

The Oriental Insurance Company Ltd
 Regd. Office "Oriental House"
 A-25/27, Asaf Ali Road,
 New Delhi – 2



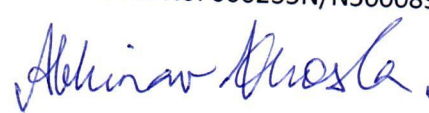
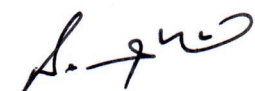
Annexure I

Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted
 alongwith Audited Financial Results - Consolidated

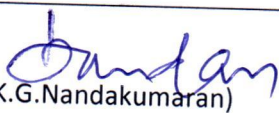
Statement on Impact of Audit Qualifications for the Financial Year end 31st March 2022
 [See Regulation 33/52 of the SEBI (LODR) (Amendment) Regulations, 2016]

I	Sl.No.	Particulars	Audited Figures (Rs crores)(as reported before adjusting for qualifications)	Adjusted Figures (Rs crores) (after adjusting for qualifications)
	1.	Total Income	13943.15	13943.15
	2.	Total Expenditure	17090.02	17090.02
	3.	Net Profit/(Loss) (PBT)	(3146.87)	(3146.87)
	4.	Earnings Per Share	Rs.(9.19)	Rs. (9.19)
	5.	Total Assets	30077.76	30077.76
	6.	Total Liabilities	29099.12	29099.12
	7.	Net Worth	1055.06	1055.06
	8.	Any other financial item	Nil	Nil
II		Audit Qualifications	Management Reply	
	A.	Accounting Policy of the Company is deficient to the extent that other significant parameters for identification of impaired assets, viz., substantial fall in the market price as compared to acquisition cost of equity shares of the Company, entities under insolvency resolution process under NCLT, erosion of net worth, statutory auditor of the investee company reporting on material uncertainty related to going concern, non-declaration of dividends past several years, downward revision in credit rating by recognized credit rating agencies, etc. The effects on the standalone financial statements of the failure to consider the aforesaid parameters for impairment of equity shares have not been determined. Type of audit qualification – qualified opinion Frequency of qualification – Repetitive How long continuing – Since FY 2020-21	Management reply attached as Annexure 1. Auditors' comments are attached as per Annexure 4.1	
	B.	Balances of amounts due to/from other	Management Reply attached as	



	<p>persons or bodies carrying on insurance including reinsurers and coinsurers accounts, reserve deposit with ceding companies, inter-office balances are pending reconciliation/confirmation in certain cases. Consequential effect, if any, of adjustments upon confirmation/reconciliation of above on Revenue Accounts, Profit & Loss Account, and Reserves & Surplus as on 31st March 2022, is not ascertainable and cannot commented upon.</p> <p>Type of Audit Qualification – qualified opinion Frequency of qualification – Repetitive How long continuing – Since FY 2019-20</p>	<p>Management reply attached as Annexure 2.</p> <p>Auditors' comments are attached as per Annexure 4.2</p>
C.	<p>The financial statements for the calendar year 1st January 2021 to 31st December 2021 of the India International Insurance Pte Ltd, an associate have been prepared in accordance with Singapore Financial Reporting Standards (SFRS) as required by the Singapore Companies Act, Chapter 50 which is different from the framework used in preparation of financials of Holding company, during the process of consolidation, accounting adjustments have not been aligned with the accounting policies of the holding company, the effect of which is not ascertainable.</p>	<p>Management reply attached as Annexure 3.</p> <p>Auditors' comments are attached as per Annexure 4.3 (a) & (b)</p>
III	Signatories	
	<p style="text-align: center;"> (Anjan Dey) Chairman-cum-Managing Director For SCV & Co LLP Chartered Accountants FRN No. 000235N/N500089</p>	<p style="text-align: center;"> (P. Reghunathan Nair) Audit Committee Chairman For GSA & Associates LLP Chartered Accountants FRN No. 000257N/N500339</p>
	<p style="text-align: center;"> CA Abhinav Khosla Partner M.No. 087010</p>	<p style="text-align: center;"> CA Sunil Aggarwal Partner M.No. 083899</p>



		 (K.G.Nandakumaran) C.F.O.	

Place: New Delhi
Date: 20.05.2022

Annexure 1 – Management Reply to Audit Qualification (A)

This is with reference to the Auditor Qualification relating to impairment of equity shares in our Annual Report for FY 2020-21. During the audit for the said FY, the matter was discussed with the auditors in the presence of CMD and the then GM Accounts. The company took a stand of not changing the Accounting Policy on impairment as it was felt that policy being similar across all PSU General Insurance Companies (PSGICs), it would not be prudent to change the same in isolation.

The CMD suggested that the matter maybe taken up at GIPSA level as it was a common issue.

Subsequently, a request was raised with GIPSA but no appropriate response was received from them. Therefore, Oriental initiated informal telephonic discussions with all the other PSGICs on the matter and subsequently a formal VC was conducted on 14.02.2022 with the participation of all PSGICs to discuss the matter in detail. A proposed policy was also shared with all and at the end of the discussion, it was decided that each company would do its own analysis based on the discussions in the meeting and would meet again to discuss the matter further.

Consequently, a final meeting through VC was again held on 04.03.2022. After a comprehensive discussion and analysis, it was unanimously decided that keeping in view the IRDAI Regulations and requirements on impairment, our existing Accounting Policy adequately takes care of recognition of impairment and **requires no change**.

In view of the above it would not be prudent or advisable for the Company to change its accounting policy on impairment.

Annexure 2 – Management Reply to Audit Qualification (B)

Officials from Head Office of the Company visited the corporate offices of other PSU companies (as Oriental has substantial outstanding balances with them) for co-ordination and reconciling/resolving various issues at corporate level.

Inter-company co-insurance/reinsurance reconciliation meetings were conducted at various regional offices across India where representatives from all other insurance companies were invited for one-to-one meetings.

Every month, meetings through VCs have been conducted for reconciliation and settlement of inter-company balances.



We give below the details of outstanding balances as on 30/09/2021 and subsequent recoveries and adjustments made there from.

SI No	Particulars	Recoverable	Payable	Net
A	Balance as on 30.09.2021	2483.02	1085.77	1397.25
B	Additions from October 21 to December 21	449.17	254.23	194.94
C	Settlements upto Dec 2021	1952.10	772.62	1179.48
C1	Settlements out of balances of 30.09.2021	1758.89	700.80	1058.09
C2	Settlements out of additions from October 21 to December 21	193.21	71.82	121.39
D	Balances as on 31.12.2021 (A+B-C)	980.09	567.38	412.71
D1	Balances o/s from 30.09.2021	724.13	384.97	339.16
D2	Balances o/s from additions of Oct 21 to Dec 21	255.96	182.41	73.56
E	Additions from Jan 22 to Mar 22	722.45	477.35	245.10
F	Settlements upto 31.03.22 out of D	526.47	345.77	180.7
F1	Settlements upto 31.03.22 out of E	21.52	107.23	-85.71
G	Balances o/s on 31.03.2022	1154.55	591.73	562.82

A status of the reinsurance balances and their movements is also given below:

Description	Amount in Rs. crores
A) Confirmed Reinsurance balances recoverable	199.44
B) Recoveries effected in INR after 31.03.2022	11.08
C) Recoveries effected in USD after 31.03.2022	2.25
D) Balances being chased for confirmation and recovery	323.69
E) Reinsurance balances processed on 31.03.2022 and Statement of Accounts to be rendered to reinsurers	65.71
Total (A+B+C+D+E)	602.17

Management is not in a position to make an estimate of the impact on the above two qualifications for the following reasons:

1. In respect of Qualification A – It is not possible for the Company to analyse the portfolio of investments for each of the factors pointed out by the Auditors and arrive at the quantum of impairment.
2. In respect of Qualification B – The co-insurance and reinsurance balances with other bodies carrying on insurance business are running accounts, which are reconciled periodically. There are no doubtful recoveries or payables out of these balances. Hence, impact has not been quantified.



Annexure 3 –Management Reply to Audit Qualification (C)

The fact has been suitably disclosed in the Significant Accounting Policies and Notes forming part of consolidated Financial Statement via point no 2.A.7

Annexure 4 – Auditors Comments on Management’s reply

1. Auditors’ Comments on Qualification No. A

The deficiency of Company’s accounting policy on impairment of equity shares could not be quantified by the Company.

2. Auditors’ Comments on Qualification No B

The quantification of the effect of amounts recoverable/payable from persons or bodies carrying on insurance, co-insurance and re-insurance business will be done as and when the account confirmations are received and the same get reconciled.

3. Auditors’ Comments on Qualification No C

- a. The framework used by India International Insurance Pte. Ltd., an associate of the Oriental Insurance Company Ltd., incorporated in Singapore, is using Singapore Financial Reporting Standards (SFRS) for preparation of its financial statements whereas the Oriental Insurance Company Ltd., incorporated in India, is using Indian GAAP for preparation of financial statements.
- b. The treatment of unrealized gains and losses on equity investment is different in both the frameworks. As per SFRS, unrealized gains and losses on equity are routed through income statement whereas in India they are credited/debited to Fair Value Change A/c. On actual sale of the equity, the profit or loss is transferred to income statement.

Owing to the reasons noted above, the impact of the qualification could not be quantified.

