No: 200523

T T Srinivasaraghavan
 Director

S Prasad
 Director

 Place: Chennai
 Date : May 13, 2010

Ramkumar Krishnamachari
 Chief Financial Officer

SR Balachandher
 Company Secretary

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Rs '000)	
	31st March 2010	31st March 2009
SCHEDULE 1A		
PREMIUM EARNED (NET) -- FIRE BUSINESS		
Premium from direct business written	408,120	488,418
Add: Premium on reinsurance accepted	18,828	17,271
Less: Premium on reinsurance ceded	(316,910)	(374,937)
Net Premium	<u>110,038</u>	<u>130,752</u>
Adjustment for change in reserve for unexpired risks	19,215	18,724
Total Premium Earned (Net)	<u>129,253</u>	<u>149,476</u>
SCHEDULE 1B		
PREMIUM EARNED (NET) -- MARINE CARGO BUSINESS		
Premium from direct business written	225,494	194,990
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(114,852)	(96,414)
Net Premium	<u>110,642</u>	<u>98,576</u>
Adjustment for change in reserve for unexpired risks	(6,225)	(24,012)
Total Premium Earned (Net)	<u>104,417</u>	<u>74,564</u>
SCHEDULE 1C		
PREMIUM EARNED (NET) -- MARINE HULL BUSINESS		
Premium from direct business written	4,734	4,696
Add: Premium on reinsurance accepted	-	-
Less: Premium on reinsurance ceded	(4,616)	(4,573)
Net Premium	<u>118</u>	<u>123</u>
Adjustment for change in reserve for unexpired risks	5	696
Total Premium Earned (Net)	<u>123</u>	<u>819</u>
SCHEDULE 1D		
PREMIUM EARNED (NET) -- MISCELLANEOUS BUSINESS		
Premium from direct business written	8,492,708	7,345,500
Add: Premium on reinsurance accepted	768,389	661,803
Less: Premium on reinsurance ceded	(1,935,878)	(1,553,636)
Net Premium	<u>7,325,219</u>	<u>6,453,667</u>
Adjustment for change in reserve for unexpired risks	(410,371)	(697,966)
Total Premium Earned (Net)	<u>6,914,848</u>	<u>5,755,701</u>

All premium written, less reinsurance, is from business in India.



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 2A		
CLAIMS INCURRED (NET) -- FIRE BUSINESS		
Claims paid		
Direct	102,064	292,592
Add: Reinsurance accepted	8,096	4,391
Less: Reinsurance ceded	(64,816)	(226,258)
Net Claims paid	45,344	70,725
Add: Claims outstanding at the end of the year	73,774	69,767
Less: Claims outstanding at the beginning	(69,767)	(64,180)
Total Claims Incurred	49,351	76,312
SCHEDULE 2B		
CLAIMS INCURRED (NET) -- MARINE CARGO BUSINESS		
Claims paid		
Direct	166,272	86,670
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	(100,798)	(44,181)
Net Claims paid	65,474	42,489
Add: Claims outstanding at the end of the year	68,791	66,022
Less: Claims outstanding at the beginning	(66,022)	(44,670)
Total Claims Incurred	68,243	63,841
SCHEDULE 2C		
CLAIMS INCURRED (NET) -- MARINE HULL BUSINESS		
Claims paid		
Direct	-	-
Add: Reinsurance accepted	-	-
Less: Reinsurance ceded	-	-
Net Claims paid	-	-
Add: Claims outstanding at the end of the year	-	-
Less: Claims outstanding at the beginning	-	-
Total Claims Incurred	-	-
SCHEDULE 2D		
CLAIMS INCURRED (NET) -- MISCELLANEOUS BUSINESS		
Claims paid		
Direct	4,287,921	3,569,663
Add: Reinsurance accepted	195,705	38,456
Less: Reinsurance ceded	(753,457)	(607,882)
Net Claims paid	3,730,169	3,000,237
Add: Claims outstanding at the end of the year	4,160,461	2,917,508
Less: Claims outstanding at the beginning	(2,917,508)	(1,934,355)
Total Claims Incurred	4,973,122	3,983,390

All claims paid, less reinsurance, are to claimants in India.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	(Rs '000)	
Particulars	31st March 2010	31st March 2009
SCHEDULE 3A		
COMMISSION -- FIRE BUSINESS		
Commission paid		
Direct	37,658	46,706
TOTAL	37,658	46,706
Add: Commission on Reinsurance Accepted	-	178
Less: Commission on Reinsurance Ceded	(62,774)	(81,506)
Net Commission	(25,116)	(34,622)
Break-up of the expenses (Gross) incurred to procure business :		
Agents	7,598	8,580
Brokers	16,122	24,109
Corporate Agency	13,938	14,017
Referral	-	-
Others	-	-
TOTAL	37,658	46,706
SCHEDULE 3B		
COMMISSION -- MARINE CARGO BUSINESS		
Commission paid		
Direct	24,208	21,009
TOTAL	24,208	21,009
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(20,801)	(16,831)
Net Commission	3,407	4,178
Break-up of the expenses (Gross) incurred to procure business :		
Agents	4,962	9,046
Brokers	16,333	11,424
Corporate Agency	2,913	539
Referral	-	-
Others	-	-
TOTAL	24,208	21,009

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 3C		
COMMISSION -- MARINE HULL BUSINESS		
Commission paid		
Direct	-	-
TOTAL	-	-
Add: Commission on Reinsurance Accepted	-	-
Less: Commission on Reinsurance Ceded	(1,015)	(1,006)
Net Commission	(1,015)	(1,006)
Break-up of the expenses (Gross) incurred to procure business :		
Agents	-	-
Brokers	-	-
Corporate Agency	-	-
Referral	-	-
Others	-	-
TOTAL	-	-
SCHEDULE 3D		
COMMISSION -- MISCELLANEOUS BUSINESS		
Commission paid		
Direct	589,086	546,068
TOTAL	589,086	546,068
Add: Commission on Reinsurance Accepted	76,271	66,088
Less: Commission on Reinsurance Ceded	(334,966)	(260,079)
Net Commission	330,391	352,077
Break-up of the expenses (Gross) incurred to procure business :		
Agents	43,033	77,438
Brokers	69,312	52,649
Corporate Agency	476,741	415,981
Referral	-	-
Others	-	-
TOTAL	589,086	546,068

Break up Schedule for All Business

(For the year ended 31st March 2010)

(Rs. '000)

Particulars	Fire Revenue Account						Marine Revenue Account						Miscellaneous Revenue Account						Grand Total								
	Fire		Marine Cargo		Marine Hull		Marine Total		Motor		Workmen's Compensation / Employers Liability		Public / Product Liability		Engineering		Personal Accident		Health Insurance		Others		Miscellaneous Total				
	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009	31st March 2010	31st March 2009			
Premium Earned (Net)	408,120	488,418	225,494	194,970	4,734	4,696	230,228	199,686	6,209,092	5,299,068	21,458	20,558	140,633	72,741	3,653,373	3,752,261	265,600	280,191	1,254,704	1,143,079	177,848	154,602	8,492,708	7,345,200	9,131,056	8,033,604	
Premium from direct business written																											
Add: Premium on reinsurance accepted	18,828	17,271	-	-	-	-	-	-	762,711	654,800	-	-	-	-	5,678	5,848	-	289	-	866	-	-	768,389	661,803	787,217	679,074	
Less: Premium on reinsurance ceded	(316,910)	(374,337)	(114,852)	(96,444)	(4,616)	(4,373)	(119,468)	(100,987)	(1,344,013)	(1,029,231)	(3,336)	(3,525)	(103,919)	(45,657)	(292,270)	(284,886)	(33,650)	(36,378)	(125,466)	(114,222)	(33,224)	(39,737)	(1,935,878)	(1,555,636)	(2,372,256)	(2,022,560)	
Net Premium	110,038	130,752	110,642	98,576	118	123	110,760	98,699	5,687,790	4,924,637	18,122	17,033	36,714	27,084	76,781	96,223	231,950	244,102	1,129,238	1,029,723	144,624	114,865	7,325,219	6,455,667	7,546,017	6,683,118	
Adjustment for change in reserve for unexpired risks	19,215	18,274	(6,235)	(24,012)	5	696	(6,220)	(23,316)	(316,506)	(652,335)	(249)	(933)	(3,892)	(1,389)	(1,949)	3,411	9,349	10,377	(86,317)	(49,869)	(10,807)	(7,428)	(410,371)	(697,966)	(397,376)	(702,558)	
Total Premium Earned (Net)	129,253	149,476	104,417	74,564	123	819	104,540	75,383	5,371,284	4,272,302	17,873	16,100	32,822	25,695	74,832	99,634	241,299	254,679	1,042,921	979,854	133,817	107,437	6,914,848	5,755,701	7,148,641	5,980,560	
Claims Incurred (Net)																											
Claims paid	102,064	292,592	166,272	86,670	-	-	166,272	86,670	3,438,955	2,745,146	8,967	4,138	11,240	1,296	118,427	115,488	105,114	141,665	537,839	508,097	67,379	53,833	4,287,921	3,569,663	4,556,257	3,948,925	
Add: Reinsurance accepted	8,096	4,391	-	-	-	-	-	-	195,693	38,284	-	-	-	-	12	48	-	13	-	111	-	-	195,705	38,156	203,801	42,847	
Less: Reinsurance ceded	(4,816)	(236,258)	(100,798)	(44,181)	-	-	(100,798)	(44,181)	(589,418)	(426,186)	(1,090)	(694)	(1,124)	(168)	(84,610)	(80,707)	(13,087)	(21,667)	(55,534)	(65,838)	(8,594)	(12,622)	(753,457)	(607,882)	(919,071)	(878,321)	
Net Claims paid	45,344	70,725	65,474	42,489	-	-	65,474	42,489	3,045,230	2,357,244	7,877	3,444	10,116	1,128	33,829	34,829	92,027	120,011	482,305	442,370	58,785	41,211	3,730,169	3,000,237	3,840,987	3,113,451	
Add: Claims remaining unpaid at the end of the year	73,774	69,767	68,779	66,022	-	-	68,779	66,022	3,744,308	2,555,124	5,455	4,338	6,883	4,967	50,325	58,049	170,085	173,350	113,728	141,275	42,630	27,952	4,160,461	2,917,508	4,303,026	3,053,297	
Less: Claims remaining unpaid at the beginning of the year	(69,767)	(64,180)	(66,022)	(44,670)	-	-	(66,022)	(44,670)	(2,535,124)	(1,540,219)	(4,338)	(3,828)	(4,967)	(4,280)	(58,049)	(37,058)	(173,350)	(174,815)	(113,728)	(129,164)	(27,952)	(44,991)	(2,917,508)	(1,934,355)	(3,053,297)	(2,043,205)	
Total Claims Incurred	49,351	76,312	68,243	63,841	0.00%	0.00%	68,243	63,841	4,254,414	3,352,149	8,994	3,954	11,532	1,815	26,105	55,820	88,762	118,516	509,852	426,934	73,463	24,172	4,973,122	3,983,390	5,090,716	4,123,543	
NC/NEP	38.2%	51.1%	65.4%	85.6%	0.00%	0.00%	65.3%	84.7%	79.2%	78.5%	50.3%	24.6%	35.1%	7.1%	34.9%	56.0%	36.8%	46.5%	48.9%	43.6%	54.9%	22.5%	71.9%	69.2%	71.2%	68.9%	
Commissions																											
Commission paid	37,658	46,706	24,208	21,009	-	-	24,208	21,009	352,810	339,181	1,714	1,492	14,543	5,273	22,842	20,480	39,614	34,700	145,071	138,788	12,492	6,154	589,086	546,068	650,952	613,783	
Direct	37,658	46,706	24,208	21,009	-	-	24,208	21,009	352,810	339,181	1,714	1,492	14,543	5,273	22,842	20,480	39,614	34,700	145,071	138,788	12,492	6,154	589,086	546,068	650,952	613,783	
TOTAL																											
Add: Commission on reinsurance accepted	-	178	-	-	-	-	-	-	76,271	65,480	-	-	-	-	608	-	-	-	-	-	-	-	-	76,271	66,088	76,271	66,266
Less: Commission on reinsurance ceded	(62,774)	(81,306)	(20,801)	(16,831)	(1,006)	(1,006)	(21,816)	(17,837)	(185,173)	(140,642)	(434)	(412)	(18,451)	(6,922)	(92,418)	(75,384)	(5,866)	(6,184)	(23,731)	(22,816)	(8,373)	(7,719)	(334,966)	(260,079)	(419,556)	(359,422)	
Net commission	(25,116)	(34,622)	3,407	4,178	(1,015)	(1,006)	2,392	3,172	243,908	264,019	1,280	1,080	(3,908)	(1,649)	(69,576)	(54,296)	33,748	28,516	121,320	115,972	3,619	(1,565)	330,391	352,077	307,667	320,627	
Operating Expenses	70,180	97,147	37,488	34,750	698	722	38,216	35,472	1,709,573	1,500,810	3,545	3,364	20,893	11,489	68,378	79,932	45,241	45,842	335,888	359,231	47,506	46,193	2,230,994	2,062,881	2,339,690	2,195,500	



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 4		
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS		
1 Employees' remuneration and welfare benefits	712,954	624,894
2 Travel, conveyance and vehicle running expenses	48,896	55,045
3 Training expenses	3,866	5,908
4 Rents, rates and taxes	99,509	104,637
5 Repairs and maintenance	20,546	21,534
6 Printing and stationery	50,244	37,691
7 Communication	52,173	57,081
8 Legal and professional charges	8,131	11,327
9 Auditors' fees and expenses		
(a) as auditors	950	950
(b) as adviser or in any other capacity, in respect of		
(i) Taxation matters	200	200
(ii) Insurance matters	-	-
(iii) Management services	-	-
(c) in any other capacity - certification	298	385
(d) out of pocket expenses	233	101
10 Advertisement and publicity	118,432	110,667
11 Bank charges	18,145	14,513
12 Others		
- Data processing and outsourcing expenses	703,932	577,566
- Marketing and related expenses	199,946	313,831
- Software and Hardware maintenance charges	110,491	90,623
- Policy Stamp expenses	1,255	1,263
- Directors' sitting fees	750	660
- Miscellaneous expenses	85,302	57,356
13 Depreciation	99,787	105,154
14 Service tax on premium	3,650	4,114
	<u>2,339,690</u>	<u>2,195,500</u>
Allocation of expenses (per accounting policy 11, Schedule 16)		
Revenue Account -- Fire Business	70,180	97,147
Revenue Account -- Marine Business	38,516	35,472
Revenue Account -- Miscellaneous Business	2,230,994	2,062,881
	<u>2,339,690</u>	<u>2,195,500</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 5		
SHARE CAPITAL		
1 Authorised Capital		
250,000,000 (31st March 2009 - 250,000,000)		
Equity shares of Rs 10/- each	2,500,000	2,500,000
2 Issued Capital		
210,000,000 (31st March 2009 - 210,000,000)		
equity shares of Rs 10/- each, fully paid up	2,100,000	2,100,000
3 Subscribed Capital		
210,000,000 (31st March 2009 - 2,100,000)		
equity shares of Rs 10/- each, fully paid up	2,100,000	2,100,000
4 Called-up Capital		
210,000,000 (31st March 2009 - 2,100,000)		
equity shares of Rs 10/- each, fully paid up	2,100,000	2,100,000
Less: Calls unpaid	-	-
Add: Equity Shares forfeited (Amount originally paid-up)	-	-
Less:Par Value of Equity Shares bought back	-	-
Less: Preliminary Expenses (to the extent not written off)	-	-
Total	2,100,000	2,100,000

SCHEDULE 5A

SHARE CAPITAL
PATTERN OF SHAREHOLDING
[As certified by the Management]

Shareholder	31st March 2010		31st March 2009	
	Number of Shares	% of holding	Number of Shares	% of holding
Promoters				
Indian	155,400,000	74%	155,400,000	74%
Foreign	54,600,000	26%	54,600,000	26%
	210,000,000	100%	210,000,000	100%
Others	-	-	-	-
Total	210,000,000	100%	210,000,000	100%

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 6		
RESERVES AND SURPLUS		
1 Capital Reserve	-	-
2 Capital Redemption Reserve	-	-
3 Share Premium	-	-
4 General Reserves Less: Debit balance in Profit and Loss Account Less: Amount utilized for Buy-back	-	-
5 Catastrophe Reserve	-	-
6 Other Reserves	-	-
7 Balance of Profit in Profit & Loss Account	437,879	128,169
Total	437,879	128,169
SCHEDULE - 7		
BORROWINGS		
1 Debentures / Bonds	-	-
2 Banks	-	-
3 Financial Institutions	-	-
4 Others	-	-
Total	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 8		
INVESTMENTS		
LONG TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills *	1,559,156	975,847
2 Other Approved Securities	807,138	552,552
3 Other Investments		
(a) Shares		
(aa) Equity	84,778	47,457
(bb) Preference	-	-
(b) Mutual Funds	-	-
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	2,468,137	1,702,373
(e) Other Securities	-	-
(f) Subsidiaries	-	-
(g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	2,087,800	1,334,054
5 Other than Approved Investments	-	-
SHORT TERM INVESTMENTS		
1 Government securities and Government guaranteed bonds including Treasury Bills	559,621	752,871
2 Other Approved Securities	-	200,818
3 Other Investments		
(a) Shares		
(aa) Equity	-	-
(bb) Preference	-	-
(b) Mutual Funds	396,080	100,018
(c) Derivative Instruments	-	-
(d) Debentures / Bonds	802,515	856,906
(e) Other Securities-Commercial paper/Certificate of Deposit	198,839	407,566
(f) Subsidiaries	-	-
(g) Investment in Properties-Real Estate	-	-
4 Investments in Infrastructure and Social Sector	99,832	844,932
5 Other than Approved Investments	-	-
Total	9,063,896	7,775,394
Aggregate market value of quoted investments other than Equity Shares	8,689,642	7,515,722
Aggregate book value of quoted investments other than Equity Shares	8,700,583	7,455,119
Historical cost of Equity Shares valued on fair value basis	91,150	76,073
Historical cost of Mutual funds valued on fair value basis	396,000	100,000
Aggregate book value of unquoted investments	198,839	272,818

*Includes Government securities of book value Rs.117,257 thousand (31st March 2009 -- Rs.103,288 thousands), held under Section 7 of the Insurance Act, 1938.

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 9		
LOANS		
1. SECURITY-WISE CLASSIFICATION		
Secured		
(a) On mortgage of Property	-	-
(aa) In India	-	-
(bb) Outside India	-	-
(b) On Shares, Bonds, Government Securities	-	-
(c) Others	-	-
Unsecured	-	-
Total	-	-
2. BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments	-	-
(b) Banks and Financial Institutions	-	-
(c) Subsidiaries	-	-
(d) Industrial Undertakings	-	-
(e) Others	-	-
Total	-	-
3. PERFORMANCE-WISE CLASSIFICATION		
(a) Loans Classified as standard	-	-
(aa) In India	-	-
(bb) Outside India	-	-
(b) Non-performance loans less provisions	-	-
(aa) In India	-	-
(bb) Outside India	-	-
Total	-	-
4. MATURITY-WISE CLASSIFICATION		
(a) Short-Term	-	-
(b) Long-Term	-	-
Total	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

SCHEDULE 10

FIXED ASSETS

(Rs '000)

Particulars	Cost/Gross Block			Depreciation				Net Block		
	Opening	Additions	Deductions	Closing	Upto 31st March 2009	For the year	On sales adjustments	Upto 31st March 2010	As at 31st March 2010	As at 31st March 2009
Goodwill	-	-	-	-	-	-	-	-	-	-
Intangibles - Information Technology Software	119,725	32,590	-	152,315	88,258	23,318	-	111,576	40,739	31,467
Land-Freehold	-	-	-	-	-	-	-	-	-	-
Leasehold Property	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	16,935	627	-	17,562	11,973	1,496	-	13,469	4,093	4,962
Improvements to Leased premises	110,353	12,068	-	122,421	65,770	16,572	-	82,342	40,079	44,583
Information Technology Equipment	258,956	40,982	7,265	292,673	206,645	37,523	7,050	237,118	55,555	52,311
Vehicles	8,845	2,744	907	10,682	4,617	2,015	816	5,816	4,866	4,228
Office Equipment	61,641	2,048	212	63,477	35,197	18,863	132	53,928	9,549	26,444
TOTAL	576,455	91,059	8,384	659,130	412,460	99,787	7,998	504,249	154,881	163,995
Work in progress	11,089	11,276	11,089	11,276	-	-	-	-	11,276	11,089
Grand Total	587,544	102,335	19,473	670,406	412,460	99,787	7,998	504,249	166,157	175,084
As at 31st March 2009	511,418	97,597	21,471	587,544	319,994	105,153	12,687	412,460	175,084	



SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 11		
CASH AND BANK BALANCES		
1 Cash (including cheques, drafts and stamps)	99,177	121,628
2 Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months)	16,247	16,717
(bb) Others	-	-
(b) Current Accounts	289,606	155,057
(c) Others	-	-
3 Money at Call and Short Notice		
(a) With Banks	-	-
(b) With other Institutions	-	88,976
4 Others	-	-
Total	405,030	382,378
Included in Bank balances -- current accounts, are balances held outside India amounting to Rs.331 thousand (31st March 2009 - Rs.339 thousand) with a non-scheduled bank and the other bank balances are with scheduled banks.		
SCHEDULE 12		
ADVANCES AND OTHER ASSETS		
ADVANCES		
1 Reserve deposits with ceding companies	-	-
2 Application money for investments	-	-
3 Prepayments	9,869	9,048
4 Advances to Directors/Officers	-	-
5 Advance tax paid and taxes deducted at source [Net of provision for tax amounting to Rs.24505 thousand (Previous Year: Rs.61908 Thousand)]	122,024	-
6 Others -- Deposits for premises and advance rent	51,868	52,612
-- Service Tax unutilised credit	25,073	12,005
-- Other Advances	38,870	14,755
Total (A)	247,704	88,420
OTHER ASSETS		
1 Income accrued on investments	281,162	187,197
2 Outstanding Premiums	111,268	22,114
3 Agents' Balances	-	-
4 Foreign Agencies Balances	-	-
5 Due from other entities carrying on insurance business (including reinsurers)	49,340	56,632
6 Due from subsidiaries / holding Company	-	-
7 Deposit with Reserve Bank of India [Pursuant to section 7 of the Insurance Act, 1938]	-	-
8 Others -- Interest recoverable	31,953	50,090
-- Balance with Terrorism Pool	208,992	183,203
-- Balance with Motor Third Party Pool	1,781,901	1,020,635
Total (B)	2,464,616	1,519,871
Total (A+B)	2,712,320	1,608,291

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

(Rs '000)

Particulars	31st March 2010	31st March 2009
SCHEDULE 13		
CURRENT LIABILITIES		
1 Agents' Balances	106,533	100,412
2 Balances due to other insurance companies	205,135	133,611
3 Deposits held on re-insurance ceded	-	-
4 Premiums received in advance	388,988	162,473
5 Unallocated Premium	-	-
6 Sundry creditors	780,103	626,826
7 Due to subsidiaries / holding company	-	-
8 Claims Outstanding	4,303,026	3,053,298
9 Due to Officers / Directors	4,579	4,579
10 Others -- Service Tax Payable	22,232	-
Total	5,810,596	4,081,199

SCHEDULE 14

PROVISIONS

1 Reserve for Unexpired Risk	4,090,869	3,693,492
2 For taxation (less advance tax paid and taxes deducted at source)	-	46,170
3 For proposed dividends	-	-
4 For dividend distribution tax	-	-
5 Others - Employee Benefits- gratuity	4,386	4,384
- Leave compensated absence	14,100	20,600
Total	4,109,355	3,764,646

SCHEDULE 15

MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)

1 Discount Allowed in issue of shares / debentures	-	-
2 Others	-	-
Total	-	-

SIGNIFICANT ACCOUNTING POLICIES

SCHEDULE 16

1. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, in accordance with the generally accepted accounting practices and accounting requirements prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Accounting Regulations') and amendments if any, the Insurance Act, 1938, the Insurance Regulatory and Development Authority Act, 1999, the Accounting Standards issued [by the Institute of Chartered Accountants of India ('ICAI')] under Section 211(3C) of the Companies Act, 1956 ('the Companies Act') and the other requirements of the said Act, to the extent applicable.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities as at the Balance Sheet date, reported amounts of revenues and expenses during the year and disclosure of contingent liabilities as at that date. The estimates and assumptions used in these financial statements are based upon the management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates, and any changes arising therefrom are accounted for prospectively.

The Company follows the mercantile system of accounting and recognises items of income and expenditure on accrual basis.

2. Revenue recognition for insurance business

Premium (net of service tax) is recognised as income over the contract period or period of risk, as appropriate and for installment cases, it is recognised on installment due dates after adjusting for unearned premium (unexpired risk) and premium deficiency, if any. Subsequent revisions to or cancellations of premium are accounted for in the year in which they occur. Premium received in advance represents premium received prior to commencement of the risk.

Premium deficiency is recognised whenever expected claims cost, related expenses and maintenance cost exceed related reserve for unexpired risk in Fire, Marine and Miscellaneous Revenue Accounts.

The reserve for unexpired risks represents the proportion of premium written relating to periods of insurance subsequent to the Balance Sheet date, calculated principally on a daily pro-rata basis and is subject to a minimum of 50% as stipulated in the Insurance Act, 1938. However, in respect of Marine Cargo and Marine Hull business a fixed percentage of 50 and 100 respectively on Net Written Premium of the year, is adopted.

3. Claims

- (a) Claims paid include claims settlement costs, comprising survey, legal and other directly attributable expenses.
- (b) Estimated liability for outstanding claims in respect of direct business is provided on the basis of claims reported till the end of the financial year.
- (c) Estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER') is based on available statistical data and is as certified by the Appointed Actuary.
- (d) Salvage is accounted for, on realisable basis.

SIGNIFICANT ACCOUNTING POLICIES

4. Reinsurance

Reinsurance premium ceded is accounted for in the year in which the risk commences and over the period of risk in accordance with the treaty arrangements with the reinsurers. Unearned premium on reinsurance ceded is carried forward to the period of risk and set off against related unearned premium.

Premium on excess of loss reinsurance cover is accounted as per the reinsurance arrangements.

Claims recoverable from reinsurers are accounted for in the same period as Claims.

Commission on reinsurance ceded is recognised as income during the year in which the reinsurance premium is ceded. Profit commission is accounted when due.

5. Indian Market Terrorism Risk Insurance Pool

The Company has subscribed to a pool created by Indian non life insurers for insurance of terrorism risk ('the Pool') from 1st April 2002, managed by General Insurance Corporation of India ('the Pool Manager'). In terms of the Pool agreement, the Company reinsures the entire terrorism risk underwritten by it with the Pool and the Pool Manager is required to protect the portfolio for common account and retrocede it back to all Pool members including the Pool Manager, in proportion to their accepted share.

Accordingly, based on statements received from the Pool Manager up to the finalisation of financial statements, the Company combines its proportionate retrocession share of the Pool's income and expenses with similar items in its financial statements, on a line-by-line basis.

A reserve for unexpired risks is recorded at 100 per cent of the net premium retroceded to the Company from the Pool during the year.

6. Indian Motor Third Party Pool

The Company is a member of the Indian Motor Third Party Insurance Pool under which it collectively, mandatorily and automatically participates in a pooling arrangement to share all motor third party insurance business underwritten on or after 1st April 2007, in respect of commercial vehicles.

The Company accounts for the pool transactions for the financial year on the basis of audited financial statements received for the period ended 28th February 2010. For the month of March 2010 for which no audited statements are received, the loss/profit is incorporated on an estimated basis by the management.

7. Investments

- (a) Investments are made in accordance with the Insurance Act, 1938 and the Insurance Regulatory & Development Authority (Investment) (Amendment) Regulations, 2001.
- (b) Investments maturing within or intended to be held for a period of less than twelve months from the Balance Sheet date are classified as 'Short term investments' while those maturing beyond or intended to be held for a period of twelve months or above are classified as 'Long term investments'.
- (c) Investments are recorded at cost including acquisition charges (such as brokerage, transfer stamps etc), if any, and exclude interest paid on purchase.
- (d) Investments though not so separately classified in the accounts, are identified on an aggregate basis with the Policyholders' and Shareholders' Funds on the same lines as Investment income, as stated in item 8 herein below.

SIGNIFICANT ACCOUNTING POLICIES

- (e) Debt securities
 - i. Debt securities, which include government securities are considered as 'held-to-maturity' and are measured at historical cost. The premium / discount, if any, on purchase of debt securities is amortised over the period to maturity based on their intrinsic yield. Acquisition charges such as brokerage, transfer stamps etc., are amortised in the year of acquisition.
 - ii. The net realised gains or losses on debt securities are the differences between the net sale consideration and the amortized cost, which is computed on a weighted average basis.
 - iii. The difference between the acquisition price and the maturity value of money market instruments is recognised as income in the Revenue Accounts or the profit and loss account, as the case may be, over the remaining term of these instruments on a yield to maturity basis.
- (f) Equity securities that are traded in active markets
 - i. Measured at each Balance Sheet date at the fair value, being the lower of the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange or the Bombay Stock Exchange.
 - ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change – Equity Account" and carried to the Balance Sheet
 - iii. Profit/loss on actual sale of a particular security shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
 - iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the investee company has been making losses continuously for the last three years and also its net worth is eroded, and recognizes the resultant impairment as an expense in the Revenue/Profit and Loss account.
- (g) Mutual funds – Liquid Funds / Gilts / Debt Funds
 - i. Measured at each Balance Sheet date at the fair value, being the realisable Net Asset Value
 - ii. Any unrealised gains or losses arising due to changes in the fair value at each Balance Sheet date are accounted in "Fair Value Change- Mutual Fund Account" and carried to the Balance Sheet
 - iii. Profit/loss on actual sale of units of a particular mutual fund shall include the accumulated fair value change thereof and is recycled to the Profit and Loss account.
 - iv. At each Balance Sheet date the company assesses impairment if any in the value, by examining if the realisable net asset value of each mutual fund is lower than the weighted average cost thereof, and recognizes such impairment as an expense in the Revenue/Profit and Loss account.

8. Investment income

- i. Investment income other than that from pool accounts (including profit/loss on sale of investments) is allocated to the respective Revenue Accounts and the Profit and Loss Account based on the ratio of average 'Technical Funds' and "Shareholders' Funds" respectively (average of funds at the beginning and end of the year).

SIGNIFICANT ACCOUNTING POLICIES

- ii. 'Technical Funds' in relation to policyholders' funds are the aggregate of outstanding claims, estimates for IBNR (including IBNER) and reserve for unexpired risk excluding the technical funds relating to pool accounts. "Shareholders' Funds" are the aggregate of funds available to the Company's shareholders, i.e., net worth of the Company.
- iii. Investment income arising from pool accounts is allocated directly to respective Revenue Accounts.
- iv. Dividend is accounted for as income as and when the right to receive is established.

9. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation.

Asset	Method of Depreciation	Rate of Depreciation
Information Technology Software	Straight Line Method	Equally over a period of three years
Furniture and Fittings	Written Down Value Method	18.1%
Improvements to leased premises	Straight Line Method	Equally over the maximum period of lease initially agreed upon
Information Technology Equipment	Written Down Value Method	60%
Vehicles (both owned and leased)	Straight Line Method	25% on 90% of the cost
Office Equipment	Straight Line Method	Equally over a period of five years*
Assets costing less than Rs.5000 each	Written down to Re.1 in the year of acquisition	

* Based on technical valuation

10. Impairment of Assets other than investments

The carrying amounts of assets are reviewed at each Balance Sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use.

11. Operating expenses

- (a) Operating expenses, in the nature of acquisition costs, are expensed as incurred.
- (b) Operating expenses relating to insurance business are assigned to respective business segments as follows:
 - (i) Expenses directly identifiable to the business segments are allocated on an actual basis.
 - (ii) Other expenses, which are not directly identifiable, are apportioned on the basis of the Gross written premium in each business segment during the year.

12. Operating Leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payment for the non-cancellable period of the operating leases are recognised as an expense over the lease term.

SIGNIFICANT ACCOUNTING POLICIES

13. Employee Benefits

- (a) Defined Contribution Plans- superannuation, Employee State Insurance and Provident Fund contributions are charged to expenses on accrual.
- (b) Defined Benefit Plans- Retirement gratuity liability is funded with an Insurance Company through contributions to an approved gratuity trust. Liability therefore at each Balance sheet date is arrived at by external actuarial valuation by the fund manager using the projected unit credit method. Differential liability therefore is recognized in the accounts each year.
- (c) Costs of the Company's accumulating Compensated Absence Plans are valued and accounted for based on actuarial assumptions at each Balance Sheet date.
- (d) Actuarial gains/losses are recognized in the Revenue Accounts.

14. Income-tax

Tax expense comprises current, deferred and fringe benefit tax. Current income-tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income-tax reflects the impact of current year timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognised on carried forward unabsorbed depreciation and tax losses only if there is a virtual certainty that such deferred tax assets can be realised against future taxable profits. Other deferred tax assets of earlier years are reassessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which, such deferred tax assets can be realised.

15. Transactions in foreign exchange

- (a) Transactions in foreign currency are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the year-end.
- (b) Exchange differences arising on foreign currency transactions are recognised as income or expense in the year in which they arise.

16. Provision for Contingencies

In accordance with Accounting Standard 29 – 'Provisions, Contingent Liabilities and Contingent Assets', to the extent applicable to the Company, provisions are created in respect of obligations as a result of past events and it is probable that an outflow of resources will be required to settle the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These will be reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

17. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

NOTES TO FINANCIAL STATEMENTS

SCHEDULE 17

1. The assets of the Company are free from encumbrances.

2. a) Contingent liabilities

	(Rs '000)	
	31st March 2010	31st March 2009
Partly paid investments	Nil	Nil
Underwriting commitments relating to investment activities	Nil	Nil
Claims, other than those under policies, not acknowledged as debts	Nil	Nil
Guarantees given by or issued on behalf of the Company	Nil	Nil
Statutory demands/liabilities in dispute, not provided for – Disputed Income Tax Liability *	850,588	77,943
Reinsurance obligations, to the extent not provided for in the accounts	Nil	Nil

* Mainly due to disallowance of foreign Reinsurance cessions for non deduction of TDS

b) Commitments made for Investments and Fixed Assets

	(Rs '000)	
	31st March 2010	31st March 2009
Commitments made and outstanding for Loans and Investments	Nil	Nil
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	3,368	9,751

3. The disclosures in respect of operating leases are as follows :

	(Rs '000)	
	31st March 2010	31st March 2009
Lease payments debited to the Profit and Loss Account	90,892	99,703
Future minimum lease payments		
Not later than one year	74,890	92,167
Later than 1 year but not later than 5 years	114,221	147,147
Later than 5 years	30,339	6,909

4. Premium Recognition

a) The Company has changed the method of recognition of Premium on Long Term Health and Personal Accident policies in the current Financial Year. The Premium income is recognised to the extent of one year premium in the year of inception of the policy and the balance is recognised as Premium received in advance, for adjustment against future automatic renewals. Consequent to this change, the effect in operating profit for the year is as under.

	(Rs '000)	
Decrease in operating profit of Miscellaneous Business	2,696	
Increase in Current Liabilities - Premium Received in Advance	156,468	

NOTES TO FINANCIAL STATEMENTS
5. Claims outstanding

	(Rs '000)			
	31st March 2010		31st March 2009	
	Nos.	Amount	Nos.	Amount
Claims outstanding for a period exceeding six months	8292	2,320,057	5652	1,542,085
Other Claims (less than 6 months)	10051	1,565,734	6942	911,749
Total	18343	3,885,791	12594	2,453,834

The claims were outstanding predominantly due to non-submission of essential documents by the insured and in respect of motor third party claims due to legal process involved.

As at the year end 31-March 2010, there are Nil claims (Previous Year – 6 Claims amounting to Rs.36 thousands) outstanding for a period exceeding six months from the date when settlement has been agreed.

6. Investments

	(Rs '000)	
	31st March 2010	31st March 2009
	a)	
Contracts for sales where payments are overdue	Nil	Nil
Contracts for Purchases due for delivery on the Balance Sheet date	Nil	101,779

	(Rs '000)	
	31st March 2010	31st March 2009
	b)	
Non-performing investment	Nil	Nil

7. During the year, the Company has, on the basis of a technical evaluation, revised the useful life of Office Equipment and has accordingly changed the method of depreciation from the written down value method to the straight line method. Consequently, Office Equipment are amortised equally over a period of five years and this has resulted in a higher charge of depreciation by Rs.18,340 thousands to the Profit and Loss Account.

8. A) Employee Benefits - Gratuity

Disclosures as required under Accounting Standard 15 "Employee Benefits - Gratuity".

a) Assumptions

	31st March 2010	31st March 2009
Discount rate	8.0%	8.0%
Salary Escalation	7.0%	7.0%
Attrition rate	1-3%	1-3%
Expected return on plan assets	8.0%	8.0%
Mortality rate Table	LIC (1994-1996)	LIC (1994-1996)

NOTES TO FINANCIAL STATEMENTS

b) Changes in present value of obligations

	(Rs '000)	
	31st March 2010	31st March 2009
Present value of obligations as at the beginning of the year	19,370	15,958
Interest cost	1,550	1,160
Current Service Cost	6,071	3,612
Benefits Paid	(3,279)	2,928
Actuarial gain/(loss) on obligation	3,218	1,568
Present value of obligations as at the end of the year	26,928	19,370

c) Changes in the fair value of plan assets – LIC Fund

	(Rs '000)	
	31st March 2010	31st March 2009
Fair value of plan assets at the beginning of the year	14,986	11,745
Expected return on plan assets	1,280	1,027
Contributions	9,555	5,125
Benefits paid	(3,279)	2,928
Actuarial gain on plan assets	Nil	17
Fair value of plan assets at the end of the year	22,542	14,986

d) Actuarial Gain/Loss recognized

	(Rs '000)	
	31st March 2010	31st March 2009
Actuarial (gain) / loss on obligation	3,218	1,568
Actuarial (gain) / loss on plan assets	Nil	17
Total (gain) / loss for the year	3,218	1,552
Actuarial (gain) / loss recognised in the year	3,218	1,552

e) The amounts recognised in the Balance Sheet

	(Rs '000)	
	31st March 2010	31st March 2009
Present value of obligations as at the end of the year	26,928	19,370
Fair value of plan assets as at the end of the year	22,542	14,986
Funded status (Liability)	(4,386)	4,384
Net Liability recognised in the Balance Sheet	4,386	4,384

f) Expenses recognised in Revenue Accounts

	(Rs '000)	
	31st March 2010	31st March 2009
Current Service cost	6,071	3,612
Interest Cost	1,550	1,160
Expected return on plan assets	1,280	1,027
Net Actuarial loss recognized in the year	3,218	1,552
Expenses to be recognised in Revenue Accounts	9,558	5,296

NOTES TO FINANCIAL STATEMENTS

B) Employee Benefits – Compensated absence

The present value of obligations towards compensated absences as at 31.03.2010 as per Actuarial Certificate is Rs.14,100 thousands (Previous Year : Rs.20,600 thousands) and is provided for in the books of Accounts. The basis of provision for compensated absences is as follows :

	(Rs '000)	
	31st March 2010	31st March 2009
Discount rate	8.0%	8.0%
Salary Escalation	8.0%	7.0%
Earned leave	As per Company rules	
Retirement age	60 Years	60 Years
Mortality rate Table	LIC (1994-1996)	LIC (1994-1996)

9. Deferred Tax Assets

The details of Deferred Tax Assets are as follows :

	(Rs '000)	
	31st March 2010	31st March 2009
Net Asset on reserve for Unexpired risk	93,767	103,317
Asset / (Liability) - Depreciation	10,367	952
Net Deferred Tax Asset	104,134	1,04,269

10. Participation in Indian Terrorism Risk Insurance Pool

The Company has accounted for the retro cession for 4 Quarters upto December 2009 during the year.

	(Rs '000)	
	31st March 2010	31st March 2009
Due from the Pool Manager, beginning of the year	183,203	158,087
Premium on reinsurance accepted	24,506	17,990
Investment Income	16,388	16,362
Premium on reinsurance ceded	(4,216)	(3,952)
Claims paid on reinsurance accepted	(8,108)	(4,054)
Operating expenses related to insurance business	(2,781)	(2,124)
Profit Commission on XL	Nil	892
Due from the Pool Manager, end of the year	208,992	183,203
Claims outstanding, end of the year	(1,000)	(9,000)
Reserve for Unexpired risk, end of the year	(20,290)	(14,039)
Reserve for Unexpired risk, beginning of the year	14,039	12,756

NOTES TO FINANCIAL STATEMENTS

11. Indian Motor Third Party Pool

The Company, as a member of the Indian Motor Third Party Insurance Pool, collectively, mandatorily and automatically participates in a pooling arrangement to share in all motor third party insurance business underwritten in respect of commercial vehicles, on or after 1st April 2007, by any of the registered General Insurers in accordance with the directions of IRDA. In terms of the said Pool Agreement, the following transactions of the company with the said Pool have been accounted for in these accounts based on the statements for the period 1st March 2009 to 28th February 2010 furnished by the Pool Administrator.

The Company's share of premiums, claims, reinsurance commissions and expenses of the pool is recorded as inward reinsurance business, based on the returns submitted by GIC, under the respective heads of income or expense as the case may be and included within the Motor Third Party sub-segment of the Miscellaneous Revenue Account. Accordingly, such share has been recorded by the Company, up to 28th February 2010. Unexpired risks reserve is provided for at 50% of net premiums of such inward reinsurance business, being the minimum rate specified in the Insurance Act, 1938.

During the current financial year, the Company has provided for the losses for the month of March 2010 on a pro rata basis considering the audited statements provided by the Pool and the same is accounted under net incurred claims of the Motor Pool segment. This has resulted in decrease in the Operating profit of Miscellaneous Business by Rs.13590 thousands and corresponding increase in the Current Liabilities – Claims Outstanding by the same amount.

	(Rs '000)	
	31st March 2010	31st March 2009
Premium on reinsurance accepted	762,711	654,800
Incremental Reserve for unexpired risk	53,955	71,610
Claims incurred	911,835	722,601
Our share of Commission Outgo	76,271	65,480
Our share of Pool Manager's fee	10,402	16,370
Our share of other Income	Nil	Nil
Our share of investment Income	113,085	73,834
Profit / (Loss) from Pool	(176,668)	(147,427)
Due from the Pool Manager, beginning of the year	1,020,635	429,399
Due from the Pool Manager, end of the year	1,781,901	1,020,635
Claims outstanding, end of the year	(1,712,523)	(996,381)
Reserve for Unexpired risk, end of the year	(381,355)	(327,400)

12. Solatium Fund

(Rs '000)

	31st March 2010	31st March 2009
Contribution to the Solatium Fund @ 0.1% of the Gross Written Premium of Motor Business	6,269	5,299

NOTES TO FINANCIAL STATEMENTS
13. The Sector-wise Gross Written Premium

(Rs '000)

	31st March 2010		31st March 2009	
	Amount	%	Amount	%
Rural Sector	795,801	8.72	637,872	7.92
Social Sector [5,54,757 lives (2009 –47,134 lives)]				
Number of policies issued – 388 (2009 – 326)	127,306	1.39	1,758	0.04
Other Sectors	8,207,949	89.89	7,393,974	92.04
Total Gross Written Premium	9,131,056	100.00	8,033,604	100.00

The business written under rural / social sector is higher than the stipulated target set out in the IRDA Regulations.

14. Premium Recognition on Varying Risk Pattern

Premium income recognised based on varying risk pattern is Nil (Previous Year : Nil)

15. Risk retention / reinsurance

(Rs '000)

	31st March 2010	31st March 2009
Risk retained (%)	76	77
Risk reinsured (%)	24	23

16. Remuneration to Managing Director (as approved by IRDA)

(Rs '000)

	31st March 2010	31st March 2009
Salary	3,499	3,499
Allowances and perquisites	9,822	9,453
Total	13,321	12,952

17. Related Party Transactions

a) Particulars of related parties

I. JOINT VENTURE PROMOTERS

Sundaram Finance Limited

Royal & SunAlliance Insurance plc

II. KEY MANAGERIAL PERSONNEL

Mr. Ajay Bimbhet (Managing Director)

NOTES TO FINANCIAL STATEMENTS

b) Transactions with related parties and balances

(For the year ended 31st March 2010)

(Rs '000)

Nature of transaction	Joint Venture Promoters	Key managerial personnel
INCOME		
Insurance premium received		
Sundaram Finance Limited	5,435	-
Mr. Ajay Bimbhet		48
Claims received on reinsurance		
Royal & SunAlliance Insurance Plc	4,975	
Commission on reinsurance ceded		
Royal & SunAlliance Insurance Plc	4,184	
Rent		
Sundaram Finance Ltd	144	
EXPENSES		
Rent paid		
Sundaram Finance Limited	28,095	
Payment for services received		
Sundaram Finance Limited	16,542	
Royal & SunAlliance	4,968	
Agency commission paid		
Sundaram Finance Limited	46,603	
Remuneration paid to Managing Director		
Mr. Ajay Bimbhet		13,321
Reinsurance Premium Paid		
Royal & SunAlliance Insurance Plc	13,698	
Insurance claims paid		
Sundaram Finance Limited	831	
Purchase		
Sundaram Finance Limited	780	
Contribution received towards rights issue		
Sundaram Finance Limited		
Royal & SunAlliance Insurance Plc		
Receivable		
Royal & SunAlliance Insurance Plc	18,809	
Rent deposit		
Sundaram Finance Limited	7,493	
Payable		
Sundaram Finance Limited	11,300	
Royal & SunAlliance Insurance Plc	5,962	
Mr. Ajay Bimbhet		4,579
Insurance deposit		
Sundaram Finance Limited	4,100	
Share Capital		
Sundaram Finance Limited	1,047,900	
Royal & SunAlliance Insurance Plc	546,000	

NOTES TO FINANCIAL STATEMENTS

(For the year ended 31st March 2009)

(Rs '000)

Nature of transaction	Joint Venture Promoters	Key managerial personnel
INCOME		
Insurance premium received Sundaram Finance Limited Mr. Ajay Bimbhet	3,950	27
Claims received on reinsurance Royal & SunAlliance Insurance Plc	17,353	
Commission on reinsurance ceded Royal & SunAlliance Insurance Plc	9,231	
Rent Sundaram Finance Ltd	279	
Expenses Rent paid Sundaram Finance Limited	30,311	
Payment for services received Sundaram Finance Limited Royal & SunAlliance	39,045 5,413	
Agency commission paid Sundaram Finance Limited	35,632	
Remuneration paid to Managing Director Mr. Ajay Bimbhet		12,952
Reinsurance Premium Paid Royal & SunAlliance Insurance Plc	27,553	
Insurance claims paid Sundaram Finance Limited	1,477	
Sale of Assets Sundaram Finance Limited	715	
Contribution received towards rights issue Sundaram Finance Limited Royal & SunAlliance Insurance Plc	206,400 104,000	
Receivable Royal & SunAlliance Insurance Plc	14,473	
Rent deposit Sundaram Finance Limited	7,493	
Payable Sundaram Finance Limited Royal & SunAlliance Insurance Plc Mr. Ajay Bimbhet	2,792 18,029	4579
Insurance deposit Sundaram Finance Limited	3,000	
Share Capital Sundaram Finance Limited Royal & SunAlliance Insurance Plc	1,047,900 546,000	

NOTES TO FINANCIAL STATEMENTS

18. Interest earned on investments is shown net of amortisation of premium / discount on securities. The details of such amortisation are as follows :

(Rs '000)

Particulars	31st March 2010	31st March 2009
Revenue Account – Policyholders’ Funds		
Fire	2085	201
Marine	886	62
Miscellaneous	40,195	3,048
Profit and Loss Account – Shareholders’ Funds	17,488	1,331
Total	60,654	4,642

19. Penal actions by various Statutory Authorities

Amount in Rs

Sl No	Authority	Non-Compliance/ Violation	Penalty Awarded	Penalty Paid	Penalty Waived/ Reduced
1	Insurance Regulatory and Development Authority	Nil	Nil	Nil	Nil
2	Service Tax Authorities	Nil	Nil	Nil	Nil
3	Income Tax Authorities	Nil	Nil	Nil	Nil
4	Any other Tax Authorities	Nil	Nil	Nil	Nil
5	Enforcement Directorate/ Adjudicating Authority/ Tribunal or any Authority under FEMA	Nil	Nil	Nil	Nil
6	Registrar of Companies/ NCLT/CLB/ Department of Corporate Affairs or any Authority under Companies Act, 1956	Nil	Nil	Nil	Nil
7	Penalty awarded by any Court/ Tribunal for any matter including claim settlement but excluding compensation	Nil	Nil	Nil	Nil
8	Securities and Exchange Board of India	Nil	Nil	Nil	Nil
9	Competition Commission of India	Nil	Nil	Nil	Nil
10	Any other Central/State/Local Government / Statutory Authority	Nil	Nil	Nil	Nil

Note : Previous Years Figures for the above items are also NIL.

20. Segment Reporting

The Company carries on non-life insurance business in India. The Company has provided primary segmental information, in Annexure I, as required by Accounting Standard 17 – ‘Segment Reporting’ issued by ICAI, read with Accounting Regulations.

21. Summary of Financial Statements and Accounting Ratios

A summary of financial statements and Accounting Ratios as per the formats prescribed by the IRDA in its circular dated 29th April, 2003 is provided in Annexure 2 and Annexure 3

22. Previous Year figures have been reclassified / regrouped, wherever necessary, to conform with the current year’s classification.

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmaya & Co.
Chartered Accountants
Registration No.000513S

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

T T Srinivasaraghavan
Director

S Prasad
Director

Place: Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

ANNEXURE TO NOTES TO FINANCIAL STATEMENT
Annexure 1
17. SEGMENT REPORTING

- The Company's business is organised on a National basis and caters to the non-life insurance business. Accordingly, the Company has provided primary segmental information, as per Accounting Standard 17 - 'Segment Reporting' issued by ICAI, read with the Accounting Regulations.
- Segment revenues are either directly attributed to or, in the case of bundled products, allocated to the individual segments. There are no inter segment revenues.
- Operating expenses are attributed to the business segments in line with accounting policy 11 in Schedule 16.
- Investments and other Assets and liabilities are identified with the respective segments in the ratio of Shareholders and Technical Funds as defined in Policy 8 of Schedule 16
- Since the business operations of the Company are entirely in India, the same is considered as one geographical segment.

(For the year ended 31st March 2010)

	Fire	Marine Cargo	Marine Hull	Motor OD	Motor TP	Motor Pool	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Shareholders funds	Total
Gross Direct Premium	408120	225494	4734	4859854	1409238		6269092	21458	140633	363373	265600	1254704	177848		9,131,056
Premium inward	18828					762711	762711			5678					787,217
Net Written Premium	110038	110642	118	4339860	585219	762711	5687790	18122	36714	76781	231950	1120238	144624		7,546,017
Premium earned (net)	129,253	104,417	123	4,101,468	561,060	708,756	5371284	17,873	32,822	74,832	241,299	1,042,921	133,817	-	7,148,641
Profit on sale / redemption of investments	4,905	2,084	2	44,221	29,123		73344	206	377	1,803	4,602	12,891	1,339	41,139	142,692
Others							-								-
Interest (net of amortisation)	35,103	9,563	10	202,969	133,668	113,085	449722	944	1731	12,074	21,123	59,169	6,145	188,824	784,408
Total segmental revenue	169,261	116,064	135	4,348,658	723,851	821,841	5,894,350	19,023	34,930	88,709	267,024	1,114,981	141,301	229,963	8,075,741
Claims incurred (net)	(49,351)	(68,243)	-	(2,677,478)	(665,101)	(911,835)	(4,254,414)	(8,994)	(11,532)	(26,105)	(88,762)	(509,852)	(73,463)	-	(5,090,716)
Commission received / (paid), net	25,116	(3,407)	1,015	(254,881)	87,244	(76,271)	(243,908)	(1,280)	3,908	69,576	(33,748)	(121,320)	(3,619)	-	(307,667)
Operating expenses related to insurance business	(70,180)	(37,818)	(698)	(1,560,066)	139,104)	(10,402)	(1,709,572)	(3,545)	(20,893)	(68,378)	(45,241)	(335,858)	(47,507)		(2,339,690)
Total segmental expenses	(94,415)	(109,468)	317	(4,492,425)	(716,961)	(998,508)	(6,207,894)	(13,819)	(28,517)	(24,907)	(167,751)	(967,030)	(124,589)	-	(7,738,073)
Segmental (loss) / profit	74,846	6,596	452	(143,767)	6,890	(176,667)	(313,544)	5,204	6,413	63,802	99,273	147,951	16,712	229,963	337,668
Other income	-	-	-	914	-	-	914	-	-	-	-	-	-	1,955	2,869
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(451)
Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30,376)
Net profit for the year	74,846	6,596	452	(142,853)	6,890	(176,667)	(312,630)	5,204	6,413	63,802	99,273	147,951	16,712	231,918	309,710
Segment Assets	519,172	152,622	178	3,242,162	2,121,290	1,781,901	7,145,353	15,053	28,161	181,427	335,850	1,054,804	98,241	2,816,542	10,565,502
Segment Liabilities	361,170	161,990	910	3,636,865	2,029,312	2,093,878	7,760,055	16,089	47,841	165,156	302,707	1,007,892	96,140	-	7,826,072
Capital Expenditure	4,574	2,527	53	59,720	10,539	-	70,259	240	1,576	4,072	2,977	14,062	1,993	-	102,333
Amortisation of premium & discount	2,085	886	1	18,797	12,379	-	31,176	87	160	767	1,957	5,480	569	17,487	60,655
Depreciation	4,460	2,464	52	58,234	10,277	-	68,511	234	1,537	3,971	2,903	13,712	1,943	-	99,787
Non-Cash Expenditure other than depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note : Aviation Segment Business for 2009-10 - NIL

ANNEXURE TO NOTES TO FINANCIAL STATEMENT

(For the year ended 31st March 2009)

(Rs. '000)

Particulars	Fire	Marine Cargo	Marine Hull	Motor OD	Motor TP	Motor Pool	Motor Total	Workmens Compensation / Employers Liability	Public / Product Liability	Engineering	Personal Accident	Health Insurance	Others	Investment of Share-holders funds	Total
Gross Direct Premium	488,418	194,990	4,696	3,537,366	1,761,702	-	5,299,068	20,558	72,741	375,261	280,191	1,143,079	154,602	-	8,033,604
Net Written Premium	130,752	98,576	123	3,746,330	523,508	654,800	4,924,638	17,033	27,083	96,223	244,102	1,029,723	114,865	-	6,683,118
Premium earned (net)	149,476	74,564	819	3,250,701	438,411	583,190	4,272,302	16,100	25,695	99,634	254,679	979,854	107,437	-	5,980,560
Profit on sale / redemption of investments	3,026	938	5	20,587	13,691	-	34,278	106	182	1,004	2,806	6,758	803	20,066	69,972
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest (net of amortisation)	39,650	7,986	41	175,209	116,513	73,834	365,556	898	1,551	11,004	23,877	57,515	6,834	170,771	685,683
Total segmental revenue	192,152	83,488	865	3,446,497	568,615	657,024	4,672,136	17,104	27,428	111,642	281,362	1,044,127	115,074	190,837	6,736,215
Claims incurred (net)	(76,312)	(63,841)	-	(2,179,598)	(423,800)	(722,601)	(3,325,999)	(3,954)	(1,815)	(55,820)	(118,546)	(426,934)	(50,322)	-	(4,123,543)
Commission received / (paid), net	34,622	(4,178)	1,006	(257,932)	59,393	(65,480)	(264,019)	(1,080)	1,649	54,296	(28,516)	(115,972)	1,565	-	(320,627)
Operating expenses related to insurance business	(97,147)	(34,750)	(722)	(1,313,952)	(170,487)	(16,371)	(1,500,810)	(3,364)	(11,489)	(79,932)	(65,842)	(355,251)	(46,193)	-	(2,195,500)
Total segmental expenses	(138,837)	(102,769)	284	(3,751,482)	(534,894)	(804,452)	(5,090,828)	(8,398)	(11,655)	(81,456)	(212,904)	(898,158)	(94,950)	-	(6,639,670)
Segmental (loss) / profit	53,315	(19,281)	1,149	(304,985)	33,721	(147,428)	(418,692)	8,706	15,773	30,186	68,458	145,970	20,124	190,837	96,545
Other income	-	-	-	633	-	-	633	-	-	-	-	-	-	3,216	3,849
Unallocated corporate expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,089
Provision for taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40,674
Net profit for the year	53,315	(19,281)	1,149	(304,352)	33,721	(147,428)	(418,059)	8,706	15,773	30,186	68,458	145,970	20,124	194,053	56,631
Segment Assets	561,997	119,445	634	2,619,991	1,730,429	1,020,635	5,371,055	13,421	23,445	156,413	355,000	858,412	102,135	2,379,190	8,920,512
Segment Liabilities	370,929	140,365	726	2,875,530	1,618,597	1,323,781	4,494,127	13,779	28,376	158,419	306,935	831,212	107,407	-	6,452,275
Capital Expenditure	5,934	2,369	57	50,929	13,447	-	64,376	250	884	4,559	3,404	13,887	1,878	-	97,598
Amortisation of premium & discount	201	62	-	2,275	-	-	2,275	7	12	67	186	449	53	1,329	4,641
Depreciation	6,393	2,552	61	54,872	14,489	-	69,361	269	952	4,912	3,667	14,962	2,025	-	105,154
Non-Cash Expenditure other than depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note : Aviation Segment Business for 2008-09 - NIL

ANNEXURE TO NOTES TO FINANCIAL STATEMENT
Annexure 2
Summary of Financial Statements
Rs. in Lakhs

Particulars	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
(OPERATING RESULTS)							
1 Gross Premiums Written - Direct	91310.56	80336.04	69441.11	59819.70	45863.70	33070.00	25776.00
2 Net Premium Income#	75460.17	66831.18	53306.42	38954.88	29688.70	20162.20	15631.10
3 Income from investments (net)@	6971.35	5648.18	3497.04	2295.60	1406.50	825.00	959.70
4 Other income -Transfer fee etc	9.14	6.33	11.48	3.00	3.30	1.80	2.20
5 Total Income	82440.66	72485.69	56814.94	41253.48	31098.50	20989.00	16593.00
6 Commissions	2059.00	2324.46	762.47	(1228.80)	(1087.70)	(863.78)	(1384.48)
7 Brokerage	1017.67	881.81	861.94	1132.00	469.00	341.18	134.50
8 Operating Expenses	23396.90	21955.00	17435.17	13639.80	10481.20	7280.30	6488.88
9 Claims, increase in Unexpired Risk Reserve and Other outgo	54880.91	48261.01	38537.90	25970.48	20910.60	14204.80	11368.40
10 Operating Profit/loss	1086.18	(936.59)	(782.54)	1740.00	325.40	26.50	(14.30)
(Non operating results)							
11 Total income shareholders' account	2314.68	1909.64	1259.50	978.05	689.50	508.14	815.40
12 Profit/(loss) before tax	3400.86	973.05	476.97	2718.09	1014.90	534.64	801.10
13 Provision for tax	(303.76)	(406.74)	(5.56)	(599.57)	151.50	33.60	0.20
14 Profit/(loss) after tax	3097.10	566.31	471.41	2118.51	863.40	501.04	800.90
MISCELLANEOUS							
15 Policyholders' Account (1)							
Total funds	62787.27	49262.51	44525.30	34687.97	26345.70	15869.70	13361.30
Total investments	64506.67	55456.04	39832.51	32447.40	25098.60	15838.17	12692.30
Yield on investments	9.0%	9.4%	8.2%	6.9%	6.2%	5.2%	8.5%
16 Shareholders' Account							
Total funds	25315.86	21995.69	17619.47	14244.00	12125.50	10006.40	9750.70
Total investments	26132.29	22297.90	16070.80	14018.80	11551.50	9986.48	9262.50
Yield on investments	9.0%	9.4%	8.2%	6.9%	6.2%	5.2%	8.5%
17 Paid up equity capital	21000.00	21000.00	17000.00	14000.00	14000.00	13000.00	12989.70
18 Net worth	25315.86	21995.69	17619.47	14243.95	12125.40	10262.10	9750.70
19 Total assets	124515.37	100454.15	78166.11	57916.80	44938.90	32651.10	25732.50
20 Yield on total investments	9.0%	9.4%	8.2%	6.9%	6.2%	5.2%	8.5%
21 Earnings per share (Rs.)*	1.47	0.33	0.34	1.51	0.80	0.40	0.60
22 Book Value per share (Rs.)	12.06	10.47	10.36	10.17	8.65	7.90	7.50
23 Total Dividend	-	-	-	-	-	-	-
24 Dividend per share (Rs.)	-	-	-	-	-	-	-
# Net of reinsurance							
@ Net of losses							
* EPS has been calculated in accordance with AS-20 Basic & Diluted (Face Value Rs.10/- each)							
Profit / (Loss) for the year	3097.10	566.31	471.41	2118.53	863.39	501.00	800.84
Weighted Average Number of Shares at the end of the year	210,000,000	170,657,534	140,327,869	140,000,000	130,027,397	130,000,000	130,000,000

Note:(1) The Company continues to determine the Policyholders' Fund and the Shareholders' Fund on the same basis as determined in the earlier years (Refer Point 8 of Schedule 16 relating to Accounting Policy), due to practical difficulty in determining the Policyholders' Fund in accordance with IRDA Circular INV/CIR/008/2008-09 dt. 22nd Aug 2008 (annexure II) and hence have allocated the Investment and associated income on the same basis .

Ratios for Non-life Insurance Companies

Sl No	Performance Ratio	2009-10	2008-09
1	Gross premium growth rate (segment wise) (Gross premium for the current year divided by gross premium for the previous year)	Schedule 1	Schedule 1
2	Gross premium to shareholders' fund ratio: (Gross premium for the current year divided by the paid up capital plus free reserves)	3.92	3.66
3	Growth rate of shareholders' funds: (Shareholders' funds as at the current balance sheet date divided by the shareholders' funds at the previous balance sheet date)	15.09%	24.84%
4	Net retention ratio (segment wise) (Net premium divided by gross premium plus gross inward premium) ¹	Schedule 2	Schedule 2
5	Net commission ratio (segment wise) (Commission net of reinsurance for a class of business divided by net premium)	Schedule 3	Schedule 3
6	Expenses of Management to gross direct premium ratio (Expenses of Management divided by the total gross direct premium)	32.75%	34.97%
7	Combined ratio: (Claims paid plus expenses divided by gross premium) ²	102.55%	99.35%
8	Technical reserves to net premium ratio (Reserve for unexpired risks plus premium deficiency reserve plus reserve for outstanding claims divided by net premium)	1.11	1.01
9	Underwriting balance ratio (segment wise) (Underwriting profit divided by net premium for the respective class of business)	Schedule 4	Schedule 4
10	Operating profit ratio (Underwriting profit plus investment income divided by net premium)	0.05	-0.01
11	Liquid assets to liabilities ratio (Liquid assets of the insurer divided by the policy holders' liabilities) ³	1.51	1.21
12	Net earnings ratio (Profit after tax divided by net premium)	0.04	0.01
13	Return on networth (Profit after tax divided by net worth)	0.12	0.03
14	Reinsurance ratio (Risk reinsured divided by gross premium)	0.24	0.17

¹IRDA has clarified that the denominator for retention ratio should be Gross Premium Direct whereas the same is taken as Gross Premium Direct plus inward to reflect the correct retention ratio.

²IRDA has clarified the ratios as claims paid+direct commission+operating expenses divided by gross written premium whereas the same is taken as Net incurred claims plus net commission plus expenses divided by net written premium

³IRDA has clarified the ratios as Short term Investments plus short term loan plus cash and bank balances divided by policy holders liabilities whereas it is taken as investments as per schedule 8 plus cash and bank balances divided by policy holders liabilities

ANNEXURE TO NOTES TO FINANCIAL STATEMENT
Accounting Ratios - Schedule 1
Gross premium growth rate

Segment	Growth (%)	
	2009-10	2008-09
Fire	-16%	-28%
Marine	15%	2%
Motor	18%	29%
Workmen's Compensation/ Employers Liability	4%	27%
Public/Product Liability	93%	52%
Engineering	-3%	-9%
Personal Accident	-5%	-11%
Health Insurance	10%	5%
Others	15%	84%
Total	14%	17%

Accounting Ratios - Schedule 3
Net commission ratio

Segment	% to NP	
	2009-10	2008-09
Fire	-23%	-27%
Marine	2%	3%
Motor	4%	5%
Workmen's Compensation/ Employers Liability	7%	6%
Public/Product Liability	-11%	-6%
Engineering	-91%	-56%
Personal Accident	15%	12%
Health Insurance	11%	11%
Others	3%	-1%
Total	4%	5%

Accounting Ratios - Schedule 2
Net retention ratio

Segment	% to NP	
	2009-10	2008-09
Fire	26%	26%
Marine	48%	49%
Motor	81%	83%
Workmen's Compensation/ Employers Liability	84%	83%
Public/Product Liability	26%	37%
Engineering	21%	26%
Personal Accident	87%	87%
Health Insurance	90%	90%
Others	81%	74%
Total	76%	77%

Accounting Ratios - Schedule 4
Underwriting balance ratio

Segment	% to NP	
	2009-10	2008-09
Fire	32%	8%
Marine	-4%	-29%
Motor	-15%	-17%
Workmen's Compensation/ Employers Liability	22%	45%
Public/Product Liability	12%	52%
Engineering	65%	19%
Personal Accident	32%	17%
Health Insurance	7%	8%
Others	6%	11%
Total	-8%	-10%

MANAGEMENT REPORT

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

1. We confirm that the Certificate of Registration granted by the Insurance Regulatory and Development Authority, to transact general insurance business, continues to be valid. The fee for renewal of the Certificate of Registration has been paid for 2010/2011 and the Company has received the Certificate of Renewal of Registration.
2. We certify that all dues payable to the Statutory Authorities have been duly paid.
3. We confirm that the shareholding pattern during the year ended 31st March 2010 has been in accordance with the Statutory/Regulatory requirements.
4. We declare that the funds of the holders of policies issued in India have not been directly or indirectly invested outside India.
5. The Company has maintained the required solvency margins.
6. The values of all the assets have been reviewed on the date of the Balance Sheet and in our belief the assets set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market value under the headings 'Investments', 'Interest, Dividends and Rents accruing but not due', 'Amounts due from other persons or Bodies carrying on insurance business', 'Cash' and the several items specified under 'Other Accounts', except debt securities which are shown at amortised cost.
7. The Company is exposed to a variety of risks such as quality of risks underwritten, fluctuations in the value of assets, operational risks and higher expenses.

The Company through an appropriate reinsurance programme has kept its risk exposure at a level commensurate with its capacity.

During the year under report, the Company has exceeded the Management expense limit prescribed in Rule 17E of the Insurance Rules. The Company has, through the General Insurance Council, represented to the IRDA, under Section 64M of the Insurance Act, to revise the limits in its case.

The Company monitors these risks closely and effective remedial action is taken wherever required.

8. The Company does not have operations in other countries and hence related country/currency fluctuation risk is not applicable.
9. The trend in average claim settlement time for various Segments are given hereunder: -

(Rs '000)

Ageing as on 31st March 2010	Upto 30 days		31 days to 6 months		6 months - 1 year		1 year to 5 years		5 years and above		Total No.	Total Amt
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
Fire	245	10,017	537	31,799	179	35,200	67	23,539	1	1,509	1029	102,064
Marine cargo	1710	18,419	5330	81,744	422	52,832	195	9,107	4	4,150	7661	166,253
Marine Hull	-	-	-	-	-	-	-	-	-	-	-	-
Motor	133328	1,375,038	39142	1,344,309	3319	274,245	1916	311,951	141	21,275	177846	3,326,818
Workmen compensation	-	-	-	-	-	-	-	-	-	-	-	-
Liability	6	768	36	4,258	21	12,419	11	2,762	-	-	74	20,207
Engineering	101	12,792	306	27,823	212	40,949	94	23,449	2	13,432	715	118,446
PA	485	14,374	377	60,249	64	12,401	45	17,828	4	262	975	105,114
Health	12252	300,737	8786	224,523	375	6,538	153	6,340	-	-	21566	538,138
Others	3370	55,433	376	10,211	59	1,126	12	310	-	-	3817	67,080
Total	151497	1,787,578	54890	1,784,917	4651	435,711	2493	395,286	152	40,629	213683	4,444,120

MANAGEMENT REPORT

10. We certify that
- a) The Investments in Government Securities and other debt securities have been considered as 'held to maturity' and have been measured at historical cost subject to amortisation.
 - b) The market values of debt securities including Government Securities have been ascertained by reference to the quotations published for the last working day of the Financial Year by the Stock Exchange/Fixed Income Money Market and Derivatives Association of India (FIMMDA). The market values of debt securities including Government Securities which were not quoted on the last working day of the Financial Year have been ascertained on the basis of prevailing yield to maturity provided by FIMMDA.
 - c) The market values of quoted equity investments have been ascertained by reference to the lower of the last quoted closing prices available on the Balance Sheet date on the National Stock Exchange or the Bombay Stock Exchange.
 - d) The market value of Mutual Fund Investments have been ascertained based on the NAV declared by the Asset Management Companies as on Balance Sheet date.
11. The Company has adopted a prudent investment policy with emphasis on optimising return with minimum risk. Significant weighting of the assets has been made towards low risk/liquid investments such as Government securities, Treasury bills and other good quality debt instruments. Fair value of investments is computed for quoted investments, on the basis of the last available market price/yield-to-maturity valuation.

The average yield on investments after considering the profit on sale and amortisation of costs of investments is 9.02%. All investments in our portfolio as at 31st March 2010 are performing investments.

12. Directors' Responsibility Statement:

- i) In the preparation of financial statements, the applicable Accounting Standards, principles and policies have been followed. To the best of our knowledge there were no material departures from such standards during the year under report.
- ii) The Management has adopted accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the operating profit and of the net profit of the Company for the year ended 31st March 2010.
- iii) The Management has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, (4 of 1938) / Companies Act, 1956, (1 of 1956), for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) The Management has prepared the financial statements on a going concern basis;
- v) The Management has ensured that an internal audit system commensurate with the size and nature of the business exists and is operating effectively.

MANAGEMENT REPORT

13. Particulars of payment other than those arising in the normal course of the Company's Insurance business, made to individuals, firms, companies and organizations in whom / which the directors of the company are interested is as under.

(Rs '000)

Sl No.	Entity in which Director is interested	Name of the Director	Interested as	Amount	Nature of Payments
1	Sundaram Finance Ltd	S. Viji	Director		
		T.T. Srinivasaraghavan	Director	28,341	Rent
		Srinivas Acharya	Director	2,200	Tax Advisory & Training
		A. Rangaswami	Director	14,096	Information Technology
		S. Prasad	Director		
2	Sundaram BNP Paribas Home Finance Limited	S. Viji	Director		
		T.T. Srinivasaraghavan	Director	35	Rent
		Srinivas Acharya	Director		
3	Sundaram Business Services Ltd.	T.T. Srinivasaraghavan	Director	27,901	Policy processing
		Srinivas Acharya	Director	1,235	Payroll processing
4	Sundaram Infotech Services Ltd	T.T. Srinivasaraghavan	Director		
		Srinivas Acharya	Director	2,236	Information Technology related services

For and on behalf of the Board of Directors

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

T T Srinivasaraghavan
Director

S Prasad
Director

Place : Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary



RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(Rs. '000)

Particulars	March 31, 2010	March 31, 2009
Cash flows from operating activities		
Premium received from policyholders, including advance receipts	9,381,966	8,144,013
Other receipts	1,359	3,849
Payments to the re-insurers, net of commissions and claims	(976,805)	(774,670)
Payments to co-insurers, net of claims recovery	9,884	(8,556)
Payments of claims	(4,702,678)	(4,099,424)
Payments of commission and brokerage	(649,082)	(591,057)
Payments of other operating expenses	(2,195,637)	(1,962,907)
Preliminary and pre-operative expenses		
Deposits, advances and staff loans	(24,199)	(6,047)
Income taxes paid (Net)	(198,434)	15,770
Service tax paid		(1,263)
Other payments		3,145
Cash flows before extraordinary items		
Cash flow from extraordinary operations		
Net cash flow from operating activities	646,374	722,853
Cash flows from investing activities		
Purchase of fixed assets	(79,468)	(90,028)
Proceeds from sale of fixed assets	385	1,226
Purchases of investments	(7,868,310)	(6,704,111)
Loans disbursed	-	-
Sales of investments	6,628,726	4,542,262
Repayments received		
Rents/Interests/Dividends received	782,269	635,498
Investments in money market instruments and in liquid mutual funds (Net)	(87,267)	(46,864)
Expenses related to investments	(1,566)	(1,133)
Net cash flow from investing activities	(625,231)	(1,663,150)
Cash flows from financing activities		
Proceeds from issuance of share capital	-	400,000
Proceeds from borrowing		
Repayments of borrowing		
Interest/dividends paid		
Net cash flow from financing activities	-	400,000
Effect of Foreign exchange rates on Cash and Cash Equivalents, net	1,509	(262)
Net increase in cash and cash equivalents:	22,652	(540,559)
Cash and Cash equivalents at the beginning of the year	382,378	922,937
Cash and cash equivalents at the end of the year	405,030	382,378

Per our report of even date attached

For and on behalf of the Board of Directors

For N.C.Rajagopal & Co.
Chartered Accountants
Registration No.003398S

For Brahmayya & Co.
Chartered Accountants
Registration No.000513S

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

V. Anantharaman
Partner
Membership No : 11043

TV Ramana
Partner
Membership No: 200523

T T Srinivasaraghavan
Director

S Prasad
Director

Place: Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(Statement pursuant to Part IV of Schedule VI to the Companies Act, 1956)

1. Registration Details:

Registration No.	1	8	-	4	5	6	1	1
State Code							1	8
Balance Sheet Date	3	1	-	0	3	-	1	0

2. Capital raised during the year: (Amount in Rs. '000)

Public Issue						N	I	L
Rights Issue						N	I	L
Bonus Issue						N	I	L
Private Placement						N	I	L

3. Position of mobilisation and deployment of funds: (Amount in Rs. '000)

Total Liabilities		2	5	3	1	5	8	6
Total Assets		2	5	3	1	5	8	6

Source of Funds:

Paid-up Capital		2	1	0	0	0	0	0
Reserves and Surplus			4	3	7	8	7	9
Fair Value Change Account					(6	2	9	3)
Secured Loans						N	I	L
Unsecured Loans						N	I	L

Application of Funds:

Net Fixed Assets			1	6	6	1	5	7
Investments		9	0	6	3	8	9	6
Net Deferred Tax Assets			1	0	4	1	3	4
Net Current Assets		(6	8	0	2	6	0	1)
Miscellaneous Expenditure						N	I	L
Accumulated Losses						N	I	L

4. Performance of Company: (Amount in Rs. 000)

Turnover		8	0	7	8	6	1	0
(Net Earned Premium, income from Investments and other incomes)								
Total Expenditure		7	7	3	8	5	2	4
Profit before Tax			3	4	0	0	8	6
Profit after Tax			3	0	9	7	1	0
Earnings per share (Rs.)					1	.	4	6
Dividend Rate (%)						N	I	L

5. Generic names of 3 principal products, services of the Company (As per monetary terms):

Item Code No.	N	.	A													
Product Description	G	E	N	E	R	A	L	I	N	S	U	R	A	N	C	E

For and on behalf of the Board of Directors

PM Venkatasubramanian
Chairman

Ajay Bimbhet
Managing Director

T T Srinivasaraghavan
Director

S Prasad
Director

Place : Chennai
Date : May 13, 2010

Ramkumar Krishnamachari
Chief Financial Officer

SR Balachandher
Company Secretary



Royal Sundaram
General Insurance

Royal Sundaram Alliance Insurance Company Limited

Corporate Office: Sundaram Towers, 45 & 46, Whites Road, Chennai - 600 014.
Registered Office: 21, Patullos Road, Chennai - 600 002.