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INDEPENDENT AUDITORS' REPORT

To

The Members of

The New India Assurance Company Limited

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **The New India Assurance Company Limited** ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the annexed Revenue Accounts of Fire, Marine and Miscellaneous Insurance Business (collectively known as 'Revenue Accounts'), Profit and Loss Account and the Receipt and Payments Account for the year then ended, and a summary of significant accounting policies and other explanatory information, in which are incorporated returns for the year ended on that date:

- (a) From Forty three Regional offices (including 9 LCO's), Four hundred and Sixty Divisional offices audited by the other firms of Auditors appointed by the Comptroller and Auditor General of India under section 139 of the Companies Act, 2013; and
- (b) From Nine Foreign Branches, Seven Foreign Agency offices audited by local auditors appointed by the company and unaudited returns of two Run off offices and one representative office.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013, The Insurance Act 1938, and for the Accounting Principles as prescribed in the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 and orders or direction issued by the Insurance Regulatory and Development Authority ("the Act, Rules and Regulations"), with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of "the Act, Rules and Regulations" for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal

financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the "The Act, Rules and Regulations", the accounting and auditing Standards and matters which are required to be included in the audit report under the provisions of the Act, Rules and Regulations made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act 2013. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Qualified Opinion

Balances due to/from persons or bodies carrying on Insurance Business including reinsurers are subject to confirmations and reconciliation, the ageing of these balances and records relating to old balances are not available in the records of the company. Balances of Inter office accounts, control accounts, few Bank accounts including those related to Pradhan Mantri Fasal Bima Yojna , certain loans and other accounts at certain offices are also pending for reconciliation/confirmation and consequential adjustments, effect of which, if any, is not ascertainable and cannot be commented upon. The impact of the above, on year



end restatement of these balances recorded in foreign currency as required under Accounting Standard-11 issued under section 133 of the Companies Act 2013, could not be ascertained. (Refer Note 15 of Notes to accounts, in schedule 16B).

Overall impact of the above and the consequential effects on Revenue Accounts, Profit and Loss Account, assets and liabilities and Reserve and Surplus as on March 31, 2018 are not ascertainable and cannot be commented upon.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid standalone financial statements dealt with by this report read together with schedules, significant accounting policies and disclosures, give the information required by the "Act, Rules and Regulations" in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India as applicable to Non-Life Insurance Companies:

- (i) In the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2018;
- (ii) In case of revenue accounts of the Profit in Fire, Marine & Miscellaneous Business for the year ended on that date;
- (iii) In case of Profit and Loss Account of the Profit for the year ended on that date, and
- (iv) In case of Receipt and Payments Account, of the receipts and payments for the year ended on that date.

Emphasis of Matter

We draw attention to the following Notes to Accounts:

- a) Note No. 3 in Schedule 16 B, regarding recognition of Reserve for Unexpired risk by 1/365 method as per the approval of IRDAI in case of domestic business while the implementation of systems and procedures to compute the same in case of Foreign business in accordance with 1/365 method is pending and systems in case of domestic business are being strengthened.
- b) Note No.10 regarding deferment of additional gratuity liability pursuant to the amendment in the Payment of Gratuity Act, 1972 to the extent of ₹ 27001.78 lakhs and deferment of expenditure relating to additional liability towards pension on account of pay revision to the extent of ₹ 690.80 lakhs, as per the deferment permitted by the IRDAI
- c) Note No. 19 regarding outstanding dues from agent amounting to ₹ 2043.30 lakhs for more than 90 days for which the branch auditors have not been able to assess the repayment capacity of the agent while the management has taken steps for recovery of these dues.
- d) The company's internal controls system and Internal audit specially in area of data input and validation in soft-wares, Reinsurance accounts, PMFBY and other Government sponsored Health schemes requires strengthening. (Refer Note No. 20)
- e) ₹ 2171.34 Lakhs has been withheld / deducted by Govt of Rajasthan under Bhamashah Scheme towards rejection of claims under the scheme and related matters, since in the opinion of the management the same will be recovered. (Refer Note No 24)

Our opinion is not modified in respect of these matters.

Other Matters

- a) We did not audit the financial statements of Forty Three Regional offices (including 9 LCO's), Four hundred and sixty Divisional offices, Nine Foreign Branches, Seven Foreign Agency offices, Two Run off offices and one representative office, included in the financial statements of the Company whose financial statements / financial information reflect total assets of ₹ 4334856.34 lakhs as at March 31, 2018 and total revenues of ₹ 2679247.39 lakhs for the year ended on that date, as considered in the financial statements. The financial statements/information of these offices except in case of Run-off and representative offices which have remained unaudited, have been audited by the other firm of auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.
- b) The actuarial valuation of liability in respect of claims Incurred But Not Reported (IBNR) and those Incurred but Not Enough Reported (IBNER) as at March 31, 2018, is as certified by the Company's Appointed Actuary and our opinion in so far as it relates to the amounts and disclosures related to such liability, is based solely on such report.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Companies Act 2013 and Insurance Regulatory and Development Authority (Preparation of financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 and orders or direction issued by the Insurance Regulatory and Development Authority, we report that:

- a) We have sought and except for the matters described in the Basis for Qualified Opinion paragraph and *the matters related to vigilance department* which are stated to be confidential (Refer Note 23), obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.;
- b) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, in our opinion, proper books of accounts have been maintained by the Company, so far as it appears from our examination of those books and proper returns both audited and unaudited from Regional offices, Divisional Offices, branches and other offices, not visited by us, have been received.
- c) The reports of the Regional Auditors consolidating the Divisional Auditors report, Reports of foreign branches and foreign agency offices, audited under section 143(8) of the Act by the branch auditors have been sent to us and have been properly dealt with by us in preparing this report in the manner considered necessary by us.
- d) The Balance sheet, Revenue account, Profit and Loss account and the Receipts and Payments Account dealt with by the report are in agreement with the books of account and with the returns received from offices not visited by us.
- e) In our opinion, the aforesaid standalone financial statements have been prepared in accordance with the requirements of the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and Development Act, 1999 (41 of 1999) and



the Companies Act, 2013 to the extent applicable and in the manner so required;

- f) Except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, in our opinion, the aforesaid Standalone Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- g) The matter described in the Basis for Qualified Opinion paragraph above, in our opinion, may not have an adverse effect on the functioning of the Company;
- h) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- i) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, from being appointed as a director in terms of section 164(2) of the Act.
- j) The accounting policies adopted by the company are appropriate and in compliance with the applicable Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and with the Accounting Principles as prescribed in the Insurance Regulatory and Development Authority (Preparation of financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 and orders or direction issued by the Insurance Regulatory and Development Authority.
- k) The actuarial valuation of liability in respect of claims Incurred But Not Reported (IBNR) and those Incurred but Not Enough Reported (IBNER) as at 31st March 2018, have been duly certified by the Company's Appointed Actuary and relied upon by us. The Appointed Actuary has also certified that the assumptions considered by him for such valuations are in accordance with guidelines and norms prescribed by the Insurance Regulatory and Development Authority of India (IRDAI) and the Actuarial Society of India in concurrence with the IRDAI.
- l) As per the information and explanations provided to us, the investments have been valued in accordance with the provisions of the Insurance Act, the regulations and orders/directions issued by IRDAI in this regard.
- m) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit

and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i) The company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Schedule 16 C to the standalone financial statements;
- ii) The company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long term contracts. There are no outstanding derivative contracts at the Balance Sheet date.
- iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- n) Further on the basis of our examination of books and records of the company and according to the information and explanation given to us and to the best of our knowledge and belief, we certify that:
 - i) We have reviewed the management report attached with the Financial Statements and there are no apparent mistakes or material inconsistencies between the management report and the standalone financial statements;
 - ii) Based on the management representation by officer of the company charged with compliance, nothing has come to our attention which causes us to believe that the company has not complied with the terms and conditions of registration as stipulated by IRDAI; and
 - iii) No part of the assets of the policyholders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 (4 of 1938) relating to the application and investments of the policyholders' funds.
- o) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

As required under section 143(5) of the Companies Act, 2013, based on our audit as aforesaid, we enclose herewith, as per "Annexure B", the directions including sub-directions issued by the Comptroller & Auditor General of India, action taken thereon and the financial impact on the accounts and financial statements of the Company.

For R. Devendra Kumar & Associates
Chartered Accountants
Firm Reg. No. 114207 W

D.K.Gupta
Partner
Membership No. 009032

Place: Mumbai
Date: May 11th 2018

For A. Bafna & Co.
Chartered Accountants
Firm Reg. No. 003660C

M.K. Gupta
Partner
Membership No. 073515

For NBS & Co
Chartered Accountants
Firm Reg. No. 110100W

Pradeep J Shetty
Partner
Membership No. 046940



“ANNEXURE A” REFERRED TO IN THE INDEPENDENT AUDITOR’S REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF THE NEW INDIA ASSURANCE CO. LTD. FOR THE FINANCIAL YEAR 2017-18

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of **THE NEW INDIA ASSURANCE CO LTD.** (“the Company”) as of March 31, 2018 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date. These financial statements incorporated returns received:
 - a) From Forty three Regional offices (including 9 LCO’s), Four hundred and Sixty Divisional offices audited by the other firms of Auditors appointed by the Comptroller and Auditor General of India under section 139 of the Companies Act, 2013; and
 - b) From Nine Foreign Branches, Seven Foreign Agency offices audited by local auditors appointed by the company and unaudited returns of three Run off offices and one representative office.

Management’s Responsibility for Internal Financial Controls

2. The Company’s management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

3. Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “ Guidance Note”) and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. Report of branch auditors relating to London Branch is not in the accordance with the Indian Law & regulations and therefore the internal controls over financial reporting relating to London Branch has not been considered in this report and cannot be commented upon.
6. Except for the possible effect of matters as stated in note No. 5, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

7. A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

8. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

9. According to the information and explanation given to us and based on our audit, the following internal control weaknesses of material nature have been identified as at March 31, 2018:



- a. Confirmation and reconciliation of various balances relating to co insurers, reinsurers, few bank accounts, inter office accounts and other control accounts are pending and are at various stages;
- b. Inadequate controls are observed with regard to ageing of insurance receivables;

The Company's internal control systems especially in area of data input and validation in various soft-wares and recording of intimated claims at the offices of the company including internal audit require strengthening.

Further to above, the management of the company has appointed external consultant to assess the internal financial control framework in the company. Though the interim report submitted by the consultants in case of certain processes does not identify any serious issues, the final report is still awaited. Review of design and testing of the risk control matrix at Regional level/ HO level, review and testing of entity level controls and final report is yet to be received.

10. A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's financial statement will not be prevented or detected on a timely basis.
11. In our opinion, except for the possible effects of the internal control weaknesses described above on the achievements of the objectives of the control criterion, the company has maintained, in all material respects, adequate internal financial control over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India".
12. We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone financial statements of the Company, and these material weaknesses do not affect our opinion on the Standalone financial statements of the Company except to the extent of our qualification as contained in our separate report on the Standalone financial statements of the company.

For R. Devendra Kumar & Associates
Chartered Accountants
Firm Reg. No. 114207 W

For A. Bafna & Co.
Chartered Accountants
Firm Reg. No. 003660C

For NBS & Co
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Pradeep J Shetty
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Place: Mumbai
Date: May 11th 2018