

# REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

Despite these uncertainties, the Life Insurance industry continues to offer tremendous upside potential due to the country's low penetration levels. Strategic measures implemented over the previous three years have laid the groundwork for robust growth, and we are confident, the results of these investments will be realized in the ensuing years.

The year 2022 was laborious for Sri Lanka, with multidimensional socioeconomic ramifications compounded by the unprecedented economic and political crisis, threats to livelihoods, shortages of essential medicines as well as mounting protests. The impact of the crisis was widespread. Amidst these great adversities, Union Assurance continued to show resilience and fortitude, recording an admirable performance during the year.

## CHALLENGING OPERATING ENVIRONMENT

The Life Insurance sector was working against a similar backdrop of operational difficulties. The industry grappled with reduced disposable income due to inflationary pressures, the rupee depreciation, and tax reforms, which in turn had a detrimental influence on demand and premium payment capacity. In addition, the sector was threatened by rising interest rates, which moved customers away from Life Insurance and toward more lucrative investment options.

Our strategic focus on the core business, achieved through recognition of the operating context and the development of agile strategies, allowed us to maintain laudable performance across a wide range of key business drivers, including acquisition of new business, collection of renewal business, expense management, product development, claims and surrenders management, tax efficiency,

and digitization. Remaining nimble and responsive enabled us to successfully face the challenges posed, and we continued to make significant progress in transforming UA into a forward-thinking, digitally savvy, transparent, and 'easy to deal with', customer-centric insurance provider.

## RESILIENT GROWTH

Despite the challenging operating environment, the Company recorded a resilient performance during the year. Gross Written Premium showcased a commendable performance, growing by 8% during the year, while Annualized New Business Premium increased by 10% to Rs. 6.4 Bn. Both New Business Premiums and Renewal Premiums witnessed growth during the year supported by a strong corporate business segment and recorded a growth of almost 41% during the year. The impact was offset, however, by the Decreasing Term Assurance segment, which contracted by 39% due to lower loan uptake as a result of the high-interest environment. Net Investment Income increased by 42% to Rs. 7.5 Bn as a result of a successful asset reallocation strategy that sought to benefit from the high-interest rate environment that prevailed during the year.

Claims and benefits to policyholders increased by 24% to Rs 5.7 Bn during the year as a result of macroeconomic conditions, and a comprehensive insurance policy portfolio. Surrender

payouts increased by 31% to Rs. 1.8 Bn due to adverse economic conditions, while maturity outflows increased by 20% to Rs. 3.2 Bn in line with contractual obligations. Net acquisition and underwriting costs increased by 11% to Rs. 3.2 Bn as a result of the increase in regular new business premiums. Although cost escalations due to the depreciation of the rupee, tax increases, and inflationary pressures continued to impact operating costs, the Company adopted cost-optimization strategies across the organization to contain the increase in recurrent operational costs to 10%. Consequently, operating profits increased by 41% to Rs. 3.5 Bn.

Capital Adequacy Ratio as of 31 December 2022 remained at 194%, well-above the minimum regulatory capital requirement, indicating our strong solvency position. However, high-interest rates leading to a significant movement of the risk-free curve used for CAR calculation, coupled with a universal life-dominated product portfolio, impacted the CAR of the Company. As a Company, we have implemented varied efficiencies/processes to reinforce the CAR during this demanding time.

The Company was also recognized for its outstanding performance in the industry with over 15 major awards and accolades from both global and local bodies, including being named one of Sri Lanka's Most Loved Brands in 2022.

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**During the year we continued to advance our digital ecosystem, with a focus on making Life Insurance more accessible and engaging. Our digital App, Clicklife continues to disrupt the Life Insurance industry in Sri Lanka elevating our customer value proposition to new heights.**



**Rs. 6.4 Bn**  
Annualised New Business Premium  
(2021: Rs. 5.8 Bn)



**Rs. 7.5 Bn**  
Net Investment Income  
(2021: Rs. 5.3 Bn)

## DRIVING NEW BUSINESS GROWTH

Throughout the year, providing insurance propositions to Sri Lankans remained a priority, and various high-impact initiatives were implemented to improve new business volumes across channels. We proceeded to build our physical presence across the country by growing our branch footprint with seven new branch openings/relocations in high-potential metropolitan areas.

Bancassurance remained at the forefront of strategic priorities for UA and its growth trajectory, with the Company consolidating its industry-leading position through two new partnerships and renewing an existing partnership. Furthermore, the Company developed two new Life Insurance solutions and revised current products to ensure we provide a superior value proposition and match the evolving needs of bank customers.

As a result of these concerted efforts to drive business growth, UA was able to secure the second-largest Regular New Business Premium producer position in the industry, and was one of only two companies among the top 5 players in the industry to record positive Regular New Business Premiums growth during 2022.

## SALES FORCE DEVELOPMENT

To ensure that our sales staff is able to provide best-in-class experiences to our customers, we continued to expand our investments by providing access to cutting-edge technology, facilitating in-depth training programs, and rewarding them with top honours. The UA Premier Club was revamped as a comprehensive reward and recognition platform, while activity management programs were improved to encourage the performance of our Agency Channel. We are pleased to report that in 2022, UA produced 257 Million Dollar Round Table (MDRT) qualifiers, demonstrating the outstanding calibre of our agents and financial advisers.

## DIGITIZATION DRIVE

The Company's focus on digitization continues to be trailblazing, enabling us to respond proactively to a rapidly evolving operating landscape. During the year we continued to advance our digital ecosystem, with a focus on making Life Insurance more accessible and engaging.

Our digital App, Clicklife continues to disrupt the Life Insurance industry in Sri Lanka elevating our customer value proposition to new heights. Since its launch in 2019, we have continued to enhance the user-friendliness of the App. Major developments in the App during 2022 was the launch of the novel calorie counter feature, where users can track their caloric intake and create a personalized fitness plan, and the introduction of a fully digitized rewards system providing a truly seamless experience.

We also continued to digitize our processes to improve efficiency and enhance the overall customer experience. Our digital end-to-end selling platform – Digital Advisor Toolkit (DAT) was enhanced with added features to further simplify the selling process, while enhanced performance management features on our virtual agency management platform, FAME has enabled us to better manage the performance of our sales force. These improvements have led to significant operational efficiencies, with straight-through underwriting standing at 57% and one-day claim settlements standing at 91%.

## BEYOND 2022

Although cautiously optimistic about an economic rebound in the 2nd half of 2023, we remain vigilant about the potential risks of a slower-than-expected economic recovery.

Despite these uncertainties, the Life Insurance industry continues to offer tremendous upside potential due to the country's low penetration levels. Strategic measures implemented over the previous three years have laid the groundwork for robust growth, and we are confident, the results of these investments will be realized in the ensuing years.



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#### APPRECIATION

Finally, I would like to extend my heartfelt appreciation to every member of the UA team who has worked tirelessly throughout the year to achieve our goals and become an industry leader. The ethos of 'One Team One Goal' has truly resonated throughout the year, and we can all take pride in what we have achieved together.

I'd like to also use this opportunity to express my gratitude to everyone who has supported us throughout the years, including our customers, partners, intermediaries, other stakeholders and most importantly the Regulator, for their guidance and support.

**Jude Gomes**  
Chief Executive Officer

28 February 2023