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Independent Auditor's Examination report on the Restated Financial Information

The Board of Directors
Star Health and Allied Insurance Company Limited
No.1, New Tank Street,
Valluvarkottam High Road,
Nungambakkam,
Chennai – 600034

Dear Sirs,

1. We have examined the attached Restated Financial Information of Star Health and Allied Insurance Company Limited (the "Company") comprising the Restated Statement of Assets and Liabilities as at September 30, 2021, September 30, 2020, March 31, 2021, March 31, 2020 and March 31, 2019, the Restated Revenue accounts of miscellaneous insurance, the Restated Statements of Profit and Loss and the Restated Statement of Receipts and Payments account for the half year ended September 30, 2021, September 30, 2020 and for the years ended March 31, 2021, March 31, 2020 and March 31, 2019, the Summary Statement of Significant Accounting Policies, and other explanatory information, including the annexures, notes and schedules thereto (collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Company at their meeting held on November 11, 2021 for the purpose of inclusion in the Red Herring Prospectus ("RHP") and Prospectus prepared by the Company in connection with its proposed Initial Public Offer of equity shares ("IPO") prepared in terms of the requirements of:

- a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");
- b) Insurance Regulatory and Development Authority of India (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations, 2015, as amended ("IRDAI Regulations")
- c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("ICDR Regulations"); and
- d) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time (the "Guidance Note").

Management's Responsibility for the Restated Financial Information

2. The Company's Board of Directors is responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the RHP/Prospectus to be filed with Securities and Exchange Board of India, Insurance Regulatory Development Authority of India ("IRDAI"), BSE Limited, National Stock Exchange of India Limited and Registrar of Companies, Tamil Nadu at Chennai in connection with the IPO. The Restated financial Information have been prepared by the management of the Company on the basis of preparation stated in Schedule 17 -Note no 1 to 4 to the Restated Financial Information. The Board of Directors of the Company are responsible for designing, implementing, and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Company complies with the IRDAI Regulations, the Act, ICDR Regulations and the Guidance Note.



Auditors' Responsibilities

3. We have examined such Restated Financial Information taking into consideration:

- a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated 14 April 2021, in connection with the IPO of equity shares of the Company;
- b) The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;
- c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and
- d) The requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the IRDAI Regulations, the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

Restated Financial information as per audited financial statements

4. These Restated Financial Information have been compiled by the management from:

Audited financial statements of the Company as at and half year ended September 30, 2021, September 30, 2020 and for the years ended March 31, 2021, 2020 and 2019 prepared in accordance with Insurance Act, 1938, as amended by Insurance Laws (Amendment) Act, 2015 (the "Insurance Act"), the Insurance Regulatory and Development Authority Act, 1999 (the "IRDA Act"), Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ("the IRDA Financial Statements Regulations"), Circulars / Orders / Directions issued by the Insurance Regulatory and Development Authority of India (the "IRDAI" / "Authority") in this regard, and the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Companies (Accounting Standards) Rules, 2021/2006, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meetings held on November 11, 2021, November 11, 2021, April 30, 2021, June 12, 2020 and May 30, 2019.

5. For the purpose of our examination, we have relied on:

- a. Auditors' reports issued by us dated November 11, 2021, November 11, 2021, April 30, 2021 and June 12, 2020 on the financial statements of the Company as at and half year ended September 30, 2021, September 30, 2020 and for the years ended March 31, 2021 and March 31, 2020 as referred in Paragraph [4] above; and
- b. Auditors' Report issued by the M/s. N.C. Rajagopal & Co., and M/s. Rajagopal & Badri Narayanan & Co., Chartered Accountants (the "Previous Auditors") dated May 30, 2019 on the financial statements of the Company as at and for the year ended March 31, 2019 as referred in Paragraph [4] above.

The audit for the financial year ended March 31, 2019, was conducted by the Previous Auditors.



The Previous Auditors have also confirmed that:

- As at April 1, 2018 and during the period covered by the financial statements on which they reported, they were independent chartered accountants with respect to the Company pursuant to the rules promulgated in Clause 4, Part I, The Second Schedule, of The Chartered Accountants Act, 1949.
 - In their opinion, the Audited Financial Statements for the year ended March 31, 2019 were, when prepared, compliant with the applicable accounting requirements as referred in Paragraph [4] above.
 - They are not aware of any facts or circumstances that would cause us to rescind or revise our reports in respect of the Audited Financial Statements for the year ended March 31, 2019.
6. Based on our examination and according to the information and explanations given to us we report that the Restated Financial Information:
- a. have been prepared after incorporating adjustments for the changes in accounting policies, and regrouping/reclassifications retrospectively in the financial years ended March 31, 2021, March 31, 2020 and March 31, 2019 and for the half year ended September 30 2020 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed for the half year ended September 30, 2021;
 - b. have been prepared in accordance with the IRDAI Regulations, the Act, ICDR Regulations and the Guidance Note.
 - c. There are no qualifications in the auditors' reports on the audited financial statements of the Company as at and half year ended September 30, 2021, September 30, 2020, and for the years ended March 31, 2021, March 31, 2020 and March 31, 2019;
 - d. Emphasis of matter paragraphs included in the auditors' report on the financial statements as at and year ended March 31, 2021 ("FY 2020-21 Financial Statements") are as follows, which does not require any further corrective adjustment in the Restated Financial Information,
"We invite attention to the following notes to the financial statements, which have significant impact on the financial results:
 - i) Note No. 5.2.17(a) to Schedule 16 to the FY 2020- 21 Financial Statements regarding the change in accounting policy for provisioning of Unearned Premium Reserve (UPR) from 50% percentage method to 1/365 method effective March 31, 2021. The change in accounting policy will necessitate a reduction in Total Premium Earned (net) by Rs. 57,61,142 Thousand. Consequently, this results in creation of an incremental UPR Reserve by Rs. 57,61,142 Thousand with a corresponding increase in loss before tax and reduction in Reserves and Surplus.
 - ii) Note No. 5.2.17(b) to Schedule 16 of the FY 2020-21 Financial Statements regarding the discontinuance of Reinsurance Voluntary quota share treaty (VQST) on a clean-cut basis with effect from April 1, 2021. Discontinuing the said reinsurance treaty has a one-time impact of reduction of net premium of Rs.48,32,739 Thousands, on account of portfolio entry without corresponding portfolio withdrawal. Further, discontinuing the said reinsurance treaty also resulted in creation of additional UPR of Rs. 43,71,225 Thousands with a corresponding increase in loss before tax and reduction in Reserves and Surplus as on March 31, 2021.
- Our opinion is not modified in respect of above matters".



- e. The audit reports issued by us as at and half year ended September 30, 2021, September 30, 2020 and for the years ended March 31, 2021, March 31, 2020 and the audit report issued by the Previous Auditors on the financial statements as at and March 31, 2019 have, without modifying the opinion, mention the following matter in the report for the respective periods which has been included in the other matter(s) and which are reproduced as follows:

In report for the half year ended September 30, 2021

"The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at September 30, 2021 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary. The Appointed Actuary has also certified that the assumptions considered by him for such valuation are in accordance with the guidelines and norms, if any, issued by the IRDAI and the Actuarial Society of India in concurrence with IRDAI. We have relied upon the Actuary's certificate in this regard for forming our opinion on the financial statements of the Company."

In report for the year ended March 31, 2021

"The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2021 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary. The Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms, if any, issued by the IRDAI and the Actuarial Society of India in concurrence with IRDAI. We have relied upon the Actuary's certificate in this regard for forming our opinion on the financial statements of the Company."

In report for the half year ended September 30, 2020

"The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at September 30, 2020 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary. The Appointed Actuary has also certified that the assumptions considered by him for such valuation are in accordance with the guidelines and norms, if any, issued by the IRDAI and the Actuarial Society of India in concurrence with IRDAI. We have relied upon the Actuary's certificate in this regard for forming our opinion on the financial statements of the Company."

In report for the year ended March 31, 2020

"The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2020 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary. The Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms, if any, issued by the IRDAI and the Actuarial Society of India in concurrence with IRDAI. We have relied upon the Actuary's certificate in this regard for forming our opinion on the financial statements of the Company."



In report for the year ended March 31, 2019

"The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2019 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary. The Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with the guidelines and norms, if any, issued by the IRDAI and the Actuarial Society of India in concurrence with IRDAI. We have relied upon the Actuary's certificate in this regard for forming our opinion on the financial statements of the Company."

- e) We draw attention to the fact to our Auditors reports on the Internal Financial Controls issued by us under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013, on the financial statements of the Company as at and half year ended September 30, 2021, September 30, 2020 and for the year ended March 31, 2021, March 31, 2020 and the Previous Auditor's auditor reports on the Internal Financial Controls issued under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013, on the financial statements of the Company as at and for the year ended March 31, 2019 have, without qualifying the opinion, to the following matter in the reports for the respective years and which are reproduced as follows:

In report for the half year ended September 30, 2021

The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at September 30, 2021 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary, as mentioned in "Other Matter" paragraph of our audit report on the financial statements of the Company for the above period. In view of this, we did not perform any procedures relating to internal financial controls over financial reporting in respect of the valuation and accuracy of the actuarial valuation of estimate of claims IBNR and claims IBNER.

In report for the year ended March 31, 2021

The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2021 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary, as mentioned in "Other Matter" paragraph of our audit report on the financial statements of the Company for the above period. In view of this, we did not perform any procedures relating to internal financial controls over financial reporting in respect of the valuation and accuracy of the actuarial valuation of estimate of claims IBNR and claims IBNER.

In report for the half year ended September 30, 2020

The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at June 30, 2020 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary, as mentioned in "Other Matter" paragraph of our audit report on the financial statements of the Company for the above period. In view of this, we did not perform any procedures relating to internal financial controls over financial reporting in respect of the valuation and accuracy of the actuarial valuation of estimate of claims IBNR and claims IBNER.



In report for the year ended March 31, 2020

The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2020 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary, as mentioned in "Other Matter" paragraph of our audit report on the financial statements of the Company for the above period. In view of this, we did not perform any procedures relating to internal financial controls over financial reporting in respect of the valuation and accuracy of the actuarial valuation of estimate of claims IBNR and claims IBNER.

In report for the year ended March 31, 2019

The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR), including claims Incurred But Not Enough Reported (IBNER) and provisioning for Premium Deficiency and Free Look Reserve as at March 31, 2019 is the responsibility of the Company's Appointed Actuary ("Actuary") and has been duly certified by the Actuary, as mentioned in "Other Matter" paragraph of our audit report on the financial statements of the Company for the above period. In view of this, we did not perform any procedures relating to internal financial controls over financial reporting in respect of the valuation and accuracy of the actuarial valuation of estimate of claims IBNR and claims IBNER. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

7. The Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the audited financial statements mentioned in paragraph [4] above.
8. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us or the Previous Auditors, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
9. We have no responsibility to update our report for events and circumstances occurring after the date of this report.
10. Our report is intended solely for use of the Board of Directors for inclusion in the RHP/Prospectus to be filed with Securities and Exchange Board of India, IRDAI, BSE Limited, National Stock Exchange of India Limited and Registrar of Companies, Tamil Nadu at Chennai in connection with the IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For Brahmayya & Co.
Chartered Accountants
ICAI Firm Registration Number: 000511S



Partner: K. Jitendra Kumar
Membership No. 201825
Date: 11 November 2021
Place: Chennai
UDIN: 21201825AAAAJB4351

For V. Sankar Aiyar & Co.
Chartered Accountants
ICAI Firm Registration Number: 109208W



Partner: S. Venkataraman
Membership No. 023116
Date: 11 November 2021
Place: Chennai
UDIN: 21023116AAAAMN1466

