

MEET
TALK
DISCOVER
LIKE
BELIEVE
TRUST

LOOK AT LIFE
DIFFERENTLY

MEETus wherever you are
TALKto us whenever you need
DISCOVERall that we offer
LIKEus for who we are
BELIEVEin our commitment
TRUSTour pledge of value



Read this report online

LOOK AT LIFE DIFFERENTLY

At Union Assurance, we look at life differently. We believe that you should be free. Free to explore all that your life offers: the risks, the enterprises, the once-in-a-lifetime opportunities that come to all of us, whoever and wherever we may be. We want you never to regret the chances you didn't take, the life you never lived. We want to open up all the possibilities of your future to you, right now.

We want to set you free.

That's why we've focused so much on getting to know and understand every one of you, our loyal stakeholders. Your confidence and trust in us and your faith in our integrity and business excellence have made us who we are today: one of the most trusted, experienced and technologically superior insurance providers in Sri Lanka.

The year reviewed in this report has been a successful one. Your company recorded excellent bottom line growth reflected in the year on year results we present here today. These are the strong fundamentals that allow us to be the best we can be, helping people to look at their lives differently - today, tomorrow and into the future.

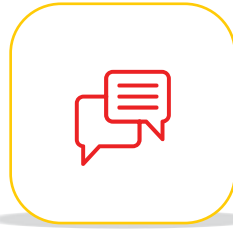


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Our Integrated Annual Report 2015

Building on our previous reports, we have aimed to make this year's report more concise and present a complete picture of our integrated business model and strategy, while remaining focused on the key issues which are material to the business and to our stakeholders.

Our third integrated annual report covers the activities of the company for the period 1st January 2015 to 31st December 2015. We will describe and quantify how we create financial and non-financial value to our stakeholders to provide a longer-term view of the business. Social and environmental performance and the management of key capitals is paramount in creating a sustainable business. This annual report explains Union Assurance's (UA) value creation process for the key stakeholders around the six capitals. UA's business model on pages 16 to 17 of this report provides the framework within which the company operates.

This report marks a milestone in the history of Union Assurance, as it reports the first year of operations as a stand alone life insurance company.

The integrated approach adopted by management encompassing a holistic view of the economic, social and environmental performances of the business reflects the professional approach in managing stakeholder expectations.

This report has been prepared broadly in line with the "Preparer's Guide To Integrated Corporate Reporting" and in compliance with laws and regulations pertaining to financial reporting including that of the Institute of Chartered Accountants of Sri Lanka, the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE), Insurance Industry Act No. 43 of 2000 and subsequent amendments to date, guidelines, determinations, rules and

regulations issued by the Insurance Board of Sri Lanka (IBSL) and GRI G4 Content Index guidelines.

The corporate governance aspects in this report are based on the code of best practice on corporate governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. In addition the Company has voluntarily adopted the best practices issues jointly by the Institute of Directors and the Chartered Institute of Management Accountants (UK).

Financial statements and related notes published in this report have been audited by Messrs. KPMG whose independent Auditor's Report to the shareholders of Union Assurance PLC is given on page 228.

In our effort to reduce the carbon footprint of our company, we have created this report in the form of a CD-ROM and made it available to all shareholders. This report is also made available at www.unionassurance.com. Moreover, we have taken measures to post or deliver a printed copy to any shareholder upon request.

Any feedback or inquiries regarding the content of this report can be directed to:

The Chief Financial Officer
Union Assurance PLC.
No. 20, St. Michael's Road, Colombo 03.
E-mail: sherinc@ualink.lk

Please note that we have also attached an investor feedback form with this report on page 381.

Item	Level of Assurance	Assurance by	Page reference
Financial statements	Audited	KPMG	228
Actuarial valuation	Independent valuation	Actuarial & Management Consultants (Pvt) Limited	226
Sustainability performance indicators	Limited assurance	KPMG	105
Carbon footprint	Certification	Carbon Consulting Company	112
Sustainability Reporting	Materiality disclosures	GRI G4 Content Index	113 - 120

Overview of the Company

GRI-G4
G4-56

Our Vision

To be the most sought after provider of insurance solutions

Mission

To provide protection, financial security and create wealth for our customers, adding value to employees, field staff, business partners, shareholders and the community

Values

Excellence

Strive for excellence in everything we do
Be the best we can be

Caring

Fostering a great place to work by supporting each other to reach our full potential

Innovation

Improving constantly, reinventing and evolving

Trust

Building strong relationships based on transparency and convenience with internal and external customers

Ethics and Integrity

Doing the right thing always

Time-line of Our Progress

1994

Completes construction of Union Assurance Centre at No. 20, St. Michael's Road, Colombo 3

2002

First private sector insurer to commence operations in Jaffna

2005

In the aftermath of the tsunami, UA settles over 280 tsunami related liable non life and life insurance claims

2009

Implemented a web based sales force management system for life business

John Keells Holdings gains 81% control of UA

UA Brand was repositioned on a platform of Trust.

1988

Union Assurance formed, listed in the Colombo Stock Exchange and commences operations.

2000

Life fund exceeds Rs. 1 billion.
Invests Rs. 80 million to upgrade computer system

2003

Opens Union Assurance Centre in Kurunegala

2007

Enters the 20th year of operations with the life fund crossing Rs. 6 billion mark

2011

Launches the 1st trilingual website in the insurance industry

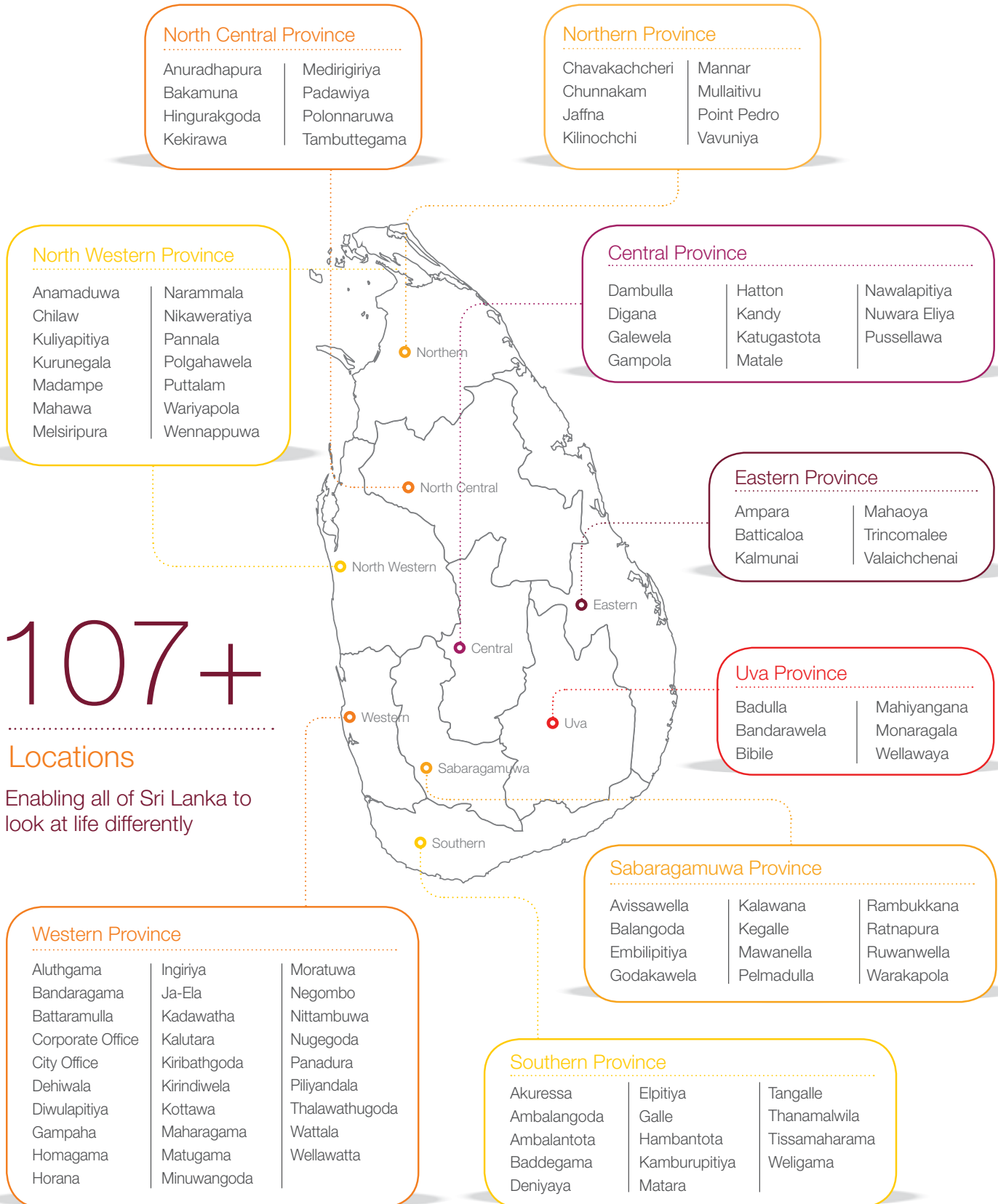
Implements SAP financials to integrate core business activities with financial reporting

2015

Segregates Life and Non life businesses and divests 78% of the non life business to Fairfax Asia Limited

Operational Footprint

GRI-G4
G4-8



107+

Locations

Enabling all of Sri Lanka to look at life differently

Refer pages 375 to 378 for contact details of the above locations

Highlights of the Year 2015

Relaunched Unit Linked products targeting the pension need

Segregated life and non life businesses and subsequently divested the non life business

January

Won the prestigious Celent Award for UA's innovative and user friendly e-learning system

Launched Union Higher Education Month to create awareness among parents

March

Launched a product targeting medical professionals with unique point of sale material

May

February

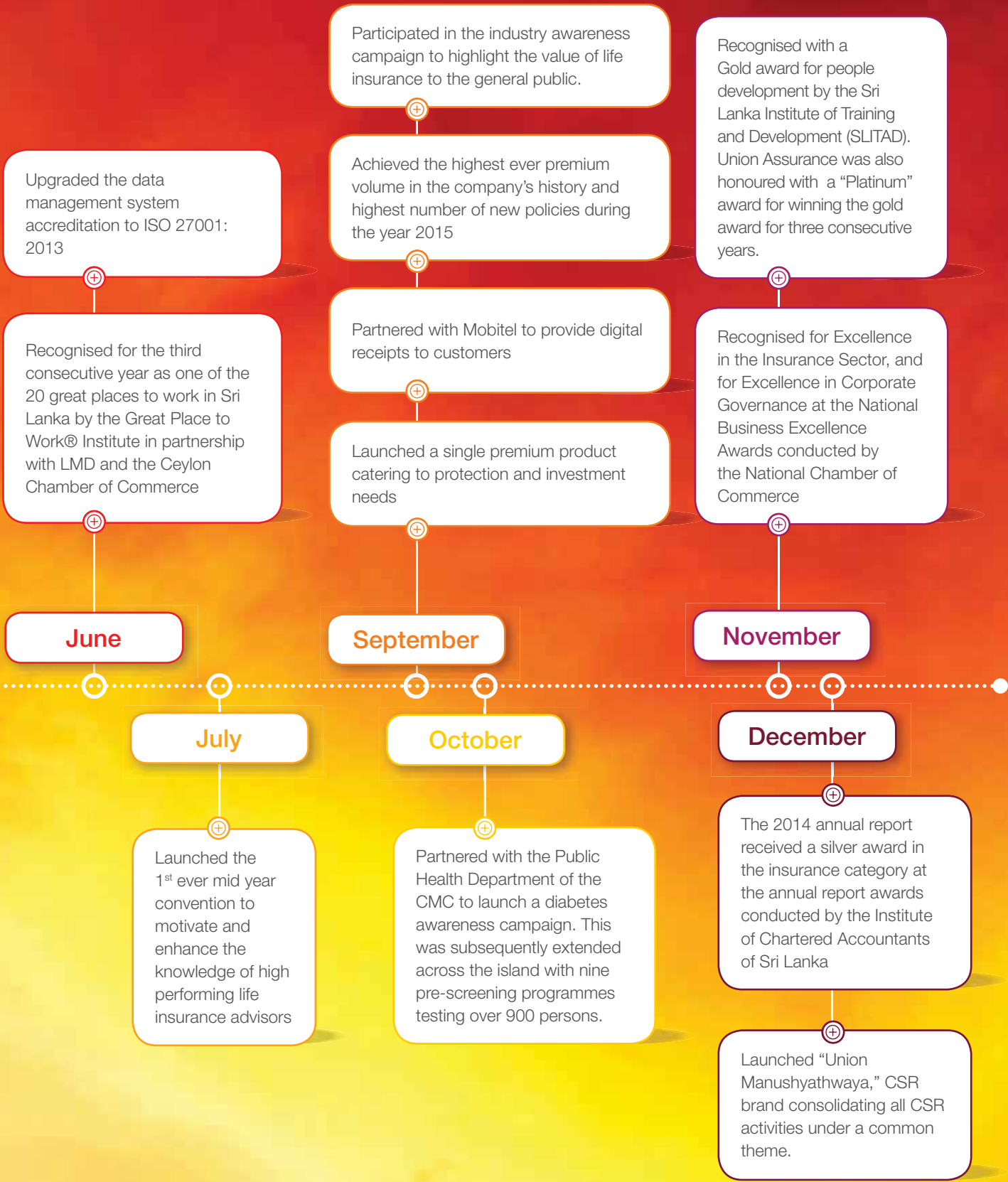
Adjudged among the top 3 companies in the Finance and Insurance sector for the 7th time at the sustainability reporting awards conducted by the Association of Chartered Certified Accountants (ACCA)

April

Launched the work life balance project for our staff encompassing Fitness, Friends, Fun, Faith, Family and Finances, a Great Place to Work initiative

Partnered with Sri Lanka Post to use "Speed Post" solution to enhance speed and efficiency

Enhanced the digital tools available to life insurance advisors by adding off-line features



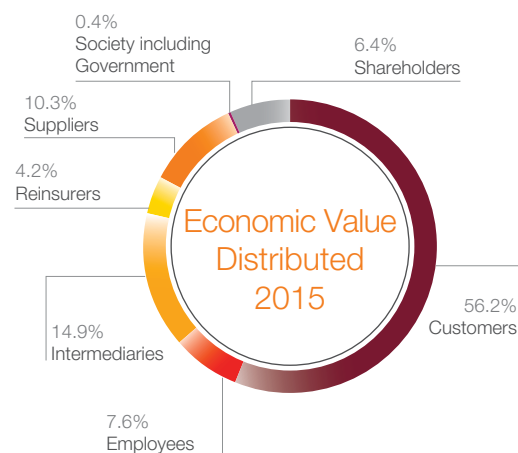
Triple Bottom Line Performance

GRI-G4
G4-EN8
G4-LA6

		2015	2014	2013	
Social Impact	Labour practice and decent work				
	Employment				
	Strength of the permanent staff	No. of persons	450	445	500
	Strength of the non-permanent staff	No. of persons	4,488	4,706	5,348
	Attrition of new hires (as a percentage of new hires)	%	9%	16%	5%
	Percentage of workforce represented in management worker health and safety committees	%	3%	5%	5%
	Number of injuries	Number	37	47	49
	No. of people educated on serious diseases	Number	Nil	Nil	Nil
	Training and education				
	Training per permanent staff member	No. of hours	24	17	24
	Training per non-permanent staff member	No. of hours	47.9	60.1	83.1
	No. of employees receiving performance reviews	%	100%	100%	100%
		100%			
		Rs. 17 million			
			-44%		
	Employees Receiving Performance Reviews	Investment in Community Services	Change in Attrition of New Hires		

		2015	2014	2013	
Environmental Impact	Environment Impact				
	Direct energy consumption	Gigajoules	2,424	1,878	2,568
	Direct energy consumption per Rs. million of revenue	Gigajoules	0.35	0.19	0.23
	Indirect energy consumption	Gigajoules	2,424	1,878	7,784
	Indirect energy consumption per Rs. million of revenue	Gigajoules	0.35	0.19	0.71
	Water withdrawal	Cubic Meters	18,244	22,121	22,967
	Sites near / in high bio-diversity areas	Count	Nil	Nil	Nil
	Direct greenhouse gas emissions-Scope 1 (MT)	Tonnes of CO ₂ e	169.78	326.28	237.25

		2015	2014	2013	
Economic Impact	Economic performance				
	Total value added (Rs. million)	Rs. million	7,919	6,793	5,368
	Economic value distributed				
	Customers (claims and benefits)	Rs. million	4,874	5,201	3,976
	Employees	Rs. million	732	718	684
	Intermediaries	Rs. million	1,289	1,116	968
	Reinsurers	Rs. million	364	328	280
	Suppliers	Rs. million	894	772	765
	Society including Government	Rs. million	36	23	23
	Shareholders	Rs. million	557	362	248
	Employee benefit liability as of 31 December	Rs. million	100	90	116
Investment in community and infrastructure projects	Rs. million	7	12	8	



	2015	2014	2013
Rs. million	41	38	40
%	Nil	Nil	Nil
%	Nil	Nil	Nil
%	Nil	Nil	Nil
Number	215,196	211,945	2,229
%	100%	100%	100%
Rs.	Nil	Nil	Nil

215,196

Lives Touched

	2015	2014	2013	
Customer health and safety				
Safety awareness campaigns	Number	0	376	373
Health awareness campaigns	Number	89	11	59
Investment in community services	Rs. million	17	15	21
Customer privacy				
Customer complaints	Number	938	1,198	813
Disputes referred to Insurance Ombudsman	Number	29	53	52
Marketing Communication				
Voluntary standards relating to advertising	Group policy / Internal code of conduct			
Significant fines for product / service issues	Rs.	Nil	Nil	Nil

Rs. 41 million

Investment in Training and Development

4,938

Employment Provided

Environment Impact

	2015	2014	2013	
Carbon footprint	Metric tons	1,838	4,258	3,940
Carbon footprint per Rs. millions of revenue	Metric tons	0.26	0.38	0.36
Carbon footprint per employee	Metric tons	2.33	3.75	3.39
Water discharge	Cubic Meters	18,244	22,121	22,967
Significant environmental fines	Rs.	Nil	Nil	Nil

-57%

Change in Carbon Footprint

-48%

Direct Greenhouse Gas Emissions

-17.5%

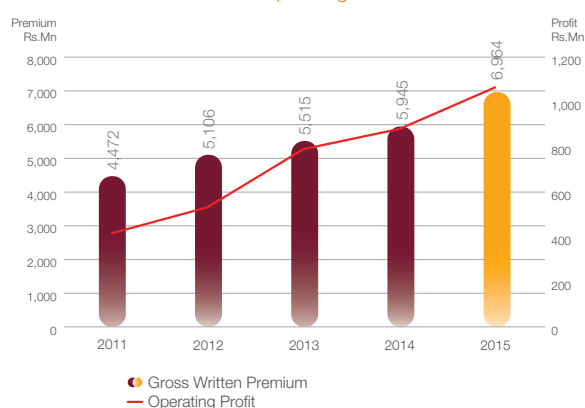
Change in Water Discharge

	2015	2014	2013	2012	2011
Financial Performance					
Revenue (Rs. million)	6,964	5,945	5,515	5,106	4,472
Growth in revenue (%)	17	8	8	14	29
Net profit (Rs. million)	*2,347	1,204	1,123	921	695
Growth in net profit (%)	95	7	22	33	36
Net profit from life operations	1,067	881	791	533	416
Growth in profit from life operations	21	11	48	28	28
Earnings per share (Rs.)	31.20	14.05	13.11	12.28	9.27
Dividend per share (Rs.)	8.5	6.5	6.0	5.0	5.0
Dividend payout (%)	27	46	46	41	54
Return on net assets (%)	68	19	22	21	21

* Includes gain on disposal of non life business

EPS and Dividend payout if adjusted for the gain on disposal of non life business would be 14.96 and 57% respectively.

Gross Written Premium and Operating Profit



Chairman's Message

The Board of Directors is confident that the current business model which is primarily focused on life insurance, with access to non life insurance via a 22% stake in Union Assurance General Limited will continue to deliver strong financial results as the insurance industry expands in line with the socio-economic development taking place in Sri Lanka.

Dear Stakeholder

I am pleased to report that Union Assurance (UA) delivered strong results in the first year of operations as a stand alone life insurance company. Insurance premiums increased by 17%, from Rs. 6 billion in 2014 to Rs. 7 billion in 2015. Profit including the gain from sale of the 78% shareholding in the non life company to Fairfax Asia Limited and the share of non life company profits amounted to Rs. 2,347 million. Profits excluding these items showed an increase of 21%.

The Board of Directors is confident that the current business model which is primarily focused on life insurance, with access to non life insurance via a 22% stake in Union Assurance General Limited will continue to deliver strong financial results as the insurance industry expands in line with the socio-economic development taking place in Sri Lanka.

Macro economic environment

From a global perspective, the year 2015 witnessed a gradual but fragile recovery in the advanced economies led by the United States. However, the much anticipated rate hike by the US Federal Reserve and the slowdown of the Chinese economy created volatility in global markets.

The volatility in the overseas markets had an impact on the local economy too. Foreign fund outflows from the government securities market and a widening current account deficit impacted the currency while interest rates edged up amidst strong credit growth.

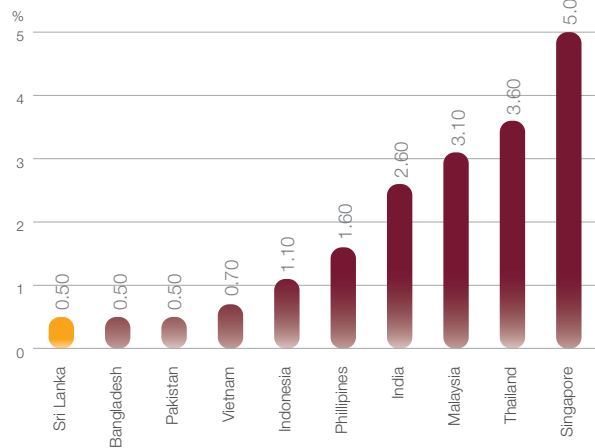
Life insurance industry

The life insurance industry in Sri Lanka is expected to report 20% growth in 2015 (7% growth in 2014). The significant growth in premiums is mainly attributable to the increased business generated from the corporate segment as well as sales of single premium products.

As per figures published by the Insurance Board of Sri Lanka, the life insurance industry has recorded a CAGR of 9% over the past five years up to 2014. Approximately 30% of the working population have some form of insurance (27% in 2010).

Despite this growth trajectory, life insurance premiums as a percentage of GDP is approximately 0.50%, which is relatively lower than most other countries in the region, and to India in particular, which has a penetration ratio of 2.60%.

Penetration to GDP %



Source: Swiss Re Sigma Report 2014

17%

Growth in premiums from stand alone life operations

21%

Growth in profits from stand alone life operations

Strength and stability

UA is well capitalised in terms of the current minimum capital requirements as well as the risk based capital framework which is effective from 1st January 2016. As reflected on page 214, the company has maintained a healthy solvency position in 2015.

The solvency numbers have taken into account the share repurchase of Rs. 4.5 billion concluded by UA in September 2015.

UA's reinsurance programme continues to be led by reinsurers who have ratings of 'A' or above from international rating agencies (refer page 325 for



Read the
Chairman's
Review online

governance, management excellence, HR, sustainability practices and IT.

The company's annual reports were recognised as being among the best reports in the insurance sector by the Institute of Chartered Accountants of Sri Lanka and the South Asian Federation of Accountants (SAFA).

UA received two awards at the National Business Excellence Awards conducted by the National Chamber of Commerce – one for Excellence in the Insurance sector, and another for Excellence in Corporate Governance.

On 1st January 2015, the Company divested a 78% stake in its subsidiary, Union Assurance General Limited to Fairfax Asia Limited retaining a 22% stake. The sale resulted in a capital gain of Rs.1.22 billion to the Company.

details). As in previous years the life policyholders' liability has been valued by an independent actuary (refer page 226 for the Actuary's Report).

Corporate social responsibility

In line with our CSR initiatives to improve awareness regarding specific health conditions, the team conducted 89 programmes and interacted with over 215,000 persons to create awareness regarding diabetes, dengue and thalassemia. Where applicable, these programmes were conducted with the concurrence of the Ministry of Health.

Regulatory framework

The Insurance Board of Sri Lanka is in the process of revising the investment guidelines applicable to insurance companies. In addition, they are also engaging with the industry to improve corporate governance, implement policies on treating customers fairly and to facilitate micro insurance. The risk based capital rules were enacted in December 2015.

Achievements

UA continues to receive accolades for transparency in financial reporting, corporate



For more
information
on industry
performance
www.ibsl.gov.lk/insurance-sector/industry-performance.html



3rd Largest
regular premium
new business
producer

UA was recognised as a Great Place to Work by the GPTW Institute for the third successive year. In addition, the company's people development practices were recognised with a Gold award and a Platinum award (for winning the gold for three consecutive years) by the Sri Lanka Institute of Training and Development (SLITAD). Both these awards highlighted UA's consistent, and best in class people management practices.

UA was adjudged among the top 3 companies in the Financial Services and Insurance Category at the sustainability reporting awards conducted by the Association of Chartered Certified Accountants. This was the 7th time since 2007 that the company's activities were recognised at this forum.

UA also received a Celent award for the innovative and user friendly e-learning system which enables life insurance advisors to upgrade their knowledge and competencies. This is the third award UA has received (in the last four years) from this prestigious organisation which provides research and consulting services focused on the application of information technology in the global financial services industry.

Chairman's Message

GRI-G4
G4-1

Business strategies

UA will leverage the significant investments made in people, brand, service, product and technology to target both retail and corporate customer segments. The life insurance advisor force is expected to generate a significant share of our revenue and profit, and we will continue to focus on quality and consistent delivery from this channel. We will also be investing to grow the bancassurance distribution channel and develop other alternative channels as well. Our growth strategies will be underpinned by strong operational excellence, innovative products and a commitment to use digital technologies to improve customer service.

On behalf of the Board we also appreciate the efforts of the Insurance Ombudsman and his untiring commitment to build public confidence and trust by providing an efficient, independent grievance handling mechanism.

I also take this opportunity to thank the Chief Executive Officer, the management team and the UA staff for their continuing commitment to achieving the company's objectives.


My fellow Directors have played a pivotal role in the success of UA, and deserve my gratitude.

The outlook for the life insurance industry is extremely positive. Economic development will lead to higher levels of disposable income across all customer segments and fuel demand for life insurance solutions

Future outlook

The outlook for the life insurance industry is extremely positive. Economic development will lead to higher levels of disposable income across all customer segments and fuel demand for life insurance and pension solutions. Campaigns conducted by all industry stakeholders to raise awareness regarding the benefits and value of life insurance should also help to improve penetration levels. We expect technology to act as a catalyst in achieving significant changes in the way customers buy and use insurance solutions, and believe UA is well positioned to capitalise on these changes.

Last but by no means least, I also thank the shareholders for being an integral part of UA's journey.



Ajit D. Gunewardene
Chairman

24 February 2016

Dividends

The Board of Directors is pleased to declare a first and final dividend of Rs. 8.50 per share for 2015 as compared to the dividend of Rs. 6.50 per share declared for 2014.

Acknowledgements

It has been an eventful year in which UA has recorded a strong all round performance, which would not have been possible without the continued confidence placed in us by our customers and other business partners whom we gratefully acknowledge.

We place on record our appreciation to the Chairperson, Director General and their team at the Insurance Board of Sri Lanka for the consultative approach they continue to adopt in balancing the interests of all stakeholders involved in this dynamic industry.

Chief Executive Officer's Review

2015 marks the first year that Union Assurance functioned as a stand alone life insurance company. This renewed focus enabled the management team to make good progress against the strategic priorities of the business and deliver strong financial results both in terms of revenue and profits.

2015 marks the first year that Union Assurance functioned as a stand alone life insurance company. This renewed focus enabled the management team to make good progress against the strategic priorities of the business and deliver strong financial results both in terms of revenue and profits.

Strategic priorities

In addition to achieving short and medium term financial goals, the strategic priorities agreed with the Board were to:

1. Grow the life business ahead of market with a strong emphasis on quality
2. Focus on customer needs in terms of new product development and service enhancements
3. Increase the morale and motivation of staff while enhancing talent management and succession planning initiatives and
4. Differentiate the Union Assurance brand as the most trusted brand in the life insurance industry

Grow life business with an emphasis on quality

Life insurance gross written premiums increased by 17%, from Rs. 6 billion in 2014 to Rs. 7 billion in 2015. Both agency and bancassurance distribution channels contributed to this growth.

We implemented an assessment centre based recruitment process in several zones to improve the quality of new recruits to the agency sales force. Performance management and monitoring processes for both new and experienced advisors was also streamlined, and the increased oversight resulted in a notable improvement in the performance and quality of the channel.

Similar processes were implemented for the bancassurance distribution channel. We took steps to streamline the leadership structure to provide greater focus to each of our bank partners. We also invested in dedicated learning and development resources, and restructured training paths for all levels to ensure a sustainable growth trajectory.

Focus on customer needs

The company relaunched an investment linked product mainly catering to the demand for pensions solutions in the market. In addition, a single premium product which offers an attractive annually guaranteed rate of return was also launched.

Key underwriting processes were digitalised to improve the quality and turnaround times for both intermediaries and end customers. Claims processes were also streamlined and additional resources deployed to ensure improved levels of service.

Premium collection options were expanded with the introduction of mobile phone based collection mechanisms. Other premium collection processes were also streamlined to ensure that customers are not disadvantaged by not having their premiums updated in a timely manner.

We also utilised the Speed Post service provided by Sri Lanka Post, to ensure speedy delivery of policy documents to customers' doorstep.

Increase morale and motivation of staff

UA was recognised as a Great Place to Work for the 3rd consecutive year by the GPTW Institute. Several initiatives were launched to address the improvement areas highlighted from the survey. To complement these endeavours, we launched the UA Work-Life Balance project with a six-fold thrust encompassing Fitness, Friends, Fun, Faith, Family and Finances. Each of these elements were entrusted to a champion who was empowered to arrange sessions for the benefit and education of the workforce.

We continued to invest in structured training for all levels of staff from distribution, operations and support services and launched several video based training modules as well.

Succession planning has been identified as a strategic priority, and the company continues to invest in building a strong talent pipeline by developing internal candidates and actively

Chief Executive Officer's Review

seeking and grooming external candidates into key roles. One of the main succession strategies was the introduction of the Cadet Manager / Trainee Regional Manager programme where graduates with corporate experience are selected through a stringent process and trained over 12 months to be deployed as regional managers to existing regions or to develop new regions.

Differentiate the Union Assurance brand

As per research conducted by an independent agency, UA's brand pillars of convenience, transparency and respect, which drive the overall promise of "trust" benchmark well with peers. This is a result of our continuous investments across all internal processes as well as the training and awareness initiatives we have carried out to ensure that the brand is well understood and delivered at all customer touch points.



Read the
CEO's
Review online

A summary of regulatory changes / guidelines which may be implemented in the near future, and have an impact on UA's business operations is listed below.

UA has actively participated in the consultation process and is positive to implement changes which create a level playing field and enhance transparency, as this will lead to the sustainable development of the industry.

Proposed regulatory changes to improve governance

- Formulation of a regulatory framework / guidelines for insurers and brokers who obtain leads from finance companies, leasing companies and licensed banks

As per research conducted by an independent agency, UA's brand pillars of convenience, transparency and respect, which drive the overall promise of "trust" benchmark well with peers.

Several activation campaigns were conducted during the year targeting specific needs of selected customer segments e.g. parents and the need to provide for their children's higher education, young professionals and the need to secure their financial future etc.

We also enhanced our digital brand building and social media activities to engage with existing and potential customers who are less likely to be reached by traditional media.

We launched "Union Manushyathwaya," consolidating all our CSR activities under a common theme to amplify and embed the UA brand among the communities that we serve. We believe that this focus will further enhance the company's brand reputation as a trustworthy insurer.

Regulatory changes

As mentioned in the Chairman's review, the IBSL adopted a consultative approach in their efforts to improve corporate governance and implement policies to treat customers fairly.



Brand Valued at
Rs. 2.1 billion



GPTW
Trust Index
Score
72

- Align insurers' governance frameworks with the Code of Conduct of Best Practices on Corporate Governance issued by the SEC and Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange
- Adopt a formal process for handling customer complaints
- Adopt a formal disciplinary inquiry and grievance handling procedure for insurance agents
- Revise the role, qualifications and experience required of a Principal Officer to suit the current needs of the industry
- Improve the knowledge of permanent employees who canvass business

Proposed regulatory changes for fair treatment of customers

- Implement a common / standard cooling off period for life insurance policies
- Amend guidelines on linked long term business to improve sales processes and provide greater transparency to customers
- Adopt guidelines regarding conduct of investigators

Key challenges and risks

Despite significant under penetration which provides much scope for future expansion, recruitment and retention of talent especially for distribution related activities continues to be a challenge. UA has implemented several initiatives to attract high quality candidates and offers a variety of training, development and rewards programmes to enhance the quality and productivity of the sales force. As mentioned above, there are several other initiatives to develop and retain talent in the other business functions as well.

The volatile interest rate environment also poses some challenges to UA. The company has mitigated this risk to a great extent by distributing products which do not offer long term guarantees and maintaining a diversified investment portfolio. In addition strategically managing expenses has enabled the company to grow in a cost effective manner while investing in future revenue streams.

Pandemics and losses caused by catastrophe events (natural or man made) could have a negative impact on UA's balance sheet. However, this risk is mitigated by prudent reinsurance arrangements as outlined in the Chairman's Message on page 10.

One of the key challenges for an insurer of UA's track record is to remain relevant to customers in terms of pricing and managing risks which meet their evolving needs. In order to address this challenge, the Board has created an oversight mechanism to track the company's product development pipeline and digital initiatives, as these are considered key aspects which will ensure UA remains relevant to present and prospective customers.

Outlook and future strategies

As mentioned above, UA is well positioned to navigate the risks and challenges in running a successful life insurance business.

Given the relatively low levels of penetration and improving socio economic conditions in Sri Lanka, we maintain a very positive outlook for life insurance. The local as well as global economy is expected to witness some volatility at least in the short term, but we do not expect the factors creating such uncertainty to dampen demand for life insurance solutions.

UA has a strong presence in the life insurance industry and we look forward to building on this foundation by enhancing our distribution network with a strong focus on quality, delivering superior products which meet customer needs and leveraging technology to improve customer service and manage resources in an effective and efficient manner.

We are mindful that the key to sustained success is the quality and commitment of our people, and we will continue to invest in them to ensure that they reach their full potential, and drive UA's business results forward.

The UA brand is a key asset which differentiates us from our competitors. Further emphasis will be placed during the year to strengthen the brand pillars of convenience, transparency and respect which combine to deliver the promise of "trust" to all stakeholders.

Conclusion

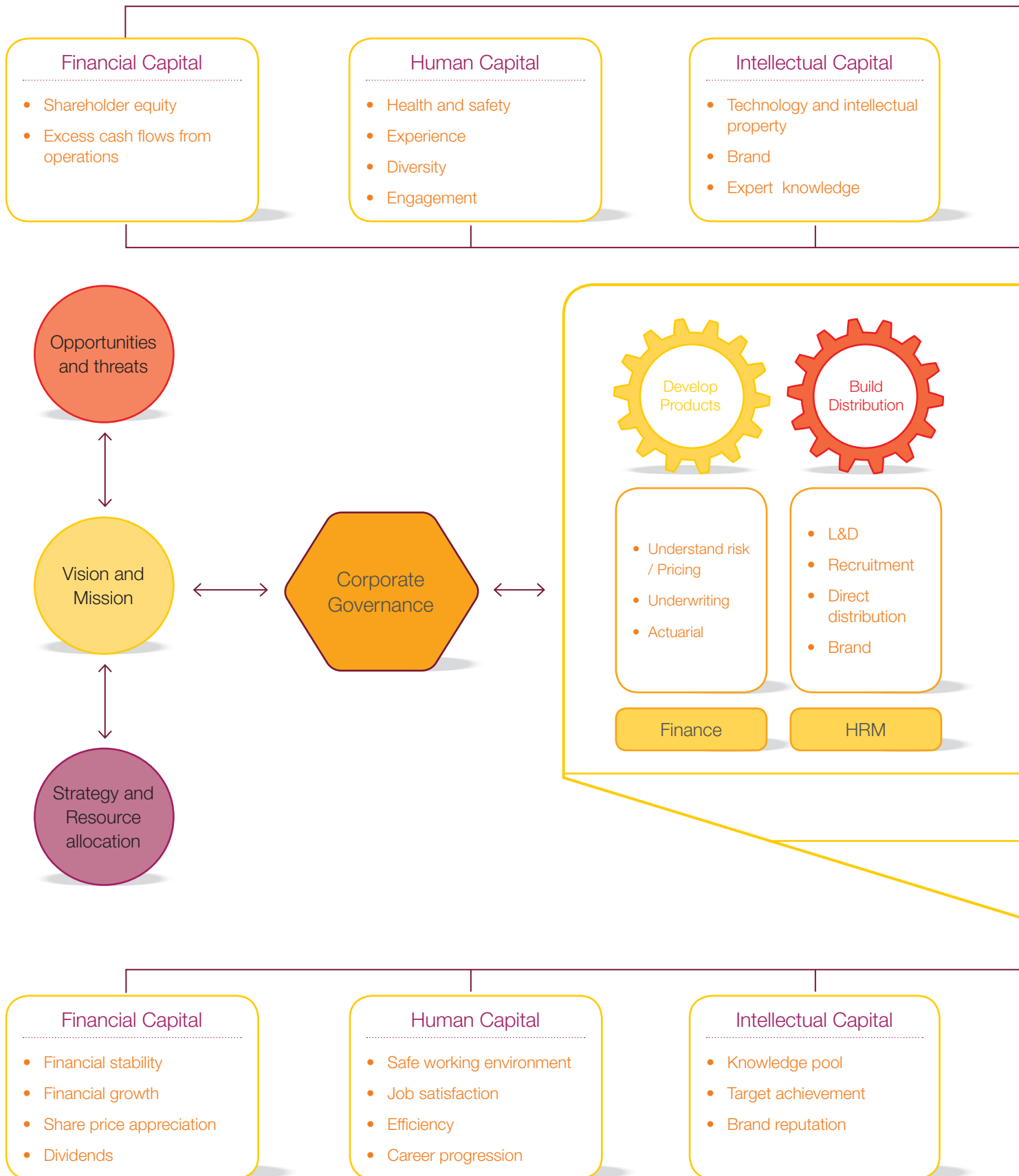
We have ended 2015 on a strong note as a stand alone life insurance company. UA has a strong brand, reputation for transparency and good governance, professional team and performance driven culture and is well positioned to deliver excellent results to all stakeholders in the years to come.



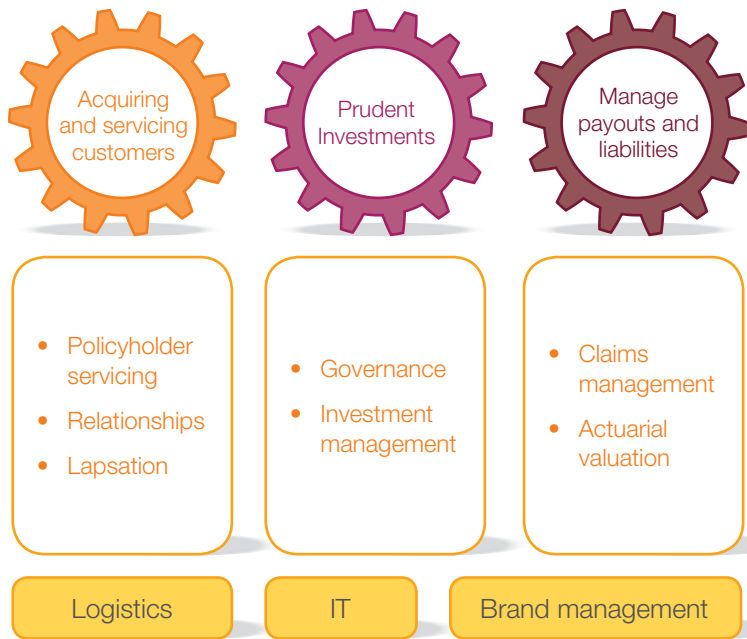
Dirk Pereira
Chief Executive Officer

24 February 2016

Our Business Model



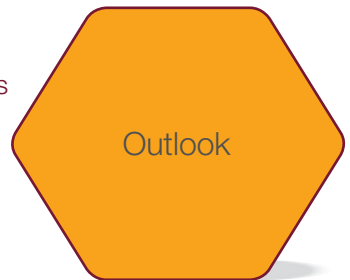
INPUTS



Principle Activities

Sub Activities

Support Functions



PERFORMANCE

OUTCOME

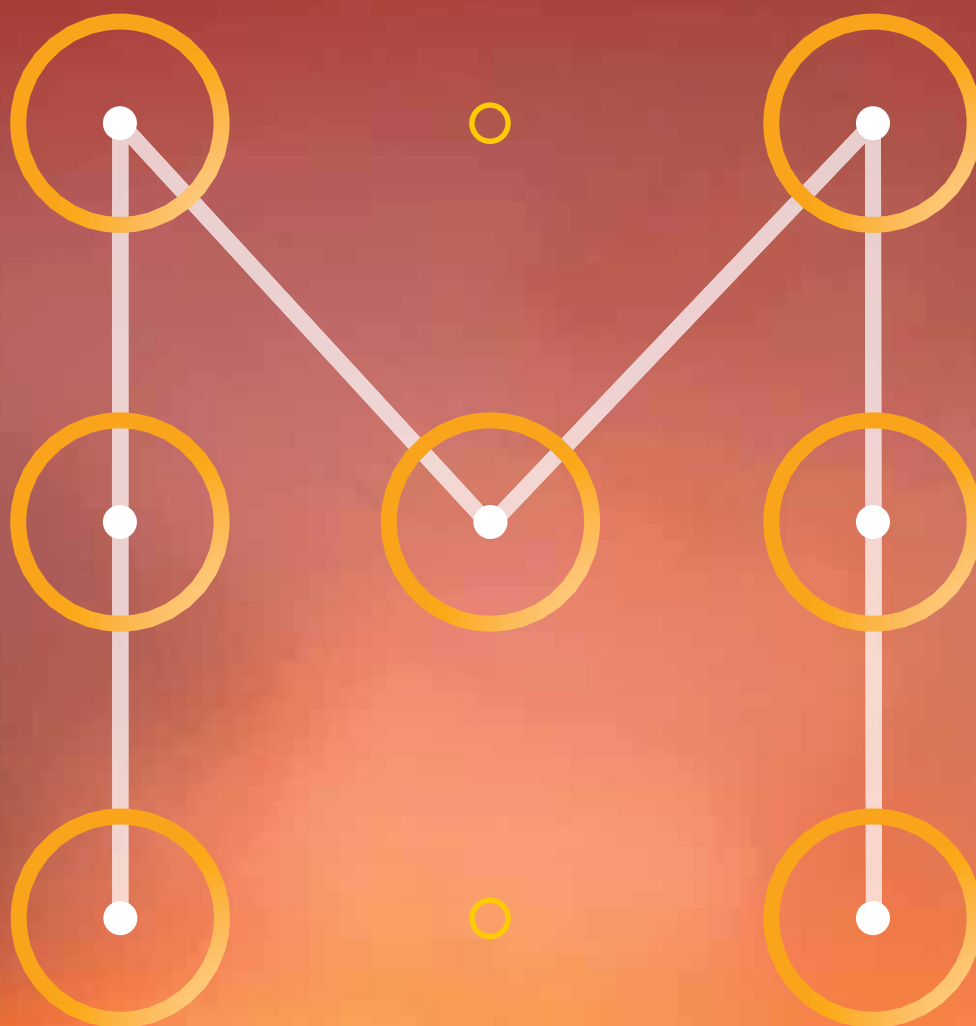


Our Business Model

Key Components

	Inputs	Activities	Outputs	Outcomes
Financial Capital	<ul style="list-style-type: none"> Shareholder equity Excess cash flows from operations 	<ul style="list-style-type: none"> Effective investment of shareholder funds Business development activities Cost reduction initiatives 	<ul style="list-style-type: none"> Shareholder returns Share price appreciation 	<ul style="list-style-type: none"> Financial stability Financial strength
Human Capital	<ul style="list-style-type: none"> Highly skilled underwriters In house actuaries Qualified support staff Enabling work culture Ethics and values 	<ul style="list-style-type: none"> Utilisation of employee skills and expertise for business growth Training and development of sales and support staff Performance management and appraisals GPTW initiatives Structured training programmes 	<ul style="list-style-type: none"> Productive policyholder servicing Productive servicing of internal customers Staff motivation 	<ul style="list-style-type: none"> Alignment of staff to company goals Increased profit from improved productivity Reduced unproductive behaviour
Intellectual Capital	<ul style="list-style-type: none"> Brand value IT systems Staff knowledge and skills Product processes and structures 	<ul style="list-style-type: none"> Brand building activities IT projects to implement systems Innovation New product development Assistance for staff professional development 	<ul style="list-style-type: none"> New products New and more productive processes New IT systems Qualified staff 	<ul style="list-style-type: none"> A better product portfolio Efficient business operation Profitability Staff motivation
Manufactured Capital	<ul style="list-style-type: none"> Land and building Office equipment Vehicles 	<ul style="list-style-type: none"> Use of head office and Kurunegala buildings as key business centres Use of IT infrastructure for efficient operations Use of office equipment productively Revaluation of property Renovation Renting of property 	<ul style="list-style-type: none"> Developing business in areas where UA has its own properties Processing of policies, administrative operations Appreciation of property value Rental income Increased life of property 	<ul style="list-style-type: none"> Increased profits through productive business operations Increased profits through value appreciation Increased brand value through strong presence in owned locations Profits from rental income
Social and Relationship Capital	<ul style="list-style-type: none"> Good relationships with banks Good relationships with other businesses Good relationships with regulators and other governing bodies Good relationships with communities in which we operate in 	<ul style="list-style-type: none"> Structured CSR activities Relationship management activates with banks and other institutions Compliance with regulations and productive engagement with industry groups GPTW initiatives to uplift staff well being 	<ul style="list-style-type: none"> Positive impact on communities Positive impact on staff lives and motivation Increased interactions with regulator and industry Increased business opportunities with banks and other institutions 	<ul style="list-style-type: none"> Sustainable communities Better productivity Business growth Increased brand value
Natural Capital	<ul style="list-style-type: none"> Natural resources - water, air, fuel 	<ul style="list-style-type: none"> Utilisation of resources for staff, travelling, energy needs of the business. 	<ul style="list-style-type: none"> Recycled paper Reduced water and electricity consumption through better monitoring Reduced fuel consumption through online training and teleconferencing 	<ul style="list-style-type: none"> Sustainable natural resource utilisation

Management Discussion and Analysis



Helping people look at their lives, differently

Management Discussion and Analysis



Organisation Overview and External Environment



Management of Capitals



Stakeholder Relationship



Strategy and Resource Allocation



Outlook



Sustainability Performance and Goals

Our operations are complex and diverse. Every day, we serve over three thousand customers with our own brand of reliable protection, customised to suit a variety of needs. By giving people access to a range of quality insurance services and products, we open up value creation opportunities that set people free.

This section of our report gives an overall understanding of how Union Assurance is structured, its ownership, the activities that it is engaged in, products it offers and customers it serves and the structure of the market environment it operates in.

Organisation Overview and External Environment

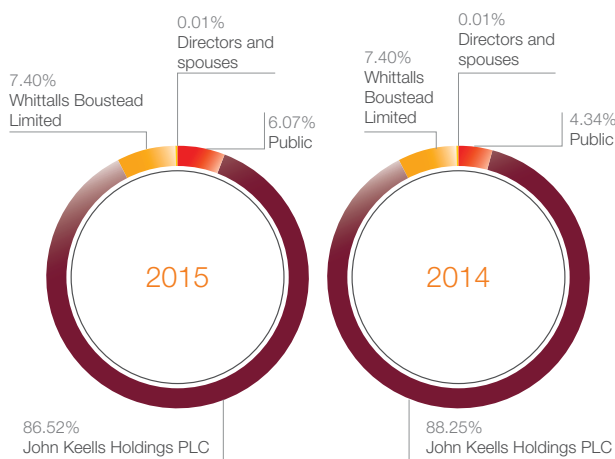
Organisational Overview

This section of our report gives an overall understanding of how Union Assurance (UA) is structured, its ownership, the activities that it is engaged in, products it offers and customers it serves and the structure of the market environment it operates in.

Ownership and operating structure

Ownership structure

The ownership structure of UA is as follows. UA is a 94% owned subsidiary of the John Keells Holdings Group. There were no major changes in the ownership structure in 2015 despite the share repurchase which took place in the 3rd quarter of 2015.



Management structure

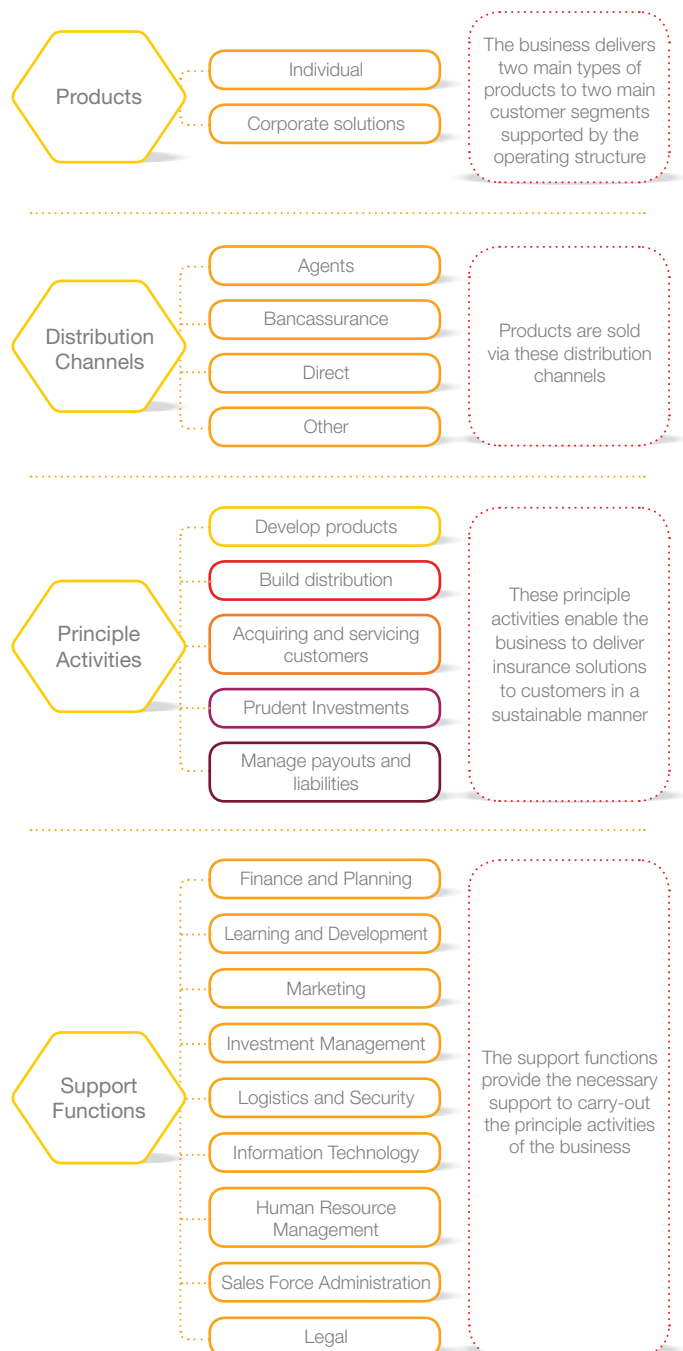
Union Assurance management structure comprises of the Executive Committee (ExCo) under the leadership of the Chief Executive Officer. Each main function is headed by a General Manager / member of the ExCo who collaborate effectively to carry out the principle activities of the organisation. Please refer page 144 for the management structure,

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Market Capitalisation in the CSE

Operating structure

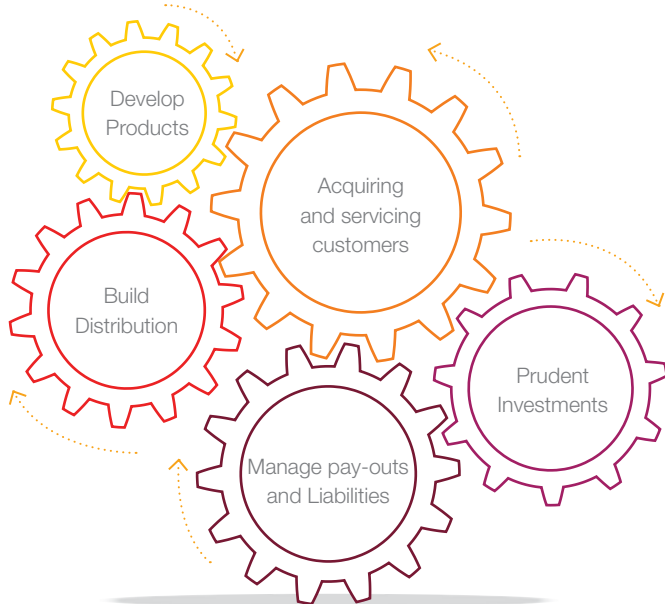
Our operating structure is illustrated below,



Management Discussion and Analysis

Principle activities

The key activities of the business are illustrated below,



Product development

Customer needs keep changing and the business has to be able to adopt and cater to these needs. The product development process is led by the actuarial team who effectively price all new products. This process is supported by the operations, marketing, Information technology, learning and development, legal and investments teams to ensure all aspects are considered.

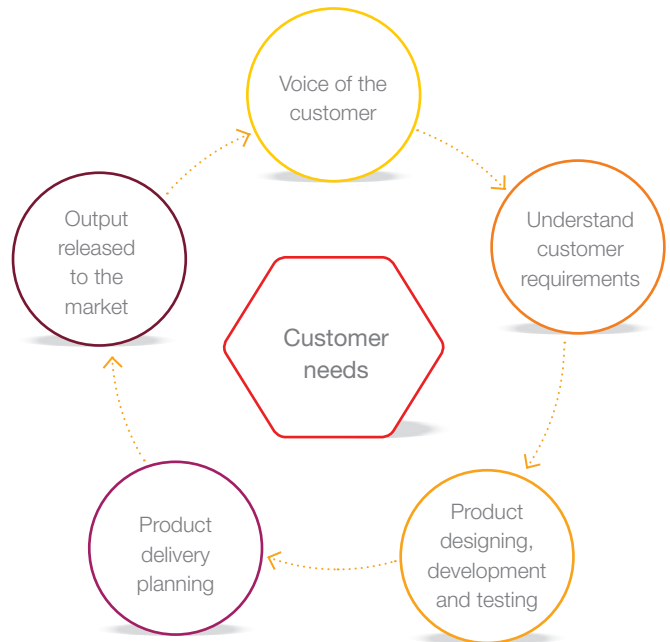
Further 'voice of the customer' and potential needs are provided by sales advisors, distribution leadership and special surveys carried out by the marketing department.

Developing products which benefit society

Our portfolio of products is developed after careful analysis of the needs of the society we operate in. They cater to individuals and corporates. Customers have the option to select from a range of products which combine both investment and financial protection. Our products are designed to cater to various stages of a customer's life; e.g. single and working, married, planning for retirement, etc.

The following diagram describes our product development process.

Our Customer Centric Product Design Model



Communication of product features

At UA we believe in educating the customer fully about the products we offer. We ensure that our product brochures carry all the information needed for the customer to make an informed decision. Further, we have a process to contact the customer once a purchase has been made to ensure that the customer bought the policy with full understanding of the benefits and conditions.

Build distribution



Distribution channels

The key distribution channel of the company is the agency force. As at 31 December 2015 UA had a 4,300+ strong agency force. This agency force is managed for effective and efficient distribution.

Apart from the agency force bancassurance, direct sales and group life are the other main distribution channels of the business.

Learning and development

We invest considerably in training and developing the sales force to ensure they have the right level of knowledge to guide customers to select the most suitable product.

We also place significant emphasis on soft skills and technical skills development for all sales and support staff.

Recruitment

It is vital that suitable candidates enter the system to ensure minimum attrition and customer complaints. Therefore, we have many mechanisms to ensure that the correct candidates are selected as advisors, development officers and to other ranks in the sales force. More details are covered in the Human Capital Report from pages 50 to 65 section of the annual report.

Marketing and brand management

As a service organisation marketing and brand management is a key activity of UA. The marketing department facilitates the distribution process with marketing activities to support lead generation at national / regional level and brand development. The brand building process is covered in the Intellectual Capital Report on pages 66 to 69.

Acquiring and servicing customers



Customer service

The customer is at the centre of our business model and servicing them is an important activity of our business. Serving customers is carried out by our agency force as well as our support staff. Key units that serve customers are the policyholder servicing staff, call centre and the underwriting staff located at the head office and branches.

The following diagram illustrates our approach towards addressing key material issues of our customers.



Affordable, quality products and services

Many of our customers have their own unique needs, which require us to develop close relationships in order to understand and respond to these needs. In each of the markets / regions that we are present, we take into account the market forces which cover both economic and sustainability factors in developing the product mix that we offer.

Each product is developed with extensive support from a qualified technical team including actuaries, finance professionals, operations, marketing, legal and IT staff in order to ensure quality.

In the life insurance business, customer service is of high importance. From the initiation of a policy to the event of a claim or maturity, we strive to provide customers with best in class service.

Superior customer service and service enhancements

In the life insurance business, customer service is of high importance. From the initiation of a policy to the event of a claim or maturity, we strive to provide customers with best in class service. To this end we use latest technology to make our service more convenient and efficient from a customer perspective.

Automated underwriting

Automated underwriting is a process where policies are underwritten by the system without human intervention based on pre-programmed parameters. This ensures consistency in the decisions made and reduces processing time.

During the year, automated underwriting was introduced to process "Advantage" products. This would be rolled out to other products in the future.

Multiple payment channels

With customer convenience in mind, we have tied up with multiple service providers to open a wide array of payment channels to our customers. The latest additions are Mobitel mCash and Dialog ezCash.

Management Discussion and Analysis

GRI-G4
G4-8
G4-PR5

The following table gives a list of payment channels available to our customers;

	Standing Orders	Internet Banking	ATM	Tele Banking	Over the Counter	Credit Card	Mobile Cash	Pay Easy
Sampath Bank	✓	✓	✓	✓	✓	✓		✓
Nations Trust Bank	✓	✓	✓	✓	✓	✓		
Hong Kong and Shanghai Banking Corporation	✓	✓	✓	✓		✓		
Hatton National Bank	✓	✓			✓			
Bank of Ceylon	✓	✓			✓	✓		
People's Bank	✓	✓			✓			
Mobitel							✓	
Dialog							✓	
Commercial Bank	✓	✓	✓		✓			
Keells Super					✓	✓		
DFCC Vardhana Bank	✓				✓			
National Savings Bank	✓	✓			✓			
Union Bank	✓	✓		✓	✓			
Standard Chartered Bank	✓	✓						
Abans					✓			

Digital proposal submission

This process which started in 2013 enables the advisor to submit proposals digitally through the Digital Advisory Toolkit (DAT), an in-house developed software.

The DAT allows life insurance advisors to complete and submit the financial needs analysis, quotation and proposal forms digitally using a smart device such as a tablet. This minimises the time taken to issue a new life policy and has provided convenience to the customer as well as the advisor.

48 payment channels available to our customers

Customer portal

The customer portal launched in 2013 has proven to offer convenience and transparency by allowing customers to view their policy details online and carry out certain functions such as premium payments, generation of premium statements and claims intimation.

Maintained service standards through Customer Service Units (CSU)

To ensure that UA continuously provides a service, which is the best in the industry, pre-agreed service standards are constantly monitored via a workflow system which is integrated with the core life insurance systems. The workflow based system was extended for unit linked products and operations. The CSU established in 2014 operates in line with the service standards applicable for that operation.

Follow up on lapsed policies

We strive to ensure that customers continue to maintain their policies so that they could avail of the benefits or protection which they have contracted for. We have invested time and resources to follow up to understand the reasons for discontinuing policies and encourage revival where possible. During the year we recruited three dedicated resources designated as 'Revival Officers' and based on the success of the initiative we plan to enhance this resource pool.

Follow up on policies with delayed premium settlement

With the objective of understanding our customer better and to customise the service offered to them, we have initiated a programme to follow up on delayed premium payments, at the branch level.

Dispatching proposal forms with policy document

With the intention of improving transparency, which is a key pillar of the Union Assurance brand, a process of sending back a copy of the proposal form to the customer along with the policy document was started in 2014. This helps to assure the customer that the policy issued is in line with his / her requirements.

A summary of the actual against expected service standards during 2015 is as follows;

Customers	Function	Expected Service Standards	Achievement in 2015	Achievement in 2014	Change
New business	Underwriting decision making – new proposals	100% by 2 days	95%	98%	●
	Policy dispatching	100% by 10 days	97%	60%	●
Policyholder servicing	Minor alterations	100% by 1 day	100%	100%	●
	Policy assignment and reassignment	100% by 1 day	100%	95%	●
	Bank standing orders	100% by 1 days	100%	100%	●
	Revivals	100% by 2 days	98%	99%	●
	Major alterations	100% by 2 days	99%	99%	●
	Responding to customer letters	100% by 2 days	93%	93%	●
Claims	Maturities and advance payments	100% by 2 days	100%	99%	●
	Death, disability and hospital cash claims (No further investigation required)	100% by 3 days	98%	97%	●
	Death, disability and hospital cash claims (Further investigation required)	100% by 14 days	95%	96%	●
	Policy loans	100% by 2 day	100%	100%	●
	Queries on claims	100% by 2 days	93%	95%	●
	Call centre	Handling of inbound calls	97% from presented calls	98%	98%
Answering calls (within service level)		96% of the inbound calls to be answered within 20 seconds	96%	96%	●
Abandoned calls		Total abandoned calls to be below 3%	2%	2%	●
Customer service unit	Meeting the needs of walk – in customers	15 minutes	95%	95%	●
Group life	New business quotations – employer / employee groups	Data given in soft format – same day	99%	99%	●
		Data given in hard format – 2 days	95%	100%	●
	New business quotations – affinity and other special groups	4 days	95%	99%	●
	Completion of cover for large groups	3 days	95%	100%	●
	Issue of the policy	3 days	96%	90%	●
	Commission payments to agents / brokers	7 days of receipt of premium	92%	92%	●
Unit linked operations	Underwriting decision making – new proposals	100 % by 2 days	96%	99%	●
	Policy dispatching	100 % by 5 days	94%	98%	●
	Effecting top – up premium	100 % by 3 days	100%	100%	●
	Fund switching	100% by 3 days	100%	100%	●
	Premium redirection	100 % by 2 days	100%	100%	●
	Benefit changes / inclusions	100 % by 2 days	98%	100%	●
	Minor alterations	100 % by 2 days	99%	92%	●
	Bank standing orders	100 % by 1 day	100%	100%	●
	Responding to customer letters	100 % by 2 days	86%	95%	●
	Revivals	100 % by 2 days	100%	*	●
	Regular withdrawals	100 % by 4 days	100%	100%	●
	Surrenders	100 % by 4 days	93%	96%	●
Partial withdrawals	100 % by 4 days	99%	99%	●	

*No unit linked revivals were received in 2014

Management Discussion and Analysis

GRI-G4
G4-PR5

Obtain timely feedback

At Union Assurance, we have consistently improved the quality of our customer service and strive to be the benchmark of the industry. We firmly believe that price is not a long term differentiator, but that the customers will look to partner with an insurance company which consistently offers them trust, convenience, respect and transparency.

Complaint management procedure

In our commitment to deliver superior customer service we place high importance to all the customer complaints that we receive.

Customers are able to send their feedback / complaints to us in writing or call us on our customer service hotline on +94 112428099 or the call centre on +94 112428428 or lodge the complaint in writing or verbally at any of our branch locations. All such feedback is uploaded to our online customer feedback system (CFS).

These complaints are then reviewed at a weekly CFS committee meeting with the participation of senior management and necessary action is taken. The committee met 16 times during the year to discuss and address customer complaints.

The table below depicts the total customer complaints received during 2015 and the progress on resolving the complaints;

Description	2015	2014
Received	938	1,198
Resolved	822	1,043
In progress	116	155

Customer privacy

In order to ensure safety of information provided by our customers, we do not use their information for any purpose other than for the purpose it was meant for. Our data centre management system was accredited with ISO 27001:2013 certification ensuring confidentiality, integrity and availability of information. Controls over data security are described in the corporate governance section of this report on page 147.

Prudent investments

Governance and Investment management

Investment management is governed by a Board sub - committee and comprises members who have proven track records of integrity, ethical conduct and expertise in the field of managing investments. Investments are made as per the Board approved 'Investment policy statement' which covers

all laws and regulations governing investments of insurance companies. Please refer the Investment Committee report in the 'Corporate Governance' section of the annual report.

Manage pay-outs and liabilities

Settlement of claims fairly and speedily



Systems and procedures are constantly being streamlined to ensure that claims are processed speedily. Our achievement of this goal is quite evident in the service standards as shown in the table on the previous page.

In the insurance business one finds situations where some claims do not fall within the framework of the terms and conditions of the policy and must then be repudiated. In such instances the company clearly states the reasons for the repudiation and informs the customer in writing. If the customer does not agree with the decision he / she has the option of referring the case to the Insurance Ombudsman or the Insurance Board of Sri Lanka.



Logos of some of our popular products

The Company's market positioning

The following table outlines UA's market differentiators, business strategy and highlights of performance against 2015 strategic priorities.

Market differentiators	Business strategy	2015 Strategic priorities	Highlights of performance in 2015
<ul style="list-style-type: none"> Balance sheet strength and stability Strong corporate governance framework Comprehensive and competitive product range Training capabilities and facilities In-house actuarial support and inhouse investment operations Strong distribution structure and brand Digital sales force management system and evolving digital advisor toolkit 	Expand our presence in the life insurance market in a cost effective manner	Maintain growth momentum by expanding distribution reach in a cost effective manner	Gross written premium grew by 17% year on year Profits from operations increased by 18% year on year
	Offering competitively priced protection products and long term savings products	Launch new products and augment existing products in line with customer needs	Launched a single premium policy targeting the saving need. Relaunched unit linked policies specifically catering to the pension need.
	Enhancing the sales, customer servicing, underwriting and claims management skills of our people while managing lapsation	Leverage technology to provide improved customer service and drive efficiency and effectiveness in all functions	Upgraded several digital platforms used by the advisors including e-based learning module Increased training available for advisors on usage of digital policy submission
	Building a strong brand in our chosen market segments	Implement activities to position UA as the most trusted brand in the life insurance industry	Launched CSR brand Union 'Manushyathwaya' to consolidate all CSR activities under a common theme Achieved a brand rating of A+ and a brand value of Rs. 2.1 billion

Our product offerings to the market

The full range of life insurance products and additional covers available at UA to compete in the market are listed below;

	Target Market	Special Features
Union Super Investor	For individuals who opt for a short term premium paying plan.	<ul style="list-style-type: none"> Short term premium paying term (upto 5 years) Universal life type plan with dividend accumulation mechanism with individual investment accounts maintained for each policyholder The policy provides a minimum guaranteed dividend at the start of each year with actual dividends accumulated at the end of each year Flexible policy terms available from 10 to 30 years

Management Discussion and Analysis

GRI-G4
G4-4
G4-PR3

	Target Market	Special Features
Union Challenger - Builder Plan	For individuals with long term aspirations and / or commitments towards loved ones, having the potential to build a substantial fund over a period of time.	<ul style="list-style-type: none"> • Unit linked investment solution allows the customer to choose his / her investment option. • Ability to customise the solution to suit individuals' risk appetite and market conditions. • Linked to three unique investment funds offering flexibility in investment options and premium payment terms. • Offers a selection of packaged benefits namely, life, health and waiver packages catering to a wide range of protection needs • Regular premium payments, premium top up and premium escalation benefit options are available
Union Challenger – Booster Plan	For individuals who seek their retirement within 5 to 10 years with a need to build a fund to generate sufficient income by the time they retire.	<ul style="list-style-type: none"> • Unit Linked investment solution allows the customer to choose his / her investment option • Ability to customise solutions to suit individual risk appetite and market conditions. • Premium payment term limited to 3 or 5 years • Premium top up option available
Union Challenger – Provider Plan	For individuals who are approaching retirement and have a need for a regular income	<ul style="list-style-type: none"> • A Unit Linked product with a single premium investment option • Ability to generate a regular income for a specified period while providing life protection • Option available to invest in additional funds to increase the pension benefit
Union Life Advantage	A generic life insurance product that can cater to the needs of all customer segments	<ul style="list-style-type: none"> • Universal life type plan with dividend accumulation mechanism with individual investment accounts maintained for each policyholder • The policy provides a minimum guaranteed dividend at the start of each year with actual dividends accumulated at the end of each year • By adding rider covers this plan could be further enhanced to suit individual needs • Flexible policy terms available from 10 to 30 years
Union Sisumaga	For parents with young children and potential parents	<ul style="list-style-type: none"> • 124% of the sum assured is paid as a series of educational annuities. • On death of the life assured the future premiums are waived and educational annuities are trebled. If the death is due to an accident, four times of the sum assured is paid; else, twice the sum assured is paid along with the bonuses
Union Jayamaga	For investors who look for steady / secure financial returns coupled with life cover	<ul style="list-style-type: none"> • Sum assured increases by 5% every year during the policy term. • Double the increased sum assured and bonuses are paid in the event of premature death

	Target Market	Special Features
Union Jayamaga Plus	For investors who look for a guaranteed financial return coupled with life cover.	<ul style="list-style-type: none"> Sum assured increases by 10% every year during the policy term which is guaranteed Twice the increased sum assured is paid in the event of premature death
Union Parithyaga	For individuals who look for an investment opportunity along with a life cover for an affordable premium.	<ul style="list-style-type: none"> An endowment type product which can be customised to the premium payment capacity of the customer Premium paying terms are available from 5 to 30 years All additional rider benefits can be added to this policy
Union Super Benefit	For individuals who wish to have periodical payments instead of waiting until maturity	<ul style="list-style-type: none"> Part payments are made every three years while providing protection for the full sum assured in case of a premature death of the life assured
Union Loan Protection	For individuals who obtain credit facilities from financial institutions	<ul style="list-style-type: none"> Affordable one time premium Settlement of capital outstanding on premature death Payment of loan instalments in the event of total and permanent disability
Union Single Premium Advantage	For individuals who are keen on investing lump sums	<ul style="list-style-type: none"> An advantage product with a single premium investment option with dividend accumulation mechanism and individual investment accounts maintained for each policyholder The policy provides a minimum guaranteed dividend at the start of each year with actual dividends accumulated at the end of the year
Union Family Benefit	For individuals who wish to cover his / her own life risk	<ul style="list-style-type: none"> Premium is considerably low. Provides a lump sum payment to dependents in the event of death of the life assured
Union Suwamaga Standalone	For individuals who wish to cover the risk of critical illnesses and his / her own life risk	<ul style="list-style-type: none"> Provides a lump sum payment in the event of diagnosing a critical illness covered by the policy or on death of life assured

Additional Covers

Following additional covers with benefits can be bundled with the policy to match the policyholder's additional requirements.

Description	Details
Accidental death benefit	A benefit which is paid in the event of an accidental death of the life assured. This benefit is available for policyholders at a nominal premium.
Total and permanent disability benefit due to an accident	This benefit will be paid as an annuity over a five year period in the event of total and permanent disability due to an accident.
Total and permanent disability benefit due to an accident or sickness	This benefit is designed to cover total and permanent disability of the life assured as a result of an accident or sickness. The benefit is paid as an annuity over a five year period.
Waiver of premium benefit	This benefit provides cover to waive the future premiums on the main benefits of the policy in the event of a total and permanent disability due to sickness or accident
Extended partial and permanent disability benefit	This benefit provides an additional payment, if the life assured becomes disabled partially and permanently as a result of an accident.

Management Discussion and Analysis

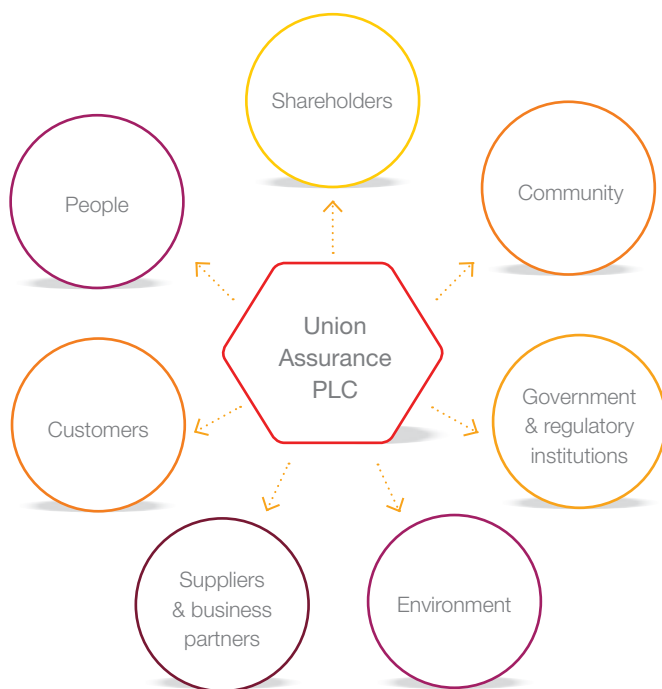
GRI-G4
G4-4
G4-PR3

Description	Details
Level term benefit	This is an additional protection benefit that could be added to the basic policy by paying a relatively lesser premium. The sum assured is paid on death of the life assured (in addition to the basic sum assured) whether due to accidental or natural causes during the policy term.
Spouse rider benefit	This benefit provides a life cover for the spouse of the life assured at a nominal premium. The spouse may continue to have the cover throughout the policy term even after the death of the main life assured.
Funeral expenses benefit	Provides relief for the dependents of a deceased policyholder by paying a sum immediately on the death of the life assured.
Family hospital cash benefit	This family cover provides a daily benefit in the event of a hospitalisation of a family member. If the family member requires treatment in an intensive care unit, the daily benefit is doubled.
Family income benefit	In the event of death of the life assured, this benefit provides a regular income to dependents, in the form of an annuity until the expiry of the policy term.
Union Suwamaga	This benefit provides a lump sum payment in the event of diagnosing a critical illness out of specified 24 critical illnesses listed in the policy . The benefit is available for the life assured and spouse.

External Environment

Stakeholders

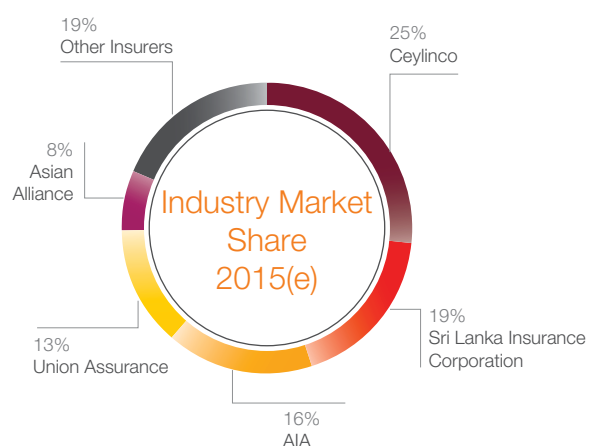
The following diagram illustrates the different stakeholders that the organisation interact with.



The interests of these stakeholders and the impact of the company on these stakeholders is detailed in the Stakeholder Relationship Section on pages 78 to 90 of this report.

Competitive landscape and our place within

The life insurance industry comprised of 15 players 2 of which are multinationals. Nine out of these insurers have been listed on the Colombo Stock Exchange. The industry is dominated by the 5 largest players sharing among them approximately 91% of total Funds Under Management (FUM) and 81% of market share.



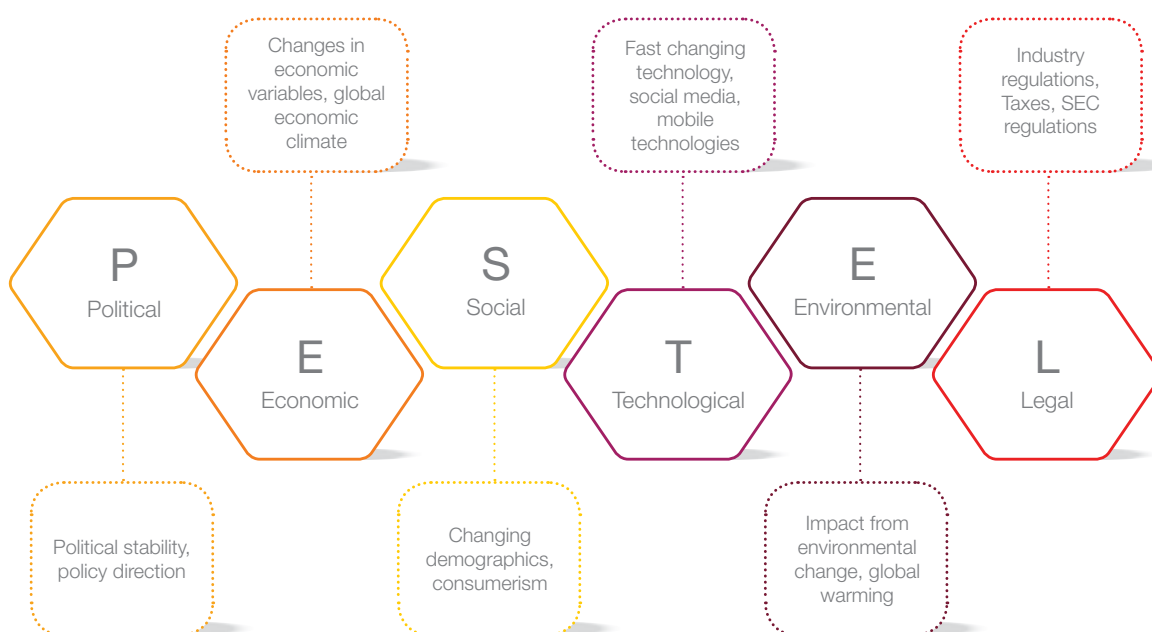
The industry is governed by the Regulation of Insurance Industry (RII) Act No. 43 of 2000 and is regulated by the Insurance Board of Sri Lanka

Our competitive landscape

Factor	Influence / Bargaining Power	Description
Rivalry among existing players	High	According to the IBSL statistical review for year 2014 (the latest available at the time of preparing this report), the rivalry among the existing industry players is very high and can mainly be seen amongst the five largest insurance providers, who in total accounted for 91% of the total assets of the industry
Threat of new entrants	Low	The threat of new entrants to the insurance industry is considered minimal. This is mainly due to the high cost of entry with the introduction of a minimum capital requirement of LKR 500 Mn, the complexity of the business and the requirement to attract / recruit, retain and administer a large agency force.
Bargaining power of suppliers	High	The primary suppliers to the insurance industry are reinsurers and their bargaining power is high. The regulator advises and encourages all insurance companies to partner with rated reinsurance companies. The bargaining power of highly ranked reinsurers could have an impact to the extent of adding / amending clauses contained in existing insurance contracts / products.
Bargaining power of customers	Moderate to High	Bargaining power of the customers is considered to be high. Customers have a wide range of insurance providers to choose from. However, switching costs are high for customers once they enter into a contract. This would enhance the strength of insurance providers in securing their client base but, will not significantly reduce customer bargaining power.
Threat of substitutes	Moderate to Low	There are no direct substitute products for life insurance. However products such as investment plans, pension schemes, child education plans and other long term financial services offered by non-insurance companies that address the need for savings annuities and investment plans may be viewed as indirect substitutes to insurance services.

PESTEL analysis

PESTEL analysis of an organisation aims to shed light on how an organisation is impacted by main influencing factors present in the market / environment in which it operates in.



Management Discussion and Analysis



The political environment in which we operate may impact our ability to operationalise the strategies we have formulated. A stable political environment and consistent policy direction helps the business by way of creating a favourable economic climate, transparent and effective governance structure and an overall improvement in the ease of doing business.

The following table discusses the impact, the political environment may have on UA and the industry at large.

Political factor	Effect on industry and company
Stability vs. instability	<p>Political stability over the long term agrees well for the industry in terms of sustainability due to the inherent nature of insurance contracts which are known to be long term.</p> <p>On the other hand political instability impacts the macro economic fundamentals such as the fiscal policy which has direct impact on long term liabilities and commitments of the industry.</p>
Ease of doing business	<p>Although not directly linked, red tape and corruption in public services hinder the ability to conduct business efficiently. Removal of red tape would improve the ease of doing business. Sri Lanka ranked 107 in the World Bank Ease of Doing Business index in 2016.</p>
Complexity vs. simplicity of taxes	<p>The tax framework in Sri Lanka is considered complex and procedural. It is due for an overhaul to make it less complex and more efficient in collecting taxes, and thus contribute to the ease of doing business.</p> <p>The complexity and ambiguity associated in interpretation of Tax Laws could lead to undue delays and loss of revenue to the business and the industry at large.</p> <p>The industry is working with the Ministry of Finance on defining 'E', expenses for tax computation purposes as per the budget proposal 2016.</p>



Global economic outlook

As highlighted by in the International Monetary Fund (IMF), 2016 will see a gradual pickup in advanced economies and a slowdown in emerging markets and developing economies. Growth in advanced economies is projected to increase to 2.4 percent in 2016. While the economic recovery in the Euro area seems broadly on track, the factors underlying the acceleration of consumption remain stable.

Slowdown in emerging market and developing economies would create a likelihood of a global recession. The Chinese economy has recently experienced excess capacity, excessive leverage in the corporate sector and two booms, bubbles and busts in housing and stock markets. Slowdown in the Chinese economy will create downward pressure on commodity prices

and reduce demand for exports from countries in the supply chain which will indirectly impact the rest of the world.

A modest and uneven recovery is expected to continue in advanced economies, with a gradual narrowing of output gaps. Outlook for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17. The pickup in growth expected in the next two years, despite the continued slowdown in China and mainly reflects expectations of a gradual improvement in growth rates in countries currently experiencing economic difficulties, notably Brazil, Russia and some countries of the Middle East, although even this projected partial recovery could be stressed by new economic or political shocks.

Local economic outlook

The direction of the post conflict socio- political and economic development in Sri Lanka took a decisive turn in 2015 with the election of a new president in January and a new government seven months later.

The direction of the economic policy of Sri Lanka is expected to turn from public investment and infrastructure development led growth that dominated the 2010-2014 period to private sector and FDI funded development.

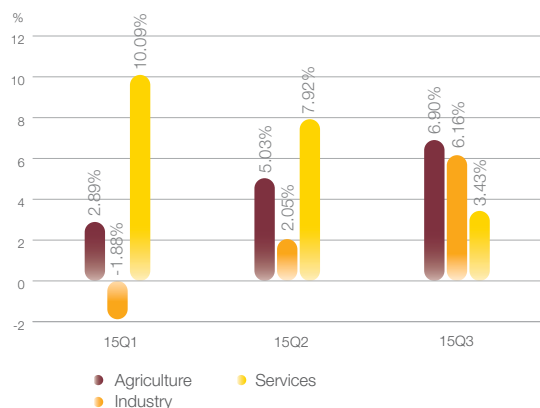
While it has recorded sustained growth in the recent past, the economy continued to suffer from structural weaknesses showing an asymmetrical growth, weak exports, an overhang of external debt and an increasing dislike of private investors to accumulate capital. To make the transition from a growth model driven by mostly foreign debt financed consumption to one that is driven by private investment and exports requires the implementation of broad based economic reforms.

The budget 2016 presented on November 2015 reiterated this strategic direction as well as a reorientation of spending towards education and health. However the high number of subsequent amendments that followed has reduced the effect of most of the policy changes. Therefore a lot now depends on what policy changes that the government would follow through, with the support of key local stakeholders and international agencies.

In Q3 2015 GDP grew by 4.8 per cent in real terms mainly attributed to 3.4 per cent, 6.2 per cent and 6.9 per cent growth in services Industry and agriculture respectively, in value added terms.

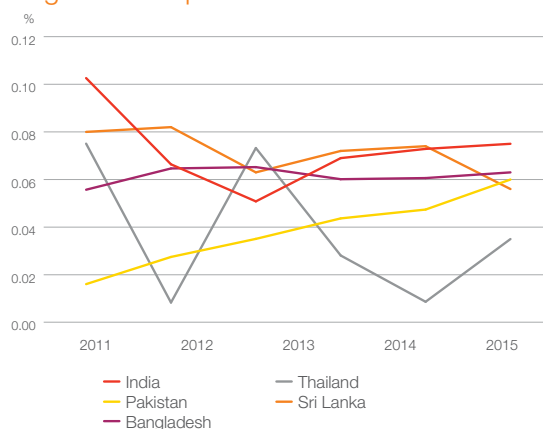
The economy is expected to grow by 5.6% in 2016 as per World Bank predictions. However the uncertainty prevailing in the Asian region, any volatility seen in oil prices and the uncertainty in terms of policy direction can have a negative effect on Sri Lanka's growth

Sectoral GDP Growth



Source: Department of Census and Statistics

Regional Comparison of GDP Growth



Source: The World Bank

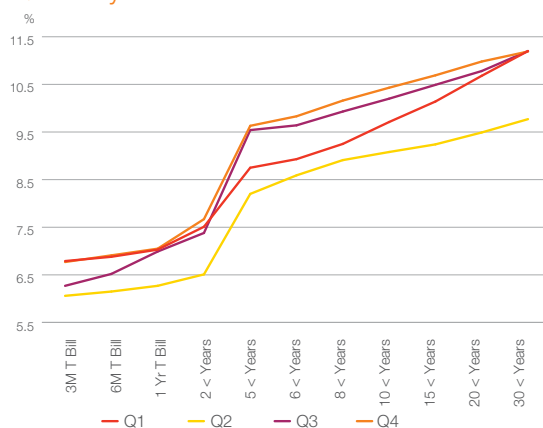
Interest rates

The benchmark one year Treasury bill rate was last auctioned at 7.11 per cent an increase of 111 basis points from the closing rate of 6 per cent in 2014. The 5 year bond rate increased by approximately 200 basis points to 9.50% levels. The 20 year bond was last seen auctioned in December at 11.45%.

Earlier in the year the Central Bank surprised markets with a 50 basis point cut in April after holding rates steady for 14 months. This brought down the standing deposit facility rate (SDFR) and the standing lending facility rate (SLFR) to 6.00 per cent and 7.50 per cent respectively. However, fuelled by low interest rates private credit grew during 2015. This in turn created demand for imports such as motor vehicles which resulted in pressure on the balance of payments.

As a response during the last two month of 2015 interest rates were increased by the Central Bank by issuing long tenure bonds at higher rates and increasing Treasury bill rates at the weekly auctions. Analysts and international agencies such as the IMF have cautioned that Sri Lanka should be ready to tighten monetary policy and raise taxes to pay higher salaries for government workers, and contain spending as economic imbalances and risks are on the rise.

Quarterly Shifts in the Yield Curve



Source: Central Bank of Sri Lanka

Management Discussion and Analysis

Fiscal policy

In the first nine months of 2015, government revenues as a percentage of estimated GDP increased by 8.5 percent from 8.0 percent in the corresponding period of 2014. In nominal terms, total income increased by 15.8 percent to Rs. 958.9 billion in the first nine months of the year from Rs. 828.2 billion recorded during the same period in 2014.

Total outstanding debt increased by Rs. 875 billion to Rs. 8,266 billion as at the end of September 2015, against Rs. 7,391 billion at the end of 2014. Foreign debt increased by Rs. 153 billion to Rs. 3,266 billion and domestic debt increased by Rs. 722 billion to Rs. 5,000 billion.

Sri Lanka's overall fiscal condition has weakened, with the fiscal deficit for 2015 edging up to 6 per cent of GDP, partly on the back of populist spending measures announced in the run up to elections. The deficit is expected to remain at the same level in 2016. While there have been some attempts to raise revenues through tax adjustments, more concrete measures are required to rectify the issue.

Inflation

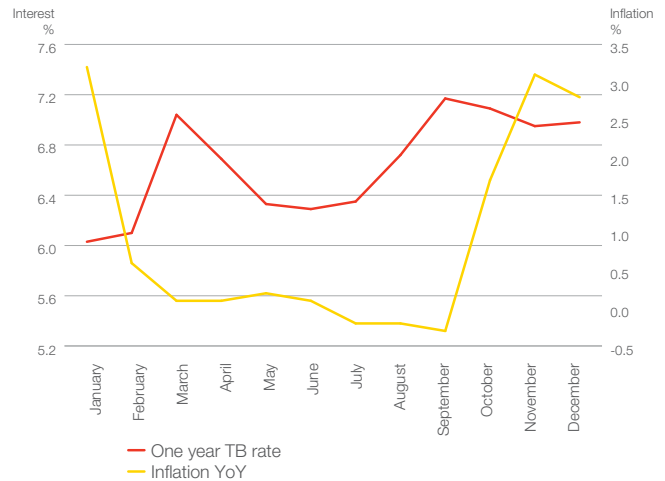
Sri Lanka's inflation, as measured by the headline Colombo Consumers' Price Index rose 2.8 percent YoY in December 2015. Starting the year at a high of 3.2 percent inflation dipped during mid-year with July, August and September recording negative YoY growth. The movement of the CCPI during the year is depicted in the graph above.

However core inflation rate (which excludes fresh food, energy, transport, rice and coconut) saw a steady increase during the year from 2.06 percent YoY in January to 4.5 percent December of 2015.

The Department of Census and Statistics (DCS) released a new National Consumer Price Index (NCPI) on November 23, 2015.

The reasons for the increase in core inflation include demand pull factors such as private credit growth due to lower interest rates and cost push factors such as weakening currency increasing prices of essential imported goods. The inflationary pressure is expected to continue at least in the first half of 2016 as the weakening rupee and demand factors are expected to continue.

Interest and Inflation



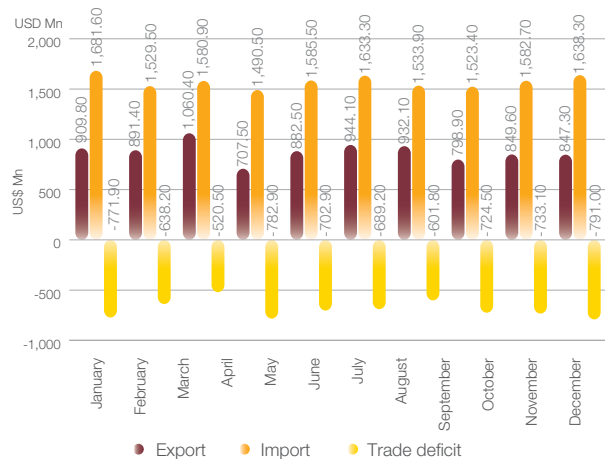
Source: Central Bank of Sri Lanka

Export earnings

On the external front, the cumulative expenditure on imports amounted to USD 12,559 million during the first eight months of 2015, broadly unchanged from the corresponding period in 2014, while revenues from exports decreased 3.4 percent to USD 7,147 million during the same period. Tourism revenues in the first nine months are estimated have increased 18.8 percent on a cumulative basis, while workers remittances also registered a marginal growth of 1.8 percent over the first eight months of the year.

The Government is keen to promote exports and attract export focused FDIs to the country. Further if the Government is successful in resecuring the Generalised System of Preferences (GSP+) it will help increase garment exports to the EU region. These initiatives have the potential of improving export earnings in 2016. However with the slowdown in China, exports to that region will take a beating.

External Sector Performance



Source: Central Bank of Sri Lanka

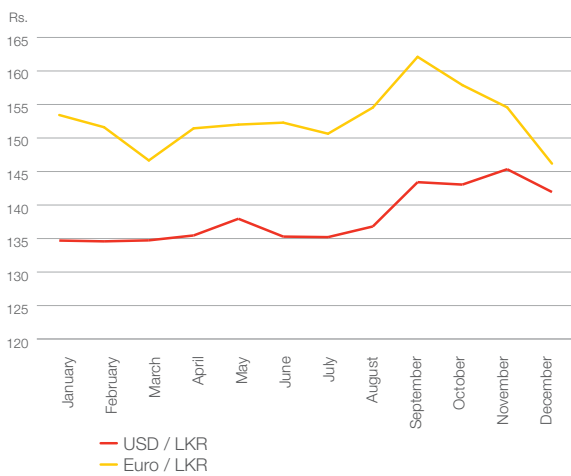
Exchange rate

The rupee suffered heavy losses in 2015. From LKR 132 per Dollar levels seen in the beginning of the year the rupee depreciated to LKR 144.10 per Dollar by the end of the year. Much of the depreciation occurred in the month of September when the Central Bank let go of the rupee from LKR 134.57 per Dollar at the start of the month to LKR 140.98 per Dollar by the end of the month.

The contraction in export earnings and the stagnant growth in remittances did not help the situation. On the other hand holders of foreign currency adopted a wait and see strategy as the rupee depreciated.

The increase in credit growth and consumer demand, on the back of the still comparatively low interest rate environment, should continue in early 2016. This combined with the BOP pressure and possible constraints on the external financing front could place the LKR under considerable pressure.

Exchange Rate



Source: Central Bank of Sri Lanka

Market performance

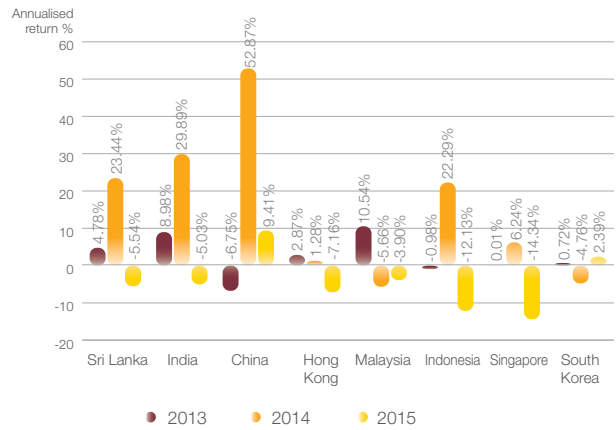
Sri Lanka CSE All Share Index lost 1,104 points or 14.62 percent during the last 12 months from 7,549.85 points in January of 2015 largely due to investor sentiment, amid uncertainty in economic and policy direction, subsequent to changes in the local political landscape, exaggerated by volatility in global markets and outflows in emerging markets.

2015 saw a net out flow of foreign funds of Rs. 5 billion compared to an inflow of Rs. 21 billion seen in 2014. The market turnover reduced to Rs. 253 billion compared to Rs. 341 billion in the previous year. The market capitalisation contracted by 6% from Rs. 3.1 trillion in 2014 to Rs. 2.9 trillion in 2015.

Significant support was extended to the capital markets through the 2016 budget, with proposals such as waiving the requirement to set up SIA accounts which would minimise administrative burdens for global investors, encouraging setting up Venture Capital and Private Equity Funds and the removal of the Share Transaction Levy. These initiatives have the potential to stimulate trading volumes in the share market thus increasing liquidity. This will help to address one of the major drawbacks of Sri Lankan share Market.

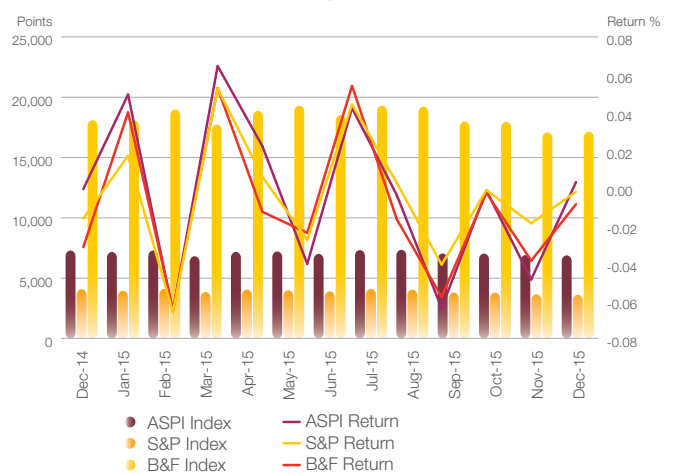
However as Asian markets collapse in the wake of a weakened China and capital flows reverse as the advanced economies register growth, Sri Lanka's equity market may witness net outflows of foreign funds

Regional Market Performance



Source: Bloomberg.com

Colombo Stock Exchange Performance - 2015



Source: Colombo Stock Exchange

Management Discussion and Analysis

The year ahead

The economy is expected to grow in 2016 due mainly to the reduction in political uncertainty, new policy initiatives of the Government and the expansion of private sector investment. However, this is in the context of the considerable global volatility and the balance of payments (BOP) uncertainty / risk in Sri Lanka.

The Government took the opportunity of the budget announcement to reiterate an ambitious set of economic reforms to increase foreign investments and enhance private sector participation in the economy. If achieved, these objectives could be positive for the economy, especially if it reduces dependence on external borrowing to finance growth.

All in all a significant growth in real gross domestic product and disposable income will be conducive to deeper penetration and will be positive for the industry.

The following table provides a summary of the above factors and their impact on UA and the industry.

Economic factor	Effect on UA and industry
Moderate growth due to imposing austerity measures	Life insurance sales in Sri Lanka mostly depend on the disposable income of the population. Therefore moderate GDP growth, and austerity measures such as increasing taxation and higher interest rates would translate to lower premiums and slower growth for the industry.
Rising interest rates	Rising interest rates would mean the disposable income of consumers will come down due to increase in financing costs. On the other hand the availability of long term instruments at high interest rates presents an opportunity to match high yielding assets with long term liabilities.
Tighter fiscal policy	Tighter fiscal and monetary policies could restrict aggregate demand and lower the disposable income in the hands of the customer. This will negatively impact the topline and the industry growth.
Higher inflation	Higher inflation would translate into higher cost of running the business and less disposable income in the hands of customers. This could translate into negative top line and bottom line results and may lead to repricing of products which in turn would impact sales.
Higher export earnings	Higher export earnings and increase in worker remittances would increase UA's business potential. This would invariably help the insurance industry as a whole.
Depreciation of currency	Currency depreciation would increase cost of imported goods. This would have an adverse impact on disposable incomes and negatively impact topline. This may also increase the cost of operations (e.g. cost of IT projects).
Weaker capital markets	A weaker capital market will adversely affect the performance of invested funds, however UA has the capacity to manage this by utilizing asset allocation strategies. However, the impact it would have on the industry as a whole would impact UA adversely with customer perception of the industry turning negative.



The social factors that affect UA and the insurance industry as a whole could be listed out as follows in the order of level of importance.

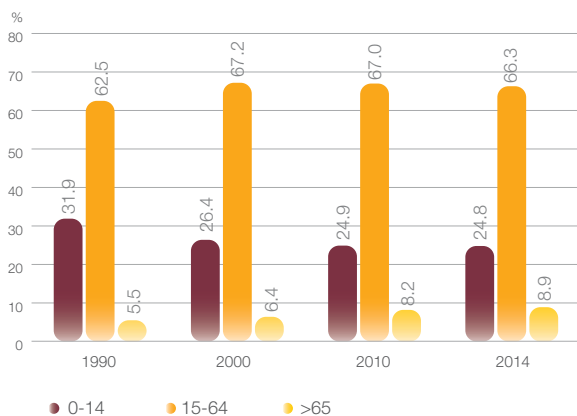
1. Age distribution and life expectancy rates
2. Average disposable income level
3. Health consciousness
4. Education level
5. Buyer behaviour

In 2050 28% of the population of Sri Lanka is expected to be over 60 years of age.

Age distribution and life expectancy rates

Sri Lanka is one of the fastest ageing countries in the world as per world bank statistics. In 2050 28% of the population of Sri Lanka is expected to be over 60 years of age. Not only is the population ageing, the average life expectancy is also increasing. This poses challenges in terms of retirement planning and aged care.

Age Distribution as a Percentage of Total Population



Source : World Bank

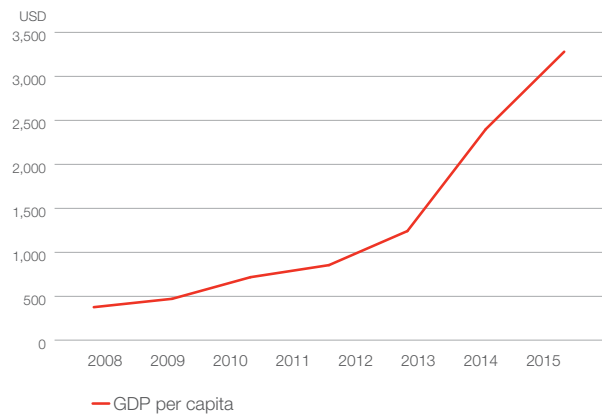
As the above graph depicts the greater than 65 age group has increased in proportion over the years. Sri Lanka's ageing population requires a higher focus on savings. It is highly likely that the today's wage earner will have to rely on his or her own savings during retirement as the concept of relying on extended family is fast becoming rare in society. The need and demand for a retirement solution has been evident for some time and the insurance industry is ideally suited to cater to this need and at the correct pricing the industry should take advantage of this market segment.

Average disposable income level

Emergence of Sri Lanka as a lower middle income nation with a per capita GDP of USD 3,600 (Source: Central Bank) has brought about a wide array of social change e.g. increased accessibility to motorised private transport, increased mobile penetration etc. With the increase of disposable income, the

insurance penetration which is currently in the range of 0.50% to GDP is also likely to improve.

GDP Per Capita

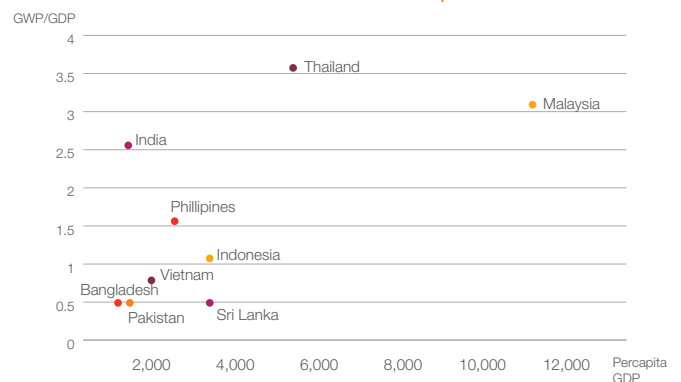


Source : Central Bank of Sri Lanka

As per Swiss Re (world's 2nd largest reinsurer), insurance spending rises faster in countries where GDP per capita is in the region of USD 5,000 to USD 35,000. On this basis, Sri Lanka's life insurance industry has excellent prospects for future growth.

Given below is an illustration of how insurance penetration is interlinked with per capita GDP.

Insurance Penetration vs. Per capita GDP



Sources: Swiss Re Sigma Report 2014, IMF

Health consciousness

Health consciousness is increasing in the urban population of Sri Lanka. The increase in availability of walkways, fitness centres and gymnasiums and the increase in awareness are key contributing factors for this change.

Life insurers will benefit from a healthy customer base as they will see a reduction of risk as the mortality rate and longevity improves.

Management Discussion and Analysis

However at present this trend is limited to urban areas and knowledge, awareness and accessibility to facilities which promote healthy living is limited elsewhere.

Education level

Sri Lanka has one of the highest literacy rates in South Asia of 92%. Rs. 90 billion or 5.41% of the national budget was allocated for education in 2016.

A literate and educated population benefits the insurance industry from increased financial awareness.

Further the industry will benefit from an educated population as this would enable insurers to find skilled and competent employees. However, a key deficiency in Sri Lanka's education system is the lack of employability of graduates and school leavers, due to the educational framework and curriculum not being aligned with employment opportunities.

Buyer behaviour

Buyer behaviour of the Sri Lankan consumer is changing with contributing factors such as increased accessibility to technology and information, increase in income levels and availability of alternatives.

The consumer is increasingly becoming brand conscious in their buying decisions and demand higher quality as disposable incomes increase.

With the advent of mobile and internet technology, consumers are moving to online purchasing. This has been witnessed in the increasing use of online banking by the Sri Lankan consumer.

The life insurance industry lags behind in making their products available online, while non-life insurers has made some headway.

The following table provides a summary of the social factors and their impact on UA and the industry.

Social Factor	Effect on UA and the Industry
Ageing population and increase in longevity	This is a positive for the insurance industry as this reduces the risk of underwriting business. Further this brings about opportunities to develop products to cater to the ageing population. However, pension products may be challenging to sustain if matching assets are not available in the market to fund the liabilities of long term insurance contracts.
Increase in disposable income	Increase in disposable income will translate into higher penetration levels for the industry and possible increase in market share for UA
Increase in health consciousness	A healthy population would be a positive for the industry as this would translate to a reduction of underwriting risk as the mortality rate and longevity would improve.
Education vs. quality of education	An educated population would translate into more knowledgeable customers who are more financially aware and better quality workforce as insurance is a complex product requiring equal knowledge between the customer, the insurance advisor and the servicing staff.
Buying habits	Increased focus on quality and brands would provide an opportunity for insurers to compete on quality instead of price. Increased tendency of customers to purchase online is something that insurers cannot afford to ignore any longer. UA needs to evaluate the timing of this trend and ensure investments are made at the right time.



Increased accessibility to technology by the masses has changed the competitive landscape for business. The advent of disruptive technologies in many diverse sectors such as banking to transportation has forced all businesses to rethink the way they do business and who their competitors are.

Insurance providers will have to transform their traditional model of doing business and embrace technology in order to attract the modern consumer.

To succeed in the current environment, life insurance providers must expand their digital capabilities with new internet, social media and mobile tools that empower customers and distributors with self-service features, while also making insurance products easier to understand, compare and

purchase. This is in stark contrast to the traditional face to face advisor based distribution channel that insurers are used to.

Opportunities for margin enhancement as well as competitive pricing exists for insurers that leverage big data analytics and wearable technologies to select and price risks in a more sophisticated manner.

A summary of technological advances that would affect the industry are listed below;

Technology	Effect on UA and the industry
Mobile technology	Mobile and hand held devices have proven to be effective tools which insurance sales personnel can use to engage customers and process transactions. Further mobile cash is increasingly used by insurance companies to make premium payments. UA has already embraced mobile technology as a sales tool for processing customer proposals, underwriting and premium collections.
Wearable technologies	Wearable technologies enable insurers to develop new products and flexible premium structures that would better reflect the customer's health condition. Industry is yet to venture into this space and UA will need to evaluate such options to take advantage of this developing trend.
Big data analytics	Capturing and analysing structured data associated with policyholders and unstructured data from other sources such as social media can help insurers evaluate risks at individual policyholder level enabling better pricing. It could also help in analysing customer preferences / behaviour for product design, claims and risk management. This is an area than can transform the industry in terms of better pricing, customer service and profitability.
Better management information on risk	The advancements in technology has enabled the industry to generate better and effective information on risk and this has helped in adopting complex regulatory requirements geared for better capital management.

Environmental

Life insurers would also be adversely affected by the harmful effects of global warming. Changing weather patterns disrupting the livelihoods of customers, permanent changes in the environment affecting risk models (e.g. increased number of deaths due to heat) has forced life insurers to think of ways to adopt to these changes.

Key environmental factors that would affect UA and the insurance industry is given below,

Environmental factors	Effect on UA and the Industry
High impact natural disasters (<i>death, illnesses</i>)	The increased occurrence of high impact natural disasters increase the risk of underwriting business. UA has mitigated the risk by way of re-insurance for catastrophes but if the occurrences increase it would impact pricing negatively.
Increase in pollution (<i>illnesses, accidents</i>)	Increase in pollution increases risk of illness and accidents. The recent case of black smoke in China is a good example. This increases the risk of underwriting business and related costs.
Effect on livelihood of customers (<i>irregular premium payments, lapsation</i>)	Change in weather patterns would adversely affect the livelihood of agriculture based income earners leading to increase in lapsation and irregular premium payments.

Management Discussion and Analysis



The Legal environment is dominated by the regulatory framework that governs the industry and other government organisations that the industry has to interact with in the process of doing business.

Government entities make decisions that can significantly impact a company's operations. Therefore it is important for companies to maintain very close interactions with regulatory bodies and to be aware of legal or regulatory changes that may impact them directly and indirectly.

Government institutions that UA and the industry interacts with are listed below

- Insurance Board of Sri Lanka (IBSL)
- Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASBM)
- Central Bank of Sri Lanka
- Department of Inland Revenue
- Securities and Exchange Commission of Sri Lanka (SEC)
- Employees' Trust Fund Board
- Employees' Provident Fund Board
- Department of Registrar of Companies
- Ministry of Health
- Municipal Councils

Government institutions

Insurance Board of Sri Lanka (IBSL)

The IBSL safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments.

Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB)

Specified business enterprises as designated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 are required to send annual audited financial statements to SLAASMB. The SLAASMB is empowered to call for documents, information and explanations from Directors, managers and auditors.

Central Bank of Sri Lanka

Anti-money laundering related information is required to be reported to the Central Bank on a monthly basis.

Department of Inland Revenue

Securities and Exchange Commission (SEC) of Sri Lanka

Employees' Trust Fund Board

Department of the Registrar of Companies

Interaction by UA and the Industry

All insurance companies need to comply with rules, regulations and directives issued from time to time by IBSL in managing their operations and provide information to IBSL on a monthly, quarterly and annual basis.

UA and companies in the industry submits the annual report each year and responds to any queries raised thereafter.

UA submits the required information each month. In addition, contributions to the Employees' Provident Fund are also remitted as per stipulated guidelines. UA submits statistical data on the performance of the business made on quarterly and yearly basis for compilation of Central Bank quarterly and annual reports.

Applicable taxes are remitted to the Inland Revenue Department on stipulated dates.

As a public company listed on the Colombo Stock Exchange UA complies with the relevant guidelines issued by the SEC.

Industry participants contribute to the Employees' Trust Fund as per statutory guidelines and files required information as per stipulated dates.

Industry participants submit information required by the Registrar of Companies on a regularly basis e.g. annual reports etc.

Government institutions

Interaction by UA and the Industry

Ministry of Health

UA works closely with the Ministry of Health to promote a healthy community by preventing dengue, thalassemia and diabetes, as key CSR initiatives of the company.

Municipal Councils

UA and industry participants works closely with relevant municipal councils in obtaining relevant approvals to carry out business operations, expansions and pay applicable local taxes and rates.

Details of compliance with statutory and regulatory requirements of these government institutions are given in the Corporate Governance section on page 151.

Regulatory requirements

A continuing challenge in the regulatory space is the need to navigate the wide array of complex capital, solvency and risk management regulations.

The local insurance industry will formally adopt the Risk Based Capital (RBC) framework from 1st January 2016. The parallel run leading upto the RBC framework was successful and no major issues stemming from the cross over are anticipated within the industry.

Key legislative initiatives that impact the industry in the medium term are listed below;

Legislative initiative

Impact to UA and Insurance industry

Introduction of RBC framework

This will abolish the rule based solvency framework and bring about a more balanced and flexible way of computing solvency. This will also help the industry benchmark and adopt best practices on capital adequacy with regional players.

The 2016 budget proposals called for defining of "E" in the "I-E" calculation which is used for taxing life insurance companies

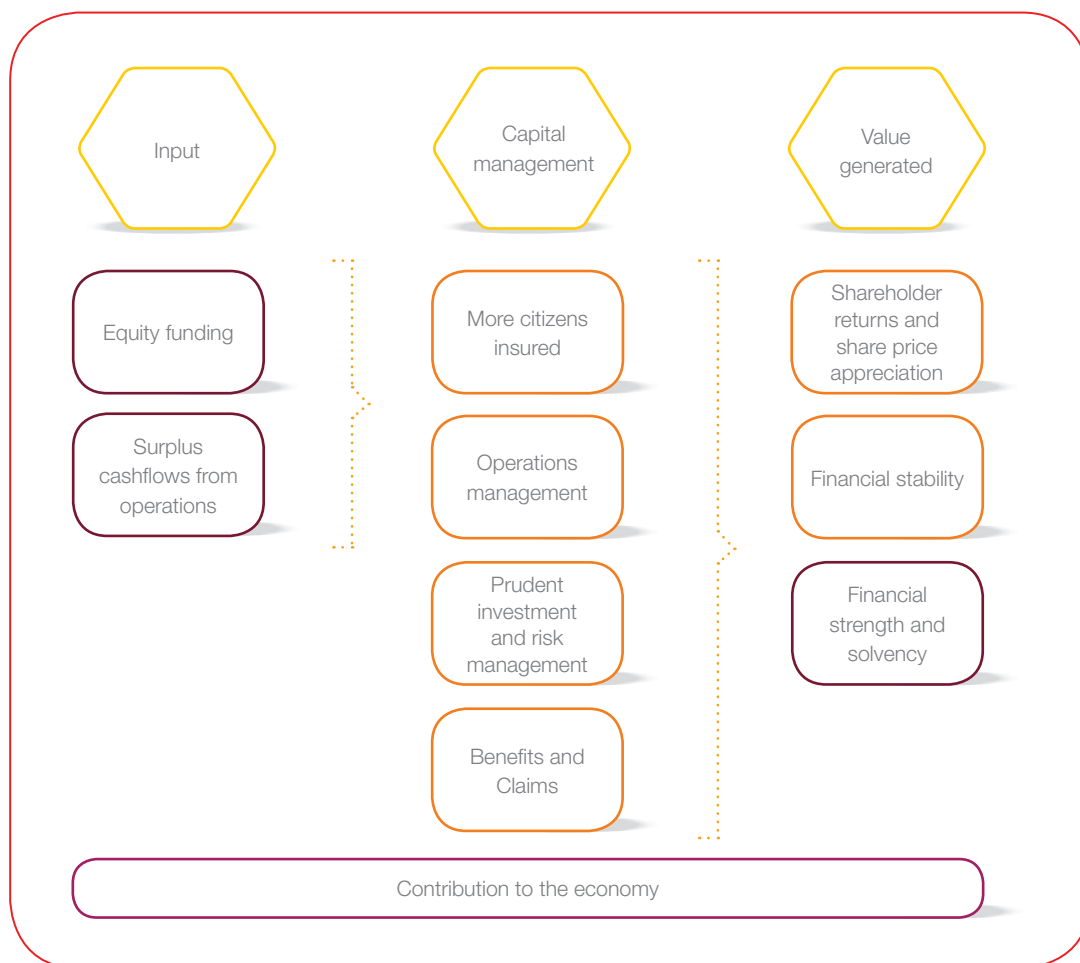
The industry is working with the relevant authorities on this matter and any change would impact product pricing and policyholder benefits.

Capital Management

Financial Capital Report

Union Assurance is 100% funded by equity capital. We started the year 2015 with an equity capital of Rs. 6.2 billion and ended the year with a capital of Rs. 3.5 billion. Two significant events took place during the year which contributed to this restructuring i.e. the divestment from the non life business in the first quarter of 2015 and the share repurchase in the third quarter of 2015.

The following diagram depicts the value generation process using our financial capital.



Input

Equity capital of the business comprise of the stated capital, reserves, brought forward cumulative distributable earnings and surplus cashflows generated from operations. As at 1st January 2015 the company had an opening equity capital of Rs. 6.2 billion.

The overall cash inflows from operating activities remained positive. Net cash from operating activities increased by 35%, from Rs. 3 billion in 2014 to Rs. 4 billion in 2015 mainly due to increase in premiums received.

The cash and cash equivalent recorded an increase of Rs. 77 million, even after the payment of a dividend of Rs. 504 million.

Rs. 18 million was invested in expansion of the distribution network.

Rs. 67 million was invested on information technology initiatives for productivity related infrastructure in the digital space.

Rs. 41 million was invested in training and development activities to empower the sales force.

Capital management

More citizens insured

During the year we were able to provide insurance cover to over 220,000 customers. As at 31st December 2015 we have over 265,000 active policies in UA books.

Growth in revenue

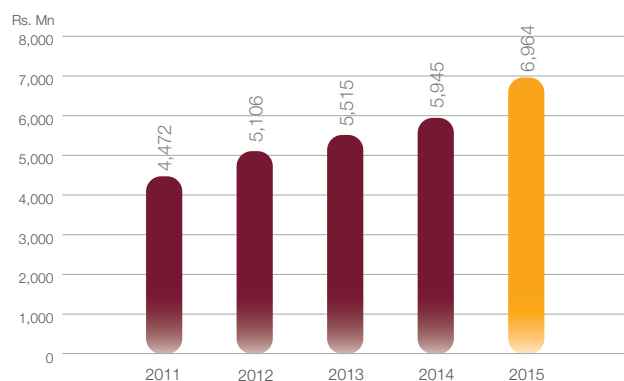
Growth in revenue is attributable to the increased level of business activity. In an insurance business revenue is represented by the Gross Written Premium (GWP). GWP increased by 17% from Rs. 6 billion in 2014 to Rs. 7 billion in 2015. Total Net Written Premium (NWP) also recorded a growth of 17% from Rs. 5.6 billion in 2014 to Rs. 6.6 billion in 2015. Over the last 5 years UA has seen a compounded average growth rate (CAGR) of 12% in both GWP and NWP.

The GWP growth was supported by a 26% year on year growth in first year premium and a 21% year on year growth of conventional renewal premium resulting in a 22% growth in total conventional GWP. GWP from unit linked policies recorded a decline of 25%.

In terms distribution, the agency channel brought in 94% of the GWP while bancassurance and group life contributed in 5% and 1% respectively. It is noteworthy to mention that the bancassurance channel recorded a year on year GWP increase of 43%.

Results Overview	2015	2014	2013	2012	2011
Gross Written Premium (Rs. Mn)	6,964	5,945	5,515	5,106	4,472
Net Written Premium (Rs.Mn)	6,600	5,617	5,235	4,857	4,269

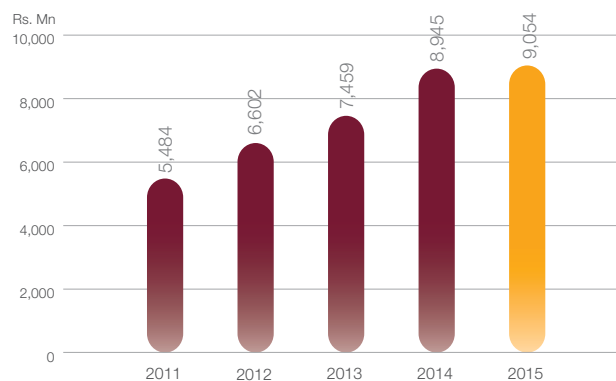
Gross Written Premium



Total net revenue

Net revenue of the company increased by 1.2% from Rs. 8.9 billion to Rs. 9 billion in 2015. Growth in net revenue is mainly due to growth in net written premium.

Net Revenue



Operations management

Underwriting and net acquisition cost

Underwriting and acquisition cost increased by 16% mainly due to an increase in commission expenses on account of higher business generated during the year.

Expense management

In an environment where margins are constantly under pressure expense management is of paramount importance. We managed to limit the growth of total operating and administrative expenses to 6% year on year. This was mainly achieved with our tight control on administrative and establishment expenses which reduced by 3% over the previous year. Upward pressure on expenses were seen for employee benefits expenses and selling expenses which grew by 4% and 28% respectively. The depreciation and amortisation charge which is a derivation from capital expenditure increased by 29% over the previous year.

For the year ended 31 st December	2015 Rs. Mn	2014 Rs. Mn	% Change
Employee benefits expenses	659	634	4
Administration and establishment expenses	737	759	(3)
Selling expenses	336	262	28
Depreciation and amortisation	120	93	29
Total operating administrative and selling expenses	1,853	1,748	6

The company continued with initiatives to leverage information technology to enhance productivity and business practices in order to optimise expenses.

Management Discussion and Analysis

Profit before income tax

The company recorded Rs. 2.3 billion of profit before tax, 163% growth over 2014.

Income tax reversal

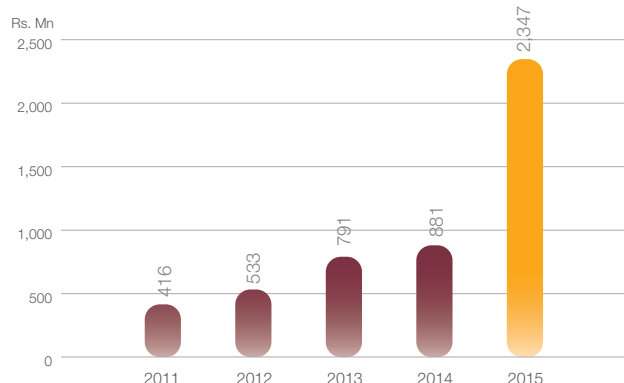
The company is liable for income tax at 28%. The business has generated tax losses as per the existing tax regulations. The company has recognised a deferred tax reversal on temporary differences to the value Rs. 28 million.

Profit for the year

Company generated a profit of Rs. 2.3 billion for the year, an increase of 95% from 2014.

Profit for the year includes Rs. 1.2 billion gain on sale of the non life business. Profit from the life business increased by 21% from Rs. 881 million to Rs. 1,067 million in 2015.

Profit for the Year



Prudent investment and risks management

Investment and other income

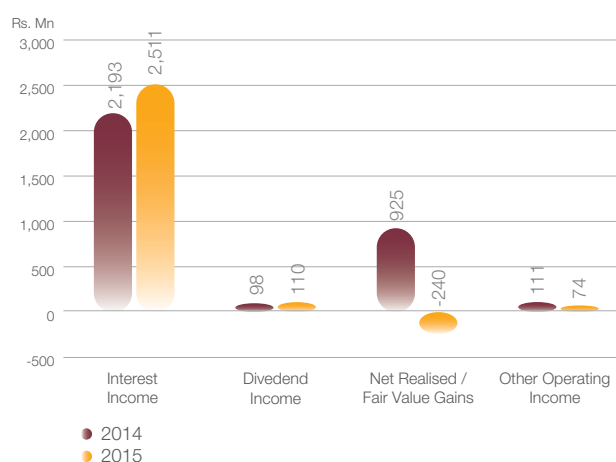
The investment income for the year with comparatives for 2014 by major categories is as follows:

For the year ended 31 st December	2015 Rs. 000	2014 Rs. 000	% Change
Interest income	2,510,773	2,193,389	14
Dividend income	109,609	97,733	12
Net realised / fair value gains	(240,365)	925,169	(126)
Other operating revenue	74,256	111,289	(33)
Total	2,454,273	3,327,580	(26)

Amidst a challenging interest rate environment we achieved a 14% increase in interest income from our portfolio of fixed income securities compared with last year due to capitalising on opportunities in government securities and corporate debt which matched our risk return profile.

The equity market performed poorly during 2015 which resulted in net realised fair value losses, compared with the gains we have recorded in 2014.

Investment and Other Income



Risk management

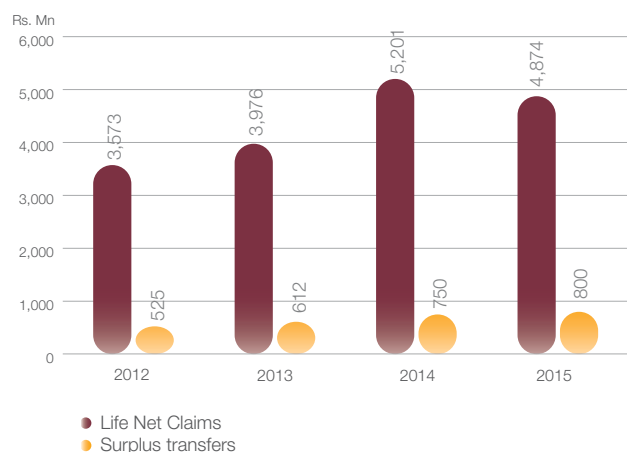
Our policyholder fund has been invested in line with the determination as per section 25 (i) of the Regulation of Insurance Industry Act No 43 of 2000 and subsequent amendments made by the Insurance Board of Sri Lanka. As per the new Risk Based Capital (RBC) framework, the investments would attract charges based on the level of risks associated with the type of asset. Stemming from our risk identification and management policies we have addressed all key risks and maintained them within tolerance levels through our risk management framework and strategies. We have ensured that our investment policies are designed in a manner that minimises the risk charges. This ensures that the company maintains the right level of liquidity to honour benefits and claims of policyholders.

Benefits and claims

Net benefits and claims represent the amount a life insurer has paid out and payable as benefits and claims to its customers. During the year net benefits and claims paid recorded a 17% growth while the net change in insurance claims outstanding recorded a 74% decline. Change in contract liabilities of the life fund declined by 12% while underwriting and net acquisition costs (including reinsurance) increase by 16% in line with GWP growth.

For the year ended 31 st December	2015 Rs. Mn	2014 Rs. Mn	% Change
Net insurance benefits & claims paid	1,448	1,238	17
Net change in insurance claims outstanding	25	95	(74)
Change in contract liabilities – life fund	3,401	3,868	(12)
Underwriting and net acquisition costs (including reinsurance)	1,289	1,116	16

Movement of Net Claims and Benefits



Value generated

Total Shareholder Returns (TSR)

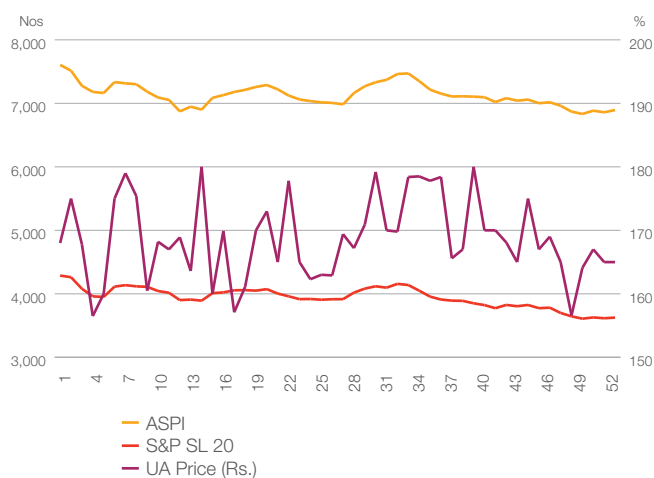
TSR of UA share were 4.6% in 2015 compared with 63.5% recorded in the previous year. Dividend yield of 3.9% and capital gain of 0.6% contributed to this positive TSR in 2015.

Valuation 31 st December	2015	2014
Earnings per share (Rs.)	31.2	14.0
Net assets per share	58.8	72.5
Price earnings ratio (Times)	5.3	11.7
Price / book value (Times)	2.8	2.3
Dividend yield (%)	5.2	4.0
Total shareholder returns (%)	4.6	63.5

Rs. 8.50

Dividends per share for 2015

UA Share Price Movement vs. Market Performance



Source: Colombo Stock Exchange

Dividends

The dividend policy of UA seeks to ensure a dividend payout which correlates with the growth in profits, whilst ensuring that the company retains adequate funds to meet the solvency requirements as stipulated by the Insurance Board of Sri Lanka (IBSL) in the short, medium and long term.

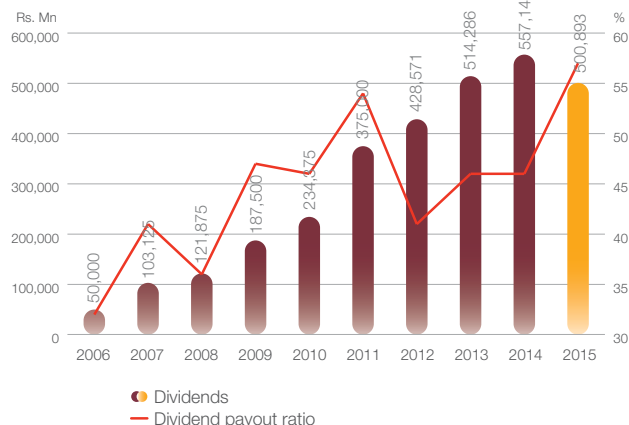
The Board of Directors declared a first and final dividend of Rs. 8.50 per share, based on the profits of 2015. Accordingly, the gross dividend payable out of the profits for the year ended 31st December 2015 will be Rs. 501 million. Dividend of Rs. 557 million was paid in the previous year. UA pays its dividend annually.

Gross dividend vs. dividend payout

Year	DPS (Rs.)	Dividends (Rs. '000)	Dividend payout ratio %
2011	5.00	375,000	54
2012	5.00	428,571	41
2013	6.00	514,286	46
2014	6.50	557,143	46
2015	8.50	500,893	27

Management Discussion and Analysis

Gross Dividend vs. Dividend Payout



Earnings Per Share (EPS)

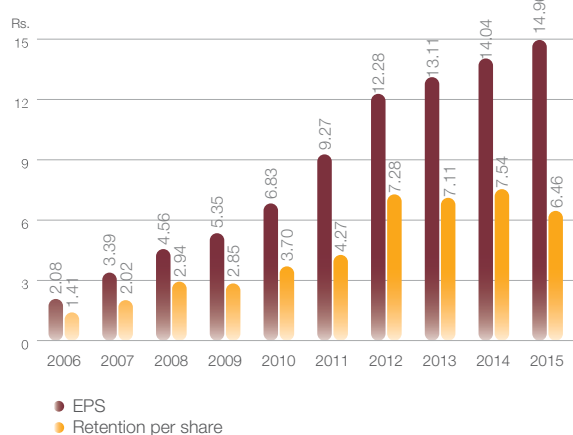
EPS for the year ended 31st December 2015 was Rs. 31.20, an increase from Rs. 14.04 recorded in 2014. The 2015 EPS includes the gain on disposal of the non life business.

EPS vs Retention Ratio

Year	EPS (Rs.)	Retention per share (Rs.)	Retention ratio %
2006	2.08	1.41	68
2007	3.39	2.02	59
2008	4.56	2.94	64
2009	5.35	2.85	53
2010	6.83	3.70	54
2011	9.27	4.27	46
2012	12.28	7.28	59
2013	13.11	7.11	54
2014	14.04	7.54	54
2015*	14.96	6.46	43

* Adjusted EPS for the gain on sale of the non life business

EPS vs. Retention Per Share



22%

Increase in price to book ratio

Price Earnings Ratio (PER)

PER as at 31st December 2015 decreased to 5.3 times from 11.7 times as at 31st December 2014. The company's shares were trading at a 70.6% discount to the market PER which on 31st December 2015 was estimated at 17.98 times. The year on year decrease in PER is due to higher profits recorded from the 78% divestment of the non life business.

Price to Book Ratio (PBR)

PBR as at 31st December 2015 was 2.8 times, an increase of 22% from 2.3 times recorded in 2014.

Company share price movement vs. Market performance

Market capitalisation and market price

The market capitalisation of Union Assurance share as at 31st December 2015 was Rs 9.72 billion, valued at the year end price of Rs. 165 per share. UA's main benchmark indices - the All Share Price Index (ASPI) and the S&P Sri Lanka 20 - decreased by 5.54% and 11.33% respectively. In the same period, the UA share price ranged between a low of Rs 150.00 and a high of Rs 200.00, closing the year at Rs. 165.00.

Market information on ordinary shares of the company

Market value	2015	2014
Highest price (Rs.)	200.00 (23 July 2015)	180.00 (12 Nov 2014)
Lowest price (Rs.)	150.00 (29 April 2015)	100.20 (11 Mar 2014)
Year end price (Rs.)	165.00	164.00

Trading statistics

	2015	2014
Number of transactions	936	1,425
Number of shares traded	248,509	572,423
Value of shares traded (Rs.)	41,637,617	84,082,580
Shares traded as a % of total shares in issue (%)	0.4	0.7
Market capitalisation (Rs.)	9,723,214,380	14,057,142,904

Financial stability

Capital re-organisation

Consequent to the unanimous shareholder approval obtained at the Extraordinary General Meeting held on 28 November 2014 and the demerger sanctioned by way of a Scheme of Arrangement in terms of Section 256 of the Companies Act No.7 of 2007 by the Commercial High Court of Colombo, in case No. H.C.(Civil) 48/2014 (CO) by Order dated 8th December 2014, Union Assurance PLC re-organised its stated capital to Rs. 1,000,000,000 on 1st January 2015 with the difference of Rs. 138,432, 305 being transferred to retained earnings.

Sale of subsidiary

Consequent to the demerger, the non life insurance business (inclusive of all assets, undertakings, property, rights and liabilities in respect of the non life business) was undertaken by Union Assurance General Limited which was incorporated as a fully owned subsidiary last year. On 1 January 2015, UA divested a 78% stake in its subsidiary, Union Assurance General Limited to Fairfax Asia Limited for a total consideration of Rs. 3.66 billion. Union Assurance PLC retains a 22% stake in Union Assurance General Ltd and the latter is treated as an Associate by the company.

Repurchase of shares

In the third quarter of 2015 the company carried out a share repurchase at Rs.167.80 per share. A total of 26,785,714 shares were repurchased distributing an equity of Rs. 4.5 billion to shareholders. Number of shares in issue before the repurchase was 85,714,286 and number of shares after the repurchase was 58,928,572.

Profit on sale of subsidiary

Indicating the value generated in the non life business over the years, the company generated a capital gain in excess of Rs. 1.2 billion through the disposal of a 78% stake in the non life company.

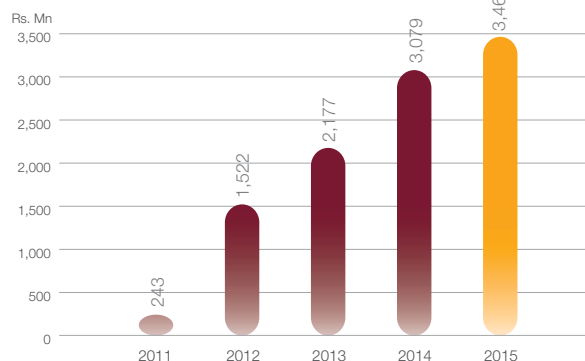
Net assets

Our total net assets comprising of the total assets less liabilities as at 31st December 2015 stands at Rs. 3.5 billion.

2.73 Times

Solvency Margin

Net Assets



Solvency margin

The solvency margin is an important financial indicator and a key benchmark for industry regulators. It measures an insurance company's ability to pay out claims when unforeseen events occur. In other words the solvency margin indicates stability and liquidity of an insurer's financial position.

UA always maintains a very healthy solvency margin providing strong assurance to its customers on the financial stability and liquidity of the company. The excess over solvency margin of the life insurance business as at 31st December 2015 was Rs. 1,905 million and it is 2.73 times the requirement.

The details of the solvency positions is given in page 214.

Financial strength

Financial investments

The investment portfolio which includes Government securities, corporate debt, bank deposits and equity investments has increased by 10%, from Rs. 24.04 billion in 2014 to Rs. 26.54 billion in 2015. As per the current, accounting standards, financial investments are classified into four categories as depicted below.

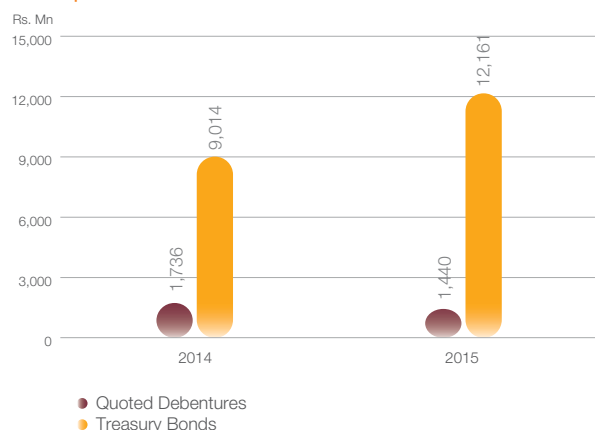
For the year ended 31 st December	2015 Rs. 000	2014 Rs. 000	% Change
Held to maturity financial assets (HTM)	13,600,906	10,749,495	27
Loans and receivables (L&R)	1,888,987	2,250,619	(16)
Available for sale financial assets (AFS)	7,041,021	7,033,871	-
Financial assets at fair value through profit or loss (FVTPL)	4,010,020	4,004,993	-
Total financial investments	26,540,934	24,038,978	10

Management Discussion and Analysis

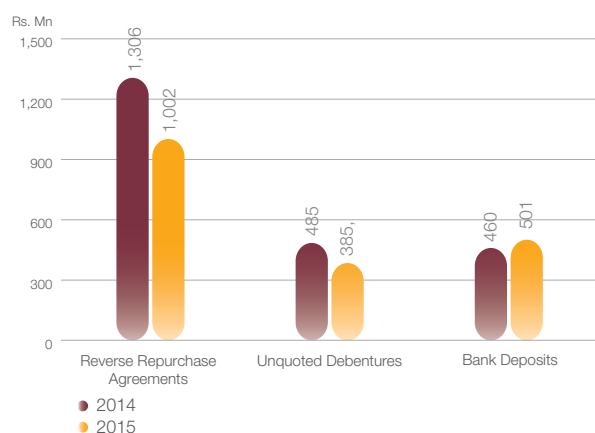
Growth in HTM investments reflects investments in long term Government securities invested at attractive interest rates.

The accounting treatment with reference to the above financial instruments is explained in Note 4.18 to the financial statements.

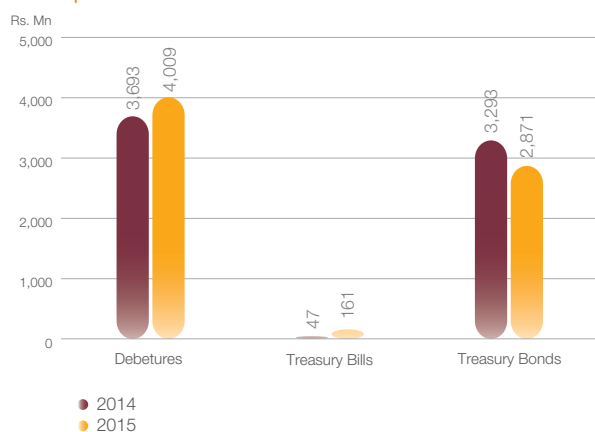
Composition of HTM Investments



Composition of L&R Investments

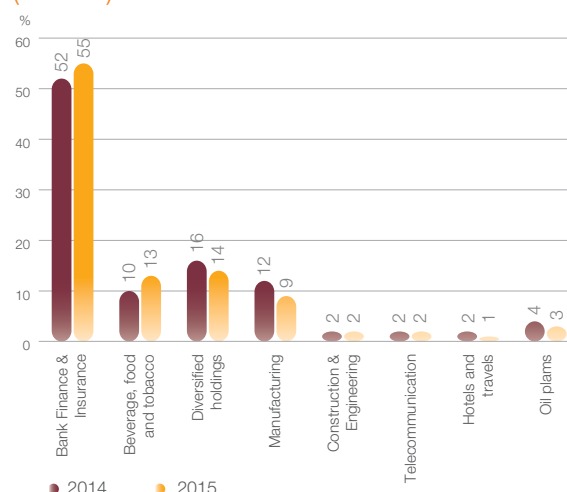


Composition of AFS Investments



Following the annual valuation of life policyholder liabilities, the life insurance provision as at 31st December 2015 increased from Rs. 20.4 billion in 2014 to Rs. 23.7 billion.

Composition of Equity (FVTPL) Investments



Property, plant and equipment

The net book value of property plant and equipment in 2015 and 2014 were Rs.1.5 billion and Rs.1.2 billion respectively. The two main properties owned by the company, the land and building held in Colombo 3 and Kurunegala, were revalued during the year.

Loans to policyholders

As at 31st December 2015 total loans granted to active Life policyholders amounted to Rs. 742 million. The net increase in loans granted during the year was Rs. 81 million.

Reinsurance receivable

Reinsurance receivables have increased by Rs. 82 million during the year. Adequate provision has been made in the financial statements for reinsurance receivables where recovery is considered doubtful.

Life insurance provision

Following the annual valuation of life policyholder liabilities, the life insurance provision as at 31st December 2015 increased from Rs. 20.4 billion in 2014 to Rs. 23.7 billion. In addition, the Unit Linked insurance provision decreased from Rs. 2.6 billion to Rs. 2.5 billion.

Equity

Due to the share repurchase the shareholder's equity of the company reduced from Rs. 6.2 billion in 2014 to Rs. 3.5 billion in 2015 and the management is confident that this is adequate to fund the short to medium term strategies of the life business.

Contribution to national economy

Statement of value added Rs. Mn	2015	2014	2013	2012	2011
Net written premium	6,600	5,617	5,235	4,857	4,269
Investment and other income	3,733	3,328	2,225	1,745	1,202
Net claims	(1,448)	(1,238)	(1,142)	(1,767)	(748)
Cost of external services	(966)	(914)	(950)	(838)	(778)
Total value added	7,919	6,793	5,368	3,997	3,945
Distribution of value added					
To employees as salaries and other benefits	732	718	687	685	594
To intermediaries as commission	1,289	1,116	968	891	819
To Life policyholders as increase in Life fund	3,425	3,963	2,835	1,806	2,044
To Government as taxes	36	23	23	25	27
Retained with the business					
as depreciation / amortisation	120	93	64	58	45
in reserves	1,761	518	543	308	267
To shareholders as dividends	557	362	248	224	149
Total value added	7,919	6,793	5,368	3,997	3,945

Our economic value added statement reflects the manner in which the company has generated and distributed wealth among its various stakeholders. The total value generated for the current year is Rs. 7,919 million. The income which has been contributed to the economy has shown an increase of 17% compared to the preceding year and has recorded a compounded average growth of 19% over the last 5 years.

Management Discussion and Analysis

Human Capital Report

At Union Assurance we recognise that the human capital we possess is a key differentiator in the way we do business. Therefore we continuously strive to invest in the human capital we have, enhancing it through training and development and appropriate recruitment decisions to enable this capital to continuously create value through the business process.

People are at the heart of everything we do at UA. Providing a great place to work is a critical component of our journey towards sustainable performance. We want to foster an open, safe, inclusive and stimulating working environment for our employees. We also have the ambition to be a preferred employer for our existing and potential employees. We aim to consistently provide our people with the tools they need to be successful and to create a work environment that supports their physical and mental well-being. We seek to empower our people to make a positive difference to our customer and we

encourage them to develop and advance in their carriers and contribute positively to the society.

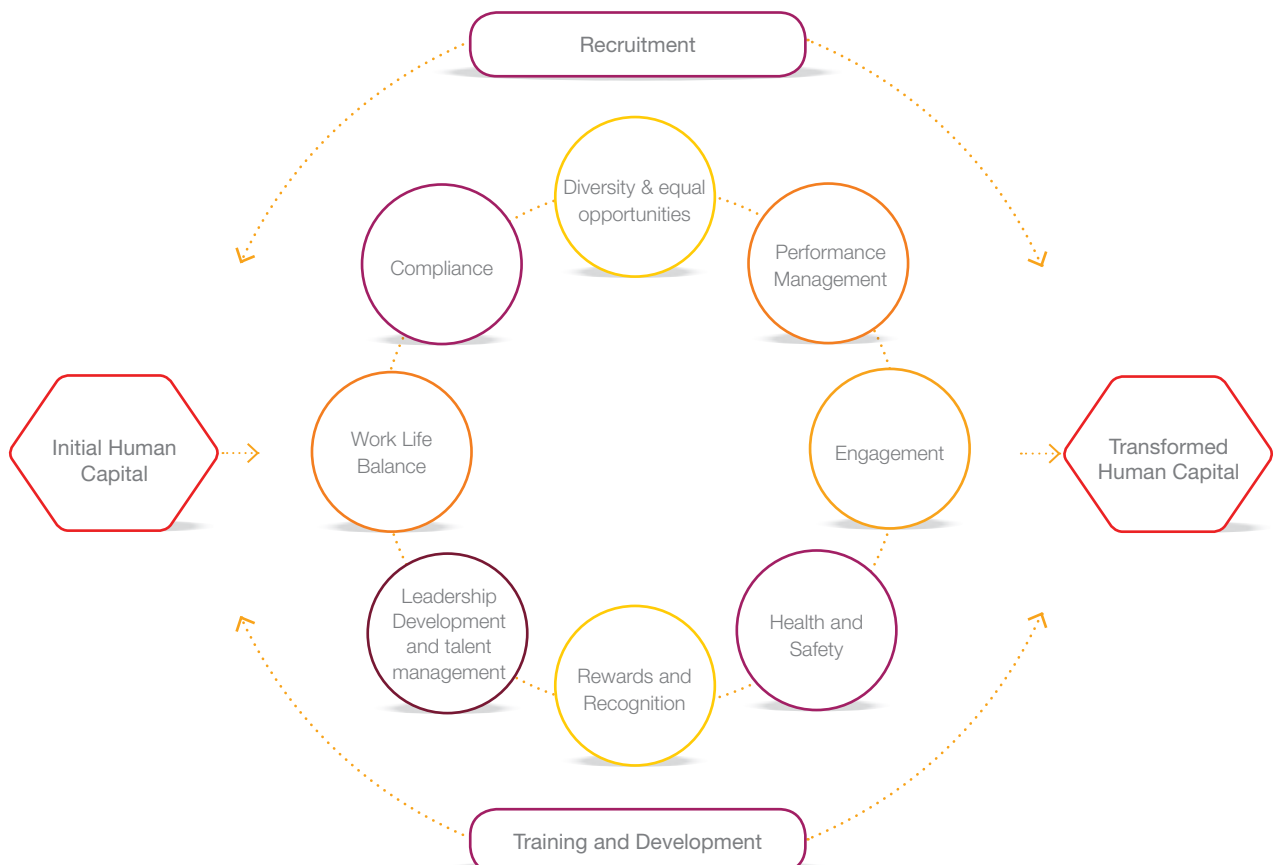
To develop a sustainable business, it is important to attract, retain and develop the appropriate skills. In doing so, proper understanding of needs of the business and the expectations of our employees is paramount. Every possible effort is made to reasonably meet their needs in supporting the requirements of the business.

Being a life insurance company, our human capital consists of two main categories;

1. Employees
2. Field staff

Based on the very different requirements and nature of these two broad categories the operational management processes differ. However, our approach to the human capital management process is similar and is summarised in the diagram below;

For the third consecutive year, we were chosen as one of the 20 best companies to work for in Sri Lanka by the GPTW[®] institute.





At the GPTW Awards Ceremony

Recruitment

UA has a robust recruitment process to select the best talent to our workforce. Depending on the position in question, the candidates go through a number of processes which involve panel interviews, tests and presentations in order to assess their technical skills, soft skills and attitude.

Induction and familiarisation

An important feature in the recruitment process is to ensure that new recruits understand the culture of the organisation, the organisational structure and the framework within which the company operates.

New recruits go through a two day induction programme and recruits to the senior management, through a learning arrangement on the key operational aspects of the company which is spread over five days. The time period of this familiarisation session is extended based on the need to equip them to commence the job comfortably and confidently. A “Buddy” concept is practiced to ensure effectiveness of the integration process of new recruits. The table given below indicates the number of induction programmes conducted and the hours covered.

	2015	2014
Number of Programmes	113	306
Number of hours	11,292	19,841

Employee turnover

UA takes serious account of its employee turnover which is the process of replacing one employee with another for any reason. The rate of attrition is a concern to UA as employee turnover could impact the service standards the company has committed to and it can also be a burden on profitability.

Employee Turnover by Age and Gender	2015			2014		
	Male	Female	Total	Male	Female	Total
Less than 30	20	23	43	13	27	40
31-40	13	4	17	14	4	18
41-50	10	0	10	22	0	22
51-60	04	3	07	1	3	4
Total	47	30	77	50	34	84

Employee Turnover by Region	2015			2014		
	Male	Female	Total	Male	Female	Total
Northern	2	1	3	2	4	6
Eastern	2	1	3	2	1	3
Southern	1	3	4	1	4	5
Western	34	24	58	26	25	51
Central	2	1	3	1	9	10
Uva	1	0	1	5	5	10
North Central Zone	5	0	5	1	1	2
North Western Zone	0	0	0	1	1	2
Total	47	30	77	34	50	84

Management Discussion and Analysis

GRI-G4
G4-9
G4-LA9
G4-LA12

As at 31st December 2015, UA had an employee strength of 450 engaged in sales and non-sales related functions at Head office and at our regional offices across the island. Out of the total, 64% relates to non-sales with the balance representing the sales staff.

Enhancing employee productivity is key to achieving the company's objectives and hence UA continues to invest in programmes which increase staff productivity.

UA is geared to meet the varied expectations of its stakeholders, (especially complex requirements of customers) with a well experienced employee base. More than 35% of the employees have versatile experience having worked for the

Company for more than 6 years and having adequate insight in to the business activities and service standards.

Staff strength

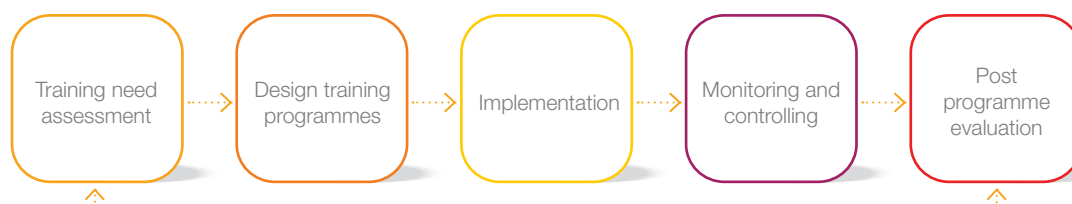
As at 31 st December	2015	2014
Executive Committee	6	6
Assistant General Mangers	7	7
Senior Managers	23	25
Manages	144	151
Executives	85	92
Non Executives	185	164
Total	450	445

Tenure of Service	Executive Committee		Assistant General Mangers		Senior Managers		Managers		Executives		Non Executives		2015 Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
5 and below	1	1	1	1	9	1	84	8	27	16	53	89	291
6-10	2	0	2	1	2	3	29	5	11	11	7	5	78
11-15	1	1	1	0	4	0	4	1	0	1	1	0	14
16-20	0	0	1	0	3	0	5	3	4	8	10	1	35
Above 20	0	0	0	0	1	0	2	3	2	5	15	4	32
Total	4	2	5	2	19	4	124	20	44	41	86	99	450

Training and development

Building a high performing team through training, development and education provides immense benefits to the organisation by way of increased productivity, knowledge, loyalty and ability to add value. Our aim is to focus on training which can significantly improve our human capital. One key factor in employee motivation and retention is that all employees want to grow and develop their career and reach their full potential. At UA we believe that providing such opportunities to employees is one of the strongest drivers of motivation. During the year, we continued to invest in our people. The range of training encompassed technical, functional, language, information technology and general management.

Our training and development process



Training and development cycle

We use a wide variety of training resources and programmes locally and internationally to suit the needs of the office as well as the field staff. Including the in-house panel of trainers, the total training and development expense for 2015 is tabulated as follows;

Investment In Learning and Development	2015 (Rs.Mn)	2014 (Rs.Mn)
In-house training	4.96	3.45
External training	1.05	0.96
Conference	0.40	0.71
Overseas training	9.00	10.00
Insurance and professional education	1.89	2.08
Professional membership	1.33	1.10
Total	18.63	18.30

The following table provides the training programmes initiated in line with our strategy during the year.

Training Programmes and Training Hours	2015			2014		
	External	Internal	Total	External	Internal	Total
Number of programmes	60	53	113	76	66	142
Number of training hours	1,224	10,068	11,292	7,640	1,784	9,424

A total of 51 in-house training programmes and 60 external programmes including 21 overseas programmes were carried out during the year. The total learning days achieved against the benchmark that the company wanted to achieve are given below with the present year actuals;

Category	2015		2014	
	Benchmark	Actual	Benchmark	Actual
Managers	6	3	6	3
Executives	4	3	4	2
Non executives	3	4	3	3

Types of training and training hours by employee category for the year ended 2015 are given below.

Training Hours	Senior Management	Executive	Non executive	Total
No. of employees	35	229	186	450
No. of training hours	1,516	5,455	4,696	11,667
Average no of training hours per employee	43.1	24	26.3	93.4

Support for professional education

UA has a strong culture which helps employees pursue professional education in insurance and other job related courses. This professional examination assistance scheme supported 50 members in 2015.

Certificate in life insurance practice (CLIP) - internal certification programmes

This certification programme was developed for technical sales support staff in life insurance to enhance their knowledge of life insurance practices. To be certified, each person has to pass a written exam and participate in group assignments as per the curriculum. In 2015, 35 branch sales support staff members participated and completed this programme.

Leadership and public speaking

Union Assurance Toastmasters Club

Union Assurance Toastmasters Club was chartered in 2009 / 2010, and has since provided national and international level platforms for Union Assurance employees with a flair for public speaking. Since receiving its charter, the UA Toastmasters have progressed from strength to strength.

In the year 2014 / 2015, the club received the highest level of recognition from Toastmasters International by winning the title of President's Distinguished Club for the second time. In addition, the UA Toastmasters also had the honour of winning the Golden Gavel Plus for the first time. This club also, received the 'Beat the Clock,' Smedley and the 'Talk Up Toastmasters' awards for the second time in 2015. There are 46 registered members with many other visiting members benefiting from the club's activities.



UA Toastmasters

Overseas exposure

UA continued to provide overseas exposure to staff members as an essential element of the training and development process. 27 employees attended overseas training programmes during the year.

Management Discussion and Analysis

GRI-G4
G4-LA1
G4-LA9

International programmes	2015			2014
	Male	Female	Total	Total
Life division	4	4	8	7
Marketing and Distribution	7	-	7	6
Human Resources	2	-	2	3
Information Technology	5	-	5	-
Actuarial	1	2	3	6
Finance	-	1	1	-
CEO Secretariat	1	-	1	-
Total	20	7	27	22

Sri Lanka Institute of Training and Development Awards

Union Assurance bagged the Gold award for people development for the 3rd consecutive year in 2015 at the award ceremony organised by the Sri Lanka Institute of Training and Development (SLITAD). Union Assurance was also honoured with a “Platinum” award for winning the gold award for three consecutive years.

The award is a testimony of the company’s commitment to providing unique training and development opportunities for staff at all levels in a structured manner.



At the SLITAD Awards Ceremony

Diversity and equal opportunities

Diversity brings fresh ideas, perspectives and experiences in a welcoming environment where everyone has the opportunity to fully participate. We consider it is vital to respect the

individuality of every person working with us and to embrace the opportunities that diversity in the workplace brings. Diversity and an inclusive workplace are critical to our company and we are taking extensive measures to ensure that the attitudes of openness and inclusivity are embedded at every level of UA.

This is why at UA we;

- Treat others the way we want to be treated,
- Promote a workforce, in which diverse thinking and free expression of personal values are genuinely appreciated,
- Stand for equal treatment and work opportunities for everyone at UA and
- Work closely together in the recognition that collaboration leads to better results

Diversity goes beyond the male / female ratio. We want to be inclusive in our hiring process across race, age, sexual orientation, physical abilities and personal philosophies. However, we mainly report on gender equality due to different legal definitions in measuring diversity.

In 2015, we amended our HR policy on Equal Opportunity and Non Discrimination and enhanced it’s scope in order that there would be no discrimination based on race, religion, gender, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion.

Gender diversity

Our business strategy has created many job opportunities for people and especially with a large amount of fixed term contract employment being created for new entrants to the labour market. This has been regarded as an internal talent pipeline to provide permanent employment when opportunities arise.

Percentage of New Employee Hires	2015		2014	
	Number of new hires	As a % of total hires	Number of new hires	As a % of average staff
Male	125	26	164	36
Female	354	74	292	64

We use mass media, web and social media advertisements, internal referrals, career fairs and university / professional institutes and placement schemes to communicate available job opportunities. Short-listed applicants, based on minimum requirements are interviewed by a panel of interviewers and details of potential candidates are kept in the database for future reference.

Gender diversity across all levels

Men and Women in the Work Place	2015		2014	
	Men	Women	Men	Women
CEO and General Mangers	4	2	4	2
Assistant General Mangers	5	2	5	2
Senior Managers	19	4	20	5
Managers and Assistant Managers	124	20	130	21
Executives	44	41	46	46
Non Executives	86	99	83	81
Total	282	168	288	157

We have maintained the gender diversity at same levels as last year. We are working on improving diversity in the assistant manager, manager and senior manager levels.

Age diversity

More than two thirds of the employees are less than forty years old. Our youth population has been given many opportunities and they have a considerable representation in the executive and the managerial levels.

UA has maintained a healthy balance between youth and experienced staff while creating opportunities for both segments to grow with UA.

Tenure of Service	Executive Committee		Assistant General Mangers		Senior Managers		Managers		Executives		Non Executives		2105 Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
30 and below	0	0	0	0	0	0	18	5	29	13	52	82	199
31-40	0	1	0	1	7	3	65	5	9	15	7	12	125
41-50	2	1	2	1	10	1	38	7	5	12	18	4	101
51-60	2	0	3	0	2	0	3	3	1	1	9	1	25
Total	4	2	5	2	19	4	124	20	44	41	86	99	450

Much of our managers are in the 31 to 50 year age group and high performers from this group are developed to take on senior manager role. Similarly executives are being developed to take on the next level. Our employee development programmes are explained in detail on pages 58 and 59.

	No. of Employees		Composition %	
	Men	Women	Men	Women
Northern	4	3	1%	1%
North Central	16	5	4%	1%
North Western	19	3	4%	1%
Eastern	14	7	3%	2%
Central	12	5	3%	1%
Western	187	132	42%	29%
Uva	8	4	2%	1%
Sabaragamuwa	6	1	1%	0%
Southern	16	8	4%	2%
Total	282	168	63%	37%

As seen in the above table much of our staff are concentrated in the western province. This is due to the head office being located in the Western province and much of our support services being centralised at the head office.

Management Discussion and Analysis

Performance management

UA has implemented a robust performance management system where each employee's performance is assessed in a fair and equitable manner.

Employee's performance against the set objectives is first assessed by his / her immediate supervisor and his / her recommendations provided. Following this process, all recommendations of executive and above category are presented to a career committee comprising senior management from different departments. Based on the recommendations received, this committee assesses the performance of employees and provides final recommendations on performance along with their feedback as a committee. Subsequently, individual feedback sessions are held to communicate the final performance rating and career committee feedback to relevant staff members. Feedback sessions are conducted by the individual's immediate supervisor in the presence of a member from the respective career committee in which his / her performance was discussed.

In 2015, UA brought staff members upto executive level also into a similar process by introducing a "Career Discussion" process which is a similar to the Career Committee process.

Remuneration policy

The objective of the remuneration policy is to attract, motivate and retain qualified and talented individuals that the company needs in order to achieve its strategic and operational objectives, whilst acknowledging the societal context around remuneration and recognising the interests of UA's stakeholders.

As outlined in the Remuneration Committee report, the key remuneration policy principles are as follows:

- Total remuneration is set at a level that can attract, motivate and retain high quality talent
- Remuneration is commensurate with each employee's level of expertise and contribution and is aligned with the company's performance
- Executive remuneration is set so that a significant portion is linked to performance

The performance related element of remuneration is designed and tailored to align the employees' and main stakeholders interests

- Remuneration levels are based on industry and market surveys

Initial compensation and benefits are decided based on individual knowledge, skills and competencies and remuneration policies. Individual employee performance is reviewed twice a year, through a mid-year one-on-one performance appraisal process and a more formal career committee performance evaluation at year end.


Benefits for employees

UA offers various benefits to its employees based on the category and job responsibilities other than benefits defined by relevant regulations. These include;

- Medical benefits, life Insurance cover including personal accident cover, hospitalisation cover, family cover and critical illness cover
- Vehicle loans at concessionary interest rates / festival advances
- Access to hotels managed by JKH group at concessionary rates
- Study leave and professional education assistance
- Reimbursement of selected professional memberships / subscription payments
- Performance related bonus
- Tab loans / mobile connections

Employee engagement

We have developed several communication channels and forums to ensure that our employees are fully informed regarding the company's operations, strategies, progress against objectives and any other areas which directly impact them. Employee satisfaction surveys are conducted every year to allow employees to air any grievances in an anonymous fashion and identify any areas which require improvement.



Coffee with CEO

Coffee with CEO is a unique concept which is similar to skip level meetings but in a group environment where the middle and lower level staff members get an opportunity to directly interact with the CEO in an informal manner.

Objective

To provide the opportunity for staff at all levels to directly interact with the CEO and create an environment to make suggestions for improvement.

Selection

Will be made by General Managers.

Meeting Structure

The nominated staff members will have an informal chat with the CEO at the boardroom while enjoying cup of Coffee!

HR TEAM

Values Walkway: UA's management firmly believes that core values are central to the long term success of the organisation. Hence, proactive steps are taken to ensure that all staff members live by the corporate values at all times. With the re-enforcement of UA values, a "Values Walkway" was created along the 6th floor to the rooftop at UA head office. The main objective of this was to inspire the UA staff with the corporate values, "ExCITE".



Provide a Great Place to Work

Employee Survey 2015: UA was recognised for the third consecutive year as a Great Place to Work via a survey, across many banking and financial institutions as well as multinationals, public listed companies and organisations. The survey was conducted by the Great Place to Work® Institute. More than 5,000 employees from various industries participated in the survey.

UA staff members have rated training and development, support, friendliness approachability of the management, company culture, company reputation, brand and the work environment of UA as very high among the factors that made Union Assurance a Great Place To Work for the last three years consecutively. In addition, UA has also identified the areas where improvements are needed and we are in the process of addressing them for further improvement. As per the survey, Union Assurance is comparable with and in some instances better than many of the best multinational companies in the world.

Management Meetings: Open, transparent communication plays a vital role in our strategy to engage with our employees. The company conducts management meetings on a quarterly basis to discuss business developments, company activities and progress against plans. This information is then cascaded to every employee by the respective departmental / branch manager. This forum allows employees to raise questions and concerns and make suggestions, as well as enables management to gather insights from staff on the issues and opportunities they believe need to be addressed.

Strategic Planning Process: We continued the practice of conducting an interactive strategic planning process involving representatives from all functional areas including the head office and distribution network across the country. Planning sessions were initiated from the 3rd quarter of 2015 in order to prepare the plans for the year 2016. Over 500 persons directly participated in the planning discussions which included the sales staff from the branch network.

Strategic and tactical action plans prepared based on these discussions and meetings are ratified by the Executive Committee and formally presented for approval by the Board of Directors.

The company also allowed the employees to send their suggestions via the intranet and all suggestions were analysed to understand possibility of implementation. This was launched as a competition in December 2015 and the top 10 best ideas were rewarded.

Coffee with CEO: This initiative was launched to provide an opportunity for staff to directly interact with the CEO and discuss any matters related to their area of work.

It is also an opportunity for staff to interact with team members from other functions to clarify any issues and appreciate their points of view. Staff are encouraged to share their ideas regarding new products and service enhancements as well.

Matters discussed are referred to relevant divisions for successful closure and is subject to a close follow-up process to ensure that employee comments and concerns (voice of the employee) is given due consideration.

Use of Text Messages (sms): UA continued to use text messages to update employees with company news, events product launches etc; UA also operates an email account where any employee can send in suggestions / ideas.

Use of Social Media such as "Facebook": We encourage staff to connect with the company through their Facebook accounts and many activities were launched during the year.

Management Discussion and Analysis

GRI-G4
G4-LA5

Employee health and safety

UA follows various national and international guidelines on workplace health and safety. These directives set out general principles to maintain and enhance workers' occupational safety and health. We have initiated a range of activities related to health and safety to ensure we have a very safe place to work.

- **Fire drills:** abrupt fire drills are initiated to educate employees on how such a situation should be handled
- **Vitality and work:** various initiatives launched to ensure proper work-life balance as indicated under "Great Place to Work" section
- **Working environment:** we have provided our employees proper workplace layouts and other facilities in compliance with accepted health and safety measures
- **Incidents at work:** we have a very systematic process in place to record and monitor occupational incidents and to take preventive actions

Further UA conducts selective programmes to educate and create awareness on serious diseases such as HIV / AIDS. UA also has engaged an institute to provide confidential counselling support should any employee require this service.

Union health camp

A health camp was conducted for all employees at Head Office. Employees above forty years had the opportunity to get a free medical check-up sponsored by the company while the other employees received a special discount on the fee.

Rewards and recognition

We understand the importance of our employees knowing that they are viewed as valuable assets of the organisation. With a right reward and recognition system, we strive to create and reinforce a positive self-image in our employees.

Service champions

The objective of the "Service Champions" reward scheme is to select and reward the most outstanding employees in support services units and to distinguish high performers. As such they are used as role models. UA recognised 17 non sales staff members under this category at the annual awards ceremony.

Employee recognition schemes

UA has implemented several strategies to recognise sales and non-sales staff. Recognition schemes for sales staff are based on achievement of targets and quality of business generated. Non sales staff are recognised for the contribution made to

significant company initiatives, value addition in their respective functions and the scheme is open to individuals and teams.

During the year, 40 non sales staff members have been nominated under the non-sales employee recognition scheme, for contributing to initiatives which enabled UA to differentiate itself from competition, launch new products, enhance customer service and streamline training and development activities.

Superior performance and recognition (SPAR)

UA's spot recognition programme provides line managers with the opportunity to grant instant rewards to their staff whenever an action is deemed "worthy" and "rewardable." It is the quickest, easiest and most convenient way to reward employees when there is a need to make a visible acknowledgement of their contribution. In the year 2015, 92 employees were recognised with SPARS.

Variable bonus scheme

UA has implemented a variable bonus scheme to recognise the relative contribution of all staff to achieve corporate objectives. Under this scheme, staff members would receive their year-end variable bonuses based on the achievements of business plans as well as their individual performance ratings.

Leadership development and talent management

Union Assurance continued to offer a series of specially designed training programmes for leadership development and talent management from junior level to senior management level. These programmes include Top Gun, Manager Par Excellence, Exercise Magnum Opus, Executive Development Programme, Ladder Project and Transformers.

Top Gun

Top Gun is a premier management development programme offered by UA exclusively for the senior staff category. The main focus of this training programme is to create an effective leader out of a practicing manager. This programme consists with 7 one day sessions running for 4 months and conducted by very reputed best in class resource persons in the industry.

Selection of candidates for this training programme is done by the top management carefully looking at various aspects of the candidate to assess suitability. The programme aims to develop UA's talent pool to accept higher responsibilities in their career path.

Top Gun – Out bound session

This is the culmination of the Top Gun programme and created to incorporate classroom based leadership learning into an outdoor adventure based exercise with the focus on experiential learning. All tasks and activities were conceptualised with key management learning in mind. 13 participants in 2 teams participated in this unique adventure based event.

The programme was held over a period of three days with two overnight stays in a beautiful jungle setting where they had to put up their own tents for lodging. Many adventurous and exciting activities such as paint ball, bamboo rafting and cycling were included in this out bound programme. This was conducted in collaboration with a reputed organisation with extensive experience in conducting outbound programmes.

Manager Par Excellence

Manager Par Excellence programme was a tailor-made programme for Assistant Manager to Assistant General Manager levels. The programme was conducted over a four month period covering eight classroom sessions. 11 Assistant Managers and 11 Managers participated in this programme. Following areas were covered in the classroom sessions:

- Personal effectiveness
- Leadership and management
- Coaching and mentoring
- Managing and leading change
- Creativity and innovation
- Communication and presentation skills
- Negotiation skills
- Decision making skills

A business etiquette session was also conducted by a reputed trainer.

Exercise Magnum Opus

This was similar to the outbound session of the Top Gun and it was created to incorporate classroom based leadership and team building learning into an outdoor adventure based exercise with the focus on experiential learning. 22 managers in 4 teams participated in this unique adventure based event.

This programme was held over a period of two days with an overnight stay in a beautiful setting which concluded with an enjoyable talent show entitled “UA’s Got Talent.” The participants travelled nearly 100 kms using varying modes of transport to reach the final rendezvous. The exercise was

conducted in collaboration with a reputed organisation with extensive experience in conducting outbound programmes.

Executive Development

This Executive Development programme is about career building for executives who constantly strive to take on new challenges. The training helped the participants to face constant challenges, changing technologies, and a fluid environment. The essential objective of this course is to provide executive personnel with the knowledge and skills to develop and enhance managerial skills. The training was adjourned with an interesting trek to worlds-end. 35 executives participated in this programme.

The Ladder Project

This training programme aims to develop young UA staff members to face the challenges of a modern work environment. The facilitators had extensive interaction with the executives and worked through a series of challenging scenarios to build their personal and leadership capabilities. Executives met with the coaches once a month over a duration of four months. Participants had to complete assignments with distinction passes to achieve the title “UA LADDER CLIMBER” which reflects qualities such as positive learning attitude, resilience, self-awareness, increased confident and winning attitude. 40 staff members attended this programme in 2015.

Union Transformers

“Union Transformers” is a special training programme on ethics, morals and etiquette conducted by external and internal facilitators for all staff members below 30 years of age. 47 staff members attended this programme in 2015.

Trainee Regional Manager Programme

The Cadet Manager programme was renamed as Trainee Regional Manager programme to give more meaning to its training objective. This programme was initiated to attract dynamic graduates to take up leadership positions in distribution where each individual would undergo an extensive training programme and once successfully completed would operate as a regional manager. The programme is structured to promote team work, business analysis and crisis management which are very essential in managing dynamic teams to realise business potential.

Succession Planning

A strong succession plan is vital for the long-term sustainability of any business. A succession plan can also help identify key resources from within the organisation that can be trained and mentored to elevate their role in the future. The objective of

Management Discussion and Analysis

GRI-G4
G4-EC3
G4-HR2

UA's comprehensive succession plan for staff above manager level was to fill most or all key appointments internally and also to ascertain development needs of possible successors. UA continues to review staff succession on a quarterly basis and the effort revealed a wealth of information with the assistance of the respective General Managers to effectively implement some of the decisions to ensure greater career opportunities for existing staff members.

Work Life Balance

Work life balance is a concept which looks at proper prioritisation of "work" (career and ambition) and "lifestyle" (health, pleasure, leisure, family and spiritual development / meditation). UA emphasises work life balance to create a productive and a happy set of employees who spend quality time at work as well as with their family and friends.



Flexi hours: A flexi-hour arrangement is in place for employees to best manage their personal commitments without impacting on service standards or official responsibilities.

UA Recreation Club: UA's recreation club organised several events to foster camaraderie among staff. These events provided an opportunity for our staff to relax, have fun, develop team spirit and network with others. In addition, the recreation club contracted several leading establishments to provide goods and services at special rates and easy payment terms to our staff. Other key activities in the recreation club calendar included the Wesak lantern and Christmas nativity scene competitions as well as Wesak bakthi gee and Christmas carols.



Selfie Competition Winners

Compliance (Internal Policies and External Regulations)

Within our sphere of influence and wherever permitted by law, we will support the aims of the Universal Declaration of Human Rights (UDHR), International Labour Organisation (ILO) Core Conventions and the UN Global Compact. Where the countries local legislation goes further than the principles set out by the UDHR, ILO Core Conventions and / or UN Global Compact, UA will adhere to the local legislation. Where the country's local legislation prevents UA from upholding above aspects, UA would strive to act in the spirit and nature of these principles while respecting and adhering to applicable local legislation.

Retirement Benefits

We comply with the Employees' Provident Fund (EPF) Act No. 15 of 1958 and the Employees' Trust Fund (ETF) Act No. 46 of 1980. Accordingly, UA contributes 12% of an employee's basic salary to the Employees Provident Fund and 3% to the Employees Trust Fund on a monthly basis. Further, UA complies with the regulation on payment of Gratuity Act No. 12 of 1983, where all permanent employees who have completed 5 years of uninterrupted service are entitled to receive a retirement benefit which is equivalent to half a month's basic salary into the number of years in service. The defined benefit contribution liability is externally valued by Mr. M Poopalanathan professional valuer of Messrs. Actuarial and Management Consultants (Pvt) limited. The total defined benefit contribution liability for the year ending December 2015 is Rs. 100 million (2014 Rs. 90 million).

Year ended 31 December	2015 Rs.'000	2014 Rs.'000
EPF – Employer	48,090	45,607
EPF – Employee	32,060	30,404
Defined benefit contribution	12,022	11,402

Resignations, Terminations and Transfer Policy

Union Assurance has a comprehensive HR manual which addresses resignation, termination and transfer of employees. Employees may resign from the company subject to the terms and conditions set in their appointment letters, while retirement of employees would be at the age of 55. The company conducts exit interviews prior to employees leaving the company, in order to identify reasons for their exit and to strengthen HR practices if necessary. Where applicable relevant compensation is provided based on existing labour regulation and company policies.

Human Rights at the Workplace

We have integrated human rights policies into our everyday governance and business practices through training, workshops, assessments, grievance mechanisms, audits and reporting. Our human rights policy draws on all labour standards and laws of the country and the UN Global Compact principles. It includes commitments to our workforce, local communities and business partners, and covers health and safety, labour rights and the rights of indigenous people. UA upholds the elimination of all discrimination based on race, religion, gender, age, nationality, social origin, disability, sexual orientation, gender identity, political affiliation or opinion and any form of forced labour and child labour.

All security personnel engaged are from reputed security firms and they have been inducted on best practices with respect to human rights by their respective firms.

Non Discrimination, Child Labour, Forced and Compulsory Labour

The company has a strong mechanism to avoid discrimination when recruiting, promoting and granting recognitions. During the period, there were no incidents reported on such cases. At UA, our policy is to recruit employees above 18 years and to comply with local regulations on child labour. No incidents were reported on forced labour.

Grievance Management Process

UA has a very effective grievance handling process in place. UA acknowledges that as an equal opportunity employer, a grievance handling procedure will provide opportunities to employees who are aggrieved by alleged unfair, unjust or inequitable practice to seek redress without prejudice to the complainant. The company has implemented an online grievance handling system where employees could present their case in an anonymous manner. This will trigger a notice in the form of an email to the relevant officers. After careful evaluation of the issue it is communicated to the individual/s affected and solutions are provided in an effective and efficient manner.

Open Door Policy

Open door policy has become an integral part of UA's culture and creates a very conducive atmosphere for employees to openly express their concerns. This allows people inside and outside the company to report any concerns about possible alleged unfair, unjust or inequitable practices.

Whistle Blowing

The company has set up a formal procedure as well as confidential hot line capabilities on our website for whistle blowing on matters of misconduct. The disclosure is usually by an employee within the company, to those in authority in respect of mismanagement, corruption, illegality, or some other wrongdoing made by a person or a group of people in the company. The whistle blowing policy is reviewed regularly and made active within the company and has been communicated to all members of staff to enable any member to raise issues with the management and / or the Board, in order to identify and resolve potential issues at an early stage.

Ethics and Anti-Corruption Behaviour

We aim to be respectful of local customs and circumstances wherever we operate, while ensuring that we maintain very high standards of integrity and business ethics. We believe that all business contracts should be awarded on merit, that corruption is not acceptable, and that no improper influence should be exerted when transacting business.

Anti-corruption procedure: Our anti-corruption procedure is designed to ensure that everyone at UA observes the highest levels of integrity and are not involved in any corrupt activity. The guidelines make it clear that the company and its individual Directors, officers and employees, could be held liable for any direct or indirect involvement in corrupt practices.

All employees are expected to understand and adhere to the code of ethics and standards in their respective area of work. Similarly anti-corruption procedures defined by the company contain the following main guidelines.

- Each member of UA is responsible individually to set up and maintain a high standard of business conduct in compliance with anti-corruption practices specified by applicable laws and regulations
- Every manager has a deep understanding in respect of the content, scope and importance of this policy
- They should exhibit adherence of the policy in their behaviour

There were no misconduct reported during the period in review.

Management Discussion and Analysis

GRI-G4

G4-10
G4-LA9
G4-LA12

Field Staff

Our field staff members are an integral part of the Union family. The following section provides an update on our commitment to this section of the human capital.

Our field staff acts as the link between our customers and the company in delivering the promise of trust. Hence, we provide them with adequate training and development opportunities, structured sales tools and techniques that enhance their productivity and professionalism. We also strive to create a rewarding career with internal and international rewards and recognition schemes. The following diagram demonstrates our approach to addressing key material issues applicable to our field staff.



Learning and Development

We continue to develop our field staff by providing training and development opportunities. The progress we have made during the year in terms of training hours for each category of staff is summarised below;

Training for Field Staff and Sales Management	2015			2014		
	Average Cadre	Total training hours	Per Capita training hours	Average Cadre	Total training hours	Per Capita training hours
Regional and sales managers	297	13,104	44.12	446	19,649	44.1
Unit leaders	559	30,270	54.15	652	31,708	48.6
Advisors	3,775	185,256	49.08	4,530	252,800	55.8
Bancassurance / support staff	191	2,028	10.62	836	41,746	49.9
Total	4,822	230,658	47.83	6,464	345,905	48.6
e-learning and distance learning	1,077	679	0.63	2,664	42,521	15.9
Total including e-learning and distance learning	4,822	231,337	47.98	6,464	388,426	60.1

Training resources were aligned with the distribution structure which was expanded in 2015, thus providing everyone easy and quick access to learning and development opportunities. The table below details the zone wise training programmes carried out.

Zone	2015		2014	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
North 1	85	1,480		
North 2	49	744	91	1,842
North Central 1	86	1,569	34	762
North Central 2	42	537	17	376
Central 1	99	1,751	60	1,675
Central 2	94	1,381	60	1,353
Western 1	50	1,094	29	997
Western 2	58	777	42	1,174

Zone	2015		2014	
	No. of Programmes	No. of Participants	No. of Programmes	No. of Participants
North Western	57	739	25	716
Uva	85	1,537	50	1,429
Eastern	55	775	64	1,114
Southern 1	96	2,503	43	1,422
Southern 2	46	751	25	614
Metro 1	10	170	13	274
Metro 2	16	223	14	894
Metro 3	14	410	8	252
Common Programme / Events	178	5,294	139	5,000
Bancassurance	49	1,097	-	-
Total	1,169	22,832	714	19,894

Training programmes were focused on technical, soft skills, motivational and professional coaching and a minimum of four days of training is required to be completed by field staff in each category. The average training hours per staff member was 48 hours in 2015.

Product Training

Product training is an essential element required in sales training for the field sales staff. Learning and Development (L&D) conducted product training as well as special refresher sessions on product knowledge for sales staff as indicated below;

Product training provided – Zone-wise	No. of participants	No of programmes
North 1	13	252
North 2	7	175
North Central 1	9	143
North Central 2	7	112
Central 1	8	201
Central 2	10	159
Western 1	5	102
Western 2	6	124
North Western	8	131
Uva	9	288
Eastern	7	99
Southern 1	7	389
Southern 2	8	217
Metro 1,2,3	9	199
Common	8	155
Total	121	2,746

Sales Training

In order to enhance the selling skills of our field sales staff, we have conducted continuous development programmes on selling skills. During the year 1,334 field staff members have undergone sales skill development programmes.

Enhanced Training Structure Through e – Learning

“Learn Easy” is an e-learning system made available to each and every Union Assurance field and office staff member. The Learn Easy system is set to take over close to 70% of the training requirements of the organisation. Field staff can access the system at anytime from anywhere and utilise courses created by training professionals. Various reading materials are made available on the system’s digital library in text, audio and video form in all three languages.

The system provides an e-learning workshop and case study based learning and includes a variety of knowledge enhancing information that is useful for a persons engaged in the industry that is fast evolving.

E-learning and Distance learning	2015		
	Average Cadre	Total training hours	Per Capita training hours
Life sales advisors	672	377.64	0.56
Field and sales management staff	246	159.98	0.65
Branch managers and above	121	64.12	0.53
Non-sales staff	38	77.46	2.04
Total	1,077	679.20	0.63

Management Discussion and Analysis

GRI-G4
G4-LA9

Training for Bancassurance Sales Staff

A structured training programme was launched with dedicated training resources to enhance the product knowledge and sales skills of bancassurance sales staff. This resulted in improvement in all key value drivers of the business including the use of digital tools.

Programmes	No of programmes	No of participants	Total learning hours
Life sales advisors	672	378	0.56
Field and sales management staff	246	160	0.65
Branch managers and above	121	64	0.53
Non-sales staff	38	77	2.04
Total	1,077	679	0.63

Enhance Productivity and Professionalism

Brilliant Starter

This initiative was launched by L&D unit with the intention of enhancing the confidence and competencies of new recruits. The objectives of this initiative are to develop new advisors to work independently and to maintain productivity from the beginning of their career and to inculcate the habit of need-based selling. During the year 346 life advisors have been recognised as Brilliant Starters.

Brilliant Starter Leader

This initiative was launched to motivate Unit Development Officers to focus on quality recruitment and to develop new advisors to become Brilliant Starters. The selection criteria to be recognised as a Brilliant Starter Leader, is to recruit five new advisors during the first six months and develop them to achieve the assigned minimum target. During the year, 28 leaders have been recognised Brilliant Starter Leaders, and 13 leaders have been recognised Brilliant Starter Coaches.

Leadership Academy

The Leadership Academy continues to develop sales leaders to deliver the company's objectives and navigate the rapid changes

taking place in the industry. Four sessions were conducted which included a series of practical leadership development sessions in addition to class room based training. The 3rd batch of Leadership Academy consisting 36 participants that commenced in 2014 was successfully completed in mid 2015.

Millionaire Circle

The "Millionaire Circle" continued to groom Life advisors with high potential to achieve personal new business premiums over one million per annum. During the year the company was able to conduct 33 training and coaching programmes for prospective advisors and as a result 820 advisors have been qualified as "Millionaire circle" members for the year 2015.

Digital Advisor Toolkit (DAT)

The Digital Advisor Toolkit (DAT) of UA is a unique comprehensive digital solution designed and developed by UA which is the only one of its kind available in the local insurance industry. The DAT was designed to be compatible with laptops, tablet PCs and smart / mobile phones. It is a useful tool when carrying out sales presentations and allows sales persons to customise the product offering to suit the customer's requirements. Through the resource centre which is integrated into the DAT solution, the advisor is able to access the latest corporate information that can be instantly shared with the customer. If the customer requires further time to assess the solution presented, the DAT allows the advisor to email a PDF version of the quote to the customer.

In addition being able to submit proposals online, this enhanced the sales advisors' productivity and value of the advisors. During the year, 672 advisors and 246 leaders have successfully completed the required training and are now using the DAT in the field. Many new modules were included and updated to the DAT during the year to enhance its usability.

During the year 679 learning hours were successfully completed by advisors, field managers, branch managers, sales and non-sales staff using the e-learning modules. As a result of the above e-learning and distance learning, field staff was able to produce 32% of new life proposals in 2015 using the DAT.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Total no of proposals	5,417	4,832	6,405	4,047	4,375	5,035	5,402	5,332	8,688	5,210	5,226	6,064	66,033
Digital no of proposals (DP)	1,473	1,367	1,715	1,075	1,077	1,374	1,789	1,691	3,298	1,911	1,963	2,661	21,394
DP as % of Total proposals	27	28	27	27	25	27	33	32	38	37	38	44	32

Certification Programmes

These programmes began in 2008 with the intention of issuing certificates to advisors and unit leaders who had completed specified training modules and had consistent business performance. During the year 74 advisors and 9 unit leaders were certified.

Certified Investment Planner (CIP)

This certification programme was introduced to enhance the technical knowledge and professionalism of field staff in relation to unit linked products. Potential candidates were selected based on their business performance and sales experience. The certification is awarded upon successful completion of an examination after a two day training programme. In total 176 CIPs have been certified including sales and regional managers during 2015.

Rewards and Recognition

Sales Awards

UA paid tribute to 180 top achievers in 2015 for their 2014 performance at the annual awards night, the most anticipated and spectacular event in the UA calendar. This year's event was themed "Drivers of the Dream". These sales professionals met stringent sales objectives as well as service standards and emerged as the best of the very best. As part of the recognition, all the annual award top achievers with their family



Champion of Champions



Few of the highflyers at the Annual Awards

members were felicitated with a family outing organised at Bentota Beach Hotel.

Overseas Tours

UA offers overseas tour opportunities for top performing sales staff based on targets achieved. During the year 90 life sales staff members were offered three tour destinations namely Australia, China and Thailand.

Life Insurance Marketing and Research Association (LIMRA) Winners

We continue to encourage field staff to qualify for Life Insurance Marketing and Research Association - USA : LIMRA Awards. In 2015, 12 advisors were recognised with LIMRA International Award for Productivity (IAP) while 5 advisors were recognised with the LIMRA International Quality Award (IQA). In addition, 2 staff members were recognised with the Chartered Insurance Agency Management (CIAM) Award.

Million Dollar Round Table (MDRT)

UA has been continuously promoting the prestigious Million Dollar Round Table (MDRT) Award to our sales force. In 2015, the company was able to produce 14 MDRT qualifiers. MDRT members demonstrate exceptional professional knowledge, strict ethical conduct and outstanding client service while being recognised internationally as "the standard of sales excellence" in the life insurance and financial services business.



Our proud MDRT qualifiers

Sales Force Satisfaction Survey

An islandwide survey was carried out in 2015 for the first time to assess the satisfaction level of the existing sales force. The research was conducted at two stages focusing on quality of their work, income and benefits, career progression, team work, support services, communication, leadership and company's image. In the first stage, 10 focus group discussions were carried out with a sample of 80 advisors and 20 team leaders. In the second stage, a trilingual "online survey" was carried out targeting all advisors and team leaders. This research was conducted by an independent research agency in order to maintain the confidentiality and integrity of the process. An action plan was prepared based on the findings of the survey and we have commenced the process of implementing the same for further improvement.

Management Discussion and Analysis

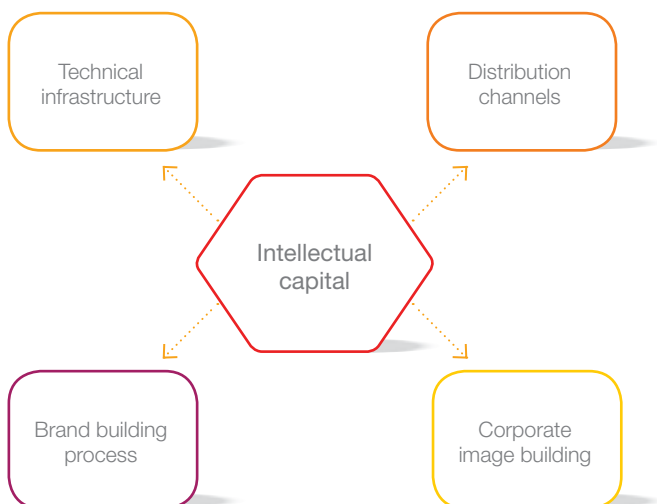
Intellectual Capital Report

At Union Assurance we place high importance in maintaining and building on the intellectual capital to foster growth, efficiency and value of the business. It is also a key differentiator in the way we do business.

Intellectual Capital is a key element in a company's future earning potential. Studies show that it is the unique combination of the different elements of Intellectual Capital and tangible investments that determines an organisation's competitive advantage.

Intellectual capital is increasingly recognised as one of the most important strategic assets of organisations in a knowledge based economy. In a knowledge based economy, modern and high tech companies pay special attention to their intellectual assets apart from focusing on innovation of new products, services, marketing, research and development activities.

Union Assurance takes great efforts to visualise and identify the intellectual assets we possess in order to utilise them at their optimum capacity. The following diagram illustrates the key aspects of our intellectual capital.



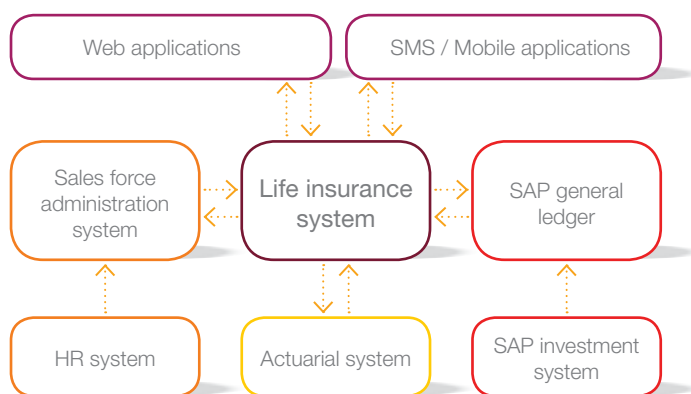
Technical infrastructure

The company operates fully fledged IT systems for life insurance underwriting, claims management and servicing. These systems are integrated with SAP financial system, e-insurance systems and several workflows. All UA locations have access to these IT systems ensuring convenient, speedy and hassle free service to our customers.

UA launched an online portal where customers are able to access most of their insurance needs at a click of a button. The portal is currently accessible to all life insurance policyholders for an array of personalised services. Services include the display of policy details such as the cover amounts, paid premium details, claim history and fund balances. Further the company has developed a unique premium notice system as a reminder for premium payments which can be made online.

In addition to providing e-mail, internet / intranet facilities to our staff, we have also automated several HR processes, e.g. performance appraisals, attendance, leave applications, etc.

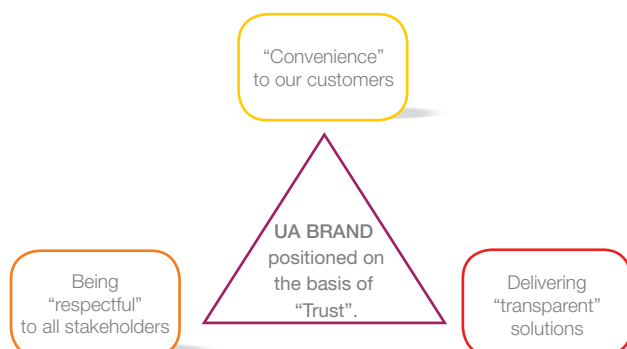
UA's IT network is complex but robust. The following diagram provides a glimpse of the many interdependent systems that enable the smooth operation of the business.



	Indicators	Value 2015	Value 2014
Technical Infrastructure	Number of IT applications	46	39
	Investment in IT infrastructure	Rs. 38 Mn	Rs. 62 Mn

Brand building process

The UA brand is positioned on the basis of "Trust". Trust is delivered through the key brand values of "convenience", "transparency" and "respect".



UA stringently maintains its brand health and initiates many brand building activities throughout the year for this purpose. All staff members are envisioned as brand ambassadors in an industry where the field force acts as the forefront of the company in terms of selling and providing services which contributes to the brand perception in the long run.

Key Brand Values	Deliverables	Value Created to Our Customers
Transparent	Clarity in communication	We ensure all our communications are clear to our customers and potential customers. Messages are direct and simple. At the point of sale customers have the opportunity to clear any doubts about the company, solutions, services, etc. through our digital initiatives. In our specific need based campaigns we ensure the product features, benefits, etc are communicated clearly. e.g. during the 'Union Higher Education Month' we had multiple ATL and BTL campaigns throughout March 2015 to ensure the right communication.
	Most truthful	We are always truthful in all our dealings and we have enabled the customer to verify these independently. e.g. introduction and promotion of the web based customer portal where they can monitor their policy status through accessing our back end system.
	Most simplified	All Union Assurance communications are simple and easy to understand e.g. policy documents are redesigned to make it simple and understandable.
Convenience	Prompt response	We ensure speed in our responses. i.e. Internal SLAs are developed to streamline internal processes to create convenience to our customers.
	Easy accessibility	We operate in 107 locations islandwide whilst our 4,300+ sales force is accessible at any time in close proximity to support customers on their financial planning. New channels such as Bancassurance (UA is currently working with Commercial Bank, NTB, Union Bank, DFCC and Sampath Bank customer portal, SMS services etc; provide a wider base for our customers to reach us.
	Speedy delivery	We now operate with many customer touch points where they can experience speedy service. e.g. More than 6 premium payment channels with island wide reach with instant update of premiums received. We use speed post, courier and registered post where relevant for our policy delivery, dispatching proposal copies, promotional material, etc; to ensure speed and reliability.
Respectfulness	Strive for excellence	Starting from our recruitment process and training of staff we "strive for excellence" in every activity they engage in. (e.g. recruitment is done through specially designed 'adviser assessment centres' in the recruitment zone). As a result of these comprehensive processes, UA has been awarded as one of the Great Places To Work in 2015 by the GPTW institute.
	Accountability	As a financial institution we are accountable for the money invested by our customers. e.g. we provide annual dividend and bonus declarations to all customers to provide comfort that their funds are safe and being invested prudently.
	Support you the most	Our focus on corporate and individual customers enables them to ease their financial burdens should an unfortunate situation occur.

Management Discussion and Analysis

Further, UA ensures adherence with the IBSL direction to submit a certificate signed by the CEO, confirming that new advertisements are in conformity with Section 99 of RII Act to avoid any doubts of customer being misled.

Brand valuation

The UA brand was valued at Rs. 2.15 billion in 2015. This value was derived from the valuation conducted by Brand Finance (UK) in association with Sting Consultants, using the “relief of royalty” approach, which assumes that the company does not own the brand and calculates how much it would need to license it from a third party.

In 2015, the UA brand was ranked 33 among top brands in Sri Lanka and was rated A+ in terms of its “brand power” from Brand Finance (UK).

Brand power determines the ability of the brand to continue delivering the revenue streams expected in the future. It is based on a number of objective criteria including growth rates, market share, brand awareness, etc; which are detailed below. It is expected that the initiatives set into motion as part of the new brand positioning will enhance the value and power of the UA brand in future years.

Brand Attribute	Developments in 2015
Market share	UA maintained its market share of 13% by end 2015 (2014 – 13%).
Sales growth	Life insurance premium grew by 17% while the industry grew by 20%. A more detailed analysis is given on page 43 in the Financial Capital Report.
Brand awareness	Based on research conducted as part of the overall brand strategy, awareness regarding the UA brand remains high in chosen market segments. Few mass media campaigns were conducted in 2015 with many ground activation campaigns to enhance the brand awareness.
Advertising spend	The company incurred Rs. 93.4 million in advertising expenses in 2015.
Brand loyalty	The company measures brand loyalty by reviewing life insurance persistency ratios on a monthly basis.
Brand outlook	Given the growth potential of the life insurance businesses, the brand outlook remains positive.
Brand management	UA takes a holistic approach to brand management. This enables UA to focus resources on all its products and related initiatives to deliver the brand of “trust”. The CSR brand “Union Manushathwaya” was launched to consolidate all CSR activities under one umbrella brand which helps to amplify and embed UA brand among the general public.
Distribution	Life insurance products are distributed mainly by tied agency force (field sales staff), which numbered over 4,300+ (including development officers) as at December 2015.
Brand heritage	The brand “Union” was derived from the union of strength that was forged by merging the insurance businesses of Aitken Spence, Carsons, ACW and Whittal Boustead. UA continues to enjoy a superior reputation especially among corporate customers who value the company’s corporate governance practices and commitment to transparency.

Corporate image building

The company has a public relations unit responsible for corporate image building. For the year 2015, we engaged in 40 press releases and 1 press conference. Apart from formal events such as press conferences, our high standards of business integrity, ethical values and professionalism contribute to building a positive image of the company.

Distribution channels

A strong retail distribution structure in Sri Lanka, comprising of advisors and bancassurance personnel, has played a significant role in providing life insurance solutions to a large underpenetrated population. UA's distribution efficiency is further empowered with laptop and tablet devices enabling advisors to provide convenient insurance solutions while in the field. By empowering the sales force with IT, the company hopes to reinforce its promise of convenience in all its dealings with customers.

The recently revamped Digital Advisor Toolkit (DAT), a trilingual application compatible for laptops, tablets and smartphones was developed to assist the field force of UA who are able to propose different insurance solutions and covers to our valued customers instantly.

Employee know how and recognition

The UA staff consists of graduates and professionally qualified employees who are responsible for UA's significant strides towards constant development. Their experience and service in UA have been one of the main reasons behind our success despite aggressive competition in the insurance sector.

We have an in-house actuarial team who contribute immensely to the product development, regulatory compliance and profitability management process.

Being a member of the Life Insurance and Market Research Association (LIMRA) has helped us to benchmark our staff calibre with that of the world's best marketing and sales teams. Furthermore, with recognition from international award and recognition schemes such as LIMRA International Awards, MDRT etc; we have been able to showcase our capabilities to the world.

Further information on Employee Know How and Recognition are given in the table below;

Indicators	Description	2015	2014	2013
Employee Know How	Business and financial acumen of the Executive Committee	Refer Profile of the Executive committee on pages 127 to 128		
	Number of years of service analysis	Refer Employee indicators – page 52		
Number of International Award Winners	Number of LIMRA International Quality Award winners (IQA)	5	24	14
	Number of winners in LIMRA international award for productivity (IAP)	12	15	26
	Number of LIMRA recognition for Chartered insurance agency management (CIAM)	2	-	-
	Number of participants at the MDRT conference	14	14	3

Management Discussion and Analysis

Manufactured Capital Report

Being in the service industry, we operate on a model where we do not invest significantly in our property. Therefore our manufactured capital is limited.

The key components of manufactured capital that UA has invested in are listed below;

1. Land and building in Colombo 3 and Kurunegala
2. Office equipment
3. IT infrastructure
4. Locations on long-term lease

Key value additions to the components of manufactured capital is illustrated below;

Manufactured Capital	Update for 2015
Land and building at No. 20 St Michael's Road Colombo 03	The land and building were valued during the year. Value as at previous valuation Rs. 850 million Revalued at Rs. 1,130 million
Land and Building at No. 6, Rajapihilla Road, Kurunegala	The land and building were valued during the year. Value as at previous valuation Rs. 164 million Revalued at Rs. 222 million
Office equipment	The company spent a total of Rs. 8.06 million during 2015 for the upgrade of office equipment compared with Rs. 9.72 million spent during 2014.
IT infrastructure	A total of Rs. 66 million was spent on IT infrastructure related expenditure during the year compared with Rs. 35 million spent in 2014. Key server upgrades were done during the year to increase band width and minimise down time.
Locations on long term lease	The company leases prime locations through out the country to locate its offices As at 31 December 2015 106 locations were on long term lease. During the year Rs. 64 million was spent as rental for these locations



Property at
No. 20 St Michael's Road Colombo 03

Social and Relationship Capital Report

Our Commitment to Society

At Union Assurance we believe that the society we operate in is our backbone of strength and sustainability. As a responsible organisation we strive to improve the health and safety of the society that we serve. Our corporate social responsibility (CSR) Committee outlines CSR strategies of the company in line with the expectations of the various stakeholders and ensures that business activities are focused on improving the well-being of society.

Structure of the CSR committee and the level of activities;

Board Of Directors	<ul style="list-style-type: none"> • Provide strategic direction on the company's CSR activities. • Include the entire Board in CSR decisions. • Delegate CSR responsibilities to the management team.
Management Team (Chaired By The CEO)	<ul style="list-style-type: none"> • Members of executive committee are tasked with CSR oversight. • Assigns CSR responsibilities to sub committees. • Provides guidance on CSR initiatives and activities.
CSR Sub Committee	Overall responsibility for implementation of CSR initiatives and report on progress.

The society centric activities of UA are based on the strategically thought through CSR platform of 'Health awareness' and projects are carried out with the Ministry of Health focusing on creating awareness related to national concerns. The following diagram demonstrates our approach on addressing key material issues applicable to the community.



Health Awareness Platform

The "Health awareness" platform for Life insurance was selected due to the direct relationship with business operations. Union Assurance works together with the Ministry of Health to create awareness with regard to critical and burning issues of

the nation. e.g. In 2012, the spread of dengue was almost at an epidemic stage and UA together with the ministry engaged in continuous activities to prevent and create greater awareness of the diseases. In addition, other programmes were also conducted under the platform.

Objectives of Health Awareness Programmes:

- To create awareness of critical health issues faced by a larger segment of the society.
- To address a national cause by supporting the Government in order to assist in eradication or containment.
- Minimise claims by supporting all efforts to ensure a healthy populace.
- To maintain and raise awareness of the UA brand.

Initiatives under the Health Awareness Platform:

- Prevention of Epidemic Diseases - e.g: Dengue awareness programmes across the island
- Awareness on the Prevention of Thalassemia
- Awareness on Diabetes Prevention

Dengue Awareness

The menace of dengue was a pressing issue affecting the entire island. In this light, as a direct CSR initiative of Union Assurance under the health awareness platform we have tied up with the Divisional Ministry of Health (MOH) and the Public Health Department (PHD) of Colombo Municipal Council to conduct dengue awareness programmes. UA supports the above mentioned Government organisations by means of providing volunteers and awareness material for house to house visits.

Dengone – Multimedia game

Creating awareness among school children through an interactive game. The video game is about identifying mosquito breeding places in order to destroy them. This creates awareness among children while they enjoy playing the game.

During the year the number of programmes carried out were as follows;

Name of Programme	No. of Programmes	Reach
House to house visits	3	1,109
DenGone competition (School programmes)	17	160
Total	20	1,269

Management Discussion and Analysis

GRI-G4
G4-EC7
G4-EC8
G4-SO1

Awareness on the prevention of Thalassemia

Thalassemia is a serious national concern, especially in the North Western Province as 50% of Thalassemia patients are from this area. Initially programmes were carried out in the North Western Province due to a high number of Thalassemia patients in the area to create awareness on the importance of screening for Thalassemia and how to prevent the disease from passing on to the next generation. Programmes are carried out with the assistance of the respective Consultant Paediatricians of the National Thalassemia Centre in Kurunegala. The programmes are focused at three target groups, school children, parents and teachers.

Thalassemia programmes are focused mainly in the North Western province. However we have identified that it is important to share this message with the others as well and therefore programmes are carried out across the island.

During 2015 we conducted 60 programmes partnering with the National Thalassemia Centre on creating awareness on how to prevent Thalassemia and developing mental concepts in children, child management skills and living a successful life. These programmes were focused at school teachers, parents and students respectively. In addition we carried our programmes for public groups as well.

The following table illustrates the reach of the awareness programme in different locations.

Location	No. of lives touched
Colombo	343
Vavuniya	103
Anuradhapura	103
Kurunegala	112
Kandy	47
Ampara	70
Matara	61
Total	839

UA CSR Week – ‘Union Manushyathwaya’

The brand, titled ‘Union Manushyathwaya,’ was launched on the 2nd of December with the ultimate aim of creating healthy and happy communities around the country. The company aims to achieve this objective by disseminating vital information to the public regarding how to protect themselves from diseases such as thalassemia, dengue and diabetes.

In line with the brand launch, the company arranged a series of diabetes camps in Colombo, Vavuniya, Anuradhapura,

Target Group	Name of Programmes	No. of Programmes	No. of Participants
Parents	Thalassemia awareness and child management skills	16	4,334
School children	Thalassemia awareness and successful life	10	3,102
Teachers	Thalassemia awareness and child management skills	28	3,475
Public	Thalassemia awareness	6	1,064
Total		60	12,814

Awareness on Diabetes prevention

Diabetes prevention was one of the key areas we looked at under the UA CSR Platform. In the month of October we launched diabetes pre-screening camps with the Public Health Department of the Colombo Municipality Council and in the month of December we carried out 9 programmes across the island aligned to the UA CSR week which was held internally from 7th to 14th of December 2015.

The objective of the diabetes pre-screening camps was to identify persons who are potential diabetic patients and advise them to consult a doctor in advance in order to take necessary preventive or therapeutic action.



CSR Brand

Kurunegala, Kandy, Batticaloa, and Matara regions between the 7th and 14th of December. An islandwide leaflet distribution campaign was also conducted during this period to increase awareness. We distributed over 200,000 leaflets on diabetes and on UA CSR programmes across the country.

Other CSR projects

'Donate a Saree' charity programme

Taking on a different path a charity programme 'Donate a Saree' was conducted by the JKH group. This initiative was termed 'Saree Connection'. The main objective of the programme was to donate sarees to the group initiative so that the sarees could be used to create clothing and home-ware products, handmade by women who were affected by the conflict in the North - East of Sri Lanka.

Over a period of a few weeks the HR department facilitated the active participation of UA staff in collecting a large number of sarees.

Participation of government institutions

All CSR Programmes are carried out in partnership with Government organisations.

- Thalassemia awareness – in partnership with National Thalassemia Centre and Ministry of Health, Indigenous medicine, Sports and Youth Affairs of NWP with Department of Health Services – NWP.
- Prevention of epidemic diseases (ex: dengue) – in partnership with the Public Health Department of Colombo Municipal council and DMOH of other areas in the country.
- Diabetes awareness – in partnership with the Public Health Department of Colombo Municipal Council and DMOH of other areas in the country.

Relationship capital

A business cannot operate or create value on its own. It needs to maintain relationships with an array of counterparties who will function as an ecosystem in which the company operates.

The key counterparties that we have developed relationships over time are listed below;

- Suppliers
- Reinsurers

Suppliers

Importance of supply chain management has steadily increased with firms recognising the benefits of collaborative relationships within and beyond the organisation. Our suppliers contribute to the quality of delivery that we have promised our customers. This

is particularly true for suppliers who come into direct contact with our customers in addition to the suppliers who provide goods and services to UA, enabling us to function effectively.

For us, supply chain is the total system of products, services and information from suppliers, right through to our people, including activities, information, and resources involved in designing, developing and delivery of a product or service to our customers. Therefore suppliers are a critical link in our supply chain. The following diagram illustrates our approach on addressing key material issues of our suppliers.

On-Time Settlement for Supplies

As an ethical business organisation, we are conscious of the working capital requirements of our suppliers. We ensure that our suppliers are paid within the agreed time lines in order to maintain a collaborative relationship which is beneficial to both parties.

Fair and Unbiased Vendor Selection Process



The company has developed a formal process to evaluate suppliers annually and ensures that all suppliers have an equal opportunity to present their products or services. As a responsible corporate citizen, we take every endeavour to work only with ethical business partners and our supplier selection criteria takes into account ethical business practices that we expect to witness in their business practices. The supplier selection process considers the following attributes of the supplier's product, service (as applicable) and business practices when short-listing suppliers to be recommended to the supplier approval committee.

Supplier Selection Criteria

- Company profile and service record
- Financial stability
- Governance process
- Environmental practices
- Labour practices
- Human rights practices / diversity and equal opportunities
- Anti-corruption policy

Products / Service Selection Criteria

- Fitness - fit for the purpose the product / service is to be used
- Operational simplicity including ease of maintenance and disposal
- Durability and quality

Management Discussion and Analysis

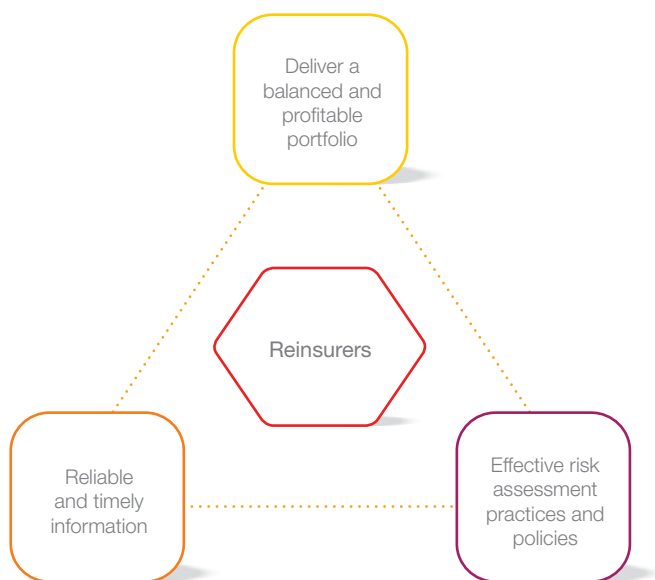
- Energy consumption, upgradability, reusability
- Price competitiveness

Certain products and services we procure are from JKH Group selected vendors who are selected based on the same stringent criteria. UA is represented in each of the products / services and vendor selection in the category management committees.

Reinsurers

Our reinsurance partners play a crucial role in our operations as they allow us to transfer part of the risk that exceeds our risk appetite (our underwriting capacity). We only enter into reinsurance arrangements with financially stable reinsurers whose security ratings are either on par or better than the minimum ratings stipulated by the Insurance Board of Sri Lanka (Please refer inner back cover for details of our reinsurance panel).

In view of protecting both customer and the company, the additional risk taken on by the insurers can have a significant impact on the product pricing in a highly competitive market, as evidenced by clients lost purely due to pricing. The following diagram illustrates the key material issues which impact our reinsurance partners in the ordinary course of business.



Deliver a balanced and profitable portfolio

To be considered a balanced portfolio, an insurance portfolio should include many similar and equivalent risks. In this way, losses can be balanced collectively, meaning that the direct insurer will need little or no reinsurance. The Insurance portfolio of a large direct insurer comes closest to this ideal.

UA is equipped with a well experienced and well qualified underwriting team who ensures risks are underwritten in line with globally accepted underwriting practices in turn delivering a well balanced portfolio to our reinsurance partners.

UA ensures that the reinsurance panel has adequate credit ratings by globally approved agencies. The credit ratings of the reinsurance panel are discussed under risk management in the financials section on page 325.

Reliable and Timely Information

Providing and receiving the right information to and from reinsurers at the right time can help to make better business decisions. Therefore, corporate agility and the ability to analyse information speedily are viewed as core competencies and a source of competitive differentiation of our reinsurers.

Effective Risk Assessment Practices and Policies

Risk assessment provides a mechanism to identify which risks represent opportunities and which represent potential pitfalls for both parties. Right risk assessment provides a clear view of variables to which the company and the reinsurers may be exposed, whether internal or external, retrospective or forward looking.

A good assessment is anchored in the organisation's defined risk appetite and tolerance and provides a basis for selecting appropriate risk. A robust risk assessment process, applied consistently throughout the underwriting process empowers technical staff to better identify, evaluate and exploit the right risks.

Natural Capital Report

The key natural capitals that the business utilised for operational activities are illustrated in the table below;

Natural Resource	Use to the business
Energy (petroleum fuel , electricity)	For transportation, cooling, lighting, office operations
Water	For staff consumption, cooling, cleaning
Wood	For paper, furniture, buildings
Minerals and chemicals	For buildings, office equipment, printing, building maintenance
Air	For a pleasant and liveable operating environment

These natural resources exist in the environment we operate and act as enablers for the business to create value. The business consumes these capitals in day to day operations and thus in the case of non-renewable resources creates a permanent reduction.

We are very mindful in our consumption of these resources and continuously strive to use efficient methods and technologies to reduce the carbon foot print of the organisation.



Conserving Energy

The various initiatives to conserve energy usage at head office throughout the year has resulted in a significant reduction in per capita electricity consumption.

Electricity Consumption

Year	Consumption	Employees	Units Per Employee
2010	668,040	415	1,610
2011	735,750	410	1,794
2012	675,200	507	1,332
2013	669,290	500	1,338
2014	657,920	445	1,478
2015	673,291	450	1,496

Reuse Waste Water

During the year we continued with the initiative of re using water discharged by the cooling units of air conditioning machines at head office to wash company vehicles. This initiative has helped UA to save approximately 500 litres of water per day.

Go Green with our Branch Expansion

When planning layouts for new branches, the company ensured that an environmentally friendly approach was adopted by selecting materials that were in line with the green strategy and re using items such as used furniture to reduce the burden on the environment.

Move to Energy Efficient Lighting System

During the year we continued with the project of converting traditional fluorescent lighting systems to a LED technology based lighting. At present, the entire head office is on LED lighting and we have expanded this initiative to cover our branches as well to meet our targets of energy saving.

Energy Audits at Branch Level

We also continued with the initiative of analysing energy usage of selected branches with a view of improving their energy utilisation. Energy consumption was quantified at each branch and baseline energy consumption levels were established. Actions have been implemented to bring energy usage in line with the baseline levels at branches where wastage has been identified.

Management Discussion and Analysis

GRI-G4

G4-ENG

Energy Saving at Branch Level

During the year, initiatives were taken to identify selected branches and investments were made with the focus of saving energy. Apart from installation of electrical key switches, timers for air conditioning machines and tagging and numbering, improvisation on washroom cisterns was carried out.

Recycling Printer Cartridges

Our agreement with R&G Toners to recycle printer cartridges continued in 2015. The company bought back 82 (2014 - 196) toners manufactured from used cartridges. The reduction is due to our efforts to reduce printing by using technology which is explained in detail in the 'leverage technology to minimise impact on the environment' note below.

Recycle and Re-Use of Paper

In partnership with Neptune Papers (Private) Limited and National Paper Company (Private) Limited, we continued to recycle used paper. This initiative helped UA to make a positive contribution to the environment by saving 504 trees and 942,913 liters of water during 2015.

Leverage Technology to Minimise Impact on the Environment

We take great pains to reduce paper consumption through the use of information technology.

The introduction of 'automated underwriting systems' has aided to reducing the manpower, time and / or data necessary to underwrite a life insurance application, while maintaining the quality of underwriting decisions.

Automated underwriting system facilities used to process new life proposals has saved considerable amount of resources in terms of photocopying documents, printer and toner wastage and thus reducing the burden on the environment. Since the inception of this system, we have managed to successfully save upto about 60,000 paper sheets and 300 printer toners.

Furthermore, Implementation of e-learning and distance learning as alternatives to classroom training programmes have resulted in less fuel consumption, paper consumption and lower carbon emissions, since staff are not required to travel to the point at which training is delivered, but could access it via the web, closer to their areas of operation.

Awareness Programmes

During the year UA launched several campaigns to increase awareness among staff members in terms of their responsibility and consequences of their actions in order to minimise the impact of their activities on the environment.

Automated underwriting system facilities used to process new life proposals has saved considerable amount of resources in terms of photocopying documents, printer wastage, toner wastage and thus reducing the burden on the environment. Since the inception of this system, we have managed to successfully save up to about 60,000 paper sheets and 300 printer toners.

Compliance with Environment Regulations

UA complies with all relevant standards related to environmental regulations and confirms that the company did not have any incident on violation of environmental regulations reported during the reporting year.

Carbon Footprint

Carbon Footprint of Our Operations

This is the fourth consecutive year of partnering with Carbon Consulting Company (Pvt) Ltd to carry out the computation necessary to arrive at the carbon footprint of our operations in accordance with the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol) developed in a partnership with the World Business Council for Sustainable Development and the World Resources Institute. Carbon dioxide and other greenhouse gases emitted can be summarised under three main scopes;

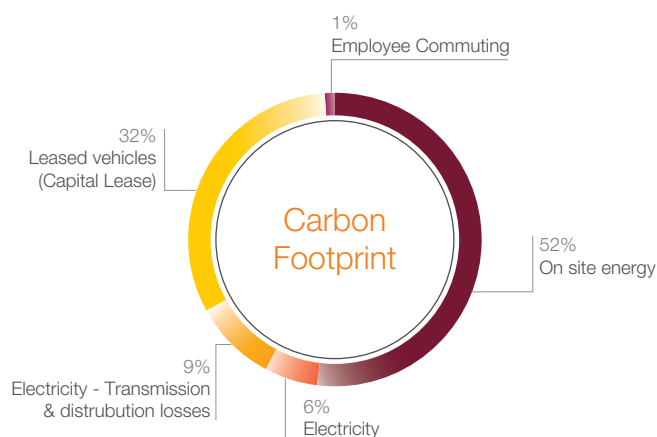
Scope 1 - Direct emission released from sources that are owned or controlled by the company

Scope 2 - Indirect emission associated from the generation of imported energy (e.g. grid electricity)

Scope 3 - All other indirect emission sources that are not released from sources mentioned under scope 1 and 2.

Our Carbon Footprint

Scope	2015		2014	
	Tonnes of CO2e per Year	%	Tonnes of CO2e per Year	%
Scope 1	169.78	9.24	326.28	7.66
On site fuel - generators	1.56	0.08	221.86	5.21
Company long term leased vehicles	168.22	9.15	104.42	2.45
Scope 2	953.29	51.87	1,077.12	25.3
Grid electricity	953.29	51.87	1,077.12	25.3
Scope 3	714.94	38.90	2,854.61	67.04
Grid electricity transmission and distribution loss	115.82	6.30	130.87	3.07
Employee commuting	590.52	32.13	2,722.32	63.94
Recycled waste	8.60	0.47	1.42	0.03
Water supply	-	-	-	-
Total	1,838.01	100	4,258.01	100
Emission per employee	2.33 TCO2e per year		3.75 TCO2e per year	
Carbon footprint (tCO2e) per Rs. million of revenue	0.26		0.38	



The complete carbon foot print certificate is given in page 112 of this report.

We are witnessing an overall reduction of the carbon foot print this year mainly due to the size of the operation reducing after the disposal of the non-life business in January 2015. Non-life is an employee heavy business which has a significant

travel component from the motor accessories. Further we have significantly reduced the use of the generator.

Awards won

Union Assurance sustainability practices were recognised at the Sustainability Reporting Awards 2015 organised by the Association of Chartered Certified Accountants (ACCA).



Sustainability Reporting Awards 2015

Management Discussion and Analysis

GRI-G4

G4-15
G4-17
G4-18
G4-20
G4-21
G4-32
G4-33

Stakeholder Relationship

Sustainability to us is a journey than a destination

At Union Assurance our ambition is to become the most sought after provider of insurance solutions, as measured by our customers, employees, investors and others who have an interest in our business or interact with our company



We strive to be an even better company tomorrow than we are today by earning the support of all stakeholders and managing our operations successfully on a day to day basis.

We believe success can be achieved only if we create value both internally and externally maintaining an effective sustainability governance system and a sustainability framework that fulfils the economic, social and environmental needs of our key stakeholders without compromising our triple bottom line approach.

Report Scope

Through this integrated Annual Report we aim to communicate to our stakeholders how we create and sustain value and work towards ensuring the long term viability of the business.

This report covers the economic, social and environmental performance of our company, providing both financial and non-financial information while complying with all applicable laws and regulations.

Report Boundary

This financial reporting boundary of this report covers the entire company including the Head Office, Zonal Offices, Regional Offices, Branches and Business Development Offices (BDOs) totalling to 107 locations spread throughout the island.

Basis and External Assurance

The Report is prepared "In Accordance-Core" of the GRI G4 Content Index guidelines for sustainability reporting. Messrs. KPMG, an independent assurance provider, has verified all sustainability related aspects of this Report and has provided an assurance report which is given on pages 110 to 111.

We believe success can be achieved only if we create value both internally and externally

Data Measurement Techniques and Assumptions Used

The company uses actual data to measure our performance against the GRI G4 Content Index indicators.

Assumptions have mainly been used in calculating the carbon footprint of our operations. UA has partnered with Carbon Consulting Company (Pvt) Ltd to carry out the computation necessary to arrive at the carbon footprint in accordance with the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol) developed in a partnership with the World Business Council for Sustainable Development and the World Resource Institute. The certificate on carbon footprint is given on page 112.

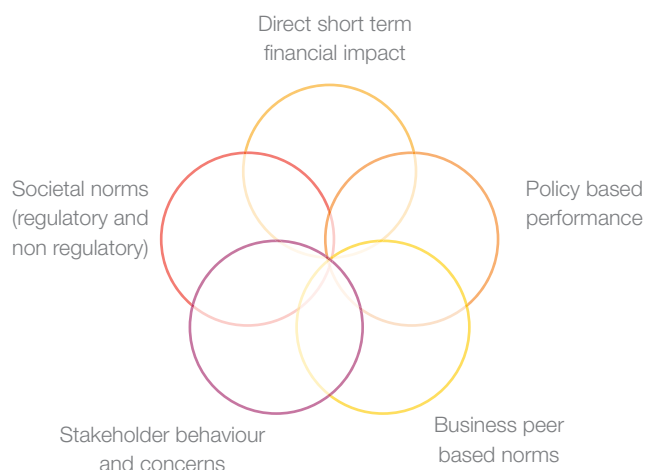
Being a subsidiary of John Keells Holding PLC, we use infrastructure developed by the group to capture and monitor sustainability data on a monthly basis with the support of a dedicated sustainability champion.

Defining our Material Issues

Defining materiality is critical to ensuring an organisation understands its significant economic, environmental and social impacts. Material issues are defined as those that could make a major impact on the company's ability to deliver its promise to various stakeholders. Reporting on these matters is critical in enabling stakeholders and management to make sound judgments and take decisive actions. Identification, prioritisation and validation of material issues were based on 'five part materiality test'.

Hence, our materiality assessment process is consistent with GRI G4 guidelines and therefore reflective of best practice in defining report content.

Five Part Materiality Test



The following table depicts the level of significance each aspect has on economic, social and environmental performance.

Five Part Materiality Assessment Matrix

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						

Economic performance

1	G4-EC1	Economic performance	H	H	Shareholders, customers, community	Not meeting economic performance and return on investment	No external policies exist. UA has internal policies.	Industry benchmarks.	Shareholders - return on investment Customers - better service, better pricing, Community - more CSR activities	Contribution to economic development of the region / country
2	G4-EC5	Market presence	L	L	Community	Operational cost to the company	No such policies exist, UA hires in line with organisation's culture and performance standards	Not tracked	Improving living standards of local community	Expectation of employment opportunities

Management Discussion and Analysis

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						
3	G4-EC7	Indirect economic impact	H	H	Community, environment, government and regulatory institutions	There is a direct negative financial impact to the company, and a positive financial impact to external stakeholder	No external policy exists to govern investment in CSR activities	Peer engagement in CSR activities	Community - infrastructure and livelihood development enhancing the company's social license to operate	Expectation of employment and other support initiatives
4	G4-EC9	Procurement practices	L	L	Business partners / suppliers, community	Operational cost to the company	Policy in place for sourcing from suppliers / business partners	Not tracked	Shareholders - cost effective procurement process Business partners / suppliers - equal opportunity for business engagement	Positive contribution to the local economy
Environment performance										
5	G4-EN3	Energy	M	M	Shareholders, environment, community	Operational cost to the company	No external policies exist, but company engages in optimising energy usage	Not tracked	Shareholders - economic impact, Community - use of energy efficiency	Minimise energy wastage
6	G4-EN8	Water withdrawal	L	L	Environment	Operational cost to the company	No external policies exist	Not tracked	Environmental impact due to water extraction and water pollution	Initiatives on water conservation
7	G4-EN15	Emissions	L	L	Environment	Operational cost due to consumption of electricity and fossil fuel	Policy is to minimise UA carbon footprint	Peer engagement in green practices	Environment - minimise carbon footprint	Carbon neutral
8	G4-EN22	Effluents & waste	M	M	Regulatory, community, media	Operational cost to the company	No policies exist. Objective is to minimise natural waste	Not tracked	Environment - minimise effluents and waste	Engage in effective reuse and recycling

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						
9	G4-EN29	Environmental compliance	L	L	Environment	Through fines and sanctions and loss of brand reputation	Company policy is to comply with all relevant regulations concerning environmental protection	Requirement for peers to comply with relevant regulations	Expectations by community to adhere to regulations and social license to operate	Adherence to all regulations
10	G4-EN32	Supplier environment assessment	L	L	Environment	Loss of supply due to non compliance by the supplier	No policies exist. UA's vendor selection policy considers environmental and social impact of supplier's operations	Not tracked	Work with suppliers who meet sustainable environmental norms	Vigilance on the environment

Social performance

Sub category: Labour practices and decent work

11	G4-LA1	Employment	H	H	Customers, shareholders, community	Operational cost to the company	Country regulations, company policies	Peer adherence to country regulations and their internal policies	Employees - good working conditions	Provide employment to community members living in close proximity to operations
12	G4-LA5	Occupational, health and safety	H	L	Community, government and regulatory institutions	Loss of productivity	Country regulations, company policies	Peer adherence to country regulations and their internal policies	Negligence by workforce with regards to health and safety practices	Ensure health and safety of stakeholders who physically interact with the company
13	G4-LA9	Training and education	H	H	Customers, community, shareholders	Cost implication, productivity and service level improvements	No external policies exist. UA policy on company learning and development	Not tracked but peers invest significantly on learning and development initiatives	Customer expectation of good service levels	Develop skills of its employees (permanent and non permanent)
14	G4-LA12	Diversity and equal opportunity	H	M	Community, government and regulatory institutions	None	No country laws exist with regard to male / female ratio, internal policy on equal opportunities	Not tracked	Community, government and other stakeholders-respect diversity and provide equal opportunities	Respect diversity and equal opportunity

Management Discussion and Analysis

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						
15	G4-LA13	Equal remuneration for men and women	H	M	Community, government and regulatory institutions	None	No external policies exist. UA remuneration policy does not discriminate based on gender	Not tracked	Community, Government and other stakeholders-respect diversity and provide equal opportunities	Respect diversity and equal opportunity
16	G4-LA14	Supplier assessment for labour practices	M	L	Community, government and regulatory institutions	Loss of revenue due to negative impact on image	UA policy with regard to supplier assessment	Not tracked	Suppliers - resistance towards sustainability practices. Customer and investor - ethical and reliable supply chain	Engage in ethical business practices
17	G4-LA16	Labour practices and grievance mechanisms	L	M	Community, government and regulatory institutions	Labour productivity	UA policy on effective grievance handling mechanism	Not tracked	Possible influence by the department of labour and other regulatory bodies on grievance mechanisms	Engage in ethical business practices
Sub category: Human rights										
18	G4-HR3	Non discrimination	H	M	Community, government and regulatory institutions	None	UA policy on equal opportunities	Not tracked	Community, government and other stakeholders - treat everyone fairly and equally	Effective nondiscrimination practices
19	G4-HR4	Freedom of association and collective bargaining	M	L	Community, government and regulatory institutions	None	UA policy which do not prohibit forming of unions	Not tracked	Community and government regulators - ensure freedom of association and collective bargaining	Practice freedom of association and collective bargaining
20	G4-HR5	Child labour	M	M	Shareholders, community	Loss of revenue due to negative impact on image	UA policy on under aged labour	Not tracked	Customers and investors - ethical business practices	Engage in ethical business practices

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						
21	G4-HR6	Forced or compulsory labour	M	M	Shareholders, community	Loss of revenue due to negative impact on image	UA policy on forced or compulsory labour	Not tracked	Customers and investors - ethical business practices	Engage in ethical business practices
22	G4-HR7	Security practices	M	M	Customers, business partners / suppliers	Negative impact on the business operations due to unhappy customers and business partners / suppliers	UA policy on human rights	Not tracked	Customers, employees and business partners / suppliers - fair treatment when they physically enter place of business	None
23	G4-HR10	Supplier human rights assessment	L	L	Business partners / suppliers	Loss of revenue due to negative impact on image and loss of supply due to non-compliance by the supplier	No external policies. UA vendor selection policy	Not tracked	Work with suppliers who adhere to human rights practices	Vigilance on human rights practices
24	G4-HR12	Human rights grievance mechanisms	H	H	Community, government and regulatory institutions	Loss of revenue due to negative impact on image	UA policy on an effective grievance handling mechanism	Not tracked	Possible influence by the department of labour and other regulatory bodies on grievance mechanisms	Engage in ethical business practices
Sub category: Society										
25	G4-SO1	Local communities	M	M	Community	Cost of CSR projects but obtains goodwill and social license to operate. Brand enhancement and mileage. Upliftment of living standards	No external policies exist to govern investment on CSR activities UA framework for CSR activities	Peer engagement in CSR activities	Community-livelihood development enhancing the company's social license to operate	Provide employment to community members living close proximity to operations

Management Discussion and Analysis

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						
26	G4-SO3	Anti-corruption	H	H	Customers, shareholders, business partners, community, government and regulatory institutions	Financial and reputational loss	Country laws and regulations exist. UA code of conduct, corporate governance practices, whistle blowing procedure	Peer adherence to country regulations and their internal policies	Shareholders, government and other stakeholders-compliance, corruption free operations	Compliance with prevailing laws
27	G4-SO7	Anti-competitive behaviour	M	M	Customers, community, government and regulatory institutions	Financial and reputational loss	Country laws and regulations exist. UA business practices to avoid anti competitive behaviour	Peer adherence to country regulations and their internal policies	Shareholders, government and customers - healthy competition among companies	Compliance with prevailing laws and adherence to ethical business practices
28	G4-SO8	Compliance	H	H	Customers, shareholders, business partners, government and regulatory institutions	Fines and sanctions and loss of brand reputation	Laws and regulations of the country	Peer adherence to country laws at minimum	Community, shareholders, government and suppliers - adherence to regulations and social license to operate	Expectation by society for company to adhere to all regulations
29	G4-SO9	Supplier assessment for impact on society	L	M	Business partners / suppliers	Loss of revenue due to negative impact on image	UA policy on supplier assessment	Not tracked	Supplier resistance towards sustainability practices. Customers and investors - ethical and reliable of supply chain	Engage in ethical business practices
30	G4-SO11	Grievance mechanisms for impact on society	H	L	Customers, community	Disruption to business operations not having a proper grievance mechanism	UA policy on grievance handling	Not tracked	Customers, community, government, employees - company to have a proper mechanism to manage any grievance impacting social norms	Ethical business practices

No	GRI G4 Content Index Indicator	Aspects	Impact		External stakeholder impacted	Direct financial impacts to UA and other stakeholders	Policy related performance (country and / or company)	Organisational peer based norms and behaviour	Stakeholder behaviour, norms and expectations	Societal norms and expectations
			Internal	External						

Sub category: Product responsibility

31	G4-PR3	Products and services labelling	H	H	Customers, shareholders	Possible fines for non compliance and loss of revenue due to customer dissatisfaction for not providing information about products	Country laws and regulations such as guidelines issued by Insurance Board of Sri Lanka (IBSL) and UA policies	Peer adherence to country laws and regulations at minimum	Customers - accurate and comprehensive information of products	Provide products which satisfy the needs of the society
32	G4-PR5	Customer satisfaction	H	H	Customers, shareholders	Drop in market share resulting in loss of revenue	UA policy on customer satisfaction	Not tracked	Customers - satisfactory products	Provide products which satisfy the needs of society
33	G4-PR6	Marketing communications	H	H	Customers, shareholders	Cost of advertising	Guidelines issued by (IBSL) UA policy on code of advertising and marketing communications	Not tracked but peers invest heavily on advertising	Customers - contemporary advertisements	Adoption of ethical standards in advertising
34	G4-PR8	Customer privacy	H	H	Customers, shareholders, community	Loss of goodwill	Country laws, UA policy on safeguarding customer information	Peer adherence to country laws and regulations at minimum	Give comfort to the customers on data privacy	Usage of customer information only for given purpose
35	G4-PR9	Compliance	H	H	Customers, shareholders, community, government and regulatory institutions	Possible fines for non compliance and loss of revenue due to customer dissatisfaction for not providing information about products	Country laws and regulations such as guidelines issued by IBSL and UA policies	Peer adherence to country laws and regulations at minimum	Customers - satisfactory products	Provide products which satisfy the needs of society

Management Discussion and Analysis

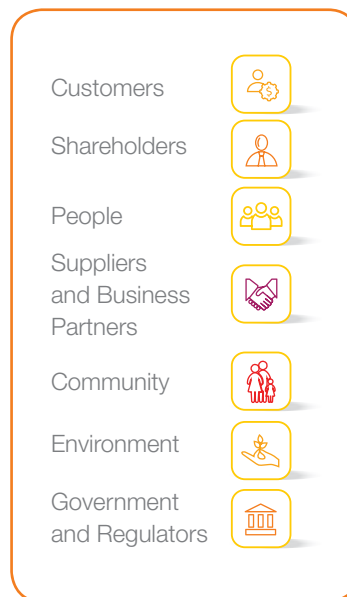
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Following matrix summarises the key aspects and their materiality levels;



It is of paramount importance to have a continuous dialogue with our stakeholders and be responsive to their expectations / material issues to ensure sustainability of the operations and achieve the triple bottom line performance objectives. The company is also mindful of the risk of not meeting their needs and aspirations and have mitigation strategies in place to ensure that there is an unbroken relationship between the company and its stakeholders.



Stakeholder Identification

As the world becomes ever more interconnected, we must engage our many groups of stakeholders to help us better recognise and manage our impacts.

Engagement with our stakeholders

1. Customers



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectations	Potential risks from stakeholder expectations	Our risk mitigation strategies
Conduct formal and informal research	As and when required	<ul style="list-style-type: none"> Leverage technology, technical knowledge competencies of internal staff and 3rd party service providers. Conduct fact finding / financial need analysis to ensure that life insurance coverage is obtained in line with customers' income and lifestyle requirements Enhance convenience by expanding distribution network and customer service points. Regularly review service standards and aim to exceed industry benchmark Settle claims fairly and speedily. 	<ul style="list-style-type: none"> Inability of the company to meet its commitments towards the long term promise of protection / wealth accumulation in the case of life insurance. Inability to meet demand for prompt and convenient customer service and higher service standards. 	<ul style="list-style-type: none"> Leverage underwriting / claims management and actuarial skills to ensure that products are priced in a manner that will enable the company to deliver its commitments throughout the policy period. Ensure adequate reinsurance support with financially stable Reinsurance partners. Manage claims in a manner that minimises leakage so that genuine customers continue to enjoy premium levels which are not inflated due to fraudulent practices / claims. Training front line staff to provide better customer service and deliver high quality service standards.
Customer satisfaction surveys	Monthly			
Regular formal interactions by sales managers with intermediaries	Monthly and as and when required			
Corporate customers via sales managers	As and when required			
Customer welcome calls	For all new policies issued			
Formalised complaint management process via dedicated hotline	On going			
Corporate website	On going			
Social media	On going			
Media advertisements	As and when required			

2. Shareholders



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectations	Potential risks from stakeholder expectations	Our risk mitigation strategies
Annual reports	Annually	<ul style="list-style-type: none"> Grow premium volumes in a sustainable manner by focusing on superior customer service, rather than price and managing claims and overheads in a manner that will ensure long term profitability. Structured investment committee with internal controls to optimise return on investments. Regular review and update of corporate governance practices. Structured audit plan for internal assurance. 	<ul style="list-style-type: none"> Possible focus on year on year improvement in results / dividend payout without considering long term sustainability 	<ul style="list-style-type: none"> Maintain continuous dialogue with shareholders regarding industry dynamics, business opportunities, financial performance and any regulatory changes affecting the company / industry. Effective performance management system. Maintain highest level of corporate governance and transparency. Strategically grow our portfolio while balancing risk and product profitability
Interim financial statements	Quarterly			
Annual General Meeting	Annually			
Extraordinary General Meetings	As and when required			
Announcements through the CSE	As and when required			
Media releases and press conferences	As and when required			
Dedicated investor relations hotline	On going			
Corporate website	On going			
One to one discussions	As and when required			

3. People



Mode of engagement	Frequency of Engagement	Our commitment to meet their potential risks	Potential risks from stakeholder expectations	Our risk mitigation strategies
Employee satisfaction survey	Annually	<ul style="list-style-type: none"> Ensure company communication cascades to all levels of staff. Ensure adequate participation from all areas of business at strategic and operational planning events. Ensure recruitment promotions and rewards are based on qualifications, merit and capability, regardless of race, religion or gender. Invest in learning and development infrastructure and resources. Ensure proper work life balance. 	<ul style="list-style-type: none"> Lack of experienced / qualified staff in industry and intense poaching especially with new entrants to the insurance space. Inability to keep pace with changing consumer needs due to lack of knowledge. 	<ul style="list-style-type: none"> Continue to focus on technical training for distribution and support services staff to enhance skill levels across the organisation and create career development opportunities. Review compensation and benefit packages and ensure adequate alignment with company performance and industry norms Implement compliant management / internal review processes to identify instances of mis-selling and / or gaps in coverage to take appropriate corrective action
Skip level meetings for all staff to elicit their ideas to improve service / productivity including providing an opportunity to address any concerns.	Monthly			
Brainstorming sessions with all business units prior to reviewing medium to long term strategies	Annually			

Management Discussion and Analysis

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Mode of engagement	Frequency of Engagement	Our commitment to meet their potential risks	Potential risks from stakeholder expectations	Our risk mitigation strategies
Corporate communication via emails, company intranet, company newsletters etc.	On going	<ul style="list-style-type: none"> Ensure health and safety at the workplace. Establish a proper 'whistle blowing' policy, code of conduct and grievance handling process. 	<ul style="list-style-type: none"> Demand for attractive remuneration packages which will impact company profitability. 	<ul style="list-style-type: none"> Follow up on ideas and concerns coming from skip level meetings and communicate / implement changes as appropriate
Management meetings	Quarterly			
CEO meets a cross section of staff regularly in a forum 'Coffee with CEO'	On going	<ul style="list-style-type: none"> Ensure accessibility to the most senior executive of the company 	<ul style="list-style-type: none"> Mis-selling / lack of skills in identifying customer needs and resultant consequences. 	
Special events including events organised by the Company recreation club	On going			

4. Suppliers and Business Partners



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectations.	Potential risks from stakeholder expectations	Our risk mitigation strategies
On site visits and meetings	As and when required	<ul style="list-style-type: none"> Implement disciplined underwriting and walk away from business opportunities which do not generate sufficient premiums to meet claim expenses. 	<ul style="list-style-type: none"> Soft market conditions may reduce reinsurance options for company / industry. 	<ul style="list-style-type: none"> Focus on maintaining pricing discipline.
Formal interactions with reinsurance partners and suppliers	On going	<ul style="list-style-type: none"> Implement processes to ensure UA meets contractual obligations. Attempt to develop long term relationships with key suppliers based on quality, price and related considerations. Registration of vendors through a formal internal selection process which ensure transparency. 	<ul style="list-style-type: none"> Inability to form long term partnerships with high quality, reliable suppliers 	<ul style="list-style-type: none"> Effective risk management initiatives. Invest time and effort at appropriate levels to build sustainable relationships. Annual review of registered vendors. Take maximum effort to limit transactions only with registered vendors.

5. Community



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectation	Potential risks from stakeholder expectations	Our risk mitigation strategies
Formal interaction with community representatives	On going	<ul style="list-style-type: none"> Partnerships with national level institutions e.g. Ministry of Health, Public Health Department etc. Create networks at grass root levels to ensure activities yield a positive impact across the island. Local awareness campaigns through company CSR initiatives addressing local issues. 	<ul style="list-style-type: none"> Demand for multi-pronged initiatives which may not be aligned with company's business strategy. 	<ul style="list-style-type: none"> Focus on building long term relationships with national institutions and implement programmes which are aligned with company's long term strategy to uplift health and safety in the communities we operate. Constantly communicate and focus on the health awareness platform. Consolidate all CSR initiatives under a common umbrella to amplify impact and ensure meaningful outcomes.
Interactions with community activity partners e.g. representatives from Ministry of Health, Public Health Department etc.	On going			
Engagement through corporate website and company Facebook page	On going			
Interactions with community via CSR activities e.g. dengue prevention campaigns, thalassemia campaigns etc.	On going			
Press releases	As and when required			
Public events	As and when required			
Call centre and Corporate website	On going			

6. Environment



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectation	Potential risks from stakeholder expectations	Our risk mitigation
Training employees to be aware of the environmental impact of our operations	On going	<ul style="list-style-type: none"> Extensively use alternative energy sources to reduce fuel consumption and carbon emissions. Recycling of used items. Leverage IT to minimise impact on environment. 	<ul style="list-style-type: none"> As core business operations do not have a direct impact on the environment, impact on the environment could be overlooked 	<ul style="list-style-type: none"> Policies and procedures in place to control / minimise impact on the environment. Environmental impact update as part of the formal annual strategy presentation to the Board. Regular monitoring of carbon emission to control the environment impact.
Integrating environmental considerations into business decisions	On going			

Management Discussion and Analysis

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7. Government and Regulatory Institutions



Mode of engagement	Frequency of Engagement	Our commitment to meet their expectations	Potential risks	Our risk mitigation strategies
On-site surveillances	As and when required	<ul style="list-style-type: none"> Compliance with all applicable regulations and guidelines issued. Actively contribute to the development of the industry and economy. 	<ul style="list-style-type: none"> Frequent changes to regulations and differences in interpretation could result in non-compliance 	<ul style="list-style-type: none"> Proactive communication channel with government and regulatory institutions. External consultation support to keep abreast of the changing regulations.
Filling of various returns	As and when required			
Directives and circulars	As and when required			
Press releases	As and when required			

In addition to above stakeholders, we actively participate in public policy development for the betterment of the society as a whole by being active members of,

- The Ceylon Chamber of Commerce
- American Chamber of Commerce in Sri Lanka
- National Chamber of Exporters of Sri Lanka
- Insurance Association of Sri Lanka
- Employers' Federation of Ceylon
- Sri Lanka Association of Software and Service Companies (SLASSCOM)

Shareholder Communication Policy

Objective

To enhance long-term shareholder value through regular communication with both individual and institutional shareholders

Shareholders' meetings

The Annual General meetings and other general meetings of the company are used for communication with shareholders and obtain their participation. UA encourages shareholders to participate in shareholders' meetings physically or to appoint proxies to attend and vote for and on their behalf if they are unable to attend. Notices of general meetings and the accompanying papers are provided within the prescribed time frames to shareholders by post. Shareholders' meetings are held at a convenient location where the Chairman of the Company, Chairmen of Board committees, Directors and representatives of the external auditors would be present and are available to answer questions.

Financial and other reporting

UA reports operating results on a quarterly basis and produces interim and annual reports in accordance with laws and regulations pertaining to the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the laws and regulations of the companies Act No. 7 of 2007, listing rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date, and laws and regulations governing the Insurance Industry (the "regulatory requirements"). From time to time, the company communicates other information to shareholders by way of announcements and / or circulars, in compliance with the regulatory requirements or otherwise.

Corporate website

UA provides a host of investor information on the company through its website www.unionassurance.lk.

Investment market communication

Directors and employees of the company who have contacts with investors, analysts and media are aware of the disclosure obligations and requirements under the Company's "Policy on Handling of Confidential and Price-sensitive Information, and Securities Dealing".

Direct communication with the company

Shareholders may, at any time, raise queries on or requests for publicly available information, provide comments / suggestions to any of the Directors or management. Such questions, requests and comments can be directed to the;

Company Secretary on 011- 2306245 / Chairman of the Company on 011 – 2306112 / Investor relations Hot line on 011- 2428502 or email to investorrelation@ualink.lk or post to Chief Executive Officer, Union Assurance PLC, Union Assurance Centre, No. 20, St. Michael's Road, Colombo 3, Sri Lanka.

Responding to shareholders' queries

Queries will be responded through the same mode the query was directed to the company or through a mode agreed with the shareholder/s.

Process to make all Directors Aware of Major Issues and Concerns of Shareholders

All queries made other than the queries raised directly with the Chairman, will be brought to the notice of the Chairman through the CEO or the Company Secretary. Should any query need the attention of the Board of Directors, Chairman will escalate such queries and seek the assistance of the Board.

Shareholder Privacy

The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent unless required by law.

Strategy and Resource Allocation

Strategic Planning Process

The strategic planning process is where the company allocates the six capitals towards its strategic objectives in an appropriate manner to achieve short, medium term and long term goals. These goals and objectives are derived from a comprehensive objective setting process and the resource allocation process takes place after thorough planning.

It is of paramount importance to have a very effective strategic planning and performance management system in place to stay ahead in a very dynamic business environment. The advancements of technology makes products, services and business processes obsolete in a matter of seconds making it crucial for organisations to be vigilant of their progress.

At Union Assurance we have a robust performance management system encompassing a comprehensive strategic planning process to set organisational direction and objectives. We take the aspirations of all stakeholders into account and have developed effective tools to monitor performance while managing and bringing risks within tolerance effectively.

Strategic Direction and Corporate Objectives

At UA, strategic planning is a top down-bottom up process, where strategic direction is set by the Chairman / Board and debate and formulation around the direction of the Board happens with involvement of staff at all levels. This creating ownership and

commitment, while harnessing their creative potential. The process commences with the Chairman and Board setting the broad strategy for the next five years and objectives for the planning year from the perspective of all stakeholders. Based on these requirements, the executive committee reviews the relevance to the Company's vision and mission and analyses the competitive landscape, macro environment, organisational strengths, weaknesses, opportunities and threats (SWOT analysis). Based on the findings, the executive committee identifies the issues and challenges for the plan period and formulates broad strategies and objectives.

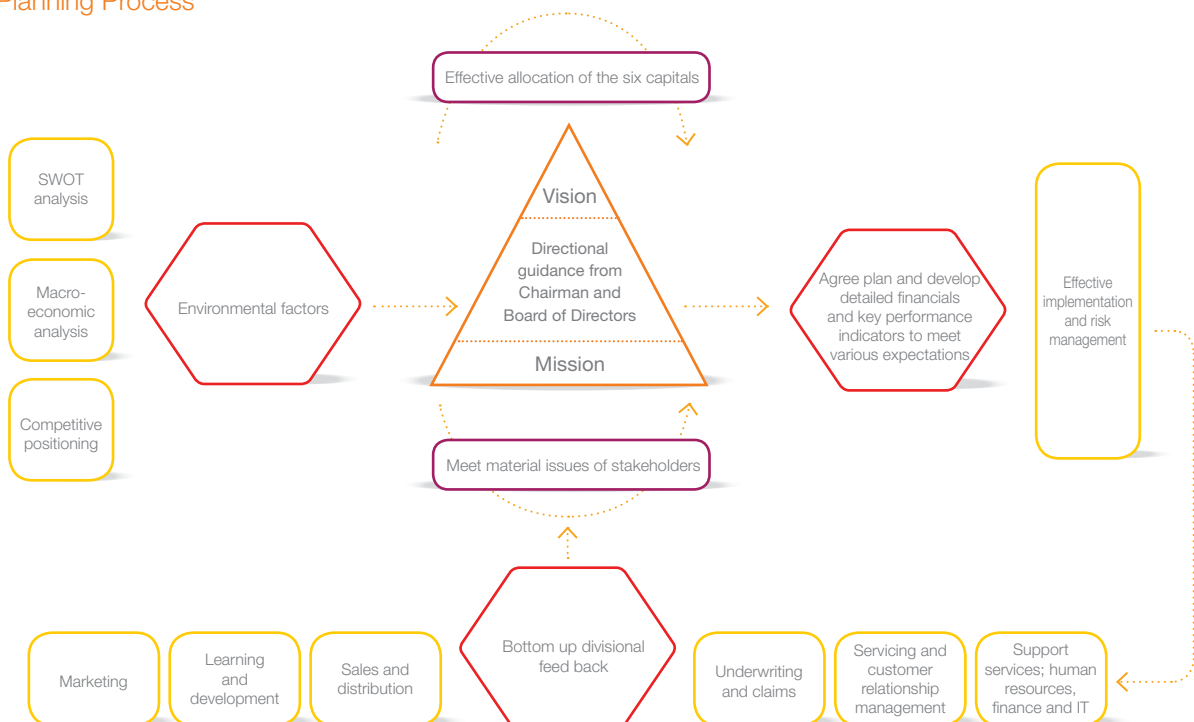
These are brainstormed at a broader planning forum comprising the executive committee and key representatives from the functional / distribution channels to derive broad strategic themes for each of the identified critical areas of the business giving due consideration to issues, challenges, opportunities and threats along with the resources required to meet the set objectives.

Subsequently, the company conducts planning meetings at regional / distribution channel level as well as with all support functions. The strategic action plans derived from these workshops are synchronised with the objectives determined by the executive committee and key representatives from the functional / distribution channels at the broader planning forum.

Once agreed, strategies and financial budgets are set and presented to the Board for approval.

An overview of the process is provided below.

Strategic Planning Process



Management Discussion and Analysis

Effective Implementation

The CEO and the Executive Committee review the strategic plan action items and budgets on a monthly basis and analyse variances between expected and actual results. The same information is also reviewed by the Board of Directors. Both parties use a dashboard with key performance indicators (KPIs) to monitor progress.


The issues faced while implementing the strategy, the achievements and learning outcomes of this year's planning

process which emerges from the bottom up strategy sessions will be used in the next years planning process.

A key learning from the 2015 planning sessions that was implemented in 2016 planning sessions was that the executive committee brought in key representatives from the regional distribution channel to the first round of brainstorming prior to regional / distribution channel level discussions at which the key representatives refrained from participating. This enabled ideas / feedback to be generated without the influence of the key leaders in the respective regions.

Progress against Strategic Objectives Set for 2015

The progress against strategic objectives of 2015, as highlighted in the previous annual report is summarised as follows;

2015 Strategic Priorities	Progress	Achievement																																				
<h3>Expand Distribution in a Cost Effective Manner</h3> <ul style="list-style-type: none"> Streamline selection process Automate recruitment activities to enhance efficiency and effectiveness Enhance communication resources to actively promote role / opportunities for life insurance advisors 	<ul style="list-style-type: none"> Implemented the recruitment zone, an on line recruitment website, to standardise and monitor recruitment activity 																																					
<ul style="list-style-type: none"> Enhance field coaching activities to ensure success of new recruits 	<ul style="list-style-type: none"> Assessment centres for team leaders implemented in July with the intention of improving quality and identifying training needs. All Development Officers and Unit Development Officers (UDMs) go through assessment centres at Head Office. 38% of new recruits achieved Brilliant Starter Status (2014 – 28%), which is a benchmark set for new recruits. 1,166 advisors (32%) in productive grades Vs. 880 (22%) in 2014 																																					
<h3>Cadre Numbers Vs. Quality</h3>																																						
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2015 Strategic Priorities

Progress

Achievement

Continuous Improvement in Service Standards

- Standardise / professionalise sales through digital transformation
- Implement special fast track service for high performers
- Enhance resources / communication channels between Head Office and branch sales support staff to improve quality across the value chain
- Implement / leverage best in class premium collection processes
- Continuously improve lapse management processes
- Enhance auto underwriting features and functionality to provide faster turnaround times to life advisors and external customers
- Improve follow up processes with regard to pending proposals

- 3,200+ advisors were provided with active email accounts
- Implemented centrally monitored common email addresses for claims and policyholder servicing separately, to direct branch queries and ensure a prompt responding mechanism
- Enhanced the technical support unit with three dedicated staff members to improve communication between Head Office and advisors
- Implemented mCash and eZcash based collection processes for customers and launched an initiative to register agents as mCash retailers in September 2015
- Lapses were monitored on a continuous basis and followed up through a structured process. This yielded in an improvement in persistency.

Overall	2015	2014	2013
12 months lapsation rate	78%	70%	68%
24 months lapsation rate	67%	60%	61%

- Recruited 4 revival officers to manage 'orphaned policies'
- Automated underwriting feature improved the turnaround time of policies submitted digitally. 32% of policies were completed digitally (2014: 21%)
- Online pending requirement submission was introduced for digital proposals with the aim of reducing turnaround time.




Improve / Enhance Learning and Development Initiatives

- Enhance resources to train new advisors to use digital tools
- Combine distribution and learning and development resources to ensure that training interventions yield performance enhancements
- Improve soft skills of field staff members
- Improve success rate of new advisors by enhancing field coaching activities

- Launch a 'One Stop eGuide' for Digital Advisors. This helps advisors get trained on electronic processing and provides access to more resources.
- Implemented "Sales Academy" based training programme for bancassurance staff
- Continued with structured training programmes. Relaunched Ladder project for 2015 in February and Executive development project in March. Top Gun, Manager Par Excellence, Exercise Magnum Opus, Ladder Project and Transformers trainings were also conducted during the year. A total of 179 staff members were trained through these programmes.
- Launched 'Advisor assessment centres' with the aim of identifying candidates who are ideally suited to the profession.
- 18 Advisors qualified for LIMRA- IAP and IQA



Management Discussion and Analysis


2015 Strategic Priorities	Progress	Achievement
Expand Alternative Channels and Cross Marketing Activities		
<ul style="list-style-type: none"> Strengthen relationships within existing bank partners Actively seek new partnerships Continuously refine learning and development programmes in line with bank / targeted customer segments Improve leadership competencies in channels Review internal processes, career paths and reward and recognition criteria to improve staff retention Review options to develop other distribution channels / models in line with global / regional best practices 	<ul style="list-style-type: none"> Commenced implementation of “Simple CRM” software to digitise lead management and follow up. The first phase was implemented for the bancassurance channel. No new partnerships signed during the year Developed a lead management / sales campaign to target doctors as a segment Life industry campaign conducted with the support of IASL and IBSL, UA generated the highest number of policies for the month of September – 9,000+ Education need related campaign in March generated 147,000+ leads with 14% conversions up to September Launched a mid-year convention to boost advisor motivation. Options are being continuously reviewed to improve existing channels or introduce new channels 	
Develop New Products and Augment Existing Products		
<ul style="list-style-type: none"> Re-launch unit linked product portfolio Review options to develop product specifically catering to education needs Review options to further improve health reimbursement rider Consider developing a specific product to be sold by new advisors 	<ul style="list-style-type: none"> Relaunched Union Challenger (Unit Linked product) in January 2015 Several new riders were introduced to the Challenger product and some system modifications were implemented to make it easy to sell. New product development ideas were considered for their profitability by the actuarial team and the Single Premium Advantage product was launched as a result. 	

2015 Strategic Priorities

Progress

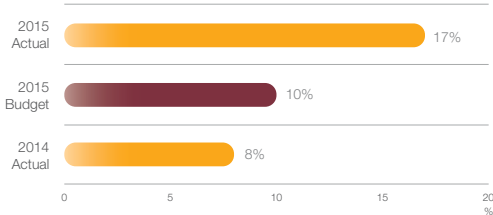
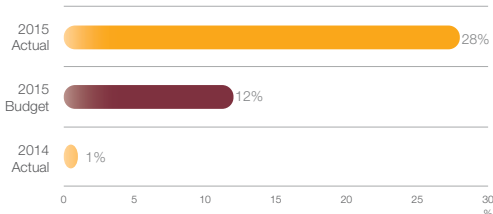
Achievement

Strengthen Underwriting and Claims Management Processes

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> Enhance technical knowledge of underwriting and distribution teams Utilise Prophet system to implement actuarial control cycle Enhance call centre resources to ensure customer queries are handled in a speedy and professional manner Leverage reinsurance partnerships to upgrade knowledge of internal staff | <ul style="list-style-type: none"> Several training sessions were organised and conducted during the year to enhance the technical knowledge of the underwriting staff A one week comprehensive technical training for branch sales support officers was introduced and the first batch of 13 was conducted in July 2015 Knowledge sharing sessions were arranged in collaboration with our main reinsurers to enhance and update the technical knowledge of staff The call centre resources were enhanced and training provided to improve performance Systems were used on an ongoing basis for the continuous implementation of the actuarial control cycle |  |
|---|---|---|

Performance against Key Performance Indicators (KPIs)

The following KPIs are used to measure the achievement and target outcomes of the short term and medium term.

KPI	What does it show	Result	Comments						
Increase in gross written premium	Increase in the amount of business we were able to secure in terms of new business and renewals compared with the previous year	<p>Increase in Gross Written Premium</p>  <table border="1"> <tr><td>2015 Actual</td><td>17%</td></tr> <tr><td>2015 Budget</td><td>10%</td></tr> <tr><td>2014 Actual</td><td>8%</td></tr> </table>	2015 Actual	17%	2015 Budget	10%	2014 Actual	8%	Gross written premium exceeded budget by a wide margin.
2015 Actual	17%								
2015 Budget	10%								
2014 Actual	8%								
Increase in new business premium on an annualised basis	Increase in the amount of annualised new business we were able to secure compared to previous year	<p>Increase in New business premium (annualised)</p>  <table border="1"> <tr><td>2015 Actual</td><td>28%</td></tr> <tr><td>2015 Budget</td><td>12%</td></tr> <tr><td>2014 Actual</td><td>1%</td></tr> </table>	2015 Actual	28%	2015 Budget	12%	2014 Actual	1%	Annualised new business premium increased more than anticipated due to new business growth.
2015 Actual	28%								
2015 Budget	12%								
2014 Actual	1%								

Management Discussion and Analysis

KPI	What does it show	Result	Comments									
Profit for the period	The total bottom line result achieved for the financial year	<p>Profits (from operations)</p> <table border="1"> <caption>Profits (from operations) - Rs. Mn</caption> <thead> <tr> <th>Year</th> <th>Actual</th> <th>Budget</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1,039</td> <td>945</td> </tr> <tr> <td>2014</td> <td>881</td> <td>-</td> </tr> </tbody> </table>	Year	Actual	Budget	2015	1,039	945	2014	881	-	Bottom line increased reflecting the growth in gross written premium.
Year	Actual	Budget										
2015	1,039	945										
2014	881	-										

Strategic objectives for 2016













Based on our 2015 performance, opportunities available and threats faced, strategic objectives formulated for 2016 are summarised as follows. The usage of the capitals in the achievement of the objectives is illustrated with symbols as below.

Capital	Symbol	Level of usage
Financial Capital	■	High H
Human Capital	●	Low L
Intellectual Capital	▲	
Manufactured Capital	◆	
Social and Relationship Capital	◎	
Natural Capital	★	

Strategic Objective	Resource allocation
<p>Drive for higher quality, more productive sales force.</p> <ul style="list-style-type: none"> Implement assessment centre based recruitment process for all new advisors Use data from assessment process to streamline / target good quality recruits Review options to hire graduates to sales force Review options to explicitly manage “part time” work force 	<p>■ H</p> <p>● H</p> <p>▲ H</p> <p>◆ L</p> <p>◎ L</p> <p>★ L</p>
<p>Align Learning and Development to cater to a more productive work force</p> <ul style="list-style-type: none"> Diagnose training gaps, promote digital processing and reduced pending proposals through the coordination of life operations and digital ‘centre of excellence’ Enhance field coaching especially for new recruits Introduce a system to track career progression of advisors Align resources to provide specialised training for specific segments 	<p>■ H</p> <p>● H</p> <p>▲ H</p> <p>◆ L</p> <p>◎ H</p> <p>★ L</p>

Strategic Objective	Resource allocation
<p>New product development</p> <ul style="list-style-type: none"> • Relaunch health reimbursement product • Review feasibility of launching further products to meet pension need • Review options to enhance 'Rider' coverage / terms and conditions • Review new products for corporate customers 	<ul style="list-style-type: none"> ■ H ● H ▲ H ◆ L ◎ L ★ L
<p>Improve customer service</p> <ul style="list-style-type: none"> • Upgrade service for high value cases • Encourage submission of proposals digitally • Devise methods to improve premium persistency 	<ul style="list-style-type: none"> ■ H ● H ▲ H ◆ H ◎ H ★ L
<p>Enhance promotions and brand building activities</p> <ul style="list-style-type: none"> • Redefine brand positioning • Increase engagement with customers • Use social media to amplify brand awareness / generate leads for on-line distribution platform • Set ambitious targets for CSR platforms (dengue, thalassemia and diabetes) to achieve meaningful results over the medium term 	<ul style="list-style-type: none"> ■ H ● H ▲ H ◆ L ◎ H ★ L
<p>Re align rewards and recognition to meet changes in medium term strategy</p> <ul style="list-style-type: none"> • Align productivity target for following rewards and recognition / incentive schemes: <ol style="list-style-type: none"> 1. Brilliant Starter grading 2. Advisor grading 3. Annual awards recognition 4. Overseas competitions 5. Other recognition, incentive and allowance criteria • Review options to change incentives for management including permanent / non permanent sales staff (e.g. ZMs, RMs, SMs and UDMs) and non sales staff 	<ul style="list-style-type: none"> ■ L ● H ▲ H ◆ L ◎ H ★ L
<p>Enhance distribution effectiveness of bancassurance</p> <ul style="list-style-type: none"> • Enhance leadership capabilities to build relationships with bank partners at all levels • Align compensation and benefits across all levels to drive volumes in a cost effective manner • Ensure Bancassurance channel productivity enhancement 	<ul style="list-style-type: none"> ■ H ● H ▲ H ◆ L ◎ H ★ L

Management Discussion and Analysis

Strategic Objective	Resource allocation
<p>Aim for operational excellence</p> <ul style="list-style-type: none"> Migrate core system to modern platform Enhance management information system for faster decision making 	<ul style="list-style-type: none">  H  H  H  L  L  L
<p>Managing regulatory challenges</p> <ul style="list-style-type: none"> Improve risk management / reporting tools in line with RBC framework Monitor implications of segregating participating and non-participating funds 	<ul style="list-style-type: none">  H  H  H  L  H  L

Outlook

Principal risks and uncertainties facing the company

Insurance companies face a number of challenges including changes in regulatory environment, evolving customer needs, pressure on margins, retention of key staff etc. We have summarised some of these generic challenges and actions taken by UA in the following table. The challenges outlined in the table are based on an article published by Mr. H. A. Rehmanjee, who previously served as a Director on UA's Board.

Challenges / likely impact	UA's readiness / response	Update 2015
<p>Pressure on capital</p> <p>Insurers will have to ensure that they have adequate financial strength on a continuous basis. The concept of "risk based capital" will be the benchmark of regulators. The days when insurers could continue to remain in business by simply complying with minimum capital requirements are numbered</p>	<ul style="list-style-type: none"> • Maintain net assets in excess of minimum requirements • Monitor solvency position on a regular basis in order to maintain solvency at all times • Obtain annual verification of life solvency position from independent actuary • Obtain regular updates regarding Risk Based Capital (RBC) models implemented in regional markets and also work through the Insurance association with IBSL to implement RBC model in the local market. 	<ul style="list-style-type: none"> • Assured the readiness of UA to adopt the Risk Based Capital Model with effect from 1st January 2016. • Since the business was over capitalised after the sale of the General business a share buyback was initiated to hand back excess capital to the shareholders. • Monitored material variances in solvency position on a continuous basis. • Monitored UA's solvency position vis-à-vis other insurers on a quarterly basis (based on data shared by IBSL) • UA's net assets as at December 2015 is Rs. 3,465 million • Solvency position and Risk Based Capital (RBC) position for the year is provided on page 214
<p>Pressure on volumes</p> <p>Fierce competition to increase volume and market share will prevail. Two avenues would be open to insurers to be the least cost producer or to offer a differentiated product or service. The latter may appear easier. But developing new products is expensive and the advantage short lived since it can be quickly copied. Another option is to maximise customer retention. This can pay rich dividends since it is more cost effective to maintain current customers than target new ones.</p>	<ul style="list-style-type: none"> • Implement cross functional teams to develop new products that meet customer needs, and can be sold and serviced effectively • Scan market to identify new product opportunities • Monitor life insurance premium persistency 	<ul style="list-style-type: none"> • Launched Union Single Premium Advantage product in September, targeting customers who require a single premium insurance product that couples investment and protection features • Invested in expanding distribution in cost effective manner utilising technology to introduce efficient customer service and distribution • Customer call back programme was initiated and achieved a connectivity of 65% by 31st December 2015

Management Discussion and Analysis

Challenges / likely impact	UA's readiness / response	Update 2015
<p>Pressure on margins</p> <p>Intense competition for business and the presence of competitors of different shapes, sizes and objectives will impact on the terms and conditions of insurance.</p> <p>Those who can adapt themselves to change will have the edge.</p> <p>Insurers will be driven to minimise their operating costs and raise performance standards to meet customers' rising expectation</p>	<ul style="list-style-type: none"> • Use IT as a key differentiator to improve service as well as efficiency and effectiveness • Initiate expense management initiatives • Rationalise products / pricing based on profitability objectives 	<ul style="list-style-type: none"> • Continued to leverage IT platforms to enhance convenience, transparency and efficiency for internal and external customers • Significant costs savings achieved via the initiatives launched for specific expense items. • Profit testing conducted for all products with the support of the internal actuarial team in light of the interest rate scenario which prevailed during the year • Commenced work with an external actuary to develop formal embedded value computations which will enable management to align activities accordingly to enhance value of the business • Added vendor payments during the year to the non-core activities outsourced to shift fixed cost to a variable cost model. • Use of Mobile based payment method to increase convenience and reduce cost.
<p>Pressure on service</p> <p>In the context of increasing access to information and tougher competition, the customer will demand higher service standards. Technology will enable him to make comparisons quickly and accurately. High quality customer service will have to mean more than a customer service department. Customer care will have to be a state of mind and be accepted by all levels of management and staff.</p>	<ul style="list-style-type: none"> • Increase learning and development initiatives to improve knowledge and capabilities of technical and sales staff • Constantly monitor service standards and take corrective action as appropriate • Inculcate a customer service culture across all levels of the organisation • Identify and implement cost effective technologies which will enhance services offered to external and internal customer 	<ul style="list-style-type: none"> • Drive for increased quality of advisor cadre through assessment centre based recruitment process • Continued customer engagement initiatives and customer satisfaction surveys • Conducted an 'Advisor satisfaction survey' to assess mind-set and morale to ensure superior customer service • Developed customised training programmes to educate staff regarding importance of customer service and adhering to UA's brand pillars • Implemented mobile technology related solutions to enhance efficiency and effectiveness. • Expanded and improved the e-learning facility to enable easy learning for both staff and advisors

Challenges / likely impact	UA's readiness / response	Update 2015
<p>Pressure on reinsurance</p> <p>Insurers will have to closely examine their own risk transfer mechanism i.e. reinsurance. Reinsurance capacity will be in short supply. Losses incurred by reinsurers will result in changes to terms and reduced commissions. Insurers with bad results may find it difficult to obtain any reinsurance</p>	<ul style="list-style-type: none"> • Provide reinsurance partners with a balanced portfolio • Ensure reasonable retention levels • Monitor rating updates of reinsurance partners in a structured manner • Build long term relationships with reputed reinsurers • Monitor business results from a reinsurer's perspective 	<ul style="list-style-type: none"> • UA's reinsurance panel includes some of the most highly rated international reinsurers. • Continued the process of monitoring rating updates of key reinsurance partners through a professional external party • Continuously monitored business performance from the perspective of reinsurance partners and engaged with reinsurance providers to obtain best possible rates
<p>Pressure on organisations</p> <p>The emergence of new economic models and new entrants with greater financial resources, management and technical expertise and access to research and development and other technology transfers on a global scale will pose great challenges to local operators. Training of staff to meet the challenges of a rapidly changing and fiercely competitive business environment will have to be one of the key strategies adopted by insurers</p>	<ul style="list-style-type: none"> • Blend traditional and alternative distribution models to create low cost distribution and operational models to compete with insurers with lower cost bases. • Integrate learning and development as an essential part of day to day operations • Consciously focus on developing technical competencies of staff as a key differentiator 	<ul style="list-style-type: none"> • Continued to build on and enhanced IT platforms to expand distribution in cost effective manner while improving operational efficiency and effectiveness. • Leveraged technology to provide training to staff effectively and in a cost effective manner. • Continuously provided staff with local and overseas training interventions to enhance their knowledge and exposure to global best practices • Implemented structured leadership programmes to enhance leadership competencies across all levels • Continued to provide structured training programmes to enhance technical knowledge of office as well as distribution staff • Focused on developing alternative business channels such as bancassurance.
<p>Pressure to attract and retain quality people</p> <p>The key drivers of the future will be the quality and commitment of our people. Success will depend primarily on the ability to attract, motivate and retain the best people</p>	<ul style="list-style-type: none"> • Monitor employee satisfaction on regular basis • Utilise the "Great Place to Work" initiative to increase the level of staff satisfaction • Increase employee engagement by conducting a bottom up strategic planning process including representatives from all functions to ensure buy in and commitment to deliver corporate objectives. 	<ul style="list-style-type: none"> • Recognised among the top 15 Great Places to Work by the GPTW Institute for the 3rd consecutive year. • Continued to implement structured training programs such as Top Gun, Manager par Excellence, to groom staff for the next level in their career. • Rolled out bottom up planning process obtaining feedback from all levels of staff members

Management Discussion and Analysis

Challenges / likely impact	UA's readiness / response	Update 2015
	<ul style="list-style-type: none"> • Implement talent management and succession planning programmes 	<ul style="list-style-type: none"> • Conducted 24 skip level meetings during the year • Continued to utilise e-based learning capability to provide on demand training to office and field staff
<p>Pressure on the use of information technology</p> <p>Insurers are entering an era where speed of response will be a key competitive differentiator. The organisations that will succeed will be those that can capture and exploit knowledge. Accelerated competitiveness will be a key issue, perhaps more important in the insurance industry than anywhere else. However, in the rush for technology, insurers will have to understand that IT can only be an enabler never the panacea</p>	<ul style="list-style-type: none"> • Leverage IT platforms to deliver on-line, real time service in cost effective manner • Invest in IT platforms which enable distribution channels to expand in cost effective manner • Create an IT savvy work force by constantly training staff on using technology to enhance productivity • Utilise new technologies such as big data analytics, mobile technology and wearable technology to price products, generate leads and reduce cost. 	<ul style="list-style-type: none"> • Implemented mobile based cash collection methods such as mCash and ezCash to increase customer convenience and also to acknowledge receipt of the premium on a real time basis. • Enhanced the Digital Advisor Toolkit (DAT) to be more robust and accessible by advisors at all locations. This would increase digital policy submission by advisors. • Further DAT was enhanced with added data verification levels and trilingual support. • IT systems were upgraded to meet ISO 27001: 2013 standards • Opened our first WIFI enabled branch at Nittambuwa.
<p>Pressure on intermediaries</p> <p>Insurers will have to make sure that the persons representing them in the front end of the business, including agents, sales representatives and field officers are well trained and equipped with the necessary skills to provide accurate advice to potential customers. These persons must be able to demonstrate that they can really add value through their intermediation</p>	<ul style="list-style-type: none"> • Attract quality people to UA • Enhance sales skills and technical competency on a continuous basis • Implement rewards / recognition schemes linked to business volume as well as quality • Provide IT based tools to improve productivity and enhance the professional image of insurance advisors • Create career paths to enable advisors and staff to achieve their maximum potential 	<ul style="list-style-type: none"> • Launched a one week comprehensive technical training for regional managers. 9 batches were trained during 2015. • UA continues to have several streams of well-structured training programmes aimed at improving soft skills and quality. (Top Gun, Manager par Excellence, The Ladder project etc.) • Launch of One Stop eGuide for the Digital Advisers to train them on using technology for better customer service. • Certified 346 Brilliant Startes during the year. • 19 advisers achieved LIMRA - IAP and IQA qualification in 2015.

Challenges / likely impact	UA's readiness / response	Update 2015
<p>Pressure from regulatory authorities</p> <p>The ultimate aim of regulation is to protect policyholders and ensure the viability of the industry.</p> <p>On the one hand regulators will have to ensure that insurers adhere to sound insurance principles and practices as well as maintain adequate financial resources to meet their liabilities. On the other hand, they will be required to play a proactive role in developing the market and promoting competition and innovation</p>	<ul style="list-style-type: none"> • Work closely with relevant regulatory bodies • Work closely with other industry participants • Actively participate in regulatory / industry forums • Consult regulators prior to implementing key changes • Strengthen compliance processes to ensure adherence to regulatory requirements 	<ul style="list-style-type: none"> • Ensure UA complies with the best practices advocated by the regulator with regard to the investment function • Actively participated in parallel run to ascertain impact of moving to Risk Based Capital framework from 2016 onwards • Ensured UA representation at all key industry forums

Summary

Political outlook

The current political outlook highlights the fact that Sri Lanka remains a vibrant democracy. However, implementation of policy actions required to stimulate the economy and address key issues would likely be hampered by the dynamics of having to navigate a coalition government.

Impact on UA

We do not expect a significant impact to UA's business performance arising from the political outlook. However, a vibrant democracy that addresses the needs of all communities and works towards a positive economic environment will significantly benefit UA.

Economic outlook

As mentioned above, the political environment would play a key role in framing the economic scenario for Sri Lanka. In addition to country specific issues, the volatility in the global environment and specific issues in countries which are key export / trading partners of Sri Lanka are challenges to be overcome.

The life insurance industry has historically reported higher lapse rates and lower penetration levels compared to more developed regional peers. An improved economic outlook will have a positive impact on these factors as well.

Impact on UA

Economic policies which dampen consumption could have a negative impact on UA's revenues. There is a likelihood for interest rates to rise as the government seeks to fund the budget deficit / settle external borrowings. The latter scenario will have a positive impact on UA's investment returns, which could be passed on to policyholders and other stakeholders. An overall improvement in the economic environment will significantly benefit UA and the industry as it will reduce lapse rates and increase penetration levels thus creating greater awareness regarding the benefits of life insurance.

Social outlook

Sri Lanka benchmarks well with regional neighbours in terms of health and education indicators. However, the country has one of the fastest ageing populations in the region - an aspect which requires urgent attention by policymakers. There are also ambitious plans towards rapid / planned urbanisation in the medium term, which will improve the quality of life for a vast majority of the population.

Impact on UA

High literacy and low unemployment rates are generally considered positive factors which drive demand for financial services products. The budget proposals which were announced in the latter part of 2015 indicated the government's desire to address issues related to long term health and pensions, which will create opportunities for life insurers.

Management Discussion and Analysis

Urbanisation will also have a positive impact to the sale of insurance products. UA, with a strong brand, robust product development process and technology enabled services is well positioned to capitalise on these opportunities.

Technology outlook

The latest announcements by government agencies responsible for technology advancements and the amounts allocated from the government budget indicates that there is a concerted effort to accelerate a digital transformation in Sri Lanka.

Impact on UA

Over the recent past, UA has leveraged technology to improve distribution, underwriting, customer service and other support services to benefit internal as well as external customers. Hence we welcome the multiple initiatives and funds allocated towards ensuring a more digital society. These macro level initiatives will enable UA to deliver world class solutions at affordable prices to technology savvy customers, while improving the quality of services for other customer segments as well.

Environmental outlook

There is a clear trend among customers to deal with service providers who conduct business in a manner which does not harm the environment. This is driven by the increased awareness created by lobby groups as well as customers' desire to act responsibly and play their part in preserving the environment.

Impact on UA

UA strives to conduct business in a manner which does not degrade the environment. Our actions to leverage technology, create awareness among employees and field staff, dispose of waste in a responsible manner and create a culture which embodies the concepts of reduce, reuse and recycle has resulted in UA being consistently recognised for its sustainability practices.

Legal / Regulatory outlook

Regulations continue to evolve but with a strong focus on safeguarding customers and maintaining the stability of the insurance industry. The regulator has implemented a risk based capital framework in 2016, and insurers have to maintain the higher of Rs. 500 million or the value required as per the new framework. The budget speech delivered in November 2015 also indicated the need to clarify the method of computing taxation for life insurance companies.

Impact on UA

We welcome any regulatory change which enhances the overall quality of the industry and ensures sustainable growth for all stakeholders. UA has always maintained a strong emphasis on

good governance and the proposed changes are expected to create a level playing field for all companies.

The call to clarify taxation for life insurers is also welcome as it provides an opportunity for UA together with the industry to clarify any concerns in a consultative manner.

Conclusion

Overall, the outlook for the industry, especially for established companies is extremely positive. The regulatory requirement to segregate life and general insurance into separate legal entities has also created opportunities for growth either organically or through mergers and acquisitions.

UA will continue to build scale by investing in traditional and non traditional distribution channels in a cost effective manner, while actively seeking inorganic growth opportunities as well

Sustainability Performance Snapshot

Section 1: Customers

Customers	2015	2014	2013
Number of life customers	220,998	223,889	226,993
Number of life insurance policies	268,159	251,872	233,786
Number of branches	107	122	121
Number of new products	1	1	1
GWP (Rs. million)	6,964	5,945	5,515
Insurance claims and benefits - net (Rs. million)	4,874	5,201	3,976
Number of disputes referred to the Insurance Ombudsman	Referred 29 Settled 16	Referred 53 Settled 12	Referred 32 Settled 12
Number of customer complaints received	938	1,198	813
Number of customer complaints resolved	822	1,043	736
Number of sales and sales support staff trained in customer care	323	657	110
Number of possible locations for premium payments	3,443	3,342	3,229
Solvency ratio (times)	2.73	4.74	3.99
Bonus for policyholders (Rs. million)	231	251	243
Life fund (Rs. million)	26,272	23,054	19,325

Section 2: Investors

Investors	2015	2014	2013
Market capitalisation (Rs. million)	9,723	14,057	8,914
Growth in revenue (%)	17	8	8
PAT growth (%)	95	7	22
Earnings Per Share (EPS) (Rs.)	31.20	14.05	13.11
Dividend Per Share (DPS) (Rs.)	8.50	6.50	6.00
Return On Equity (ROE) (%)	68	19	22
Dividend Pay Out (DPO) (%)	27	46	46
Net profit (Rs. million)	2,347	1,204	1,123
Total value added (Rs. million)	7,919	6,793	5,368

Section 3: Employees

Employees – Key Work Place Indicators	2015 Number	%	2014 Number	%	2013 Number	%
Non sales	289	64	294	61	670	58
Sales	161	36	151	39	487	42
Total	450	100	445	100	1,157	100
Profit per employee (Rs. million)	*2.37	-	1.98	-	0.97	-

* Excludes gain on disposal of non life business

Employee Benefit	2015	2014	2013
Employee benefit liability as of 31 st December (Rs. million)	100	90	116
Investment in learning and development (Rs. million)	41	38	40

Sustainability Performance Snapshot

Representation of Men and Women	2015		2014		2013	
	Women (%)	Men (%)	Women (%)	Men (%)	Women (%)	Men (%)
Board positions	14	86	14	86	17	83
Management positions	16	84	16	84	15	85
Executives	48	52	50	50	22	78
All levels	37	63	65	35	26	74
Staff turnover (%)	17		19		19	

Age Group	2015 (%)	2014 (%)	2013 (%)
20-30	44	44	41
31-40	28	30	36
41-50	22	20	19
Above 51	6	6	4
Total	100	100	100

Employee Engagement	2015	2014	2013
Number of "Shaktiya" magazines	4	3	3
Number of management meetings	4	4	5

Providing a Rewarding Career

	2015	2014	2013
Local trainings			
No. of programmes	113	306	246
No. of hours	11,292	19,841	28,166
Foreign trainings			
No. of programmes	23	25	19

Number of training days	2015		2014		2013	
	Benchmark	Actual	Benchmark	Actual	Benchmark	Actual
Managers	6	3	6	3	6	14
Executives	4	3	4	2	4	7
Non Executives	3	4	3	3	3	6

Learning and Development	2015		2014		2013	
	Number	Amount (Rs. Mn)	Number	Amount (Rs. Mn)	Number	Amount (Rs. Mn)
Number of employees on education support scheme	50	1.5	147	6.1	164	3.5
Number of employees on support for professional memberships	157	1.3	277	2	71	1.4
Other training and development expenditure	-	1.7	-	48.9	-	50.1

	2015		2014		2013	
	Number	% of Total Staff	Number	% of Total Staff	Number	% of Total Staff
Performance appraisal conducted via PAMS	341	76	652	58	608	66

Number of Employee Recognition Awards	2015		2014		2013	
	Number	Amount (Rs. Mn)	Number	Amount (Rs. Mn)	Number	Amount (Rs. Mn)
Sales	249	24.04	433	44	352	29
Non sales	146	1.42	24	0.26	36	0.3
SPAR recognition	92	0.15	134	0.22	62	0.12

Section 4: Field Staff

Field Staff	2015	2014	2013
Number of LIMRA international quality awards	5	14	14
Number of LIMRA productivity award winners	12	15	26
Number of Chartered Insurance Agency Management (CIAM) award winners	2	-	-
MDRT participants	14	14	11
Pass rate for life insurance technical competency test (%)	78	79	71
Number of field staff	4,350	5,503	5,348
Per capita training hours	48.0	60.1	83.1
Commission paid to field staff (Rs. million)	1,304	1,653	1,516

Section 5: Society




Society	2015	2014	2013
Dengue awareness programmes	20	13	5
Thalassaemia awareness programmes	60	46	13
Diabetes awareness programmes	9	-	-
Blood donation campaigns	1	1	1
Staff volunteerism (number of volunteers)	240	186	231
Investment in community and infrastructure projects (Rs. million)	7	12	8
'Donate a Saree' charity programme	1	-	-

Section 6: Environment

Environment	2015	2014	2013
Electricity use at UA centre (kwh)	673,291	657,920	669,290
Number of toners recycled	82	196	371
Number of trees saved using recycled paper	504	182	544

Our Sustainability Goals



Customers – at the Forefront of Everything We Do

Goals set for 2015	Commentary	Achievement
Review options to further improve health insurance solutions	Product concepts were evaluated and further work under this project is underway	
Enhance call centre resources to ensure customer queries are handled in a speedy and professional manner	The call centre facilities and training were upgraded	
Maintain service standards	Our achievement against customer service standards are provided on page 25	

Goals Set for 2016

- Achieve 75% digital processing for speedy service
- Adjust performance measurement and training to customer service staff to better align with improving customer service
- Develop products which cater to health insurance needs of customers
- Implement process to improve premium persistency




Employees – The Secret Behind our Success

Goals set for 2015	Commentary	Achievement
1. Work on feedback from GPTW summary to improve staff satisfaction	Combined the GPTW, GPTW Focus Group Discussion results and the VOE results into one action sheet encompassing 44 items. Of this 36 have been addressed and 8 items in progress	
2. Implement leadership development programmes for identified staff categories	A new work - life balance project was launched during the year Conducted the following programmes to cover selected high potential staff encompassing all levels; Top Gun (13 participants), Transformers (47), Ladder (40) Manager Par Excellence (30) and Executive Development Programme (32) A high level decision making workshop was conducted for the GMs and AGMs	
3. Enhance staff engagement e.g. redesign the structure of management meetings	Conduct of Coffee with CEO, skip level meetings, new recruits feedback session with CEO and town hall meetings with various service categories were organised on a regular basis	

Goals set for 2016

- Continue to work on improvement areas identified from GPTW survey and work life balance initiatives
- Continue and enhance leadership development programmes and technical training interventions

Field Staff – Enabling Professionalism and Productivity

Goals set for 2015	Commentary	Achievement
1. Leverage technology to enhance productivity and performance monitoring	Revamped FAME system to better cater to advisor needs.	
2. Implement assessment centre based recruitment process for sales cadre	Assessment centres for team leaders implemented in July Implemented recruitment zone (on line recruitment website) to standardise and monitor recruitment activity	
3. Review options to digitise lead management	Commenced implementation of CRM software to digitise lead management and follow up	

Goals set for 2016

- Facilitate introduction of a coaching card for advisors
- Use “career progression system” to ensure advisors / team leaders follow designated training path
- Review options to align / combine internal and external resources to provide segmental training for specific market segments

Community – Earning Community Trust

Goals set for 2015	Commentary	Achievement
1. Continue with health awareness programmes	20 dengue awareness programmes were conducted islandwide. 60 thalassaemia projects were conducted for the year. 9 diabetes awareness programmes were conducted as well.	✓

Goals set for 2016

- Continue to expand the reach of the ongoing CSR campaigns on health awareness with 90 programmes.

Shareholders – Sustaining Shareholder Value

Goals set for 2015	Commentary	Achievement
1. Achieve a 10% growth in life GWP	Life GWP reported a 17% growth	✓
2. Life business – Profit after tax of Rs. 945 million	Life profit after tax reported as Rs 1,067 million.	✓

Goals set for 2016

- GWP growth above market
- Improve profitability

Environment – Managing Environmental Impact

Goals set for 2015	Commentary	Achievement
Minimise carbon footprint of operations	Installation of key switches in all water coolers at head office and branches, automatic shutting down of PC's once the users leave the premises through a master key switch. Installation of innovated timer switches in all split and package AC's at head office and branches Continuous conversions of florescent tube lights to LED lights Encourage of car pooling among staff	✓
Leverage technology to minimise impact on environment	Initiatives taken to implement a solar panel systems to 20 branches	✓

Goals set for 2016

- To reduce energy usage by 20%.
- To reduce water consumption 25%.
- Recycling of waste to minimise impact on environment.

Independent Assurance Report to Union Assurance PLC

GRI-G4
G4-33



KPMG
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We have been engaged by the directors of Union Assurance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Assured Sustainability Parameters as identified below for the year ended 31 December 2015. The Assured Sustainability Parameters are included in the Union Assurance PLC's annual report for the year ended 31 December 2015 (the "Report").

The Reasonable Assurance Sustainability Parameters covered by our reasonable assurance engagement are:

Assured Sustainability Parameters	Sustainability Report Page
Triple Bottom Line Performance (Financial Performance)	9

The Limited Assurance Sustainability Parameters covered by our limited assurance engagement are:

Limited Assurance Sustainability Parameters	Sustainability Report Page
Triple Bottom Line Performance (Non-Financial Performance)	8-9
Sustainability Performance Snapshot	105- 107
Stakeholder Relationships	78
Information provided on following stakeholder groups	
• Organisation Overview (Customers)	21-26
• Financial Capital (Shareholders)	42-49
• Human Capital (Employees)	50-65
• Social and Relationship Capital (Suppliers and business partners and Government and regulatory institutions)	71-74
• Natural Capital (Society and environment)	75-76

Our conclusions:

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Parameters

In our opinion, the Reasonable Assurance Sustainability Parameters, as defined above, for the year ended

31 December 2015 are, in all material respects, are prepared and presented in accordance with the Global Reporting Initiative (GRI) G4 Content Index Guidelines.

Limited Assurance Sustainability Parameters

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability Parameters, as defined above, for the year ended 31 December 2015, have not in all material respects, been prepared and presented in accordance with the GRI G4 Content Index Guidelines.

Management's responsibility

Management are responsible for the preparation and presentation of the Reasonable Assurance Sustainability Parameters and the Limited Assurance Sustainability Parameters in accordance with the GRI G4 Content Index Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Parameters and the Limited Assurance Sustainability Parameters that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Parameters and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Parameters included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA
C.P. Jayatilaka FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principale - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law. H.S. Goonewardene ACA

Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

The Firm applies Sri Lanka Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Parameters are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Parameters are free from material misstatement.

Reasonable assurance over Reasonable Assurance Sustainability Parameters

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Parameters whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Reasonable Assurance Sustainability Parameters in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Parameters, the suitability of the criteria, being the) GRI G4 Content Index Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Parameters within the Sustainability Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Parameters.

Limited assurance on the Assured Sustainability Parameters

Our limited assurance engagement on the Limited Assurance Sustainability Parameters consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Parameters, and applying analytical and other procedures, as appropriate. These procedures included:

- interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;

- enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Parameters;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Parameters, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Parameters to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- reading the Limited Assurance Sustainability Parameters presented in the Report to determine whether they are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;
- reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Parameters.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Parameters are prepared and presented in accordance with the GRI G4 Content Index Guidelines and for no other purpose or in any other context.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.


CHARTERED ACCOUNTANTS

Colombo
24 February 2016

Certificate of Carbon Footprint



Carbon Consulting Company

SNM, Ascot Avenue, Thimbirigasyaya, Colombo 05, Sri Lanka.

Tel: (+94) 117 208 208

Fax: (+94) 112 334 748

Web: www.carbonconsultingcompany.com

28th January 2016

Greenhouse Gas Assessment Certificate

This is to certify that The Carbon Consulting Company (CCC) has conducted an Organisational Greenhouse Gas Assessment for the operations of Union Assurance PLC, using data of stipulated activities/operations, as chosen by the client:

- Purchased Electricity
- Generator Fuel Consumption
- Long Term Leased Vehicles (Capital Lease)
- Employee Commuting
- Grid Electricity Transmission and Distribution Losses
- Recycled Waste

CCC can confirm that the Carbon Footprint of Union Assurance PLC's operations for the calendar year 2015 is **1838.02 tCO₂e** (*data has not been independently verified*).

Our calculations were carried out in accordance with the Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (GHG Protocol) developed in partnership with the World Business Council for Sustainable Development and the World Resources Institute. This standard provides guidelines regarding organisational and operational boundaries, quantification and standard reporting practices.

Our calculations have applied the methodologies stipulated in the GHG Protocol to a limited scope as requested by Union Assurance PLC, and the client is solely responsible for the authenticity, relevancy and accuracy of the data provided for this Greenhouse Gas Assessment.

Yours faithfully,



Authorised Signature

GRI G4 Content Index



General Standard Disclosures

Profile disclosure	Description	Page Number / Reference	External Assurance
Strategy and Analysis			
G4-1	Statement from the Chairman	Page 10 to 12	No
Organisation Profile			
G4-3	Name of the organisation	Inner Back Cover	No
G4-4	Primary brands, products and / or services	Page 27 to 30	No
G4-5	Location of organisation's headquarters	Inner Back Cover	No
G4-6	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	No foreign operation	No
G4-7	Nature of ownership and legal form	Inner Back Cover	No
G4-8	Markets served	Page 5, 23 to 25	No
G4-9	Scale of the organisation	Page 52, 42 to 43	No
G4-10	Total workforce by employment type, employment contract and region, broken down by gender	Page 55, 62	No
G4-11	Percentage of employees covered by collective bargaining agreements.	No collective bargaining agreements	Yes
G4-12	Organisation supply chain	Page 73	No
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or supply chain	Page 47	Yes
Commitments to external initiatives			
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Pages 205 to 207	No
G4-15	Externally developed economic, environmental and social charters and principles, or other initiatives to which the organisation subscribes or endorses	Page 78	No
G4-16	Memberships in associations and / or national /international advocacy organisations	Page 90	No
Identified Material Aspects and Boundaries			
G4-17	Organisation's entities covered by the report and entities not covered by the report	Page 78	No
G4-18	Process of defining the report content and the aspect boundaries	Page 78 to 79	No
G4-19	Material aspects identified for report content	Page 79	No
G4-20	Aspect boundary for identified material aspects within the organisation	Page 78 to 79	No

GRI G4 Content Index

Profile disclosure	Description	Page Number / Reference	External Assurance
G4-21	Aspect boundary for identified material aspects outside the organisation	Page 78 to 79	No
G4-22	Explanation of the effect of any restatements of information provided in previous reports and the reasons for such restatements	No restatement of information	No
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	No significant changes	No
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	Page 86	No
G4-25	Basis for identification and selection of stakeholders with whom to engage	Page 79, Page 86	No
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Page 86 to 90	No
G4-27	Key topics and concerns raised through stakeholder engagement, and how the organisation has responded to them	Page 86 to 90	No
Report Profile			
G4-28	Reporting period	1 January 2015 - 31 December 2015	No
G4-29	Date of most recent previous report	31 December 2014	No
G4-30	Reporting cycle	Annual	No
G4-31	Contact point for questions regarding the report or its contents	Nadee Perera email: nadeep@ualink.lk	No
G4-32	Compliance with GRI G4 Content Index guidelines ,GRI G4 Content Index and the External Assurance Report	Page 78	No
G4-33	Policy and current practice with regard to seeking external assurance for the report	Page 78, 110	No
Governance			
G4-34	Governance structure of the organisation, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts	Page 132 to 133	No
Ethics and Integrity			
G4-56	The values, principles, standards and norms of behaviour	Page 4, 57	No
Specific Standard Disclosers			
DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Category – Economic			
Material Aspect: Economic Performance			
G4-DMA			
G4-EC1	Direct economic value generated, distributed and retained	Page 49	Yes
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Not tracked	No
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Page 60	No
G4-EC4	Financial assistance received from government	N/A	No
Material Aspect: Market Presence			
G4-DMA			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Same wage policy across all locations	No

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	Locations specific human resource requirements including senior management are sourced primarily from that respective location	No
Material Aspect: Indirect Economic Impacts			
G4-DMA			
G4-EC7	Development and impact of infrastructure investments and services supported	Page 71 to 72, 107	Yes
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Page 49, 71 to 73	No
Material Aspect: Procurement Practices			
G4-DMA			
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Not tracked but low value items are sourced from the respective location subject to pre agreed limits	No
	a. Report the percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally).	Not tracked	No
	b. Report the organisation's geographical definition of 'local'		
	c. Report the definition used for 'significant locations of operation'.		
Category –Environment			
Material Aspect: Energy			
G4-DMA			
G4-EN3	Energy consumption within the organisation	Page 75	No
G4-EN4	Energy consumption outside of the organisation	Not tracked	No
G4-EN5	Energy intensity	Page 75	Yes
G4-EN6	Reduction of energy consumption	Page 75 to 77	No
G4-EN7	Reductions in energy requirements of products and services	Not tracked	No
Material Aspect: Water			
G4-DMA			
G4-EN8	Total water withdrawal by source	Page 8 to 9	No
G4-EN9	Water sources significantly affected by withdrawal of water	Not tracked	No
G4-EN10	Percentage and total volume of water recycled and reused	Page 75	No
Material Aspect: Bio Diversity			
G4-DMA			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	No such sites	No
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Activities and services offered do not affect biodiversity	No
G4-EN13	Habitats protected or restored	N/A	No
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	No

GRI G4 Content Index

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Material Aspect: Emissions			
G4-DMA			
G4-EN15	Direct greenhouse gas (ghg) emissions (scope 1)	Page 77	No
G4-EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2)	Page 77	No
G4-EN17	Other indirect greenhouse gas (ghg) emissions (scope 3)	Page 77	No
G4-EN18	Greenhouse gas (ghg) emissions intensity	Page 77	No
G4-EN19	Reduction of greenhouse gas (ghg) emissions	Page 77	No
G4-EN20	Emissions of ozone-depleting substances (ods)	Not tracked	No
G4-EN21	Nox, sox, and other significant air emissions	Not tracked	No
Material Aspect: Effluents and Waste			
G4-DMA			
G4-EN22	Total water discharge by quality and destination	Not tracked	No
G4-DMA			
G4-EN23	Total weight of waste by type and disposal method	Not tracked	No
G4-DMA			
G4-EN24	Total number and volume of significant spills	N/A	No
G4-DMA			
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the basel convention ² annex i, ii, iii, and viii, and percentage of transported waste shipped internationally	N/A, do not generate any waste deemed hazardous	No
G4-DMA			
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	N/A	No
Material Aspect :Products and Services			
G4-DMA			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	N/A	No
Material Aspect: Compliance			
G4-DMA			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No non compliance reported	No
Material Aspect: Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Considered in computing carbon foot print. Page 77	No
Material Aspect: Overall			
G4-DMA			
G4-EN31	Total environmental protection expenditures and investments by type	Not tracked	No
Material Aspect: Supplier Environmental Assessment			
G4-DMA			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Not tracked	No

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Category – Social			
Sub Category: Labour Practices and Decent Work			
Material Aspect: Employment			
G4-DMA			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Page 51, 54	No
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Benefits vary based on the terms of employment and is not based on the location of operation	No
G4-LA3	Return to work and retention rates after parental leave, by gender	Not tracked but have not noticed any significant drop out	No
Material Aspect: Labour / Management Relations			
G4-DMA			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	N/A	No
Material Aspect: Occupational Health and Safety			
G4-DMA			
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees	Page 57, 58	No
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Page 8 to 9	Yes
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	N/A, no such workers	No
G4-LA8	Health and safety topics covered in formal agreements with trade unions	N/A	No
Material Aspect: Training and Education			
G4-DMA			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Page 52 to 54, 62 to 65	Yes
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Page 59	Yes
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Page 107	Yes
Material Aspect: Diversity and Equal Opportunity			
G4-DMA			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Page 51 to 52, 55, 62 to 63	No
Material Aspect: Equal Remuneration for Women and Men			
G4-DMA			
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Same remuneration policy for both men and women	No

GRI G4 Content Index

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Material Aspect: Supplier Assessment for Labour Practices			
G4-DMA			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	100% and it is one of supplier selection criteria. Page 73	No
G4-DMA			
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	N/A	No
Material Aspect: Labour Practices Grievance Mechanisms			
G4-DMA			
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Company has not received any grievance against human rights in the work place during the year	No
Sub Category – Human Rights			
Material Aspect: Investment			
G4-DMA			
GR4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not tracked	No
G4-DMA			
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Page 60	No
Material Aspect: Non-discrimination			
G4-DMA			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No incidents reported	No
Material Aspect: Freedom of Association and Collective Bargaining			
G4-DMA			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	N/A	No
Material Aspect: Child Labour			
G4-DMA			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	No operations having significant risk for incidents of child labour. One of the supplier selection criteria to check possibility of involvement of child labour.	No
Material Aspect: Forced or Compulsory Labour			
G4-DMA			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Page 73 to 74	No
Material Aspect: Security Practices			
HR7	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	100%	No

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Material Aspect: Indigenous Rights			
HR8	Number of incidents of violations involving rights of indigenous peoples and actions taken	N/A	No
Material Aspect: Assessment			
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	N/A	No
HR 10	Percentage of new suppliers that were screened using human rights criteria	100% and it is one of the supplier selection criteria. Page 73	No
HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Not reported	No
Material Aspect: Human Rights Grievance Mechanisms			
HR 12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Company has not received any grievance.	No
Sub Category - Society			
Material Aspect: Local Communities			
G4-DMA			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Page 71 to 73	No
G4-SO2	Operations with significant actual and potential negative impacts on local communities	UA being an insurance service provider, does not carry out any activity which will have a negative impact on local communities.	No
Material Aspect: Anti-Corruption			
G4-DMA			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Page 61	
G4-DMA			
G4-SO4	Communication and training on anti-corruption policies and procedures	Page 61	
G4-SO5	Confirmed incidents of corruption and actions taken	No incidents reported	No
Material Aspect: Public Policy			
G4-SO6	Total value of political contributions by country and recipient / beneficiary	No political contributions made	No
Material Aspect: Anti-competitive Behaviour			
G4-DMA			
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No incidents reported	No
Material Aspect: Compliance			
G4-DMA			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Zero non compliances	No
Material Aspect: Grievance Mechanisms for Impacts on Society			
G4-DMA			
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	Company has not received such grievances	

GRI G4 Content Index

DMA and Indicators	Material Aspects	Page Number / Reference	External Assurance
Sub Category - Product Responsibility			
G4-DMA			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	N/A, provide only insurance solutions for individuals and corporates	No
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Zero non compliance during the period	No
Material Aspect: Product and Service Labelling			
G4-DMA			
G4-PR3	Types of product and services information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Page 27 to 30	No
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Zero non compliance during the period	No
G4-PR5	Results of surveys measuring customer satisfaction	Page 23 to 26	Yes
Material Aspect: Marketing Communications			
G4-DMA			
G4-PR6	Sale of banned or disputed products	Zero	No
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	zero non compliances during the period	No
Material Aspect: Compliance			
G4-DMA			
Aspect: Customer Privacy			
G4-DMA			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Zero complaints	No
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Zero non compliance during the period	No
Material Aspect: Product Portfolio			
G4 -DMA			
G4-FS6	Percentage of the portfolio for business lines by specific region, size and by sector	Not tracked by region but by business segment. Page 43	No
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	N/A	No
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	N/A	No

Corporate Governance



Being the best we can be

Corporate Governance



Board of Directors



Executive Committee



Chairman's Statement on
Corporate Governance



Corporate Governance
Commentary



Committee Reports



Integrated Risk
Management

For over 28 years we have maintained a flawless reputation for trustworthiness, governance and integrity in all we do. These strengths are what guarantee our promise of value, to open up all the possibilities of the future to the thousands of stakeholders we serve.

Board of Directors

Ajit D Gunewardene

Chairman / Non-Executive Director
(Member of the Board since May 1992)

Board Committees;

- Chairman, Remuneration Committee
- Chairman, Nominations Committee

Skills and experience;

- Member of the John Keells Holdings Board for over 20 years
- He has also served as the Chairman of the Colombo Stock Exchange and Nations Trust Bank PLC
- Has a degree in Economics
- Brings over 30 years of management experience to your Board

Other current appointments;

Listed Companies:

- Deputy Chairman of John Keells Holdings PLC
- Director of many listed companies in the John Keells Group

Others:

- Member of the Board of SLINTEC (Pvt) Ltd, a company established for the development of Nanotechnology in Sri Lanka under the auspices of the Ministry of Science and Technology
- Member of the Tourism Advisory Committee appointed by the Minister of Tourism Development
- Member of the advisory committee for Investment Promotion appointed by the Minister of Development Strategy & International Trade
- Director of many unlisted companies in the John Keells Group

Gerald De Saram

Independent Non-Executive Director
(Member of the Board since April 2009)

Board Committees;

- Member, Remuneration Committee
- Member, Nominations Committee

Skills and experience;

- He joined CIC Paints when it was formed, first managing the sales and later the marketing functions of the company. He was appointed the Managing Director in 2001 and has also served on the Paints Asia Executive Team of ICI Paints. Following the global merger of ICI and Akzo Nobel BV, he led the integration of these two large businesses in Sri Lanka
- Holds a BSc. Honours degree from the University of London
- Holds a Post Graduate Diploma in Marketing from The Chartered Institute of Marketing (CIM) of UK
- He was an active member of the Sri Lanka Institute of Marketing and a former Board Member of the IAA (Sri Lanka Chapter)

Other current appointments;

Listed Companies

None

Others

- He is the Managing Director / CEO of Akzo Nobel Paints Lanka (Private) Limited (formerly CIC Paints Private Ltd), the market leader in the paints business in Sri Lanka

Corporate Governance

Board of Directors

Ashan De Zoysa

Independent Non-Executive Director
(Member of the Board since April 2009)

Board Committees;

- Member, Audit and Compliance Committee
- Member, Investment Committee
- Member, Nominations Committee

Skills and experience;

- Holds a Bachelor of Commerce Degree from the University of New South Wales
- Several years of overseas exposure, having worked in the fields of IT and derivative / commodity trading in Australia
- Served on the Board of AMW Group as a working Director

Other current appointments;

Listed Companies

None

Others

- Serves on the Board of Associated Electrical Corporation Ltd
- Serves on the Board of A. E. C. Properties (Pvt) Ltd
- Managing Director of A. E. C. Properties (Pvt) Ltd

Suresh Rajendra

Non-Executive Director
(Member of the Board since August 2011)

Board Committees;

- Member, Audit and Compliance Committee

Skills and experience;

- Fellow member of the Chartered Institute of Management Accountants of UK
- He has over 23 years of experience in the fields of finance, travel and tourism and business development acquired both in Sri Lanka and overseas
- Prior to joining the JKH Group, he was the head of commercial and business development for NRMA Motoring & Services in Sydney, Australia, Director / General Manager of Aitken Spence Hotel Managements (Pvt) Ltd and also served on the Boards of the hotel companies of the Aitken Spence Group

Other current appointments;

Listed Companies

- He is a member of the Group Executive Committee and is the President, Property Group of John Keells Holdings PLC
- Serves on the Board of Asian Hotels and Properties PLC

Others

- Director of many unlisted companies in the John Keells Group

Dilani Alagaratnam

Non-Executive Director

(Member of the Board since August 2011)

Board Committees;

None

Skills and experience;

- A Lawyer by profession, she has been with John Keells Holdings PLC for 23 years and is a law graduate and a holder of a Masters Degree in Law

Other current appointments;

Listed Companies

- Member of the Group Executive Committee of John Keells Holdings PLC and is President with overall responsibility for the following functions of the Group: Human Resources, Legal & Secretarial, Corporate Communications and Sustainability & Enterprise Risk Management, Group Initiatives and CSR.

Others

- Co-Chairperson of the Steering Committee on Human Resources & Education and a member of the Legislation Sub Committee of the Ceylon Chamber of Commerce.
- Member of the National Labour Advisory Committee
- Council member of the Sri Lanka Institute of Directors
- Director of many unlisted companies in the John Keells Group

Harin De Silva Wijeyeratne

Independent Non-Executive Director

(Member of the Board since September 2011)

Board Committees;

- Chairman, Audit and Compliance Committee
- Member, Remuneration Committee

Skills and experience;

- He is an Associate member of the Institute of Chartered Accountants, Sri Lanka
- Fellow member of the Chartered Institute of Management Accountants of UK
- Brings over 26 years of experience in the fields of general management, financial management and auditing which has been acquired while being employed at Investcorp Bank, Bahrain, Grindlays Bahrain Bank, Ernst & Young, Bahrain and Ernst & Young, Sri Lanka

Other current appointments;

Listed Companies

None

Others

- Chief Executive Officer of the Sri Lanka Institute of Nanotechnology (Pvt) Limited

Corporate Governance

Board of Directors

Dirk Pereira

Executive Director/ Chief Executive Officer

(Appointed to the Board in May 2014)

Board Committees;

- Member, Investment Committee

Skills and experience;

- Functioned as CEO of Union Assurance since 2010.
- Fellow member of the Chartered Institute of Management Accountants of UK and a Fellow member of the Institute of Chartered Accountants of Sri Lanka.
- Holds an MBA from the University of Sri Jayewardenepura

Other current appointments;

Listed Companies

None

Others

- Serves on the Board of Union Assurance General Limited as a Non Executive Director

Executive Committee

Rukman Weeraratne

General Manager, Marketing and Distribution

Rukman joined Union Assurance in January 2005 to head life and non life distribution and marketing. He has extensive experience in the industry in sales and marketing, having started his career with Aitken Spence Insurance in 1983. He moved to James Finlay Insurance in 1986 and to the Union Assurance branch office of Mercantile Credit in 1987. In 1989 he joined Eagle Insurance, where he served for 14 years in numerous capacities and became Deputy General Manager-Distribution. During his career with Eagle Insurance, he had international exposure with attachments to Eagle Star insurance / Allied Dunbar of United Kingdom for a period of two years. In 2003 he moved to Sri Lanka Insurance Corporation as Deputy General Manager Marketing and Distribution.

Ruwan Bakmedeniya

General Manager, Information Technology

Ruwan joined Union Assurance in August 2010 from Virtusa, a leading global engineering and IT services provider. He counts over 20 years of experience in the IT field especially in the areas of banking, finance and insurance. He commenced his career in 1991 with Informatics (Pvt) Ltd which is a pioneering IT services organisation in Sri Lanka. In 1997, he joined BC Computers, which is the IT services and software engineering arm of Bartleet Group of Companies. He is also a member of the IT / BPO advisory committee at the Export Development Board in Sri Lanka. Ruwan is a holder of a Masters' Degree in IT from UK. In recent years he has helped win five technology awards and ISO 27001:2013 certification for Information Security Management System to UA. In addition he was involved in various engagements ranging from application development and modernization, consultancy, reengineering and migrations.

Brigadier Rohan Jayasinghe

General Manager, Human Resources

Rohan joined Union Assurance in January 2009 as General Manager Human Resources. He was an Executive Group Director (Human Resources) at The Capital Maharaja Organisation Limited before taking up this new assignment. He has had an exceptional career in the Sri Lanka Army where he served the country for 28 years and held many vital appointments in operations, training and in the staff. He also commanded the Armoured Brigade and retired prematurely as a Brigadier in 2006. He was the country's first Defence, Military, Naval and Air Attaché in Washington DC from 2003 to 2005 and is the recipient of one of the highest medals in the US military - The Legion of Merit. He is a graduate of the Malaysian Armed Forces Command and Staff College and is also a Fellow of the Certified Professional Managers.

Sherin Cader

General Manager, Finance and Planning

Sherin joined UA in June 2012. She has been with the John Keells Group for over 13 years serving in many capacities including as the Financial Controller at John Keells Holdings PLC. She has played diverse roles across finance and operations in financial services, IT enabled service sector and centre functions. Sherin is a Fellow member of the Chartered Institute of Management Accountants UK and an Associate member of the Association of Chartered Certified Accountants UK.

Corporate Governance

Executive Committee

Iroshini Tittagalla

General Manager, Life Insurance

Iroshini commenced her insurance career at Union Assurance in April 2001. She resigned from Union Assurance in 2005 to pursue further academic and professional qualifications in the UK where she completed a BA (Hons) Degree in Business Management. In 2008 she rejoined Union Assurance as an Assistant Manager and having served in various capacities, she achieved the present position of General Manager – Life Insurance in 2016. Iroshini is a Chartered Insurer and Associate of Chartered Insurance Institute, UK

The Chairman's Statement on Corporate Governance Report

The Board firmly believes that a sound governance framework is vital for sustainable growth in the insurance business.

Dear Stakeholder,

It is my pleasure to present to you on behalf of my fellow Board members, the Corporate Governance Report of Union Assurance PLC (UA) for 2015. This report will highlight the governance framework and the activities carried out during the year to ensure the highest standards of corporate governance and compliance within Union Assurance.

Overview

UA has in place a well-structured corporate governance framework which plays a pivotal role in constantly strengthening our stakeholder values. With 28+ years of operations in the field of insurance, UA maintains an uncompromised reputation among all its stakeholders.

We at UA believe that good governance is vital for long term success in the insurance business. UA's brand is based on the promise of trust which is delivered through convenience, transparency and being respectful. Fortified with our core values – Excellence, Caring, Innovation, Trust, Ethics and Integrity we strive to maintain world class corporate governance practices.

Your Directors are mindful that strategy formulation, effective execution and leadership development are key responsibilities of the Board. In this regard, we at UA strive to enhance and sustain the value created for all stakeholders by placing a great deal of emphasis on both the compliance and performance aspects of the business.

Your Board

As we drive towards achieving our strategic goals, it is important that we have the right balance of skills, breadth of experience and diversity on the Board. The Nominations Committee continued to review the composition of the Board to ensure that this is the case. We also practice a culture of openness, effective debate and contribution from all members of the board. Our annual Board effectiveness review assists us in highlighting areas for improvement.

Good governance

During the year many initiatives were taken to strengthen the governance of the business, in line with best practices which are explained in the pages that follow. With the divestment of the non life business, the Board has been able to fully focus on the development of the life business during 2015. We believe the potential for growth in the life business is very high and will continue to monitor and comply with regulatory requirements in order to ensure a sustainable triple bottom line which meets all stakeholder expectations.

A key event that took place during this year is the share repurchase in the third quarter of 2015. This was initiated, taking into account the interests of all stakeholders and in compliance with all relevant regulations.

We continue to adopt all mandatory guidelines on corporate governance and have voluntarily adopted codes of governance published jointly by the ICASL and SEC (the code) and Corporate Directors' Handbook, a joint publication by The Chartered Institute of Management Accountants (UK) and The Sri Lanka Institute of Directors.

Outlook

The Board's priorities for 2016 remain consistent with last year's priorities. We will continue to monitor progress against our strategy to ensure that we continue to drive growth and improve returns. We are committed to investing in and supporting our people so that the company maintains an appropriate balance of management skills and capabilities as it grows and develops.

I also wish to state that to the best of my knowledge and available information, I am not aware of any material violations of any of the provisions of the code of best practice on corporate governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.



Ajit D Gunewardene
Chairman

24 February 2016

Corporate Governance

Key actions taken in 2015 to enhance UA's corporate governance:

Month of 2015	Action Taken
January	<ul style="list-style-type: none"> Reviewed and updated the whistle blowing policy. BACC was presented with the Group IT governance framework on services obtained by the company to ensure compliance with UA compliance and governance framework. IT system access and security procedures reviewed and strengthened.
February	Whistle blowing policy was relaunched across the company.
March	Reviewed and updated the BACC terms of reference and charter.
June	<ul style="list-style-type: none"> Conducted multiple awareness sessions covering zonal leadership on 'Anti Money Laundering' that has been implemented by the Financial Intelligence Unit (FIU) of the Central Bank of Sri Lanka. Launched mobile based premium collection with electronic receipting functionality to strengthen controls and improve customer convenience.
August	<ul style="list-style-type: none"> Engaged a professional consultancy firm to validate the 'embedded value of business' calculation to enhance the integrity of information presented to the Board. Engaged an independent external actuary to support the parallel run of the Risk Based Capital (RBC) framework mandated by the Insurance Board of Sri Lanka, to be implemented from 1st January 2016. This is to enhance the credibility of information presented to the regulator and the Board. Commenced an internal audit of the 'bottom up compliance sign off' process implemented in 2013.
September	Business continuity and disaster recovery testing was carried out for all critical business processes.
October	<ul style="list-style-type: none"> Reviewed, debated and strengthened controls / processes on mobile based collections in consultation with the BACC. This was further verified by our internal auditors. A multi-disciplinary committee was formed to evaluate the Life IT system consolidation and data migration initiative.
November	UA formally included Sexual Orientation and Gender Identity to the company's non-discrimination policy and code of conduct.

Summary of compliance with mandatory and voluntary adoption of codes of governance by the company.

Summary of requirements	Mandatory / Voluntary	Page reference
Code of best practice on corporate governance issued jointly by the SEC and ICASL	Voluntary	152 - 181
Corporate governance rules as per section 7.10 of the listing rules of the CSE	Mandatory	181 - 184
Code of best practice on Related Party Transactions published by the SEC	Voluntary early adoption (Mandatory from 1 st January 2016)	200
Good governance practices recommended in the corporate Directors handbook, a joint publication by the Sri Lanka Institute of Directors and the Chartered Institute of Management Accountants (CIMA)	Voluntary	185 - 190

Corporate Governance Overview

Good Corporate Governance Is a Journey, not a Destination

The Board is responsible to shareholders for creating and delivering sustainable shareholder value and it has come to be viewed as a differentiator among firms as good governance practices provide a sustainable competitive advantage. UA's governance policies and practices enable the Board to manage the company for the benefit of all stakeholders, ensuring a viable long term business. UA's governance practices stand to ensure that;

- The business is driven in the right strategic direction and decisions are aligned appropriately
- The Executives lead and manage their respective units effectively and with accountability
- The Company has appropriate controls in place and risks are regularly monitored and managed
- Employees "do the right thing" at all times for the benefit of all stakeholders

UA also opted for early adoption of the code of best practice on Related Party Transactions published by the SEC from 1 April 2014.

Statement of Compliance

UA is fully compliant with the Regulation of Insurance Industry (RII) Act No. 43 of 2000 (page 133) and subsequent amendments thereto, Listing Requirements of the Colombo Stock Exchange (CSE), Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) as well as the rules on Corporate Governance published by the Colombo Stock Exchange (CSE).

UA also complied with the good governance practices recommended in the corporate Directors handbook, a joint publication by The Sri Lanka Institute of Directors and The Chartered Institute of Management Accountants (UK).

Further UA has ensured that all statutory payments due to the Government and other regulatory institutions and those payments to employees have been made on time.

The full statement of Directors' Responsibility is provided in page 227.

Refer page 152 to 184 for compliance with the Code of Best Practice on Corporate Governance issued jointly by the ICASL and the SEC as well as the Rules on Corporate Governance published by the CSE.

Refer page 185 to 190 for compliance with good governance practices recommended in Corporate Directors handbook.

UA also opted for early adoption of the code of best practice on Related Party Transactions published by the SEC from 1 April 2014. As permitted by the SEC the related party transactions review committee of John Keells Holdings PLC (JKH), the parent company of UA, represents UA as it is part of the listed companies of the JKH Group.

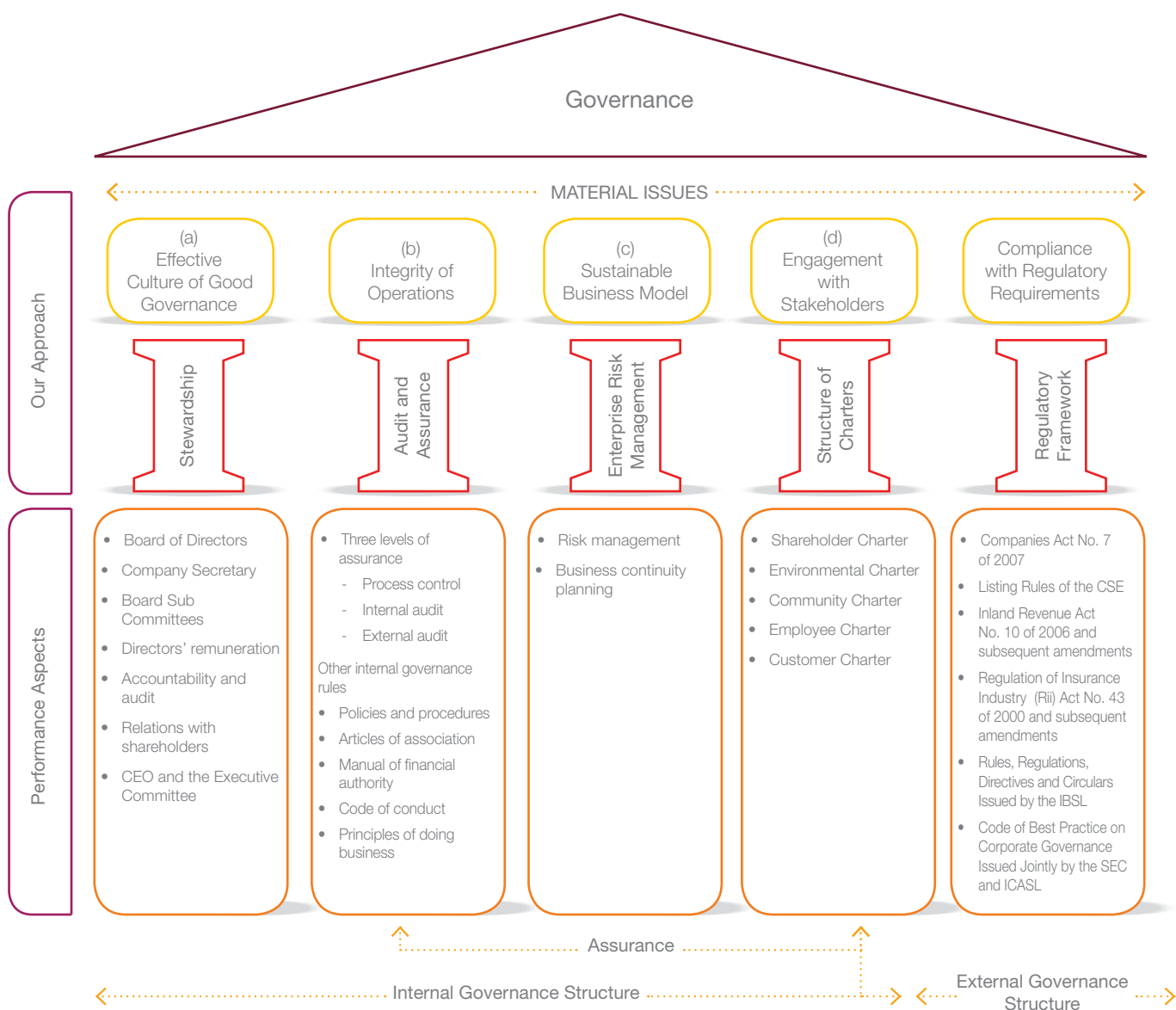
Our Integrated Governance Framework

Our Corporate Governance Model

The corporate governance report is structured in the following sequence to highlight the different elements that are adopted to ensure a robust governance framework.

- Internal governance structure
- External governance structure

Corporate Governance Model



Internal governance structure

These are the units and elements set up internally to ensure that all governance related initiatives, systems and processes are properly monitored and executed to ensure all stakeholder expectations are catered to.

Summary of the elements of the internal governance structure and assurance are as follows;

Internal governance structure and assurance

(a) Effective culture of good governance by setting up effective;

1. Board of Directors
2. Company Secretary
3. Board sub committees
4. Directors' remuneration
5. Accountability and audit
6. Relations with shareholders
7. CEO and the Executive Committee

(b) Ensure integrity of operations through;

- A. Three levels of assurance;
 1. Process control,
 2. Internal audit and
 3. External audit
- B. Other internal governance rules;
 1. Policies and procedures
 2. Articles of Association (AOA)
 3. Manual of Financial Authority (MOFA)
 4. Code of conduct and
 5. Principles of doing business

(c) Ensure sustainability of business by;

1. Enterprise risk management
2. Business continuity planning (BCP)

(d) Engage with stakeholders by way of structured;

1. Shareholder charter
2. Environment charter
3. Community charter
4. Employee charter, and
5. Customer charter

External governance structure

This forms the relevant laws, regulations and best practices that enable the company to operate within a sound corporate governance framework.

The company is governed by the following mandatory rules and regulations and voluntary adoption of codes of best practice.

Company ensures strict compliance with the following mandatory regulatory requirements;

1. Companies Act No. 07 of 2007
2. Listing rules of the CSE
3. Inland Revenue Act No. 10 of 2006
4. Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments
5. Rules, regulations, directives and circulars issued by the Insurance Board of Sri Lanka (IBSL)

Company has also made voluntary adoption of the following codes of best practice of corporate governance

1. Code of best practice on corporate governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and Institute of Chartered Accountants of Sri Lanka (ICASL)
2. Good governance practices recommended in the Corporate Directors handbook, a joint publication by the Sri Lanka Institute of Directors and the Chartered Institute of Management Accountants (UK)
3. Code of best practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC). Mandatory with effect from 1st January 2016. UA has complied with the early adoption of the Code with effect from 1st April 2014

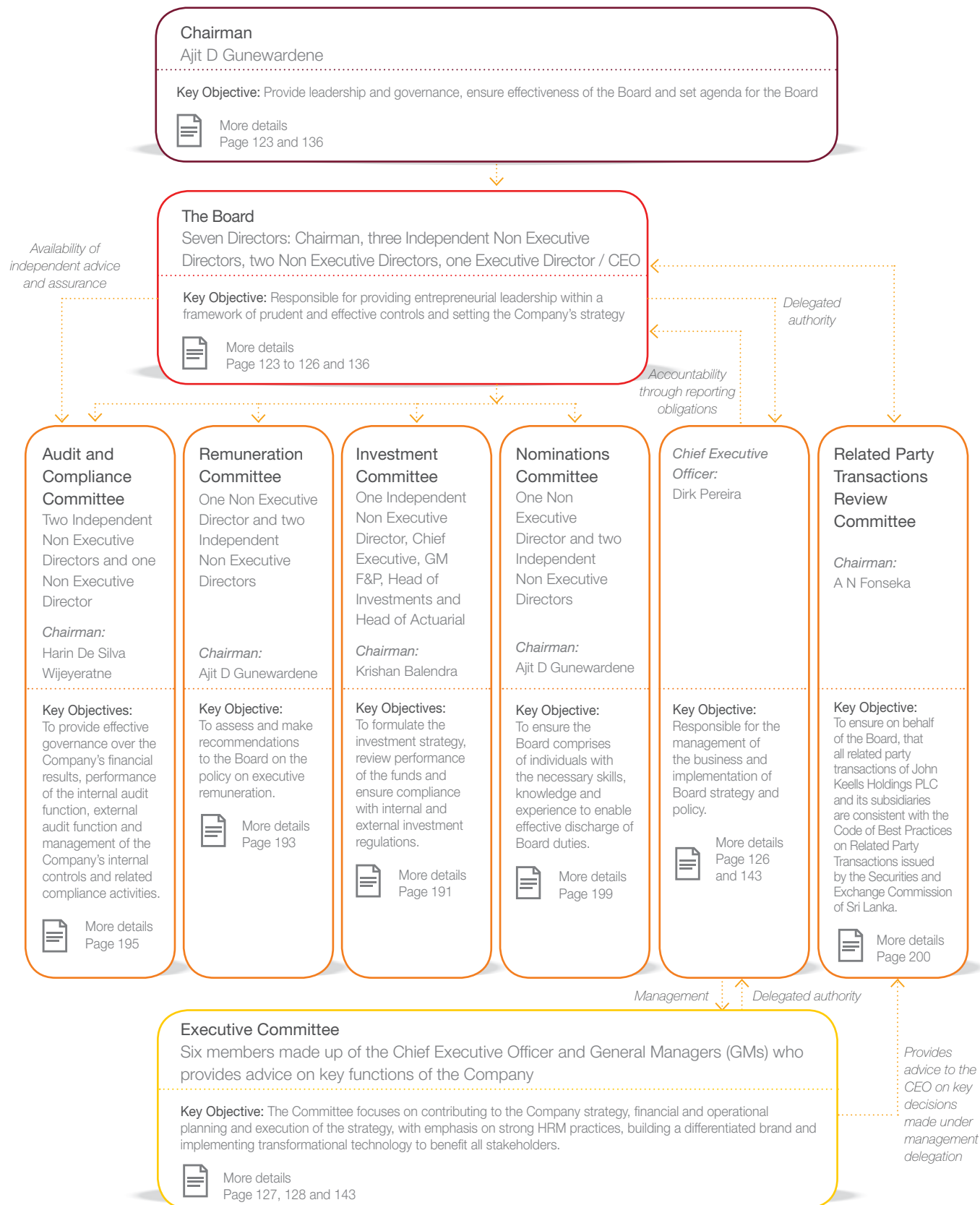
Corporate Governance

1. Internal Governance Structure and Assurance

(a) Effective culture of good governance



Stewardship



Union Assurance Corporate Governance covers many aspects in line with the Code of Best Practice on Corporate Governance issued jointly by the ICASL and the SEC.

The company's commitment with respect to the above aspects is detailed below;

Company Structure and Shareholders

Description of UA's operational structure

Union Assurance's organisation structure is illustrated on page 21 of this report. The company's management structure is depicted in the Executive Committee's span of control on page 144.

Shareholding Structure

John Keells Group continued to be the largest shareholder, with a 94% stake (96% in 2014). Please refer page 21 for the company's shareholding structure.

Capital Structure

The IBSL has increased the minimum share capital of existing insurance companies to Rs. 500 million for each class of insurance business and as a further / concurrent step to introduce a risk based capital regime. With a view to proactively meeting the requirements under the risk based capital framework, the stated capital of the company was increased by Rs. 750 million through a rights issue to the ordinary shareholders of the company in 2012.

On 28 May 2015, the Board of Directors of Union Assurance PLC resolved that up to a maximum of 26,785,714 of its Ordinary Shares will be repurchased at a price of Rs. 167.80 per share on a pro rata basis of ten (10) shares for every thirty two (32) shares held amounting to a maximum value of Rs. 4,494,642,809. Subsequently, the company concluded the repurchase of 26,785,714 shares on 25 September 2015 at a price of Rs. 167.80 per share and the transaction has been recorded in the financial statements accordingly.

As at 31 December 2015 the company's stated capital of Rs. 1,000 million meets the share capital requirements set by the Insurance Board of Sri Lanka (IBSL) for a Life insurance company.

Chairman and the Board of Directors

UA maintains a dual panel structure, namely the Board of Directors, who are Non-Executive Directors and the 'Chief Executive Officer / Executive Director, and Executive

The company concluded the repurchase of 26,785,714 shares on 25 September 2015 at a price of Rs. 167.80 per share and the transaction has been recorded in the financial statements accordingly.

As at 31 December 2015 the company's stated capital of Rs. 1,000 million meets the share capital requirements set by the Insurance Board of Sri Lanka (IBSL) for a Life insurance company.

Committee'. It thus distinguishes clearly between the supervisory body and the management including the division of responsibilities between the Chairman and CEO.

Composition of the board of Directors, their skills and diversity

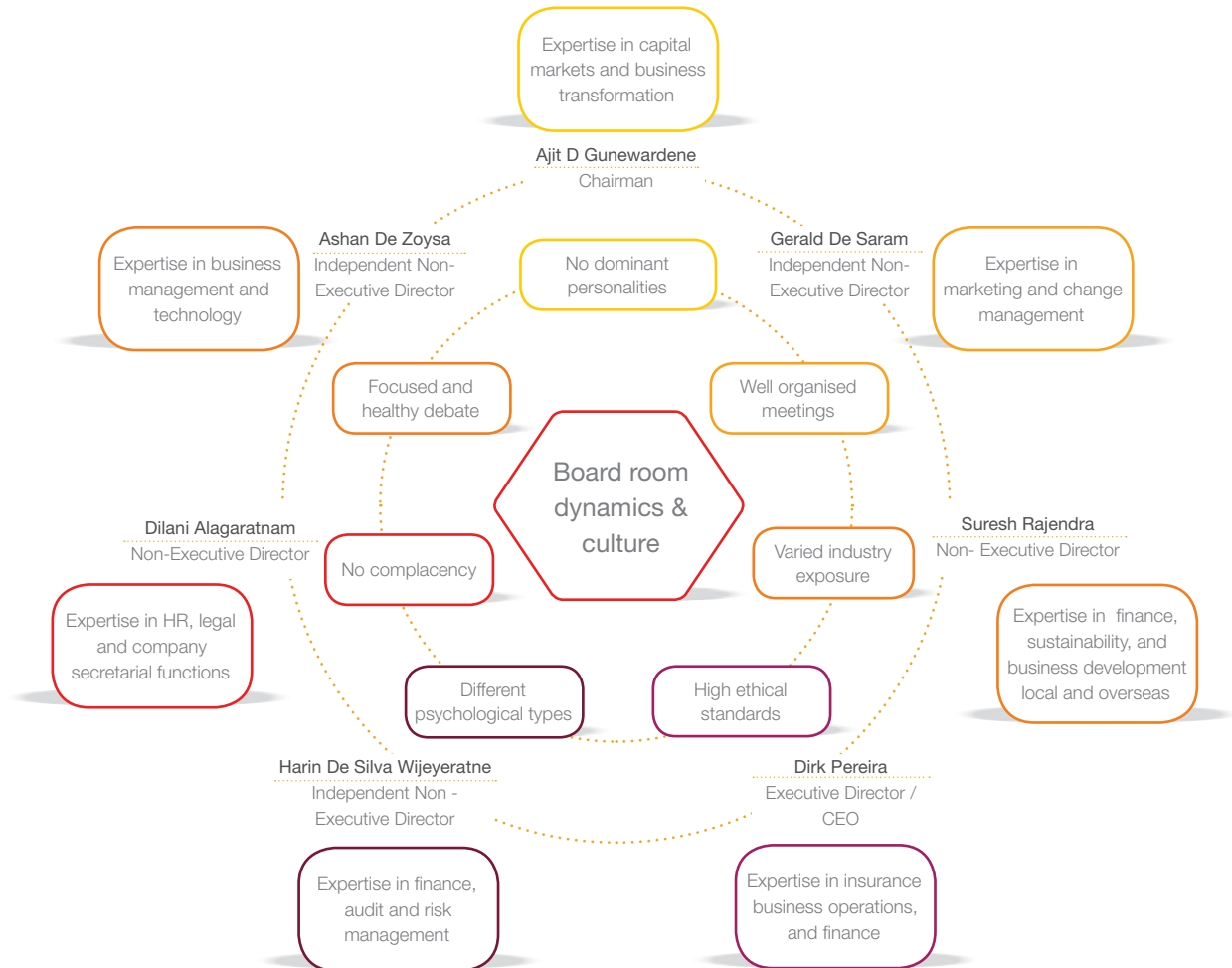
As at 31st December 2015, the Board consisted of Seven Directors of whom six hold office as Non-Executive Directors of which three are Independent Non-Executive Directors and an Executive Director. The composition did not change from that of last year.

Brief profiles of the Board members are given in page 123 to 126 of this report.

The Board is responsible for ensuring leadership through effective oversight and review. To this end the diversity of the Board plays a main role in inculcating the right balance at the top. The diverse Board membership aims to cultivate a broad spectrum of demographic attributes and characteristics by including mixed gender, different professional qualifications, various attitudes and experiences. Consequently, this results in your board being less homogeneous leading to effective decision making and better corporate reputation and investor relations.

Corporate Governance

The following diagram gives a brief snapshot of the board dynamics and culture.



The Chairman

The Chairman is responsible for leadership and governance of the Board while ensuring the effectiveness of the Board. The Chairman also sets the agenda, style and the tone of the Board discussions and ensures the effective participation of all directors and the Board is in complete control of the company's affairs and alert to its obligations to all stakeholders.

Board of Directors

The Board meets once every two months to discharge its duties and responsibilities in a timely manner. Additional Board meetings are held as required.

The Board performs its supervisory functions through the following committees in order to ensure competence and effectiveness;

1. Board Audit and Compliance Committee (BACC)

2. Remuneration Committee (RC)
3. Investment Committee (IC) and
4. Nominations Committee (NC)
5. Related Party Transactions Committee (RPTC)

Members of professional accounting bodies are on the Board ensuring financial acumen and knowledge. A standard set of appropriate, timely and comprehensive documents is provided to the Board in addition to the ad-hoc information requested from time to time.

The Board has set up a process to appraise the CEO's performance and conduct self-appraisals of their performance as well.

Information with respect to each Director has been disclosed together with the other disclosure requirements as per the Code of Best Practice on Corporate Governance in various sections of this report.

Board responsibilities and decision rights

The Non-Executive Directors have collective responsibility for the company's direction. In particular, the Non-Executive Directors are responsible for the following:

Board	Strategy and Management
Appointing the CEO and reviewing the performance of the CEO. Reviewing the performance of the Board and its sub committees annually.	Providing guidance and direction in the formulation of strategies in pursuance of the company's medium and long-term operational and financial goals and in doing so recognise sustainable business development practices.
Reviewing and making changes when necessary to authority levels delegated from the Board to the sub committees of the Board and executive levels.	Setting the overall strategic direction of the company.
Ensuring that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy. Determining and setting Board and senior executive remuneration.	Major approvals
Reviewing HR processes with emphasis on CEO and senior management succession planning	Approving the issue of equity / debt securities
Finance	Risk and governance
Approval of financial policies and certain items outside the remit of the Investment Committee	Reviewing systems of internal control, risk management and integrity of the financial information
Approval of the company's financial statements	Review of the company's overall corporate governance arrangements
Recommending / declaring dividends	Ensuring all stakeholder interests are considered in corporate decisions
	Monitoring systems of compliance and governance

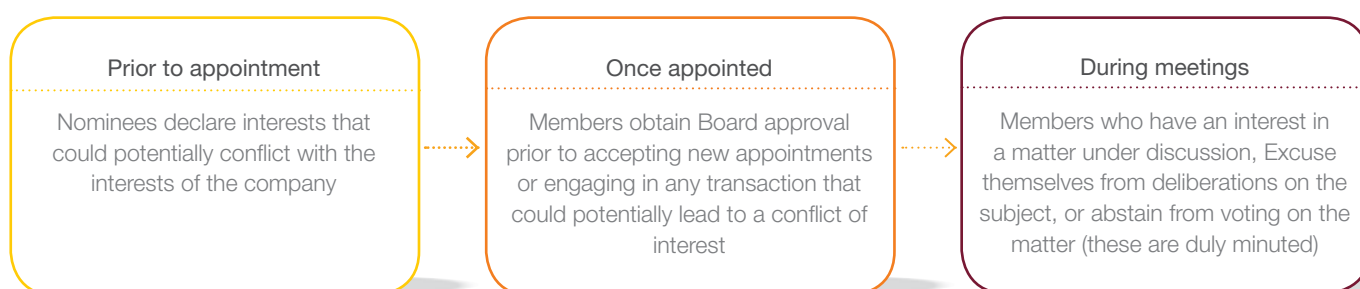
The principal matters reserved for the Board are set out above. Day to day operational decisions are managed by members of the Executive Committee. Where appropriate, matters are delegated to Board sub committees where they will be considered with their respective terms of reference. Brief terms of reference of each of the Board sub committees, which have been approved by the Board and comply with the 'Code' are provided in each of the committee reports from pages 191 to 201.

Conflict of interest and independence

Each Board member has a responsibility to determine whether he / she has a potential or actual conflict of interests arising from external associations, interest in material matters and personal relationships which may influence his / her judgment. Such potential conflicts are reviewed by the Board from time to time. Details of companies in which Board members hold Board positions or Board committee positions are available with the company for inspection by shareholders on request. Refer Note 48 to the financial statements for details on related party transactions.

To avoid potential conflicts or bias, Directors adhere to a process where review takes place prior to appointment, once appointed and during Board meetings.

Corporate Governance



Compliance of Independent Non-Executive Directors in terms of their Interests in the business;

	Employment in the company (a)	Material business relationship (b)	Close family member is a Director or CEO (c)	Carrying not less than 10% of voting rights (d)	Continuously served for more than nine years (e)	Business Connection (f)	Director / Shareholder in another entity (g) and (h)
G. F. C. De Saram	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
H. A. J. De Silva Wijeyeratne	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
A. S. De Zoysa	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

(a) Has not been employed by the company during the period of two years immediately preceding appointment as a Director

(b) Currently has no material business relationship with the company directly or indirectly, nor had during the period of two years immediately preceding appointment as a Director.

(c) Does not have any close family member/s who is a Director or CEO or key management personnel in the company

(d) Does not have a significant shareholding in the company (more than 10% of voting rights of the company)

(e) Has not served on the Board of the company for a period exceeding nine years from the date of the first appointment.

(f) Self or close family member is not a Director or employee of another company or a trustee which is materially connected to the company in terms of shareholding or business relationship.

(g) Not a Director of another company in which majority of the other directors are employed/directors or have any significant shareholding.

(h) Does not have any material business relationship or significant shareholding in another company in which majority of the other directors are employed / directors or have any significant shareholding.

All Directors make a formal declaration of their independence on an annual basis.

Board positions held outside the company by the Independent Non-Executive directors are provided in their respective profiles under 'other current appointments' in pages 123 to 126 of this report.

Directors Induction / training

The Company Secretary is responsible for ensuring that each Director receives an induction on joining the Board. When new Directors are appointed to the Board, they are apprised of the:

- Values and the culture of the organisation
- Operations of the company and its strategies
- Policies, governance framework and processes
- Responsibilities as a Director in terms of prevailing legislation
- The Code of Conduct demanded by the company

Any training needs identified are addressed through either by the topic being included at a future Board meeting or at any of the other sub committee meetings.

Procedures to obtain professional advice

On access to information and professional development; it is essential that the Directors are up to date with key business developments to maintain and enhance their effectiveness.

The Directors have access to;

- Information necessary to carry out duties and responsibilities effectively and efficiently
- External and internal auditors
- Updates on regulations, best practices as relevant to the business and other matters which are considered to warrant Board attention
- Financial plans, including budgets and forecasts and periodic performance reports
- Independent professional advice from experts and other external professional services as required. The company will incur the required expenses on such services.
- Company Secretaries whose appointment and / or removal is the responsibility of the Board
- Any of the locations in which the business operates (Branch network)
- Senior management

Board evaluation

Board evaluation to assess the effectiveness of the Board is done each year and the 2014 evaluation was done in January 2015 using a questionnaire covering the operation of the Board and each of its principal committees. The emerging key themes were summarised and presented to the Board in March 2015. The 2015 evaluation was done in January 2016 and findings will be discussed and tabled at the Board meeting scheduled for March 2016.

Board Meetings

The board ensures that items relating to strategy, finance, operations, corporate governance and compliance are covered in its meeting agenda to support, assist and advise executive management to deliver the company's strategy within a transparent governance framework

2015 Board topics

The Board met six times during 2015. The key areas of focus as per the Board's agenda of meetings during the year included;

- The Chief Executives' brief on the strategy, its implementation and other business developments
- An update by the Chief Executive Officer on operational matters including, technology, actuarial valuations, technical updates on product portfolios, re-insurance arrangements, any consultancy support on projects and other ongoing operational initiatives and compliance matters
- Investments to support organic growth including technology and people development
- Review minutes and reports from the Board Audit and Compliance Committee, Investment Committee, Remuneration Committee and Nominations Committee

The following were also addressed by the Board during 2015 in line with the company objectives.

Area of focus	Action by the Board
Strategy	<ul style="list-style-type: none"> • 2016 strategy review was conducted in November 2015. • Company's digital strategy was reviewed in July and November 2015 and feedback and direction provided to formalise the strategy. In one of the sessions an expert on the subject was also engaged. • In July 2015, company Brand score card was presented to the Board. <p>Company's strategic priorities of 2015 and progress is explained in page 92 of the Management discussion and analysis section of the Annual Report. Summary of the 2016 strategic priorities are provided in page 96 of the same report.</p>

Corporate Governance

Area of focus	Action by the Board
Finance	<ul style="list-style-type: none"> • Board regularly monitored the financial performance of the company. The monthly performance pack provided to the Board by the CFO includes an overview of the operational and financial performance, performance of the Life Insurance Fund, profit and loss, detailed analysis of the expenses, the key performance indicators against the plan and previous year, regulatory compliance reports, statement of solvency and approved assets status, financial review of the associate entity and performance of investments. • All financial reports released to the market which includes the interim financial statements and the annual report were reviewed. • Financial budget 2015 was reviewed and approved in January 2015. • A share repurchase was approved in May 2015.
Operational performance	<ul style="list-style-type: none"> • Each Board paper contains a set of reports of the business performance, including the financial and non-financial performance measures against plan. Regular updates are provided by the CEO on the risks and opportunities faced by the business including a quarterly review of competitor performance. • The sustainability dashboard is circulated to the Board each quarter which indicates status in terms of health and safety (number of injuries), carbon foot print (carbon MT), Power usage (KwH), water usage and waste generated.
HR	<ul style="list-style-type: none"> • Regular review of key HR matrices, review of succession plans and diversity and inclusion policies and practices across the company. • Review of progress on the action items stemming from the Great Place to Work (GPTW) survey.
Risk & Governance	<ul style="list-style-type: none"> • Review of quarterly company risk grid. • Review of the minutes of Board sub committee meetings. • Meeting between Chairman and Non-Executive directors without the presence of the Executive Director took place in July 2015. • Presentation and approval for services rendered by Group IT (JKH) division to Union Assurance and related costs. • Board evaluation summary for the year 2014 discussed and tabled in March 2015. • Results of the Board Audit Committee self evaluation of 2015 discussed and tabled in November 2015.

The Board priorities for 2016

For the year 2016, the Board is scheduled to meet six times. The priorities would include;

- Effective execution of the company's strategic plans.
- Regular review of the business performance and drive productivity for business growth.
- Regular review to ensure right skills at Board, Board committees, Executive committee and management levels of the company.

The calendar of meetings of the Board in 2015 and attendance is given below.

Name of Director	Date of appointment to the Board	Board Meeting Attendance						Eligible to attend	Attended
		27.01.2015	27.03.2015	28.05.2015	27.07.2015	28.09.2015	26.11.2015		
Non-Executive									
Ajit D Gunewardene	24.02.2004	✓	✓	✓	✓	✓	✓	6	6
Suresh Rajendra	16.08.2011	✓	✓	✓	✓	✓	✓	6	6
Dilani Alagaratnam	16.08.2011	✓	✓	✓	✓	✓	✓	6	6
Independent Non-Executive									
Ashan De Zoysa	01.04.2009	✓	✓	✓	✓	✓	✓	6	6
Harin De Silva Wijeyeratne	07.09.2011	✓	✓	✓	✓	✓	✓	6	6
Gerald De Saram	01.04.2009	✓	✓	✓	✓	✗	✓	6	5
Executive									
Dirk Pereira	28.05.2014	✓	✓	✓	✓	✓	✓	6	6

Company Secretary

The Company Secretary is responsible for inducting new Directors, assist the Chairman and the Chief Executive Officer in determining the annual Board plan, guide the Board and individual Directors in the proper discharge of their responsibilities and act as a central source of guidance on matters of ethics and governance. In addition to the many duties, the Company Secretary is responsible for making necessary disclosures on related party transactions required by law and regulations and also acts as a channel of communication with shareholders to ensure good shareholder relations.

The shareholders can contact Keells Consultants (Private) Limited, the Company Secretaries on 011 - 2306245 for any company related information requirements.

Board Committees (Board Directors Delegation of Authority)

Certain functions of the Board are delegated through Board sub committees, enabling the committee members to focus on their designated areas of responsibility and impart knowledge in areas where they have the greatest expertise. Notwithstanding functioning of the Board committees, the Board of Directors is collectively responsible for the decisions taken by these sub committees.

Detailed report of the committees inclusive of the composition, objectives and other details are provided in pages 191 to 201. The extent of the adherence by these committees to the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is given in pages 152 to 188.

Corporate Governance

Membership of the board sub committees is given below.

Name of Director	Investment Committee		Remuneration Committee		Board Nominations Committee		Board Audit and Compliance Committee		Related party Transaction Review Committee	
	Status	DOA	Status	DOA	Status	DOA	Status	DOA	Status	DOA
Non-Executive										
Ajit D Gunewardene			●	25.03.2008	●	26.09.2011				
Suresh Rajendra							●	26.09.2011		
Dilani Alagaratnam										
Independent Non-Executive										
Gerald De Saram			●	26.05.2009	●	26.09.2011				
Harin De Silva Wijeyeratne			●	26.09.2011			●	26.09.2011		
Ashan De Zoysa	●	30.03.2010			●	26.09.2011	●	01.04.2009		
Executive										
Dirk Pereira – CEO	●	20.05.2004								
JKH Group Directors										
Nihal Fonseka									●	01.04.2014
Premila Perera									●	24.07.2014
A Cabraal									●	01.04.2014
F Amerasinghe									●	01.04.2014
Susantha Ratnayake									●	01.04.2014

● : Committee Chairman

● : Committee Member

DOA: Date of appointment to the committee

The calendar of meetings of the Board sub committees and the attendance is given in the respective committee reports in pages 191 to 201 of this report.

Certain functions of the Board are delegated through Board sub committees, enabling the committee members to focus on their designated areas of responsibility

Director's Remuneration

Remuneration procedure: The company has established a formal and transparent procedure / policy on remuneration for individual Directors. No Director is involved in deciding his or her own remuneration. Accordingly, the Remuneration Committee consisting exclusively of Non-Executive Directors has been set up to make recommendations to the Board within agreed terms of reference.

Level and make up of remuneration: Due care is taken to ensure that remuneration paid to Board members is commensurate with their skills, knowledge, competencies and

involvement in Board activities and in reference to fees paid to other Non-Executive Directors of comparable companies.

The remuneration to Executive Directors has a fixed and a variable component. The variable component is linked to the achievement of the objectives set by the Board. The Remuneration committee is responsible for setting up the remuneration of the Executive Directors.

Disclosure of remuneration: The break-up of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration on Note 48 in the annual report.

Accountability and Audit

Financial reporting: A balanced and understandable assessment of the company's financial position, performance and prospects is presented by the company. Various reports including the Chairman's Message, CEO's Review and Management Discussion and Analysis are used in addition to annual financial statements and interim accounts for this purpose.

The Board presents a Directors' Report with this annual report, containing information with regard to declarations by them in accordance with the guidelines of the Code of Best Practice jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

Internal controls: The Board has delegated certain responsibilities to the Board Audit and Compliance Committee (BACC). The BACC's main responsibilities are to ensure that good financial reporting systems are in place, internal control systems are effective, laws and regulations are complied with and the company's risk assessment processes are effective. The BACC ensures the independence and evaluates the performance of the auditors regularly. The company has issued a Code of Conduct applicable to all Directors and employees and any violation is disclosed. Details of the Code of Conduct and other policies are provided in page 148 to the report.

The company has disclosed on pages 152 to 184 the extent to which the Company has complied with the Code of Best Practice and rules on Corporate Governance in this report.

Audit Committee: The Board has established a formal and transparent process on how the company selects and applies accounting policies, financial reporting and other internal control principles.

Disclosure: Details including the composition, role and responsibilities, attendance and the report of the Board Audit and Compliance Committee are provided in this report.

Code of business conduct and ethics: The company has in place a 'Code of Business Conduct & Ethics' for Directors, key management personnel and all its' employees.

Relations with shareholders

Annual General Meeting (AGM) and conduct of general meetings: The Board uses the AGM to communicate with shareholders and encourages their participation. Each substantially separate issue is proposed as a separate resolution at the AGM including the proposal for the adoption

of the annual report and accounts. The Chairman ensures that the Chairmen of the Board Audit and Compliance Committee, Remuneration Committee and Nominations Committee are available to answer questions at the AGM, if required. The notice of meeting and related documents are circulated to the shareholders 15 working days prior to the AGM.

Extraordinary General Meetings: When regulation requires, the company calls for Extraordinary General Meetings (EGM) to engage with shareholders.

Communication with shareholders: All institutional and other investors are encouraged to participate and cast their votes at the company's AGM. The company uses the AGM as the forum to have structured, objective dialogue with shareholders. Sufficient information is included in the annual report for shareholders to make informed decisions.

Major and material transactions: Disclosures have been made where required to shareholders on major transactions which materially alter the company's net asset base.

Further details and the policy on shareholder communication is provided in the 'Stakeholder engagement' section of the annual report on page 90.

CEO and the Executive Committee

Composition

Committee members as at the year ended 31 December 2015;

D Pereira	Director / Chief Executive Officer (Chairman)
J Dissanayake*	General Manager, Life Insurance
R Weeraratne	General Manager, Marketing and Life Distribution
R Jayasinghe	General Manager, Human Resources
R Bakmedeniya	General Manager, Information Technology
S Cader	General Manager, Finance and Planning

* J Dissanayake, retired from the company with effect from 31st December 2015. I Tittagalla assumed duties as General Manager Life Insurance with effect from 1st February 2016.

Brief profiles of the current Executive Committee are provided in pages 127 to 128 of this report.

Role & Structure

Lead by Dirk Pereira, the Executive Committee drives the company strategy and operationalises the company policies. The Executive Committee forms the senior management of the company and is responsible for the day to day operational management of the business.

Corporate Governance

The Executive Committee met eleven times during the year under the chairmanship of the Chief Executive Officer. General agenda and topics covered by the Committee during the year included;

- Performance update by the Chief Executive
- Short briefings by individual General Managers on the state of the respective business areas, update on key initiatives and industry developments
- Substantial business developments and projects
- Talent and related matters
- Presentations from various functional heads
- Competitor analysis and strategy

Key actions of the committee during the year

Annually the committee, together with the Chief Executive, conducts a strategy review with high level strategic direction from the Chairman to identify key strategic issues and any changes to the medium term strategy. Details of the process used to formalise the strategy and the annual plans, are provided in the 'Strategic Planning and Performance Management' section of this report on page 91.

The following diagram provides a summary of the Executive Committee's span of control



(b) Integrity of operations

Audit and assurance

The Company has a three level assurance structure to ensure integrity of its operations.

1. Process control at corporate management level
2. Internal assurance by the internal audit department
3. External assurance by the external auditors

Process control at Corporate Management level

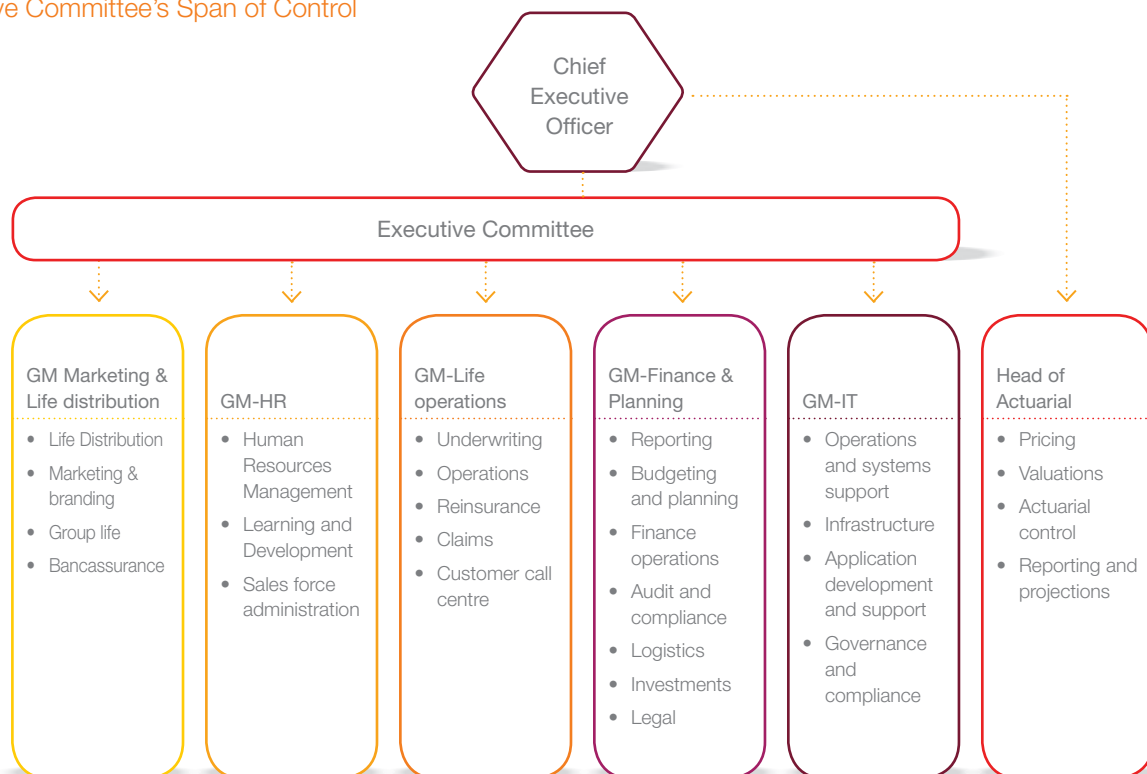
The corporate management with the guidance of the Board Audit and Compliance Committee periodically reviews the adequacy of the processes and procedures in place to ensure the highest level of internal controls within the organisation.

During the year the internal assurance process was reviewed and further strengthened.

The following are the main areas of process control adopted at corporate management level by the company;

- Decision making process
- Compliance assurance
- Policies and procedures for resource management
- IT governance
- Fraud and risk assessment
- Securities trading policy

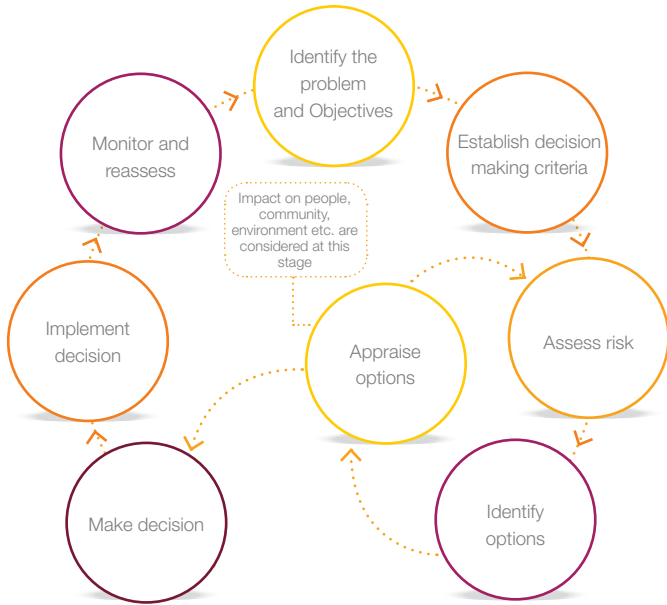
Executive Committee's Span of Control



GM - General Manager

Decision Making Process

The deliberations and decision making of the executive committee broadly takes the following process.



Compliance Assurance

Compliance assurance is derived through a bottom up sign off process and sign off checklists are based on the internal policies and procedure manuals. The company obtains assurance on financial controls, regulation compliance as well as operational compliance aspects. The diagram at the bottom of the page summarises the process adopted by the company;

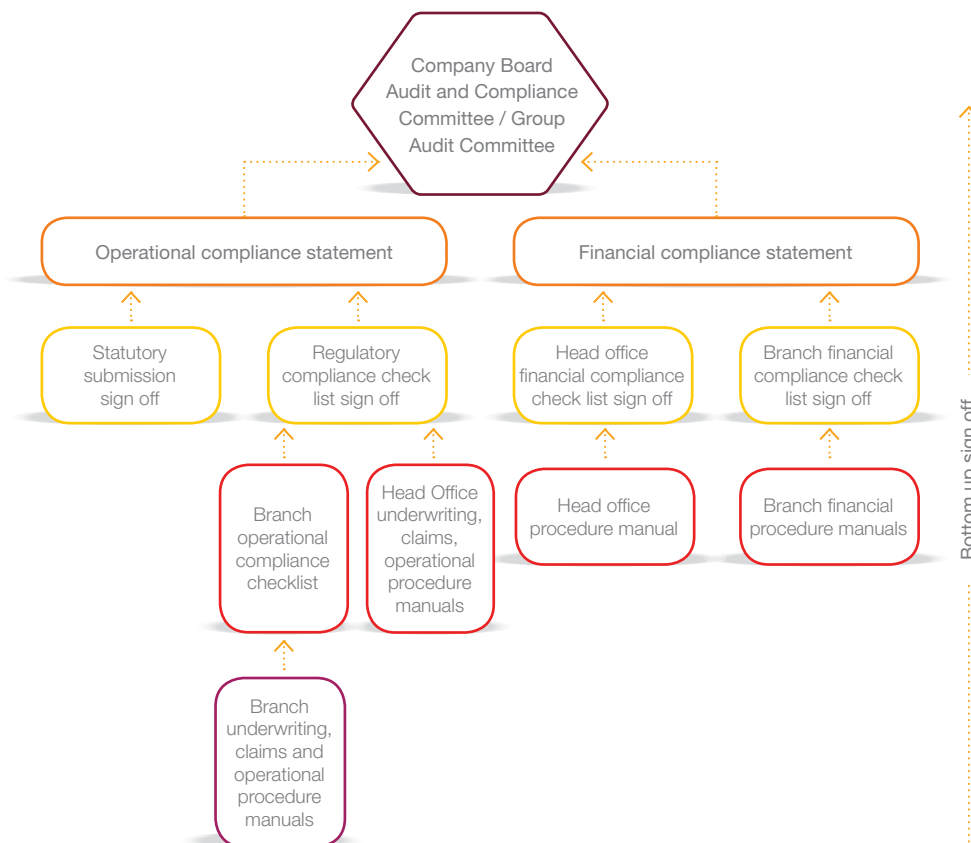
Bottom up compliance sign off process

The financial compliance statement as well as the operational compliance statement are signed off and submitted to the BACC on a quarterly basis. These are reported to the JKH Group Audit and Compliance Committee on a quarterly basis as well. The regulatory sign off is maintained on a monthly basis.

Resource Management

The Board has delegated certain of its financial authority to the CEO and General Managers within a comprehensively documented Manual of Financial Authority (MOFA).

The MOFA indicates the responsibilities of all staff members who enter into financial transactions and commitments on behalf of the company, including persons responsible for recommendation, approval and payment. All General Managers including the CEO are required to provide a sign off on compliance with the MOFA on a quarterly basis.



Corporate Governance

In addition, the following committees comprising senior management personnel have been set up to manage expenses in an efficient, transparent and in an effective manner.

Resource Management Committee	Objectives and Functions	Composition
Capital Expenditure Committee	Review and rationalise capital expenditure (excluding IT related expenses)	<ul style="list-style-type: none"> • CEO (Chair) • General Manager - Finance and Planning • General Manager - HR • General Manager - Life insurance • General Manager of the division for which the item is required (without voting rights)
IT Steering Committee	Review and rationalise IT related capital and revenue expenditure in terms of the company's IT strategy to: <ul style="list-style-type: none"> • Improve overall productivity, efficiency and effectiveness across distribution and service functions • Improve quality of management information • Provide secured and uninterrupted IT facilities • Ensure IT resource readiness for future advancements, while optimising the usage of existing IT resources 	<ul style="list-style-type: none"> • CEO (Chair) • General Manager - IT • General Manager - Finance and Planning • General Manager - Life insurance
Supplies Committee	<ul style="list-style-type: none"> • Transparent supplier registration • Optimise purchases and ensure quality, reliability and value for money 	<ul style="list-style-type: none"> • General Manager - Finance and Planning (Chair) • General Manager - Marketing and Distribution • General Manager - HR • Assistant General Manager - Logistics
Staff Committee	Review cadre increases in line with expected volume growth and required service standards. Recommend promotions based on annual performance appraisal process and review of any organisational requirements outside the annual performance appraisal cycle	<ul style="list-style-type: none"> • General Manager - HR (Chair) • All other General Managers

IT Governance

The core areas of IT governance at Union Assurance are as follows;

Core Area	Objectives and Functions
Alignment with the business	Continuous review ensures that IT objectives are aligned with business objectives by defining them in business terms. To this end the IT policies, standards, procedures are aligned as and when needed when new technologies are utilised.
IT Risk management	Focus on IT risk is based on severity of impact and probability of occurrence. Risk management encompasses processes designed to understand risks and implement controls to effectively manage them as well as techniques for minimising risk exposure and embedding risk management responsibilities into the organisation.
Resource management and performance measurement	Necessary emphasis is placed on monitoring strategic implementations, project completion, resource usage, results of disaster recovery / business continuity plan tests and service delivery. It includes people, processes and technologies for improving the efficiency and effectiveness of business solutions. Further tracking mechanisms for security related events and use of security dashboards are also included.
Value delivery	Ensure optimal investment in support of corporate objectives, with the availability of proper controls including well defined policies and key result areas (KRAs) for the management of critical resources and people.
Integration	Involvement of all corporate stakeholders in the decision making process is ensured with seamless integration to assurance activities. This is done by enabling the processes to operate as intended from end-to-end, while minimising hidden risks.
Compliance	Regulatory and compliance requirements are embedded through implementation of appropriate IT controls in systems and conducting periodic reviews of the same to ensure effectiveness.

IT Controls over Financial Reporting

The reliability of financial reporting is heavily dependent on a well-controlled IT environment. Therefore the following IT controls over financial reporting are in place to ensure the quality of information used for financial reporting.

Area of concern	Controls in place for data integrity
Data Centre	Data centre operation controls such as job setup and scheduling, operator actions and data backup and recovery procedures.
System Software	System software controls over the effective acquisition, implementation and maintenance of system software, security software and utility software
Access control	Access security controls that prevent inappropriate and unauthorised use of the system.
Systems development	'System Development Life Cycle' document defines processes that should be followed in application system development. 'Software Change Management' document defines change processes.

During the year many enhancements were done in the core application to support controls and reporting.

1. A dashboard was developed to display real time updates on financial performance against plans. e.g. Gross Written Premium, annualised new business premium and number of policies.
2. Client creation process was automated using the National Identity Card (NIC) number entered in the Digital Advisor Tool Kit which validates the existing NIC in the customer database. This not only expedited the process by eliminating manual data entry but also improved data integrity.
3. Facilitated premium remittance through mobile cash. The payments are updated real time and an acknowledgement sms sent to the policyholders immediately proving confirmation of premium receipt ensuring real time premium recognition.

Corporate Governance

Fraud Risk Assessment

Company has set up a committee to evaluate customer complaints that come through the Customer Feedback System (CFS). These cover premium misappropriation cases to wrong selling. A well structured process has been set up to handle these as well as detect risks related to fraud in customer premiums.

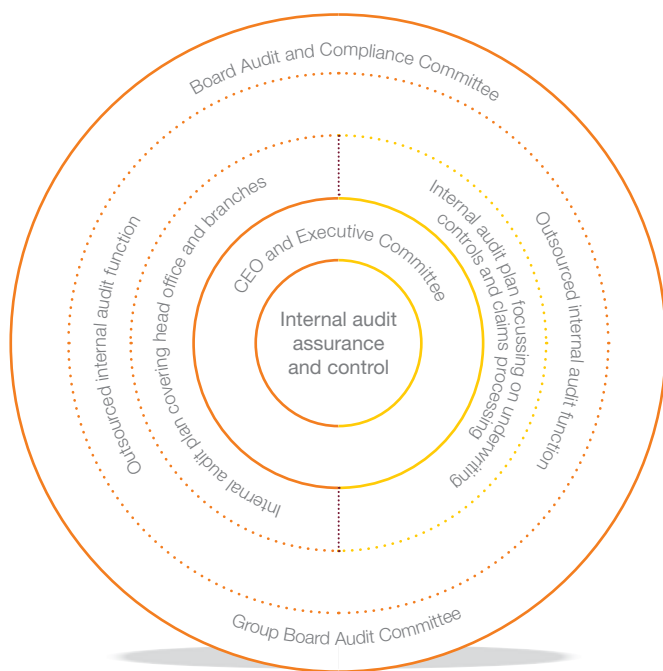
The susceptibility of business processes to misappropriation and fraud is reviewed as part of the internal audit programme as well. The external auditors also perform an evaluation of the company's processes to assess the possibility of manipulation, falsification and alteration of accounting records. The company adopts a zero tolerance policy in cases of fraud and misappropriation.

Securities Trading Policy

The company's securities trading policy prohibits all Directors, employees and other parties engaged by UA who are aware of unpublished price sensitive information from trading in UA's shares leading up to the release of quarterly and annual results and publication of details of any other price sensitive developments.

Internal assurance by the internal audit department

Internal Assurance Framework



There are clear processes for monitoring and following up on corrective actions on control weaknesses or failures reported. These audit findings together with the management comments

are reviewed by the Board Audit and Compliance Committee and the Board. These are also reported to the Group Finance Director and reviewed by the Group Board Audit Committee.

During the year, 4 reports covering several Head Office processes and 36 branch reports were issued by the outsourced internal audit function.

External assurance by the external auditors

The Company performs an interim audit in addition to the audit at year end to obtain assurance that the internal controls and processes that are in place in preparation and presentation of the financial statement are effective. This audit covers IT security and data assurance as well.

Other internal governance rules

Code of Conduct

The Company demands impeccable standards of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the company's image. The company has issued a Code of Conduct requiring all employees to;

- Exercise honesty, objectivity and diligence when performing their duties
- Avoid situations where their personal interest might conflict with the interest of the company and disclose such transactions; e.g. trading in UA shares
- Maintain confidentiality of commercial and price sensitive information
- Work within applicable laws and regulations
- Safeguard the company's assets
- Avoid conduct that will reflect badly on them or the company's image.

Whistle blower procedure

The company has implemented a formal whistle blowing procedure and encourages any employee who suspects wrongdoing at work, whether by management, peers or any other employee, to raise their concerns. During the year the BACC reviewed the policy and made amendments to improve effectiveness of the procedure.

Code of conduct for field staff

UA has also implemented a Code of Conduct for the field staff covering their responsibility, commitment and level of service to clients. The formal code is read as a pledge at all formal meetings of the sales force during the year.

Re-enforcement of the company's code of conduct

Company continued to keep the code of conduct live by ensuring that the formal online signoff was obtained from each staff member annually to ensure that the message was received and staff committed.

Other policies within the company

In addition to our charters and codes of conduct, we have implemented policies covering;

- Recruitment and selection
- Financial integrity
- Financial authority levels
- Outside employment
- Confidentiality of information
- Use of company property including use of computers
- Harassment and non-discrimination in the workplace
- Environmental, health and safety
- Fraud
- Media
- IT security, and
- Prevention of money laundering and terrorist financing

(c) Sustainable business model

Enterprise Risk Management



Stemming from the stewardship commitment towards our stakeholders and to ensure the sustainability of our business operations it is a prerequisite that the company has an effective risk management model across the organisation and a tested business continuity plan.

Risk Management

The company has implemented a comprehensive risk management programme to identify risks which may impede the achievement of business objectives and develop appropriate mitigation strategies.

The risk management process has been revamped from a top down approach to a bottom up approach. Heads of departments conduct risk management workshops with their relevant teams to identify the key strategic /operational risks which affect their functions and list out mitigating action plans, responsibilities and target dates.

The risk grids prepared by the departments are summarised at a corporate level and reviewed by the senior management and

Board Audit and Compliance Committee. The departmental heads work towards updating their risk grids on a pre-agreed calendar, which is aligned with the BACC schedule of meetings. A detailed report on risk management initiatives is provided in the Risk Management section of this report on pages 204 to 214.

Periodically, each department presents the detailed risk grid to the BACC.

Business Continuity Planning

The Business Continuity Plan (BCP) is an essential part of our organisation's response planning. It sets out how the business will operate following an incident and how it expects to return to 'business as usual' in the quickest possible time. We have an effective business continuity plan developed with the support of an external consultancy firm to ensure that our company is well prepared to respond to any unforeseen disaster situation, minimising any potential economic, social and environmental impact.

During the year the following were carried out in our BCP testing process;

1. An integrated recovery test was conducted to recover both business and technology processes at alternate sites. The test was simulated on real-time scenario by carrying out a simulated interruption to production at primary site.
2. Following business processes were covered in the BCP test carried out
 - a. Core processes
 - i. Quotation issuance
 - ii. Maturity, surrender and part payments
 - iii. Lodging of customer complaints
 - iv. New investments and re-investment of maturities
 - v. Interaction with custodians and banks
 - b. Support processes
 - i. Production support and system integration
 - ii. IT security and infrastructure administration and management
 - iii. Claims settlement
 - iv. Head office and branch maintenance activities

(d) Engagement with stakeholders

Structure of charters



The Board is responsible to ensure that the company has a well structured policy and procedures in place to engage with various stakeholders. To address apparent conflicts between various stakeholder groups, the company has developed several Charters.

Corporate Governance

Key expectations of our stakeholders and the progress during 2015 are provided in the 'Stakeholder Relationship' section on pages 78 to 90 in the annual report.

2. External Governance Structure

Compliance with Regulatory Requirements



The internal assurance process is designed by the Board to provide assurance that the company has checks and controls to ensure that it complies with all the regulatory requirements that govern the company.

Principal Officer (PO) / Chief Financial Officer (CFO) Sign Off Required by the Insurance Board of Sri Lanka (IBSL)

In accordance with the determinations issued by the IBSL, the company provides Compliance Certificate (A) and (B) to IBSL on a quarterly basis signed off by the Chief Executive Officer (who is the company's PO) and the CFO on behalf of the Board of Directors of the company.

Compliance Certificate A: certifies that the Company has;

- Complied with all provisions in the regulation of Insurance Industry Act No.43 of 2000, rules, regulations, determinations, directions issues by IBSL; Complied with all orders made by the Ministry of Finance and Planning under the regulation of Insurance Industry Act, No. 43 of 2000,
- Complied with terms and conditions pertaining to reinsurance placements issued by IBSL in terms of section 31(1) of the Regulation of Insurance Industry Act, No. 43 of 2000,
- Complied with conditions pertaining to co-insurance issued by IBSL and
- Complied with all applicable circulars issued by IBSL.

Compliance Certificate B: certifies that the Company has;

- Complied with all provisions in the Financial Transactions Reporting Act, No. 6 of 2006,
- Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 6 of 2006,
- Complied with guidelines on Anti Money Laundering Programme for Insurers issued by IBSL.

Compliance with Regulations Governing Investments

The life fund is fully backed by "approved investments" as per Section 25 (1) of the RII Act and subsequent determinations. Refer page 214 for details.

Ability to Meet Policyholder Obligations

An insurance company's ability to meet its obligations to policyholders is measured by the solvency margin computation, which compares the total value of "admissible assets" (as defined by the IBSL) with the value of total liabilities (also defined by the IBSL) including the solvency margin which is stipulated by regulation. As presented on page 214, total admissible assets were Rs. 26.6 billion in 2015 (Rs. 24.2 billion - 2014) compared with total liabilities (including required solvency margin) of Rs. 24.7 billion, resulting in a positive solvency position of Rs. 1.9 billion as at 31 December 2015.

Actuarial valuation of Insurance Liabilities

Life Insurance liabilities have been validated by an independent external actuary in accordance with the RII Act. The Actuary's report is available on page 226.

Reinsurance Arrangements

The IBSL has stipulated that insurance companies must enter into reinsurance arrangements with companies which at a minimum have a rating of BBB. As per details on page 325, 100% of our reinsurance receivables are due from reinsurance companies that have been assigned at the minimum, an "A-" rating by international rating agencies such as Standard & Poor's, AM Best, Moody's and Fitch Ratings.

Capital Structure

As at 31 December 2015 the company's stated capital of Rs. 1,000 million meets the share capital requirements set by the Insurance Board of Sri Lanka (IBSL) for a Life insurance company.

Compliance Framework and Self-Regulation

The Board recognises its responsibility of ensuring that business is conducted in accordance with relevant laws, rules and regulations.

Statutory Submission Sign off

A statutory submission checklist is signed off on a monthly basis by persons responsible for ensuring compliance with such requirements. Changes to regulations are updated in the checklist on a regular basis with relevant evidence of compliance. This is a proactive measure to ensure that no violations take place. Any violations detected are reported to the BACC with the quarterly compliance sign-off.

Regulatory Compliance Sign off

A regulatory compliance checklist is signed off on a quarterly basis by the respective head of department ensuring compliance with the applicable laws and regulations governing the Insurance business. Changes to regulations are updated

The Board recognises its responsibility of ensuring that business is conducted in accordance with relevant laws, rules and regulations.

in the checklist as an when changes occur. This is a proactive measure to ensure that no violations take place. Any deviations are reported to the BACC with the quarterly submission of the summary of the sign-off.

The company is in compliance with the statutory and regulatory requirements as summarised in the adjacent table.

Number of compliance submissions made during the year

Requirement 2015	Compliances
Inland Revenue	50
IBSL Directives and RII Act	43
National Insurance Trust Fund	2
Employee Provident Fund	12
Employee Trust Fund	13
Colombo Stock Exchange	6
SLAAS Monitoring Board	1
Central Bank of Sri Lanka	12
Municipal Council	4
Total Compliances 2015	143
Non Compliances 2015	Nil

Code of Best Practice on Corporate Governance



1. The extent of company's adherence with the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) of Sri Lanka (the Code) is given in the table overleaf. The code covers the following seven fundamental principles.

Section 1

- A. Directors
- B. Directors' Remuneration
- C. Relations with Shareholders
- D. Accountability and Audit

Section 2

- E. Institutional Investors
- F. Other Investors
- G. Sustainability Reporting

Corporate Governance

SECTION 1

Code reference	Corporate Governance Principle	Extent of Adherence:	UA's extent of compliance	2015 Update
A.	Directors			
A.1	The Board			
A.1	Need for an effective Board, which should direct, lead and control the company.	Full	<p>The Board comprises seven Directors, six of whom, including the Chairman, function in a Non-Executive capacity. UA has a well experienced and diverse Board with a good balance of skills. The profiles of all Board members are provided on pages 123 to 126.</p> <p>The Board provides strategic direction and regularly reviews the medium term strategy for any course corrections. Also the management conducts a formal planning process annually with direction from the Chairman and Board during the months of September, October and November. The medium term strategy and the annual budgets / plans for the following year are formally approved by the Board in November.</p> <p>Certain functions of the Board are delegated through Board sub - committees to draw specific attention and expertise to those functions to support the business. The Board sub - committee reports are provided on pages 191 to 201.</p> <p>The company's operations are governed by policies, procedures and authority delegated by the Board to the CEO and the Executive Committee. Any changes required to any of the policies, procedures and authority levels are reviewed and approved by the Board.</p> <p>However, the Board has delegated the day to day running of the organisation to the CEO and Executive Committee.</p> <p>The Board monitors the performance of the company based on a pre-agreed matrix of key result areas comprising financial as well as non - financial targets and objectives.</p>	<p>No change to the Board composition from last year.</p> <p>Following extensive discussions, the Board approved the company's medium term strategy and plan for 2016 – 2018</p> <p>Refer Board sub - committee reports provided on page 191 to 201.</p>

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.1.1	Board meetings should be held at least once in every quarter of a financial year, in order to effectively execute Board's responsibilities, while providing information to the Board on a structured and on a regular basis.	Full	<p>The Board meets once every two months. Additional meetings are held if required. The following Board sub - committees also meet on a regular basis / or as required</p> <ul style="list-style-type: none"> • Investment Committee • Board Audit and Compliance Committee • Remuneration Committee • Nominations Committee <p>The meetings are based on a structured agenda and Information packs are sent one week prior to meetings.</p>	<p>During 2015 the Board met on six occasions as detailed on page 141.</p> <p>The meetings convened by the Board sub - committees during 2015 are provided from page 191 to 201 in the respective sub - committee reports.</p>
A.1.2	<p>Responsibilities of the Board to ensure:</p> <ul style="list-style-type: none"> • The formulation and implementation of a sound business strategy. 	Full	<p>Refer A.1 for extent of compliance</p> <p>The Board reviews the business strategies for medium and long term.</p> <p>The review was based on UA's comparative strengths and weaknesses, potential opportunities and threats and where UA should position itself in the medium term to long term, considering likely socio economic developments, competitor activities, available resources and future investments.</p>	<p>The strategy and the business plans for 2016 was debated and reviewed during September, October and November 2015.</p> <p>Strategy and the final budget / plans for 2016 was approved in November 2015.</p> <p>Please refer page 91 for an overview of the planning cycle of the company.</p>
	<ul style="list-style-type: none"> • The CEO and Management team possess the skills, experience and knowledge to implement the strategy. 	Full	<p>The CEO and the management team possess superior skills and extensive experience in the insurance industry.</p> <p>Whether the skills of the management team are compliant with the changing needs of the business is continuously monitored by the Board through the performance evaluation process.</p> <p>Mid-year performance evaluation of the CEO was done by the Chairman / Remuneration committee and the management team by the CEO.</p> <p>Year-end performance evaluation of the CEO is done by the Chairman / Remuneration committee and feedback provided and the management performance is evaluated by the CEO and Chairman and feedback provided by them.</p>	<p>The profiles of the CEO and Executive Committee members are provided on page 126 to 128.</p> <p>As done previously the performance evaluation was conducted twice during the year as per company practice.</p>

Corporate Governance

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
	<ul style="list-style-type: none"> Adoption of an effective CEO and senior management succession strategy. 	Full	<p>Succession plans for all members of the Executive Committee, their direct reports and senior managers are in place. A key aspect of the succession plan is to develop senior managers to ensure that there are adequate options available internally to replace key personnel.</p> <p>Company has a structured succession planning process which is part of the annual performance appraisal cycle and uses a succession plan grid for critical positions which marks readiness of the second in command to take over within 1 year, 2 years and >3 years. Training plans for skill gaps is designed based on this grid.</p>	<p>Identified skill gaps of selected individuals were addressed by providing the required people management, technical and / or soft skills training and development.</p> <p>The succession plan was updated twice during the year.</p> <p>Eleven manager and above positions were filled internally during the year.</p>
	<ul style="list-style-type: none"> Effective systems to secure integrity of information, internal controls and risk management. 	Full	<p>The Board has delegated this responsibility to the Board Audit and Compliance Committee (BACC).</p> <p>The role and responsibilities of the BACC are well defined in the BACC Terms of Reference.</p> <p>Each year the BACC reviews the adequacy of the systems to secure integrity of information, internal controls and risk management.</p> <p>Under its mandate, the BACC reviews the resourcing, scope and frequency of internal audits to ensure that key strategic and operational risks are escalated to the relevant persons in a timely manner.</p>	<p>The activities performed by the BACC during the year are disclosed in the BACC Report on page 195.</p> <p>In addition, the BACC continued to monitor the progress of the bottom-up compliance sign off process introduced in the previous year.</p> <p>The BACC also tracked the implementation of the IT governance improvements identified.</p>
	<ul style="list-style-type: none"> Compliance with laws, regulations and ethical standards. 	Full	<p>A compliance checklist and a sign-off is provided each quarter to all Board members indicating compliance with applicable laws, regulations, etc.</p> <p>In 2014 the company put in place a bottom up compliance sign off process covering head office and branches to ensure compliance at ground level and this is strictly monitored and provides the base for the above submission to the Board.</p> <p>The company has also issued a Code of Conduct applicable to all Directors and employees.</p>	<p>Details of compliance with applicable laws and regulations in 2015 are provided on page 131 and 151.</p> <p>In 2015 the bottom-up sign-off process was audited by the internal auditors to ensure its' effectiveness.</p> <p>Details of the Code of Conduct are provided on page 148.</p>

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
	<ul style="list-style-type: none"> All stakeholder interests are considered in corporate decisions. 	Full	<p>The company has developed charters covering responsibilities to shareholders, employees, customers, community and the environment. All key decisions are reviewed within the framework of these charters.</p> <p>The company adopted GRI G4 Content Index sustainability reporting guidelines in 2015 and the process helped in streamlining this further.</p>	UA was awarded Runners-up for Sustainability practices in the Financial Services and Insurance Category in 2015 at the Association of Chartered Certified Accountants (UK) as recognition of good sustainability practices and reporting.
	<ul style="list-style-type: none"> Sustainable business development in corporate strategy, decisions and activities. 	Full	<p>The company takes into consideration the sustainable aspects of business in the corporate strategy, decisions and activities.</p> <p>Sustainability of the medium term strategies and key corporate decisions and activities are monitored and discussed at Executive Committee level as well as at Board level.</p>	The Board reviews the achievement of the medium term strategies set at the beginning of the year regularly with current market and economic developments to ensure continued relevance.
	<ul style="list-style-type: none"> The company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. 	Full	Accounting policies are reviewed annually in light of changing business requirements, evolving international and local accounting standards and industry best practice. As mentioned above, significant emphasis is placed on compliance with applicable regulations.	The company continues to keep up to date with all current developments in relation to changes in accounting standards and have reviewed the accounting policies in place during the year under review.
	<ul style="list-style-type: none"> Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation. 	Full	The Board makes every endeavour to fulfil its stewardship obligations on behalf of all stakeholders.	The CEO and where required the members of the management team consulted Board members individually as well as at Board sub-committee levels for various requirements.

Corporate Governance

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.1.3	<p>The Board collectively and the Directors individually need to act in accordance with laws of the country relevant to the organisation.</p> <p>A procedure to be in place for Directors to obtain independent professional advice where necessary, at the company's expense.</p>	Full	<p>As mentioned above, there is significant emphasis across the organisation to ensure compliance with applicable laws and regulations.</p> <p>The Board has adopted a procedure whereby Directors may, in the performance of their duties, seek independent professional advice at the company's expense if considered appropriate.</p>	<p>During the year professional advice was sought on various matters including the following;</p> <ul style="list-style-type: none"> • Actuarial valuation of the life liabilities and retirement benefits • Strategy formulation including digital road map. • Product development, process development and technology enhancement support • Market research services and branding • Review of business continuity plan (BCP) • Information technology consultancy services pertaining to infrastructure and network security • Legal, tax and accounting aspects • Economic and Investment advice
A.1.4	All directors should have access to advice and services of a Company Secretary.	Full	<p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>All Directors have access to the Company Secretary. The Secretary possesses the required qualifications as set out in the Companies Act. The articles of the company specify that the removal of the Company Secretary should be by resolution involving the whole Board.</p>	Keells Consultants (Private) Limited continued to function as the Company Secretary during 2015.
A.1.5	Independent judgment of the Directors.	Full	Each Director brings his / her independent judgment to bear on issues that are discussed at the Board.	None of the Non-Executive Directors have held executive roles during the year.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update												
A.1.6	Dedication of adequate time and effort to matters of the Board and the Company.	Full	<p>Every member of the Board has dedicated adequate time and effort for the affairs of the company by attending;</p> <ul style="list-style-type: none"> • Board meetings • Board sub-committee meetings and • by making decisions via circular resolutions. <p>In addition, the Board members have meetings and discussions with management when required.</p>	<p>The Board met on six occasions during the year.</p> <p>The Chairman attended all meetings and the attendance of the other Directors is detailed on page 141.</p> <p>The Board is satisfied that the Chairman and the Non - Executive Directors committed sufficient time during the year 2015 to fulfil their duties.</p> <p>Following diagram illustrates how the Board spent its time during 2015.</p>												
<table border="1" style="margin: auto;"> <caption>Board Meeting Time Distribution - 2015</caption> <thead> <tr> <th>Topic</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Risk & Governance</td> <td>24%</td> </tr> <tr> <td>Strategy</td> <td>27%</td> </tr> <tr> <td>Financial Performance and related topics</td> <td>16%</td> </tr> <tr> <td>Operational Performance</td> <td>22%</td> </tr> <tr> <td>HRM</td> <td>11%</td> </tr> </tbody> </table>					Topic	Percentage	Risk & Governance	24%	Strategy	27%	Financial Performance and related topics	16%	Operational Performance	22%	HRM	11%
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A.1.7	Training for Directors.	Full	<p>The Board policy on Directors' training is to provide adequate opportunities for continuous development, subject to requirement and relevance for each Director.</p> <p>The Directors are constantly updated on the latest trends and issues facing the company and the insurance industry in general.</p> <p>The Chairman is responsible for ensuring that the Directors continually update their skills, knowledge and familiarity with the company as required to fulfil their roles both on the Board and on committees appointed by the Board. The company provides the necessary resources for training of Directors.</p>	<p>Summary of the agenda and key items discussed at the Board meetings is given on page 139 and 140.</p> <p>During the year, the Board obtained advice from external consultants on economic scenarios, investment strategies, new product development, actuarial practices, brand development and digital initiatives.</p> <p>In addition, several knowledge sharing initiatives were conducted to inform the Board on such subjects as industry trends including solvency and Risk Based Capital (RBC) framework, risk management practices and impact of regulatory changes.</p>												

Corporate Governance

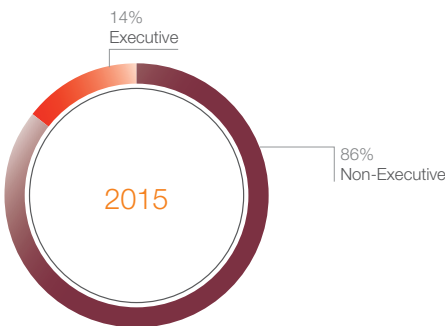
Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.2	Chairman and CEO			
A.2	Division of responsibilities between the Chairman and the CEO.	Full	The positions of Chairman and CEO are separated to ensure a balance of power and authority and to prevent any one individual from possessing unfettered decision making authority. During 2014 the CEO was appointed a member of the board.	The position of CEO and Chairman remains separate in order to maintain a good governance structure.
A.2.1	Decision to combine the posts of Chairman and CEO in one person.	Full	In accordance with best practice and in order to maintain a clear division of responsibilities, the roles of Chairman and CEO have not been combined.	The roles of Chairman and CEO have not been combined.
A.3	Chairman's Role			
A.3	Preserving order and facilitating the effective discharge of Board functions.	Full	The Chairman is responsible for leading the Board and for its effectiveness. In practice, this means taking responsibility for the Board's composition, appraisal and development, ensuring that the Board focuses on its key tasks, and supports the Chief Executive Officer in managing the day to day running of the company. The Chairman is also the ultimate point of contact for shareholders, particularly on corporate governance issues.	The Board continued to have three independent Non - Executive Directors during 2015 in accordance with best practice.
A.3.1	Conducting Board proceedings in a proper manner.	Full	The Chairman satisfies himself that the information available to the Board is sufficient to make an informed assessment of the company's affairs as well as to discharge its duties to all stakeholders. The Chairman ensures; <ul style="list-style-type: none"> • That the meetings are conducted in a manner which ensures that there is effective participation from all Directors • That Director's individual contribution and concerns are objectively assessed prior to making key decisions and that the balance of power is maintained. • That the Board is in complete control of the company's affairs. 	At each Board meeting, the CEO provides a detailed review of the business and financial performance. The Board agenda and the topics discussed during 2015 are provided in page 139 and 140 of this corporate governance report.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
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A.4 Financial Acumen

A.4	Availability of sufficient financial acumen and knowledge.	Full	There are three Chartered / Management Accountants on the Board. In addition, all members of the Board have extensive experience in various aspects of financial management.	<p>The following Directors provide the Board with the necessary degree of financial acumen and knowledge:</p> <p>Mr. H. A. J. De Silva Wijeyeratne</p> <p>Mr. S. Rajendra</p> <p>Mr. A. D. Pereira</p> <p>Their profiles are provided on page 124 to 126 in this report.</p>
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A.5 Board Balance

A.5	Balance of Executive and Non-Executive Directors.	Full	<p>Six out of Seven on the Board hold office in a Non-Executive capacity and are therefore independent of the management.</p>  <p>Composition of the Board</p> <table border="1"> <tr> <td>Independent Non - Executive</td> <td>3</td> </tr> <tr> <td>Non - Executive</td> <td>3</td> </tr> <tr> <td>Executive</td> <td>1</td> </tr> </table>	Independent Non - Executive	3	Non - Executive	3	Executive	1	<p>The current Board comprises of Six Non- Executive Directors, three of whom are independent Non - Executives.</p> <p>The CEO who is also a Director is the only Executive Director.</p>
Independent Non - Executive	3									
Non - Executive	3									
Executive	1									

A.5.1	<p>Number of Executive and Non-Executive Directors on the Board.</p> <p>The Board to include at least two Non-Executive Directors or one third of the total number of Directors, whichever is higher.</p>	Full	As mentioned above, the majority of the Board comprises only Non-Executive Directors and as a result, their views carry significant weight in the Board's decisions.	Refer above
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Corporate Governance

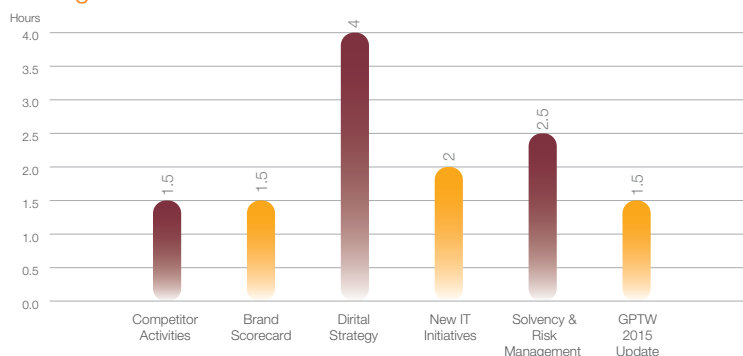
Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.5.2	Independence of Non-Executive Directors.	Full	UA is compliant with the rules which require a minimum of two independent Non-Executive Directors on the Board.	<p>Mr. H. A. J. De Silva Wijeyeratne, Mr. A. S. De Zoysa and Mr. G. F. C. De Saram continued to be Independent Non-Executive Directors during 2015.</p> <p>Accordingly, the company continued to be in compliance with the requirement to have the higher of two, or one third of Non-Executive Directors, as "Independent" Non-Executive Directors.</p>
A.5.3	Criteria to evaluate 'Independence' of Non-Executive Directors.	Full	A Director is deemed to be independent of management and free of any business or other relationship that could materially interfere with the exercise of his / her unfettered and independent judgment.	The Directors mentioned above are deemed to be independent of management and free of any business or other relationship that could materially interfere with the exercise of their independent judgment.
A.5.4	Submission of an annual declaration by each Non - Executive Director regarding independence / non independence against specified criteria in Schedule H.	Full	A declaration is submitted by the Non - Executive Directors on an annual basis against specified criteria.	<p>Declarations of independence or non-independence in respect of 2015 as per the Code of Best Practices on Corporate Governance were obtained from all Non-Executive Directors.</p> <p>Summary of Non-Executive / Independent Directors' interests is given on page 138 of this report</p>
A.5.5	Annual determination by the Board of the independence of the Non - Executive Directors.	Full	The Board considers on an annual basis the independence or non-independence of the Non-Executive Directors, based on the declaration made and other information available to the Board.	<p>Based on available information, the Board determined that Mr. A. S. De Zoysa, Mr. G. F. C. De Saram and Mr. H. A. J. De Silva Wijeyeratne are independent Non-Executive Directors.</p> <p>Refer page 123 to 126 for a summary of Non-Executive / Independent Directors' profiles</p>
A.5.6	Appointment of alternate director.	Full	If an alternate Director is appointed by a Non-Executive Director such alternate director will not be an executive of the company. If an alternate Director is appointed by an independent Director, the person who is appointed also would require to meet the criteria of independence. The provision on minimum number of independent Directors also should be satisfied.	No alternate directors were appointed during the year.

Code reference	Corporate Governance Principle	Extent of Adherence	JA's extent of compliance	2015 Update
A.5.7	Appointment of Senior Independent Director.	Full	The requirement to appoint a Senior Independent Director does not arise as the roles of Chairman and CEO are separated.	Not applicable.
A.5.8	Availability of a Senior Independent Director for confidential discussions with other Directors.	Full	Refer above	Not applicable.
A.5.9	Chairman to hold meetings with Non-Executive Directors, without Executive Directors being Present.	Full	When deemed necessary, Chairman holds meetings without the executive Director / CEO being present.	Chairman had a formal meeting without the executive Director / CEO being present in July 2015.
A.5.10	Recording of Directors' concerns in the Board minutes.	Full	The Board minutes are prepared in order to record any concerns of the Board as a whole or those of individual Directors regarding the running of the company or of a proposed action. If a Director resigns over an unresolved issue, the Chairman will bring the issue to the attention of the Board. The Director concerned is also required to provide a written statement to the Chairman for circulation to the Board.	Minutes of the Board meetings are circulated to all Directors and formally approved at the subsequent Board meeting. There were no resignations over an unresolved issue during the year.

A.6 Supply of information

A.6	Supply of relevant information in a timely manner.	Full	<p>The Board receives a standard set of documents, which are timely, accurate, relevant and comprehensive. These papers include a detailed analysis of financial and non-financial information.</p> <p>The Board may call for additional information or clarify any issues with any member of the Executive Committee.</p>	<p>During the year, several Executive Committee members made presentations to the Board regarding competitor activities, brand scorecard, digital strategy, new IT initiatives, risk management initiatives, HR and capital / solvency position as per RBC regulatory framework.</p>
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Management Presentations to the Board in 2015



Corporate Governance

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.6.1	Chairman to ensure that all Directors are adequately briefed on issues arising at Board meetings.	Full	<p>All Directors are adequately briefed on matters arising at Board meetings.</p> <p>Any Director who does not attend a meeting is updated on proceedings prior to the next meeting through;</p> <ul style="list-style-type: none"> Formally documented minutes of discussions and Separate discussions at start of meeting regarding matters arising from the previous meeting. 	Practice of briefing Directors via formal board papers prior to the meeting and updating any Director who was not present at the prior meeting continued as done in the past.
A.6.2	Board minutes, agenda and papers to be circulated seven days before the meeting.	Full	The Board papers are circulated seven days prior to Board meetings.	The Board papers were circulated seven days prior to each Board meeting.
A.7	Appointments to the Board			
A.7	Formal and transparent procedure for new appointments.	Full	<p>The Board decides on the appointment of new Directors and CEO based on the recommendations of the Nominations Committee.</p> <p>In identifying suitable candidates, professional / business experience and personal qualities are taken in to consideration and appointments are purely on merit. All new appointments are approved by the shareholders.</p>	There were no new appointments during the year 2015.
A.7.1	Establishment of a Nominations Committee.	Full	A Nominations Committee comprising three Non-Executive Directors has been established.	Details and composition of the Nominations Committee are provided on page 199 in the Nominations Committee Report.
A.7.2	Assessment of Board composition.	Full	The Board reviews its own composition on a regular basis to ascertain whether its combined knowledge and experience match the strategic demands facing the company.	The current set of Directors together, deemed to possess the required knowledge and experience to match the strategic opportunities and threats facing the company in the foreseeable future.
A.7.3	Disclosure of details of new Directors to shareholders.	Full	All new appointments are communicated to the shareholders via the Colombo Stock Exchange.	There were no new appointments during the year 2015.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.8	Re-election			
A.8	Re-election of Directors at regular Intervals.	Full	<p>In accordance with the Articles of association, two of the Directors retire from office at each Annual General Meeting. A retiring Director is eligible for re-election by the shareholders.</p> <p>Any Director who has been appointed to the Board during the year, holds office until the next AGM, when he / she is required to retire and be re-elected by the shareholders.</p>	<p>In accordance with the Articles of Association, the following Directors retire from office and are eligible for re-election.</p> <p>Mr. G.F.C. De Saram Mr. S. Rajendra</p> <p>No Directors were appointed to the Board during the year.</p>
A.8.1	Appointment of Non-Executive Directors for specified terms, subject to re-election.	Full	The Non-Executive Directors are subject to re-election as per the provisions of the Companies Act relating to the removal of a Director and their re-appointment is not automatic.	Refer above.
A.8.2	All Directors to be subject to re-election by the shareholders at the first appointment and to re-election thereafter at intervals of no more than three years.	Full	<p>All Directors, excluding the Chairman, are subject to election by shareholders at the first opportunity after their appointment and to re-election as stated above.</p> <p>A brief resume of the Director/s standing for election or re-election is provided in the annual report, enabling shareholders to make an informed decision.</p> <p>As per the Articles of Association the Chairman is not subject to retirement by rotation.</p>	The details of the current Board of Directors are provided on page 123 to 126 including the Director's who are eligible for re - election at the next AGM.

Corporate Governance

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.9	Appraisal of Board Performance			
A.9	Board to periodically appraise its own performance.	Full	<p>The Board commenced a process to evaluate its performance and effectiveness in 2008. The process is led by the Chairman.</p> <p>All Directors are required to complete a detailed questionnaire comprising the;</p> <ul style="list-style-type: none"> • Effectiveness of the Board as a whole • Perception of the Board • Perception of their own contributions • Areas for improvement and effectiveness of the committees on which they serve • Any other suggestions <p>All submissions are collated by the Chairman and discussed with the Board.</p> <p>Specific actions to improve performance and effectiveness are implemented following this review.</p> <p>The performance evaluation checklist was last revised in 2014.</p>	<p>As done in previous years, the Board evaluated its performance and effectiveness during 2015.</p> <p>The 2014 evaluation was carried out in January 2015 and findings discussed and tabled at the Board meeting in March 2015.</p> <p>The 2015 evaluation was carried out in January 2016 and findings will be discussed and tabled at the Board meeting scheduled for March 2016.</p>
A.9.1	Annual appraisal of Board performance in discharging its key responsibilities.	Full	<p>The Board regularly evaluates its performance based on the following set of guidelines:</p> <ul style="list-style-type: none"> • Development and implementation of strategy • Competency and succession planning for the CEO and members of the Executive Committee • Effectiveness of systems to ensure integrity of information, internal controls and risk management • Compliance with laws, regulations and ethical standards • Balancing the needs of all stakeholders 	<p>The Board evaluated its performance and effectiveness during 2015.</p> <p>Refer above.</p>
A.9.2	Annual self-evaluation of Board performance and its committees.	Full	As mentioned previously, the Board has in place a process of self-evaluation.	The Board evaluated its performance and the performance of its sub-committees during 2015.
A.9.3	Disclose methodology of such evaluations.	Full	Refer above	There was no change to the methodology adopted in 2015, however the checklist used was last revised during 2014.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.10	Disclosure of Information in Respect of Directors			
A.10	Shareholders to be advised of relevant details in respect of Directors.	Full	The annual report contains relevant details pertaining to all Board members.	The details of the current Board of Directors are provided on page 123 to 126.
A.10.1	Annual report to contain information in relation to each Director.	Full	Information in relation to each Director required by the Code of Best Practice on Corporate Governance is disclosed in the annual report.	Refer following table for the required information in relation to Directors;
			Information Required	Page Reference
			1. Name, qualification and a brief profile	Refer profiles on page 123 to 126
			2. Nature of his / her expertise in relevant function	Refer profiles on page 123 to 126 and 136
			3. Immediate family and / or material business relationships with other Directors of the Company	Details of related party transactions are provided in Note 48 to the financial statements
			4. Whether Executive, Non-Executive and / or Independent Director	Refer profiles on page 123 to 126 and 138
			5. Names of listed companies in Sri Lanka in which the Director concerned serves as a Director	Refer profiles on page 123 to 126
			6. Names of other companies or companies in a Group in Sri Lanka in which the Director concerned serves as a Director	Refer profiles on page 123 to 126
			7. Board meetings attended	Refer page 141
			8. The total number of Board seats held by each Director indicating listed and unlisted Companies and whether in an executive or non-executive capacity;	Refer profiles on page 123 to 126
			9. Board committees served as Chairman / member	Refer profiles on page 123 to 126. Refer page 191 to 201 for the committee reports.
			10. Committee meetings attended	Refer respective committee reports on page 191 to 201 for details on attendance of meetings.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
A.11	Appraisal of the Chief Executive Officer (CEO)			
A.11.1	Financial and non-financial targets to be achieved by the CEO should be set at the commencement of the fiscal year.	Full	Following the corporate planning process, the Board (in consultation with the CEO), in line with the short, medium and long term objectives of the company sets financial and non-financial objectives to be achieved by the CEO.	The following table provides the CEO's objectives / action plans reviewed and set by the Board at their meetings for the fiscal year 2015:
			Objectives / action plans set by the Board for 2015: <ul style="list-style-type: none"> • Achievement of turnover, profitability and embedded value of the company • Maintain a cost effective distribution model and a high calibre sales cadre for bancassurance • Improve quality of recruitment for better retention • New / improved products to match needs of the market • Service related aspects including improvement of policy retention • Implementation of IT systems to improve efficiency, reliability and faster decision making • Brand rating improvement initiatives • Learning and development / talent management and succession planning for key positions across the company • Sustainability aspects and CSR initiatives • Audit and control environment aspects 	
A.11.2	Performance of the CEO to be evaluated against the targets set by the Board.	Full	At the end of the year, the Board evaluates the performance of the CEO and ascertains if the agreed objectives have been achieved.	As per the annual performance appraisal, CEO's performance for 2015 will be reviewed in March 2016. Performance appraisal and rating for 2014 was done in March 2015.
B.	Directors' Remuneration			
B.1	Remuneration Procedure			
B.1	Establish formal and transparent procedure for developing policy on remuneration for executives and Directors.	Full	The Remuneration Committee is responsible for developing policy on executive remuneration. No Director is involved in deciding his / her own remuneration.	The laid down process for approving remuneration for executives and Directors took place in March 2015. No Director was involved in deciding his / her own remuneration.
B.1.1	Appointment of a Remuneration Committee.	Full	A Remuneration Committee has been appointed and functions within agreed terms of reference.	Refer 'Remuneration committee report' for terms of reference of the committee.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
B.1.2	Composition of the Remuneration Committee.	Full	The Remuneration Committee consists exclusively of Non - Executive Directors of whom two are independent Non-Executive Directors. The Chairman of the Board chairs the Remuneration Committee.	The committee continues to consist exclusively of Non-Executive Directors. Please refer composition of the Remuneration Committee on page 193 of this report
B.1.3	Disclosure of Chairman and members of the Remuneration Committee.	Full	Details and composition of the Remuneration Committee are provided in the annual report each year.	Please refer composition of the Remuneration Committee on page 193 of this report
B.1.4	Determination of remuneration for Non-Executive Directors.	Full	As permitted by the Articles, the Board Remuneration Committee determines the remuneration of Non-Executive Directors, including members of the Remuneration Committee, within the limits set in the Articles of Association.	No changes were made to the Remuneration of the Non-Executive Directors in 2015. Non-Executive Directors who are part of the JKH Group remit their fees to the Group. Other Non-Executive Directors are remunerated in line with market practices.
B.1.5	Ability to consult the Chairman and / or CEO and to seek professional advice by the Committee.	Full	The Remuneration Committee has access to professional advice from within and outside the company.	During the year, as done each year, the Committee reviewed the information provided by UA's team of human resource professionals to determine market and industry trends with regard to remuneration and perquisites.
B.2	Level and make up of Remuneration			
B.2	Level and make up of remuneration.	Full	Remuneration at all levels including the CEO consists of a fixed element as well as a variable element which is paid based on company and individual performance.	No change made to the level and make up of remuneration during the year.
B.2.1	Remuneration for Executive Directors.	Full	Executive Directors do not set their own remuneration. The Remuneration Committee reviews industry and market practice when setting the remuneration of Executive Directors.	CEO is an Executive Director but does not participate in the Remuneration Committee when matters pertaining to his remuneration are discussed.
B.2.2	Positioning company remuneration levels relative to other companies.	Full	When positioning remuneration levels relative to other companies in the industry, due care is taken to ensure that remuneration is commensurate with the comparative performance / scale of other companies in the industry.	Due consideration was given when positioning the remuneration of the CEO for year 2015. No changes were made to the remuneration of the Non-Executive directors during the year.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
B.2.3	Annual increases in remuneration.	Full	The Remuneration Committee reviews the annual increments provided to companies within the JKH Group, when deciding on increments for UA staff.	As done annually the annual increment for UA staff was set taking into consideration the increment levels provided for other JKH Group companies.
B.2.4	Performance related elements of remuneration for Executive Directors.	Full	The performance related elements of remuneration applicable to the CEO is based on achieving the objectives as outlined in A.11.1 above. It is believed that these measures best align the interests of the company and main stakeholders. There are no performance related elements of remuneration for the Non-Executive Directors.	Performance of the CEO is measured as outlined in A.11.1 above. The variable element of the CEO's remuneration is linked to achievement of the set objectives for the year.
B.2.5	Share option schemes.	Full	The senior management is entitled to participate in the employee share options scheme (ESOP) initiated by the JKH Group.	<p>During the year, ESOPs valued using a binomial pricing model, were granted to the Executive Director as well as to all other eligible employees.</p> <p>Further details are provided in Note 38.2 (c) in the notes to the financial statements.</p>
B.2.6	Designing schemes of performance related remuneration.	Full	<ul style="list-style-type: none"> The CEO is eligible for annual bonuses based on the company achieving business profitability. As per the scheme, there is an upper limit on the annual bonus. In terms of long term incentive schemes, the senior management is entitled to participate in the share options scheme (ESOP) initiated by the Group. The vesting period is three years. The consequences of pension and associated costs are considered when determining salary increases. Performance related remuneration schemes are not applied retrospectively. Annual bonuses are not pensionable. Non-Executive Directors are not eligible to performance based remuneration schemes. 	Company continued to adopt the same schemes during the year in review.
B.2.7	Compensation commitments in the event of early termination.	Full	There are no terminal compensation commitments other than gratuity in the company's contracts of service.	No changes were made to the policy during the year.
B.2.8	Dealing with early termination.	Full	Refer comment above.	No changes were made to the policy during the year.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
B.2.9	Levels of remuneration for Non-Executive Directors.	Full	Non-Executive Directors are remunerated in line with market practices.	No changes from previous year.
B.3	Disclosure of Remuneration			
B.3	Remuneration policy and details of remuneration of the Board as a whole.	Full	A statement regarding the company's remuneration policy and the details of remuneration to the Board as a whole are disclosed in the annual report each year.	Please refer Remuneration Committee report on page 193 for the details. The details of remuneration to the Board as a whole are disclosed in Note 21 to the financial statements
B.3.1	Composition of the Remuneration Committee, statement of remuneration policy and aggregate remuneration paid to Executive and Non-Executive Directors.	Full	Details of the Remuneration Committee and remuneration paid to Executive and Non-Executive Directors are disclosed in the annual report each year.	Details of the Remuneration Committee are provided on page 193. The information in Note 21 to the financial statements provides the remuneration paid to Executive and Non - Executive Directors. The Board Remuneration Committee ensured that the CEOs / Executive Director's remuneration is set objectively.
C.	Relations with Shareholders			
C.1	Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.			
C.1	Constructive use of the AGM.	Full	The Board encourages all shareholders to attend and actively participate in the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the Chief Executive Officer and the Chairmen of the Board Sub-committees of the company are present at the AGM to answer any queries.	The company's 28 th AGM was held on 31 st March 2015. The shareholders queries were answered by the Chairman. The Chief Executive Officer and the Chairmen of the Board sub committees were also present at the AGM.
C.1.1	Consideration of all proxy votes.	Full	As a matter of practice, proxy votes together with the votes of shareholders present at the AGM are considered for each resolution.	All proxy votes and the votes at the AGM were considered for all resolutions passed at the 28 th AGM held on 31 st March 2015.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
C.1.2	Separate resolutions for each substantially separate issue.	Full	<p>Each substantially separate issue is proposed as a separate resolution. The adoption of the report and accounts is proposed as a separate resolution.</p> <p>Resolutions passed at the AGM</p> <ul style="list-style-type: none"> Approval of the Annual Report and financial statements of the Company for the year ended 31st December 2014 with the report of auditors. Re-election of Mr. Harin Amendra Joseph De Silva Wijeyeratne to the Board, who retired in terms of Article 84 of the Articles of Association of the Company. Re-election of Mr. Ashan Suresh De Zoysa to the Board, who retired in terms of Article 84 of the Articles of Association of the Company. Re-election of Mr. Anthony Dirk Pereira to the Board, who retired in terms of Article 90 of the Articles of Association of the Company. Re-appointment of the retiring auditors Messrs. KPMG, Chartered Accountants, and authorisation by Directors to determine their remuneration. 	The following separate resolutions were passed at the 28 th AGM held on 31 st March 2015.
C.1.3	Availability of Board sub committee Chairman to answer queries.	Full	<p>The Chairman of the Board functions as the Chairman of the Remuneration Committee and Nominations Committee.</p> <p>He ensures that the Chairmen of the other sub committees are also available to answer any queries at the AGM.</p>	<p>The Chairmen of the Board sub committees were present at the AGM held on 31st March 2015.</p> <p>No queries were raised by shareholders to the Chairmen of the committees.</p>
C.1.4	Circulation of notice and related documents to shareholders.	Full	The notice of meeting and related documents is circulated to the shareholders 15 working days prior to the AGM.	The notice of meeting and related documents was circulated to the shareholders 15 working days prior to the AGM held in 2015.
C.1.5	Summary of procedures governing voting at the AGM.	Full	A summary of the procedures governing voting at the AGM is provided in the proxy form, which is circulated to shareholders 15 working days prior to the AGM.	The proxy form was circulated to shareholders 15 working days prior to the AGM. Please refer page 381 for the proxy form for the 29 th AGM to be held on the 31 st March 2016.
C.2 Communication with Shareholders				
C.2.1	Communication channel to reach shareholders.	Full	The company has many channels to reach all shareholders of the company in order to disseminate timely information.	<p>The company used the following channels to disseminate timely information during the year;</p> <ul style="list-style-type: none"> Shareholders meetings Financial and other notices as and when required through the Colombo Stock Exchange Corporate website Press notices

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
C.2.2	Disclosure on communication channel to reach shareholders.	Full	The company discloses the policy and methodology for communication with shareholders in the annual report each year.	Please refer 'Shareholder communication policy' provided on page 90 for details of the policy and methodology adopted for communication.
C.2.3	Implementation of the company's communication policy and methodology.	Full	The company discloses how they implement the above policy and methodology in the annual report each year.	Please refer 'Shareholder communication policy' provided on page 90 for details of how the policy and methodology adopted are being implemented.
C.2.4	Contact person for communication.	Full	The company discloses the contact person for such communication in the annual report each year.	Details of the contact personnel are provided in the 'Shareholder communication policy' section on page 90 of the annual report.
C.2.5	Process to make Directors aware of major issues and concerns of shareholders.	Full	A process has been adopted to ensure that all Directors are aware of the major issues and concerns raised by shareholders. The process is disclosed in the annual report each year.	The process is explained in the 'Shareholder communication policy' provided on page 90.
C.2.6	Person to be contacted on shareholder matters.	Full	The relevant person with statutory responsibilities to contact in relation to shareholders' matters is the Company Secretary. The Company secretary can be contacted by phone on 011- 2306245 or by mail to Keells Consultants (Private) Limited, 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02, Sri Lanka. Shareholders can also contact; Director / CEO, Union Assurance Centre, 20, St. Michael's Road, Colombo 3, Sri Lanka.	Company has appointed the company secretary as the person to be contacted on shareholder matters or in his / her absence the Director / CEO. Shareholders can also reach out to Investor relations hot line number; 011- 2428502 or e-mail; investorrelation@ualink.lk
C.2.7	Formulation of a process for responding to shareholders and disclosure on them.	Full	The Board has formulated a process of responding to shareholder matters and it is disclosed in the annual report each year.	The process is explained in the 'Shareholder communication policy' on page 90.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
C.3	Major transactions			
C.3	Disclosure of major and material transactions.	Full	All proposed material transactions, which if entered into, alter the company's net assets base, are disclosed to shareholders.	<p>On 28th May 2015, the Board of Directors resolved that up to a maximum of 26,785,714 of its ordinary shares will be repurchased at a price of Rs. 167.80 per share on a pro rata basis of ten (10) shares for every thirty two (32) shares held amounting to a maximum value of Rs. 4,494,642,809.</p> <p>This was communicated to shareholders through the Colombo Stock Exchange on the same day.</p>
C.3.1	Disclosure of all facts of transactions which have a material impact on net assets in an event of major transactions with related parties.	Full	All proposed material related party transactions, which if entered into, alter the company's net assets base, are disclosed to shareholders.	There were no major transactions as prescribed by the code that took place during the year that required communication with the shareholders.
D.	Accountability and Audit			
D.1	Financial Reporting			
D.1	Present a balanced, understandable assessment of the company's financial position and prospects.	Full	The company's financial position and prospects are disclosed in the annual report each year.	<p>The company's financial position and prospects have been discussed and explained in detail in the following sections of this annual report apart from the financial statements in the annual report.</p> <ul style="list-style-type: none"> • Chairman's Message on page 10 to 12. • CEO's Review on page 13 to 15. • Management Discussion and Analysis on page 21 to 120.

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
D.1.1	Interim accounts, price sensitive public reports, reports to regulators and information required by statute.	Full	<p>The interim accounts and annual financial statements are published on a timely basis. Regulatory reports are filed by the due dates. Price sensitive information is disclosed to the Colombo Stock Exchange on a timely basis.</p> <p>The company strives to provide a detailed and transparent analysis of strategies, performance and future strategies to enable investors to make informed decisions. In addition to the information provided in the reports mentioned above, a summary of the interim accounts and a section on "Understanding our Financials" is provided in the annual report each year.</p>	<ul style="list-style-type: none"> The interim accounts and annual financial statements were published on a timely basis during 2015. Regulatory reports were filed by the due dates. The share repurchase announcement which was price sensitive was communicated on the 28th May 2015 as it was resolved. A summary of the interim accounts is presented on page 361 to 364. A section on Understanding our Financials" is provided on page 368 to 370
D.1.2	Directors' Report.	Full	The Directors' report contains declarations by the Directors as required by the Code of Best Practice on Corporate Governance.	Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are provided on Page 218 to 224 in the Annual Report of the Board of Directors on the affairs of the Company.
D.1.3	Responsibilities of the Board for preparation of financial statements and reporting responsibilities of auditors.	Full	The Statement of Directors' Responsibility, Statement on Internal Controls and Report of the Auditors are provided in the annual report each year.	The Statement of Directors' Responsibility, Statement on Internal Controls and Report of the Auditors are provided on page 227, 202 and 228 respectively in this annual report.
D.1.4	Inclusion of a "Management Discussion and Analysis" report in the Annual Report.	Full	The company provides a "Management Discussion and Analysis" report in the annual report each year.	The required information in the Management Discussion and Analysis is provided in this annual report as indicated in the table below;
			Required information to be disclosed as per the Code.	Page reference
			Industry structure and developments	30 - 41, 99 - 104
			Opportunities and threats, risks and concerns	99 - 104
			Internal control systems and their adequacy	202
			Social and environmental protection activities carried out by the company	71 - 77
			Financial performance	42 - 49
			Material developments in human resources / industrial relations	50 - 65
			Prospects for the future	99 - 104

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
D.1.5	Declaration of going concern by Directors.	Full	Information on going concern is provided in the Report of the Directors.	This information is provided in the 'Annual report of the Board of Directors on the affairs of the Company' on page 218 to 224.
D.1.6	EGM if the net assets of the company fall below half of the shareholders' funds.	Full	In the event the net assets of the company fall below 50% of the value of the company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting of the company to notify shareholders of the position and of remedial action being taken.	The situation has not arisen.
D.1.7	Disclosure of related party transactions.	Full	<p>The Board adequately and accurately discloses the related party transactions in its annual report each year.</p> <p>Each related party submits signed and dated quarterly declarations mentioning whether they have related party transactions with the company as defined in this Code.</p> <p>The Company Secretary keeps a record of related party transactions and make necessary disclosures accordingly.</p> <p>A record / register in hard form on related party and related party transactions are kept by the company;</p> <p>The company uses a standard template to capture information to comply with the related party disclosure requirements imposed by SEC / Accounting Standards / Auditing Standards and similar regulations.</p> <p>The Group formally set up a Related party transactions review committee with effect from 1st April 2014 as per the code of best practice on related party transactions issued by the SEC. This was a voluntary early adoption by the Group.</p>	<p>The Company Secretary shared the updated template for information collection during the year.</p> <p>Each related party has submitted signed and dated declarations mentioning whether they had related party transactions with the company during 2015.</p> <p>The Company Secretary keeps a record of related party transactions and makes necessary disclosures when required.</p> <p>Refer page 200 and 201 for details on the Related Party Transactions Review Committee.</p>
D.2	Internal Control			
D.2	Maintain a sound system of internal controls.	Full	The Board has overall responsibility for the system of internal controls to safeguard shareholder's investments and the company's assets and has delegated certain of these responsibilities to the Board Audit and Compliance Committee (BACC).	The process set up by the Board for risk management and internal controls was further strengthened during the year. Refer the 'Directors statement on Internal controls' on page 202 and the BACC report on page 195 to 198 for details.

Code reference	Corporate Governance Principle	Extent of Adherence	JA's extent of compliance	2015 Update
D.2.1	Review of effectiveness of the system of internal controls by the Board	Full	<p>In order to ensure that a sound system of internal controls is maintained, the BACC ensures that an internal audit programme (which is adequate in terms of coverage and scope) is prepared on an annual basis, covering all head office and branch operations. In addition,</p> <ul style="list-style-type: none"> • Internal audit plans are followed up to ensure that audits are concluded on time, • Internal and external audit reports are reviewed by management on a timely basis and control weaknesses are corrected, • External auditors review the key reconciliations and report on any irregularities, • Risks associated with all key processes are identified and controls to mitigate such risks are reviewed to ensure that they are functioning smoothly, • A formal delegation of financial authority from the CEO to the relevant management staff is available and adhered to in respect of all transactions , • Procedure manuals for underwriting and claims are available for all staff and updated regularly, • A structured committee is in place to handle all 'Customer Feedback / complaints' covering fraud or suspected fraud, wrong selling, misappropriations resulting in financial / reputational impact and losses to company or loss to customer, • A comprehensive compliance checklist and exception reporting procedure is in place, • The company's business continuity plan is regularly updated and tested, and • A whistle blowing procedure is available to any employee who suspects wrongdoing at work. 	<ul style="list-style-type: none"> • The BACC reviewed the audit scope considering that the focus is only on the life business post the segregation and subsequent sale of the non life business • During the year internal audits were carried out to cover several processes of Head Office and 36 branches in accordance with the internal audit programme approved by the BACC. • Additional spot audits and surprise cash counts were carried out as per operational requirements. • Reports of both internal and external auditors were reviewed by the BACC and measures taken to correct control weaknesses. • All reconciliations connected with the financial statements were independently reviewed by the external auditors. • Internal audit programmes were designed to test adequacy of control systems to mitigate operational risks. • Procedure manuals covering underwriting and claims functions were updated to cover new products / process changes etc. • Employees made use of the whistle blowing procedure. • An IT audit was carried out to ensure adequate IT controls over operations. • External auditors' management letter and progress updates on issues raised were tabled at each BACC meeting.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
		Full		<ul style="list-style-type: none"> The quarterly bottom up sign off process was subjected to internal audit to ensure the system is working as expected. The company business continuity plan (BCP) was tested during the year. As per best practice the BACC had closed door meetings with the Internal and the external auditors without the management team being present.
D.2.2	Internal Audit function.	Full	<p>The internal audit function has been outsourced to a leading firm of Chartered Accountants. The Board believes that this provides greater access to global best practices and independence from management.</p> <p>The BACC reviews the internal audit plan and monitors progress on a regular basis.</p> <p>The internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties.</p>	<p>Messrs. PricewaterhouseCoopers – a leading firm of Chartered Accountants who was appointed as the internal auditors in September 2010 continued to be internal auditors in 2015.</p>
	Establish an Audit Committee to carry out reviews of the processes and effectiveness of the risk management and internal controls and document to the Board.	Full	<p>BACC reviews the internal audit plan and monitors progress on a regular basis.</p> <p>Internal auditors may also carry out any additional tasks they deem necessary to effectively discharge their duties.</p>	<p>The BACC reviewed the internal controls and procedures at the meetings held during 2015. (page 195)</p> <p>The minutes of the BACC meetings were tabled at the meetings of the Board of Directors.</p> <p>Please refer page 195 to 198.</p> <p>Please refer page 202 for “Directors Statement on Internal Controls” for further details.</p>

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
D.3	Audit Committee			
D.3	Board to establish formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles.	Full	The Board has delegated its responsibility with regard to financial reporting, internal controls and maintaining an appropriate relationship with the company's auditors to the Board Audit and Compliance Committee. Accounting policies are agreed with auditors and the Board Audit and Compliance Committee, and are applied on a consistent basis.	The accounting policies have been applied consistently and are provided in Note 4 to the financial statements.
D.3.1	Composition of the Audit Committee.	Full	The BACC consists of three Non-Executive Directors, two of whom are independent.	Mr. H. A. J. De Silva Wijeyeratne who is a member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (UK) serves as the Chairman of the BACC and is an independent Non-Executive Director. Mr. A. S. De Zoysa and Mr. S. Rajendra continued to serve on the BACC as an independent Non-Executive Director and a Non-Executive Director respectively during 2015.
D.3.2	Ensure the objectivity and independence of the external auditors.	Full	As per its charter, the BACC is responsible for reviewing the scope and results of the audit and its effectiveness. In addition to audit services, the company auditors Messrs. KPMG provide tax advice and related services.	The BACC conducted an evaluation and satisfied itself regarding KPMG's integrity, competence and professionalism and concluded that no aspect of the auditors' work was impaired due to lack of independence. The BACC also reviewed the non-audit services provided by KPMG.
D.3.3	Written terms of reference for Audit Committee.	Full	The BACC operates within clearly defined terms of reference which have been approved by the Board. The duties and responsibilities of the BACC are in line with the Code of Best Practice on Audit Committees issued by the ICASL and Code of Best Practice on Corporate Governance jointly issued by the ICASL and the SEC.	Refer 'Board Audit and Compliance Committee Report' from page 195 to 198 for further details.

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Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
D.3.4	Disclosure of Directors in Audit Committee and the report of the BACC.	Full	<p>The details and composition of the BACC are provided in the annual report each year.</p> <p>The Board evaluates the independence of the Auditors and discloses their determination in the BACC report each year.</p>	The details, composition of the BACC and the determination of the Auditors' independence are provided in the "Board Audit and Compliance Committee Report" from page 195 to 198
D.4	Code of Business Conduct and Ethics			
D.4	Adoption of a code of business conduct and ethics for Directors and senior management.	Full	<p>The company has issued a Code of Conduct requiring all Directors and employees to:</p> <ul style="list-style-type: none"> • Exercise honesty, objectivity and diligence when performing their duties, • Avoid situations where their personal interest might conflict with the interest of the company and disclose any such transactions; e.g. trading in UA shares, • Maintain confidentiality of commercial and price sensitive information, • Work within applicable laws and regulations, • Safeguard the company's Assets, and • Avoid conduct that will reflect badly on them or on the company's image. <p>The company also has a Code of Conduct for the field staff which covers their responsibility, commitment and level of service to clients.</p>	The Directors and the senior management continued to abide by the company's code of business conduct and ethics. No violations were encountered during the year.
D.4.1	All Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel and make an affirmative declaration in the Annual Report that all Directors and Key Management Personnel have declared compliance with such Code.	Full	The company has implemented a Code of Conduct to address and comply with the Code of Governance.	<p>There have been no violations of the Code of Ethics during 2015 by any of the Directors or any member of the Executive Committee.</p> <p>Company obtained the annual declaration and sign off by each employee including the sales advisors and full time contract staff.</p> <p>A summary of the Company's 'Code of Conduct' is provided in page 148 of this report.</p>

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
D.4.2	Affirmation from the Chairman regarding not violating the provisions of the code.	Full	The Chairman discloses any violation of the company's Code of Ethics in the annual report.	Refer Chairman report on corporate governance on page 129.
D.5	Corporate Governance Disclosures			
D.5	Disclose extent of adherence to established principles and practices.	Full	The company's corporate governance practices are in accordance with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for Listed Companies issued by the CSE.	The company is fully compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC as well as the Corporate Governance Rules for Listed Companies issued by the CSE.
D.5.1	Inclusion of a corporate governance report in the annual report.	Full	The company includes a corporate governance report in the annual report.	This report sets out the manner in and extent to which the company has complied with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC.

SECTION 2

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
E.	Institutional Investors			
E.1	Shareholder Voting			
E.1	Encourage institutional shareholders to ensure their voting intentions are translated into practice.	Full	All shareholders are encouraged to participate at general meetings and cast their votes. Investor relations hotline / email is open for any Investor to reach out to the CEO / Director if required.	No change.
E.1.1	Regular and structured dialogue with shareholders.	Full	The AGM is used as a forum to have a structured, objective dialogue with shareholders. The Chairman ensures that the views expressed at the AGM are communicated to the Board as a whole.	No change. Also refer 'Shareholder communication Policy' on page 90 of the annual report.
E.2	Evaluation of Governance Disclosures			
E.2	Encourage institutional investors to give due weight to relevant governance arrangements.	Full	The corporate governance report in the annual report sets out the company's governance arrangements.	This report sets out the company's governance arrangements.

Corporate Governance

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
F	Other Investors			
F.1	Investing/Divesting decisions			
F.1	Encourage other investors to seek independent advice in investing or divesting decisions.	Full	<p>The annual report contains sufficient information to help make an informed decision.</p> <p>However, investors should carry out adequate analysis or seek independent advice in investing or divesting decisions.</p>	<p>The following reports aim to provide a balanced overall assessment of the company's activities, performance and prospects.</p> <ul style="list-style-type: none"> Chairman's Message page 10 to 12. CEO's Review page 13 to 15. Management Discussion and Analysis page 21 to 120. Annual financial statements page 217 to 340.
F.2	Shareholder voting			
F.2	Encourage shareholders to participate in general meetings and exercise voting rights.	Full	<p>All shareholders are encouraged to participate at general meetings and cast their votes.</p> <p>Proxy forms are sent with the annual report for shareholders who are unable to be physically present at the AGM to cast their vote.</p>	<p>No change from the practice of previous year.</p>
G	Sustainability Reporting			
G.1	Principles of Sustainability Reporting			
G.1.1	Reporting of Economic sustainability.	Full	<p>UA is conscious of the economic sustainability of its operations as reflected in its focus on Triple Bottom-line performance.</p> <p>Further UA estimates and reports the contribution to the national economy from its life insurance business.</p>	<p>The contribution to the national economy from life insurance businesses is given in page 49.</p> <p>Economic value addition to other stakeholders is illustrated in page 49.</p>
G.1.2	Reporting on the Environment.	Full	<p>UA gives due consideration to direct and indirect economic, social, health and environmental implications of decisions and activities.</p>	<p>Refer page 75 to 90.</p>
G.1.3	Reporting on labour practices.	Full	<p>UA reports on labour practices encompassing all policies and practices relating to work performed by or on behalf of the organisation.</p>	<p>Refer remuneration committee report on page 193 and human capital report on page 50 for further details.</p>
G.1.4	Reporting on society.	Full	<p>UA focuses on building relationships with the community and strives for sustainable development.</p>	<p>Refer page 71 to 78 for details.</p>

Code reference	Corporate Governance Principle	Extent of Adherence	UA's extent of compliance	2015 Update
G.1.5	Reporting on product responsibility	Full	UA encourages and adequately communicates product features through its promotional campaigns as well as through the sales advisors the choices available including factual unbiased information to its consumers. UA abides by fair contractual practices and consumer data protection and privacy.	Refer page 22 to 30 for details.
G.1.6	Reporting on stakeholder identification, engagement and effective communication	Full	Internal and external stakeholder groups are identified in relation to the company's sphere of influence, impact and implication and reports.	Refer page 78 to 90 for details.
G.1.7	Sustainable reporting and disclosure reporting to be formalised as part of the company's reporting processes and take place on a regular basis.	Full	Sustainability is at the core of UAs decision making and reporting process.	UA has adopted the GRI G4 Content Index guidelines in its sustainability reporting. Refer details on page 113 to 120.

2. Compliance with Code of best practices on Corporate Governance as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange is as follows;

Rule No.	Section	Requirement	Compliance status	Details
7.10	Compliance	Statement in the annual report confirming compliance with the Corporate Governance rules of the CSE.	Compliant	This report declares the confirmation on compliance. Also refer 'statement of compliance' on page 131
7.10.1 (a)	Non-Executive Directors	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Compliant	Six out of seven Directors on UA's Board are Non-Executive Directors.
7.10.1 (b)		The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Compliant	No change to the number of Directors since the last AGM.
7.10.1 (c)		Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Compliant	No impact to the ratio since no change to the composition since last AGM.

Corporate Governance

Rule No.	Section	Requirement	Compliance status	Details
7.10.2 (a)	Independent Directors.	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	Compliant	The Board comprises of three independent Non-Executive Directors hence more than 1 / 3 rd are independent Non-Executive Directors.
7.10.2 (b)		Each Non-Executive Director should submit a declaration of independence / non independence in the prescribed format.	Compliant	The Non-Executive Directors have submitted the required declarations to confirm independence.
7.10.3 (a)	Disclosures relating to Directors.	Names of independent Directors should be disclosed in the annual report.	Compliant	The following Directors have declared their independence and the Board has evaluated the declaration and based on other information available has determined them to be Independent Non-Executive Directors of the Company; <ul style="list-style-type: none"> • Mr. H.A.J. De Silva Wijeyeratne • Mr. A.S. De Zoysa • Mr. G.F.C. De Saram
7.10.3 (b)		In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report.	N/A	No such determination was required as the Independent directors are determined to be independent based on the prescribed format.
7.10.3 (c)		A brief resume of each Director should be published in the annual report including the areas of expertise.	Compliant	Please refer page 123 to 126 for brief profiles of the Directors.
7.10.3 (d)		Provide a brief resume of any new Director appointed to the Board.	N/A	No new Directors were appointed to the Board during the year.
7.10.4 (a-h)	Criteria for defining 'independence'.	Requirements for meeting criteria to be Independent.	Compliant	The company's independent Non-Executive Directors meet the required criteria. Please refer Note 48 and page 138 for a summary of Non-Executive / Independent Directors' interests.
7.10.5	Remuneration committee.	A listed company shall have a Remuneration Committee.	Compliant	The company has its own Remuneration Committee.

Rule No.	Section	Requirement	Compliance status	Details
7.10.5 (a)	Composition	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher.	Compliant	The Remuneration Committee comprises a majority of Independent Non-Executive Directors. Please refer Remuneration Committee Report on page 193 for details.
		One Non-Executive Director shall be appointed as Chairman of the committee by the Board.	Compliant	Mr. Ajit D. Gunewardene who is a Non-Executive Director functions as Chairman of the Remuneration Committee.
7.10.5 (b)	Function	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Compliant	Please refer the Remuneration Committee report on page 193.
7.10.5 (c)	Disclosure	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee.	Compliant	Please refer the Remuneration Committee report on page 193.
		Statement of remuneration policy.	Compliant	Please refer the Remuneration Committee report on page 193.
		Aggregate remuneration paid to Executive and Non-Executive Directors.	Compliant	Please refer Note 21.
7.10.6	Audit Committee	A listed company shall have an Audit Committee.	Compliant	Company has its own Board Audit committee (BACC).
7.10.6 (a)	Composition	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non - Executive Directors, whichever is higher.	Compliant	The BACC comprises a majority of Independent Non-Executive Directors. Please refer the BACC report on page 195 to 198.
		One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Compliant	Mr. H. A. J. De Silva Wijeyeratne an Independent Non-Executive Director, functions as the Chairman of the BACC.
		The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Compliant	The CEO and CFO attended all BACC meetings.
		The Chairman or one member of the Committee should be a member of a recognised professional accounting body.	Compliant	Two out of the three members of the BACC are members of professional accounting bodies.

Corporate Governance

Rule No.	Section	Requirement	Compliance status	Details
7.10.6 (b)	Function	<p>The functions of the Audit Committee shall include;</p> <ol style="list-style-type: none"> 1. Overseeing of the preparation and presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards, 2. Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations, 3. Ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards, 4. Assessing of the independence and performance of the external auditors, and 5. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors. 	Compliant	Please refer BACC report on page 195 to 198.
7.10.6 (c)	Disclosure	The annual report shall set out; the names of the Directors who comprise the Audit Committee.	Compliant	Please refer BACC report on page 195 to 198.
		The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer BACC report on page 195 to 198.
		The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Compliant	Please refer BACC report on page 195 to 198.

Compliance report on the content of the annual report as per section 7.6 of the listing rules of The Colombo Stock Exchange is provided on page 359 of the annual report.

3. Compliance with the good governance practices recommended in the Corporate Directors Handbook, a joint publication by the Sri Lanka Institute of Directors and the Chartered Institute of Management Accountants is as follows;

Section	Requirement in brief	Compliance status	Details
Responsibilities, rights and duties of the Board			
1	<p>Responsibilities of the Board</p> <ul style="list-style-type: none"> • Principle function of the board is to provide strategic direction • Provide direction to the overall operations of the company • Take decisions of non-routine and significant nature • Review financial performance and managerial functions on a continuous basis • Segregate authorisation at Board and management level 	Compliant	Refer Board responsibilities and decision right on page 137 of this report.
2	<p>Function of the Board</p> <ul style="list-style-type: none"> • Develop corporate strategy, ensuring execution and monitor performance • Developing appropriate risk management policies and strategy, and oversight of implementation • Monitoring the adequacy of its financial and other internal controls • Selecting the CEO, setting goals for the CEO and the management team • Evaluating and establishing compensation of CEO and management • Developing, approving and implementing succession plans for CEO and management • Establishing and monitoring effective compliance systems and policies for ethical conduct 	Compliant	For details refer page 136 to 143 of this report.
3	<p>Duties of the Board</p>		
3.1	<p>Duties of a Director</p> <ul style="list-style-type: none"> • Disclose transactions with the company in which the Director has interest, or / and refrain from taking part in the decision making process when there is a conflict of interest • Director shall act in good faith • A Director should not act in a manner that violates the Companies Act No 7 of 2007 (the Act') or Articles • A Director shall not act in a manner which is reckless or grossly negligent • A Director should ensure that appropriate risk management policies and systems are in place • Director would be expected to exercise a degree of skill and care • Director should have adequate time to fulfil duties and be willing to make inquires from executive Directors and management when required 	Compliant	<p>Refer conflict of interest in Board of Directors section on page 137 for details. Also refer Note 48 of financial section for details.</p> <p>Refer page 136 of this report and Directors responsibility statement on page 227.</p>

Corporate Governance

Section	Requirement in brief	Compliance status	Details
	<ul style="list-style-type: none"> • A Director shall maintain confidentiality of information of the company subject to certain exceptions provided by the Act • Compliance with obligations arising from laws regulation governing the company / industry to which the Director has been appointed 		
3.2	<p>Other Obligations</p> <ul style="list-style-type: none"> • Director's interests should be recorded in the interests register <ul style="list-style-type: none"> o Share transactions carried out by the Director o All transactions with the company in which the Director has an interest o Remuneration or other benefits received by the company o Any indemnity or insurance given by or obtained by the company 	Compliant	Refer conflict of interest in Board of Directors section on page 138 for details. Also refer Note 48 of financial section for details.
Board process, structure and operations			
1	<p>Board size and composition</p> <ul style="list-style-type: none"> • Composition should enable expertise required at Board sub-committee level • Good mix of Executives and Non-Executives with majority being Non-Executives • Some Non-executive Directors should be independent 	Compliant	<p>Refer Board composition in page 123 to 126 of the annual report.</p> <p>Refer independence of Directors on page 138 of the annual report</p>
2	<p>Appointment of Directors</p> <ul style="list-style-type: none"> • Formal and transparent procedure for appointment of new Directors by the Board. • Resignation and removal of Directors to be promptly announced by the company through appropriate means 	Compliant	<p>Refer page 199 on appointment of Directors</p> <p>No Director resigned / removed during the year</p>
3	<p>Role of Chairman</p> <ul style="list-style-type: none"> • The role of the Chairman and Chief Executive Officer to be separated • The Chairman to provide leadership to the Board and facilitate the effective discharge of Board functions • The Board to appoint the Chairman and Chief Executive Officer and clearly define and approve the functions and responsibilities of the Chairman and Chief Executive Officer 	Compliant	The role of the Chairman and Chief Executive Officer are separate. The Board appoints the Chairman and the CEO.
4	<p>Board meetings</p> <ul style="list-style-type: none"> • Agenda • Information flow • Time commitment / number of meetings • Minutes and Board materials 	Compliant	Please refer page 136 to 143 for details on Board meetings, Agenda, attendance by Directors and other details.
5	<p>Expert opinion and legal counsel</p> <p>Laid down procedure by the Board to enable Directors to obtain, upon reasonable request, independent professional advice in appropriate circumstances at the company's expense.</p>	Compliant	Please refer 'Procedure to obtain profession advice' on page 139 of the annual report.

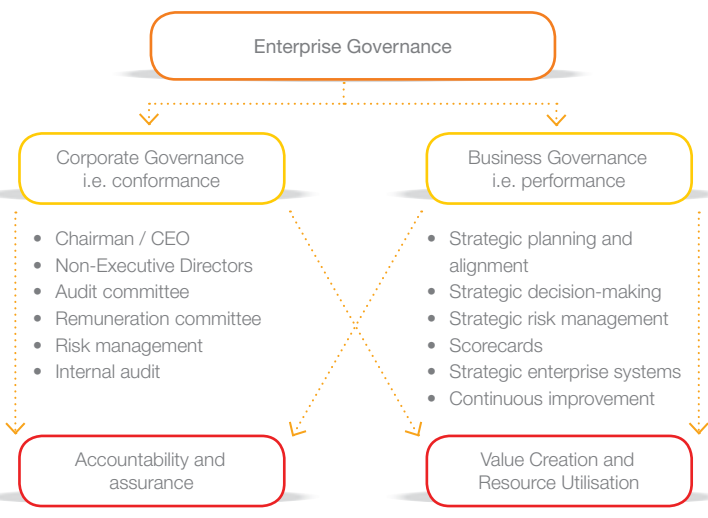

Section	Requirement in brief	Compliance status	Details
6	<p>Decision making</p> <ul style="list-style-type: none"> The Board should have a schedule of matters reserved for its approval Approvals of the corporate strategy and the strategic plan, as well as the overall risk policy are matters which should be reserved for the Board. 	Compliant	Please refer 'Board responsibilities and decision rights' on page 137.
7	<p>Management functions delegated by the Board</p> <ul style="list-style-type: none"> The Board to ensure that the management is sufficiently empowered to implement the policies set out by the Board The Board to carry out periodic reviews of its delegated authorities and functions to ensure that they remain relevant to the needs of the company 	Compliant	Refer 'Board responsibilities and decision rights' and 'Resource management' sections in pages 137 to 147 for details.
8	<p>Communication other than Board minutes</p> <ul style="list-style-type: none"> It is not unusual for Directors to discuss matters relating to the company other than at the Board meetings However such discussions should not lead to the formation of cabals as well as the uneven distribution of information among Directors 	Compliant	If required ideas / discussion take place via emails with all Directors copied.
9	<p>Disagreements</p> <p>Disagreements to be managed and if required minuted to ensure decisions are derived objectively and with collective responsibility.</p>	Compliant	Design of the UA Board dynamics ensures that disagreements are handled professionally and majority of the Directors are Non-Executive in nature.
10	<p>Evaluation of Board of Directors</p> <ul style="list-style-type: none"> Board assessment to cover the Director's knowledge of the business Knowledge of the management and their ability to take the initiative Preparedness for the meetings Sufficient attendance at committee meetings Judgment and candour and integrity 	Compliant	Board conducts a self-evaluation each year and the evaluation for 2015 was carried out in January 2016
Committees of a Board			
1	<p>Audit Committee</p> <p>Composition – Should comprise of Non-Executive Directors where majority is independent, Chairman of the committee should be a Non-Executive Director, the CEO and CFO should attend the audit committee meetings</p> <p>Key responsibilities –</p> <ul style="list-style-type: none"> Oversee the preparation, presentation and adequacy of disclosures in the financial statements of the company in accordance with the Sri Lankan Accounting Standards, requirements of the Companies Act and other relevant financial reporting related regulations Oversee the process to ensure proper internal controls and risk management, recommend to the board, appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors. 	Compliant	<p>The composition and key responsibilities are provided in the report of the Board Audit and Compliance Committee in page 195 of this report.</p> <p>The profiles of the members of the audit committee are provided in pages 124 and 125 of the annual report.</p>

Corporate Governance

Section	Requirement in brief	Compliance status	Details
	<p>Disclosure requirements – The annual report should disclose the members of the audit committee and a report from the audit committee which includes the basis for determination of independence of the external auditors.</p>		The audit committee report is disclosed in pages 195 to 198 of the annual report.
2	<p>Remuneration Committee</p> <p>Composition – Should comprise Non-Executive Directors and majority should be independent</p> <p>Key responsibilities – Should recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent positions</p> <p>Disclosure requirements – The annual report should contain the names of the Directors in the remuneration committee, A statement of the remuneration policy and the remuneration paid to Executive and Non-Executive Directors should be included.</p>	Compliant	<p>The composition, mandate and the key responsibilities of the Remuneration Committee is provided in the Report of the Remuneration Committee in page 193 of the annual report.</p> <p>The remuneration policy and the remuneration paid to Executive Directors and Non-Executive Directors is given in page 142 and Note 21.</p>
3	<p>Nominations Committee</p> <p>Composition – Majority of the committee should be Non-Executive Directors, The Chairman of the committee should also be a Non-Executive Director</p> <p>Key responsibilities – Propose suitable charter for appointment and reappointment of Directors to the Board. Consider making recommendations of appointment and / or reappointment to the Board</p>		Composition and key responsibilities are provided in the Nominations Committee report on page 199 of the annual report.
4	<p>Risk management committee</p> <p>Composition – Should be constituted according to the requirements of the regulatory bodies governing specific sectors, In general regulatory bodies emphasis the importance of committee members' independence</p> <p>Key responsibilities –</p> <ul style="list-style-type: none"> • The main responsibility is to provide the company with the necessary leadership and strategic oversight to promote its sustainable growth by undertaking the right business mix and strategy • Determine the risk appetite of the company, Ensure appropriate risk management policies are in place, Providing a forum for 'big picture' analysis of future risks 	Compliant	<p>Board Audit and Compliance Committee provides oversight of the risk management framework.</p> <p>For an overview of the risk management process of UA, please refer risk management sections on page 204 to 214 of the annual report.</p>
Corporate Governance			
	<p>Involvement of the Board of Directors in corporate governance.</p> <p>The Board of Directors should get involved in ensuring;</p> <ul style="list-style-type: none"> • Timely information flow from the management and vice versa • Development of an effective corporate strategy • Oversight of human capital development • Development of the risk management strategy 	Compliant	The Board agenda covers all aspects of corporate governance and further the Board has direct oversight to strategy development and regular monitoring of the strategy execution

Section	Requirement in brief	Compliance status	Details
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Improving board effectiveness

<p>1</p>	<p>Enterprise governance</p> <p>Application of the Enterprise Governance Framework as per the International Federation of Accountants (2004)</p>  <p>The diagram illustrates the Enterprise Governance Framework. At the top is 'Enterprise Governance'. It branches into 'Corporate Governance i.e. conformance' and 'Business Governance i.e. performance'. Corporate Governance includes: Chairman / CEO, Non-Executive Directors, Audit committee, Remuneration committee, Risk management, and Internal audit. Business Governance includes: Strategic planning and alignment, Strategic decision-making, Strategic risk management, Scorecards, Strategic enterprise systems, and Continuous improvement. Both Corporate and Business Governance lead to 'Accountability and assurance' and 'Value Creation and Resource Utilisation'.</p> <p><i>Source: Enterprise governance framework (Corporate director's handbook)</i></p>	<p>Compliant</p>	<p>Refer UA's corporate governance framework on page 132 of the annual report.</p>
<p>2</p>	<p>The CIMA scorecard</p> <p>Use of the CIMA strategic scorecard as a practical tool to enhance the board's decision making process</p>  <p>The CIMA strategic scorecard consists of four quadrants: <ul style="list-style-type: none"> Strategic position: Information for the Board. Strategic position in terms of micro and macro environment, Strength-Weakness-Opportunity-Threat analysis, business position, and stakeholders. Strategic options: How the Board considers decision points on change. Strategic options available in terms of change of scope and direction that has potential for creating shareholder value. Strategic implementation: Measuring how well the strategy is implemented. Set critical success factors, attainable milestones, and reports on failure to meet targets explained with implications and corrective actions. Strategic risks: What can go wrong and what must go right. Review of risks on strategy, impact and probability analysis of risks, due process to review risks, and action plans for key risks. </p> <p><i>Source: CIMA strategic scorecard (Corporate director's handbook)</i></p>	<p>Compliant</p>	<p>UA's strategy formulation process and performance review covers these aspects well. Please refer strategic planning process in page 91 of the annual report.</p>

Corporate Governance

Section	Requirement in brief	Compliance status	Details
3	<p>Enterprise risk management</p> <p>The company should determine risk appetite, develop a risk management strategy which is aligned with the business strategy and develop a risk management framework to implement strategy</p>	Compliant	Please refer integrated risk management section on pages 204 to 214 for details on how UA manages risk and how well it integrates with the business strategy.
4	<p>Board effectiveness wheel</p> <p>Behaviours and perspectives</p> <ul style="list-style-type: none"> • Correct Board composition for the entity • Right relations between the board members as well as with the executive team, mutual respect for the views and contributions by the other Directors, ethical and professional behaviour and articulate and live the organisation's values • Supportive challenge culture: Create a culture in which dissenting ideas and views can be constructively challenged, tolerated and encouraged <p>Supporting frameworks and processes</p> <ul style="list-style-type: none"> • Clear roles and responsibilities • Relevant information and effective reporting to drive good governance • Agendas, frameworks and tools to ensure best use of their time to consider strategic issues sufficiently • Quality debates to ensure proper risk awareness in the business cycle 	Compliant	<p>The diagram on page 136 provides the UA's Board dynamics.</p> <p>Please refer page 137 on Board's responsibilities and decision rights.</p>

Report of the Investment Committee

Composition of the Investment Committee

The Investment Committee (IC) comprised of the following members as at the end of the year.

Mr. K N J Balendra, Chairman

Mr. A S De Zoysa, Independent Non-Executive Director

Mr. Dirk Pereira, Director/CEO

Ms. S Cader, General Manager Finance and Planning

Ms. T Krishnaratne, Head of Actuarial

Mr. K Jayawardana, Head of Investments

President and Head of Corporate Finance, Treasury and Strategy, John Keells Holdings PLC, Mr. G. Cooray and EVP/ CFO Financial Services Group, John Keells Holdings PLC, Mr. Suran Wijesinghe attend meetings of the Committee by invitation.

The Chairman Mr. Krishan Balendra has extensive knowledge and experience in the field having held positions in investment banking and corporate finance at UBS Warburg Hong Kong and at Aitken Spence & Co PLC, Sri Lanka. Mr. Balendra is a former Chairman of the Colombo Stock Exchange. He is at present a member of the John Keells Holdings PLC Group Executive Committee. He is also the Chairman of Nations Trust Bank PLC.

Mr. A S De Zoysa brings in knowledge and experience from diverse fields including Commodity Trading. A brief description of the Directors profiles can be found on pages 123 to 126.

The management team including the CEO, General Manager Finance and Planning, Head of Actuarial and Head of Investments provide operational insights to the discussions and the decisions.

The Committee solicits the services of economists and other experts in related fields to aid in the decision making process. The Head of Investments acts as the Secretary to the Committee

Terms of reference of the Investment Committee

The Committee is guided by the Board approved Investment Policy Statements (IPS) and the purpose of the Committee is to assist the Board of Directors to fulfil their responsibility to shareholders and policyholders, in relation to the management of the investment portfolios including the development of overall and portfolio specific investment guidelines. The Committee focuses on the following objectives in discharging its responsibilities:

- Advice on formulation of investment strategy.
- Review and develop broad investment policies and guidelines for implementation.
- Provide guidance on the asset allocation of the investment funds.
- Review fund performance for the month and on a cumulative basis.
- Manage risk exposure.
- Ensure compliance with internal investment policy and procedures and external investment regulations.

The minutes of the IC meetings are presented to the Board of Directors along with a detailed list of investments made during the period. In carrying out its responsibilities, the IC's policies and procedures remain flexible, in order to best react to changing conditions and to ensure that management of the Life funds is performed to the highest standards possible and in accordance with all internal and external regulations. During the year IC reviewed and updated the investment policies and procedures to reflect changes to applicable regulatory requirements and market conditions.

Meetings of the Investment Committee

The Committee met twelve times during the year. Independent professionals in the fields of economics, risk and investment management also attended the meetings when required, to provide technical input and facilitate decision making.

Attendance of the committee members at the meetings is illustrated in the next page.

Corporate Governance

Name	Year of appointment to the Committee	Investment Committee Meeting Attendance												Eligible to attend	Attended	
		30.01.2015	19.02.2015	11.03.2015	25.03.2015	23.04.2015	21.05.2015	25.06.2015	15.07.2015	20.08.2015	23.09.2015	23.11.2015	07.12.2015			
Chairman																
Krishan Balendra	23.04.2009	⊗	⊙	⊙	⊙	⊙	⊙	⊙	⊗	⊙	⊙	⊙	⊙	⊙	12	10
Independent Non-Executive Director																
Ashan De Zoysa	30.03.2010	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊗	⊗	⊙	⊙	⊙	12	10	
Executive Director / CEO																
Dirk Pereira	20.05.2004	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	12	12	
Other Members																
Sherin Cader	21.06.2012	⊗	⊙	⊗	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊗	⊙	12	9
Thanuja Krishnaratna	23.05.2014	⊗	⊗	⊗	⊙	⊗	⊙	⊙	⊙	⊙	⊙	⊙	⊗	⊙	12	7
Kumudu Jayawardana	19.10.2006	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	12	12	
By Invitation																
Gihan Cooray	02.03.2009	⊗	⊙	⊗	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	12	10	
Suran Wijesinghe	18.03.2004	⊙	⊙	⊗	⊙	⊙	⊙	⊙	⊗	⊙	⊙	⊙	⊙	12	10	

Summary of activities

- The Committee obtained independent advice on macroeconomic forecasts, yield curve predictions and other factors, including key macro-economic indicators such as inflation, interest rates, exchange rates and their impact on the performance of capital markets. Based on expert advice, the Committee reviewed and assigned probabilities for different macro-economic scenarios and investment strategies were aligned accordingly.
- At the beginning of the year the Committee considered the profit plan together with the budgeted investment income for the Life fund and advised on formulation of investment strategies taking into account the investment objectives for the planning period, the maturity profiles and risk tolerance of the respective funds.
- Provided guidance on asset allocation for the Funds under management including Unit Linked Funds in order to achieve the budgeted investment income, and returns to policyholders taking into account the determinations issued by the Insurance Board of Sri Lanka (IBSL), the maturity profiles of the Funds and agreed investment strategies, and the investment policy statements of each fund.
- The Committee reviewed the Investment Policies of the Funds and was satisfied with the scope and principles covered in the Investment Policy Statements. Discussed and agreed on duration of investments for asset liability management and provided advice on the proportion of long term versus short term investments to be maintained for the year. Maturity profile of liabilities was reported to the Committee for necessary re-alignment in the asset and liability structure.
- Reviewed Fund performance for each month and on a cumulative basis against agreed benchmarks. The Committee was also updated each month on Fund growth, maturity profiles and asset liability management of the respective Funds.
- The Committee has set separate exposure limits for banks and corporate entities, which are reviewed monthly. These limits are updated on a regular basis in line with respective fund sizes and information pertaining to the financial stability of such entities.
- The Committee reviewed compliance with internal and external investment regulations at each meeting, including IBSL regulations related to solvency and approved

assets and assessed the readiness from an investment management perspective for Risk Based Capital requirements.

- The Committee also ensured that the agreed investment strategies and asset allocations for the year were implemented.

Core principles of asset management adopted

1. An effective and efficient governance structure
 - UA's investment function is governed by the Investment Committee which comprises of Board members and members of the senior management team.
 - The Committee brings in external expertise to advice on the economic climate and any other specialised areas.
 - The Committee reviews investment performance on a monthly basis, appraises investment proposals submitted by the management and sets the investment strategy.
2. Develop an investment strategy and implement policies and procedures to execute the strategy at the operational level.
 - The Committee sets the investment strategy and has put in place Investment Policy documents for each of the Funds.
3. UA has an in-house investment department which operationalises the strategies set by the Committee and monitors and controls the investment portfolio effectively and efficiently.
 - UA has invested in a world class ERP system (SAP) to provide MIS support in managing its investment portfolio. The Investment Committee is provided with this information on a monthly basis. The valuations of

investments are carried out automatically by the system and manual processes are minimised to increase accuracy and integrity.

- In the process of selecting investments, while reports from rating agencies are considered, UA conducts rigorous appraisal on market conditions and the Issuer's performance. In relation to related party investments, the Company strictly complies with applicable regulatory requirements and all transactions are entered into on an arm's length basis.
4. Establish internal control mechanisms specifically with respect to investment activities.
 - UA has streamlined processes to ensure the integrity of the investment activities. A back office and front office segregation is in place and different levels of signatories and system controls are in place to ensure that the work flow is properly segregated.
 - Authority and dealing limits are strictly enforced via the Manual of Financial Authority (MOFA) limits.

Conclusion

In view of all of the above, the Committee was satisfied with the performance of the Funds under management during the year and the policies and procedures in place for the management of the invested funds.



Krishan Balendra
Chairman - Investment Committee

24 February 2016

Report of the Board Remuneration Committee

Composition of the Board Remuneration Committee

The Board appointed Remuneration Committee comprised of the following members, including two Independent Non - Executive Directors as at the end of the year.

- Mr. Ajit D. Gunewardene (Chairman / Non-Executive Director)
- Mr. G. F. C. De Saram (Independent Non-Executive Director)
- Mr. H. A. J. De Silva Wijeyeratne (Independent Non-Executive Director)

Profiles of each member can be found on pages 123 to 126

The Chief Executive Officer (CEO) and the EVP/CFO Financial Services Group, John Keells Holdings PLC attends the meetings of the Committee by invitation. Other Executive Committee members may be invited as and when required.

The CEO who is responsible for the overall management of the Company assists the Committee by providing relevant information and participating in its analysis and deliberations, except when matters relating to the CEO are discussed.

Corporate Governance

The Committee obtains the services of professional advisors in relevant fields when deemed necessary.

Terms of reference of the Board Remuneration Committee

The responsibilities of the Remuneration Committee include;

- Formulating, on behalf of the Board, formal and transparent procedures for developing policy on remuneration for Directors, CEO and the senior management team.
- Recommending corporate management appointments and advising on succession planning.
- Setting the total compensation packages for the CEO and senior management.
- Review of objectives and key performance indicators of the CEO and senior management, and their development and succession planning.
- Review performance ratings of the CEO and senior management team.
- Maintaining competitive and attractive remuneration packages linked to performance.
- Ensuring that the performance related element of remuneration is designed and tailored to align employees' interests with those of the company and main stakeholders.
- Approving annual increments, bonuses and changes in perquisites and incentives.
- Ensuring that no Director is involved in setting his / her own remuneration.

Meetings of the Remuneration Committee

The Remuneration Committee had one meeting during the year under review. The Committee forwarded minutes of its meeting to the Board.

Attendance of the committee members at the meeting is illustrated below;

Name	Year of appointment to the Committee	Board Remuneration Committee Meeting Attendance		
		27.03.2015	Eligible to attend	Attended
Chairman				
Mr. Ajit D. Gunewardene	25.03.2008	☑	1	1
Independent Non-Executive Directors				
Mr. Harin De Silva Wijeyeratne	26.09.2011	☑	1	1
Mr. Gerald De Saram	26.05.2009	☑	1	1

Remuneration Policy Principles

The key principles which constitute the remuneration policy are that;

- Total remuneration is set at a level that can attract, motivate and retain high quality executive talent.
- Remuneration is commensurate with each employee's level of expertise and contribution and aligned with the business' performance and long term shareholder returns.
- Executive remuneration is set so that a significant portion of remuneration is linked to performance.
- The performance related element of remuneration is designed and tailored to align employees' interests with those of the company and main stakeholders.
- Remuneration levels are based on industry and market surveys.

Methodology Used

Employees

Rewards and recognition are a key factor influencing employee behaviour. Therefore UA's compensation policy is designed to pay for performance and promotions are based on performance and potential.

Base Salary

Base salary is the fixed component of the remuneration for the role performed and is based on the scope and complexity of the role and is reviewed annually. Overall competence and performance are key factors that determine an individual's base pay. Annual performance appraisals are conducted and increments are granted based on performance.

Variable Pay

There are several performance based incentive schemes in place to reward individuals. Variable pay opportunities are provided for certain employees, when it is necessary to motivate them to achieve key short term and medium term goals. Incentives include inter alia, commissions paid for acquiring new business, incentives for achieving key result areas and annual bonus.

Annual Bonus

The Company has implemented a performance based bonus scheme for staff at all levels. As per the scheme, the annual bonus is subject to individual performance and achievement of the Company's objectives. If the Company's performance exceeds the targets set for the year, employees are entitled to a higher bonus. Conversely, if the Company performs poorly, employees may not receive a bonus.

Employee Benefits

Benefits provided to employees include travelling allowances, medical insurance and vehicle loans for selected categories.

Retirement Benefits

Gratuity, Employee Provident Fund (EPF) and Employee Trust Fund (ETF) are the retirement benefits available for employees.

Board of Directors

Remuneration for Directors is determined by the Remuneration Committee. The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role

and is based on industry and market surveys. No Director is involved in determining his or her own remuneration.

Remuneration for Directors

The fees paid to the Directors are disclosed in Note 21. This includes fees for all the committees of the company that they serve on. The Directors' business interests with the Company are disclosed in Note 48.

Share Options for Directors

The Company does not have a share options scheme for Directors.

Directors' Shareholding

The shareholdings of Directors are provided in page 359.

Personal Loans to Directors

None of the Directors have taken loans from the Company.

Professional Advice

The committee has the authority to seek external professional advice on matters within their purview whenever required.



Ajit D Gunewardene

Chairman - Board Remuneration Committee

24 February 2016

Report of the Board Audit and Compliance Committee

Composition of the Board Audit and Compliance Committee

The Board Audit and Compliance Committee (BACC) comprised of the following members appointed by the Board. The members have an adequate blend of experience and knowledge to carry out their duties.

- Mr. H. A. J. De Silva Wijeyeratne – Chairman - Independent Non - Executive Director
- Mr. A. S. De Zoysa – Independent Non - Executive Director
- Mr. S. Rajendra – Non - Executive Director

Brief profiles of the Directors are provided in pages 123 to 126 in this report.

The composition is in compliance with the requirement to have a minimum of two Independent Non - Executive Directors in terms of the rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

Executive Vice President and CFO Financial Services Group of John Keells Holdings PLC, Mr. S. Wijesinghe functions as the Secretary of the Committee.

CEO, GM Finance & Planning (CFO), other members of the Executive Committee (where relevant), Head of Group Risk and Control Review: John Keells Holdings PLC, External auditors and Internal Auditors participate as invitees at the BACC meetings.

Responsibilities

The Committee operates pursuant to an audit committee charter which is formally approved by the Board.

Corporate Governance

The role of the BACC is to assist the Board of Directors in fulfilling its oversight responsibilities with regard to:

- Ensuring the integrity of the financial statements of the company and that a sound financial reporting system is in place and is well managed in order to provide accurate, appropriate and timely information to the management, regulatory authorities and shareholders in compliance with Sri Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000, Companies Act No. 7 of 2007 and other financial reporting related regulations and requirements.
- Ensuring that the company's risk management processes are effective to identify and mitigate risks.
- Reviewing the design and operational effectiveness of internal controls and implementing changes where required.
- Ensuring that the conduct of the business is in compliance with the applicable laws and regulations and policies of the company.
- Assessing the independence and monitoring the performance and functions of internal and external auditors.
- Assessing the company's ability to continue as a going concern in the foreseeable future;

The BACC is empowered to carry out any investigations it deems necessary and review all internal control systems and procedures, compliance reports, risk management reports, etc; in order to fulfil its responsibilities.

The Committee has reviewed and discussed with management and internal and external auditors, the audited financial statements, the quarterly unaudited financial statements as well as matters relating to the company's internal control over financial reporting, key judgments and estimates in the preparation of financial statements and the processes that support certification of the financial statements by the CEO and CFO.

Meetings

The Committee had six meetings during the year under review which were attended by the external auditors and internal auditors as required. All the meetings were attended by Executive Committee members including the CEO, CFO and General Managers responsible for underwriting, marketing, distribution and IT.

Attendance of the committee members at the meetings is illustrated below;

Name	Year of appointment to the Committee	Board Audit and Compliance Committee Meeting Attendance						Eligible to attend	Attended
		26.01.2015	20.03.2015	08.05.2015	07.08.2015	05.10.2015	09.11.2015		
Chairman									
Harin De Silva Wijeyeratne	26.09.2011	✓	✓	✓	✓	✓	✓	6	6
Independent Non-Executive Director									
Ashan De Zoysa	01.04.2009	✓	✓	✓	✓	✓	✓	6	6
Non-Executive Director									
Suresh Rajendra	26.09.2011	✓	✓	✗	✓	✓	✓	6	5

The Chairman and members of the Committee were in regular contact with the management of the company through numerous meetings and communications to oversee the auditing and control aspect in various initiatives the company undertook during the year.

The activities and views of the Committee are communicated to the Board of Directors through papers tabled and verbal discussion, as well as by tabling the minutes of the Committee's meetings at the Board meetings.

Financial reporting

The Committee has reviewed and discussed the company's interim and annual financial statements with management and the external auditors prior to publication, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of the policies adopted and materiality of the judgments used.

The effectiveness of the Financial Reporting Systems was also reviewed to ensure reliability of the information provided.

Internal audit

The internal audit is outsourced to PricewaterhouseCoopers (PWC), a leading firm of Chartered Accountants. The Committee monitors the effectiveness of the internal audit function and is responsible for recommending to the Board their appointment or removal and for ensuring they have adequate access to information required to conduct their audits.

During the year, the BACC reviewed the adequacy of the internal audit coverage, the internal audit plan and monitored progress on a regular basis. The areas covered and the regularity of audits depended on the risk level of each area, with higher risk areas being audited more frequently.

The Committee reviewed 40 internal audit reports covering the operations of 36 branch locations and several head office functions including underwriting, claims, reinsurance, finance, investments and information technology.

Audit findings presented in the reports were prioritised based on the level of risk. All issues are followed up until resolved. The internal audit reports were made available to external auditors as well.

The BACC met the internal auditors without the presence of the management during the year.

External auditors

Messrs KPMG were re-appointed as the external auditors at the Annual General Meeting held on 31 March 2015.

The BACC reviewed the external audit plan, audit findings as well as the management letters and any issues raised were followed up.

The BACC met the external auditors without the presence of the management during the year.

Independence and objectivity of the External auditors

The BACC has policies in place aimed at safeguarding and supporting the independence and objectivity of the external

auditors. The BACC reviewed the audit and non-audit work that is assigned to Messrs KPMG, to ensure that provision of such services does not impair KPMG's independence. The services provided by the external auditors were segregated between what requires an independent view such as audit and assurance services and other advisory services such as tax consultancy and work is assigned to prevent a conflict of interest for the external auditors.

The Committee has received a declaration from Messrs. KPMG, as required by the Companies Act No. 7 of 2007, confirming that it does not have any relationship or interest in the company, which may have a bearing on its independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka.

Corporate Governance

IT Risk and Control Assessment

The BACC receives a report detailing the robustness of the IT controls and any risks that need attention from Messrs. KPMG on an annual basis.

Internal Controls and Risk Management

The effectiveness of the company's internal controls and risk management processes are evaluated in the reports furnished by the External and Internal Auditors. In addition the BACC requests the management to provide reports on controls in specific focus functions as and when required.

In addition to this the Committee is presented an organisation risk grid on a quarterly basis which illustrates the foreseeable risks the company faces and the likelihood and possible impact to the business. The grid also illustrates the action taken to mitigate such risks.

The Committee reviewed the controls in place in the investment function and the mobile based payment process during the year.

Report of External Actuary

The BACC received written representations from the independent external actuary, summarising his observations and comments with regard to the work performed. As done each year, the BACC met with the external Actuary to better understand the assumptions used for the Life fund valuation and related matters.

Professional Advice

It is within the power of the Committee to seek external professional advice as and when it requires on any relevant subject area.

Corporate Governance

Whistle Blowing

The company encourages any employee who suspects wrong doing at work - whether by his management, peer, or another employee - to raise his concern through an internal whistle blowing procedure directly to the BACC. Concerns raised are investigated and the identity of the person raising the concern is kept confidential. The BACC may use management resources to conduct necessary investigations.

An update on the Whistle blowing policy was presented to the Committee in January 2015.

There were no material incidents of whistle blowing that took place in the year under review.

The Code of Best Practice on Audit Committees

The BACC's scope and functions are in compliance with the requirements of the above code.

Compliance with the Code of Best Practice on Corporate Governance

The BACC has conducted its affairs in compliance with the requirements of the above code.

Compliance with Corporate Governance Rules as per Section 7.10 of the Listing Rules of the Colombo Stock Exchange

The BACC has conducted its affairs in compliance with the requirements of the above code.

Audit Committee Charter

The Audit Committee Charter was reviewed in March 2015 with the concurrence of the Board of Directors

Evaluation of Committee

The Audit Committee conducts a self evaluation exercise once a year with input by each member of the Audit Committee and in addition by the external and internal auditors, CEO, CFO and the secretary of the Committee. The results were presented to the Board and reflected that the committee was effective.

Appointment of the External Auditors

The BACC has recommended to the Board that Messrs. KPMG be re-appointed as auditors for the financial year ending 31st December 2016, subject to approval by the shareholders at the next Annual General Meeting. The BACC recommends the fees payable to the statutory auditors for approval by the Board.

Conclusion

The BACC is satisfied that the internal controls have been operating as designed and the company's assets have been adequately safeguarded during the period under review. The BACC is also satisfied that the company's internal and external auditors have been effective and independent throughout the period. The Committee believes that the company's accounting policies are appropriate and have been applied accurately.



H. A. J. De Silva Wijeyeratne
Chairman – Board Audit and Compliance Committee

24 February 2016

Report of the Board Nominations Committee

Composition of the Board Nominations Committee

The Board Nominations Committee comprised of the following Non-Executive Directors as at the end of the year.

- Mr. Ajit D. Gunewardene (Chairman) - appointed on 26.09.2011
- Mr. A. S. De Zoysa - appointed on 26.09.2011
- Mr. G. F. C. De Saram - appointed on 26.09.2011

The Company Secretary, functions as the Secretary of the Committee.

Brief profiles of each member can be found on pages 123 and 126.

Objectives of the Committee

The Nomination Committee is entrusted with ensuring Board's oversight and control over the selection of Directors.

The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take a decision on the matter. The Committee focuses on the following objectives in discharging its responsibilities;

- To implement a structured procedure to select suitable Directors to the Board. The Committee considers the business needs, the regulatory requirements and the skills of the individuals when making such selections
- Provide advice and recommendations to the Board on any such appointment
- To ensure that the Directors are fit and proper persons to hold office.
- To consider and recommend the re-election of current Directors, taking into account the performance and contribution made by them towards the overall discharge of the Board's responsibilities.

Members of the Nominations Committee, opt out in decisions relating to their own appointment.

Meetings of the Board Nomination Committee

- There shall be a quorum of two thirds of the members of the committee to hold a meeting
- The Committee meets as and when required
- The agenda and papers for the meeting are circulated one week prior to the meeting

The Committee did not have a need to meet during the year.

Professional Advice

The committee has the authority to seek external professional advice on matters within its purview whenever required.

Conclusion

The Committee continues to work closely with the Board of Directors in relation to the structure, size and composition of the Board ensuring the diversity and balance of skills, knowledge and experience.

The Committee is satisfied that the representation of skills, knowledge and experience on the Board is appropriate for the company's current needs.



Ajit D. Gunewardene
Chairman – Board Nominations Committee

24 February 2016.

Corporate Governance

Related Party Transactions Review Committee

Composition

The Committee was constituted on 1st April 2014. The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH):

- Mr. A. N. Fonseka – Chairman of the Committee / Non - Executive Director
- Mr. E. F. G. Amerasinghe – Non - Executive Director of JKH
- Ms. M. P. Perera – Non - Executive Director of JKH
- Mr. D. A. Cabraal – Non - Executive Director of JKH
- Mr. S. Ratnayake – Executive Director / Chairman and CEO of JKH

The Group Finance Director, JKH Mr. R. Peiris attended meetings by invitation and the Head of Group Business Process Review Mr. D. Sirisena served as the Secretary to the Committee.

The Board of the Parent Company John Keells Holdings PLC (JKH) established a Related Party Transactions (RPT) Review Committee with effect from 1st April 2014, to review all the related party transactions of the listed companies within the Group. This move also complies with the early adoption of the Code of Best Practice on Related Party Transactions issued by the SEC. On the basis that the Parent company is also a listed company, the SEC has permitted the Related Party Transactions Review Committee of the parent company, to represent the listed companies in the John Keells Group of which, Union Assurance PLC is a member.

Composition

As per the requirements the Chairperson must be a Non - Executive Director and the committee must include at least one Executive Director. The composition of the committee is in line with this requirement.

Mandate

To ensure on behalf of the Board, that all related party transactions of John Keells Holdings PLC and its listed subsidiaries are consistent with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

While the above requisitions is the minimum required by the Code, the Group has broadened the mandate to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the committee.

Scope

1. Develop and recommend for adoption by the Board of Directors of John Keells Holdings PLC and its listed subsidiaries, a Related Party Transactions Policy which is consistent with the operating model and the delegated decision rights of the JKH Group.
2. Update the Board of Directors on related party transactions of each of the listed companies of the JKH Group on a quarterly basis.
3. Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies.

The policies and procedures adopted by the Committee for reviewing related party transactions.

The Committee formulated and recommended a policy for adoption on RPT transactions for John Keells Holdings and its listed subsidiaries which is consistent with the operating model and the delegated decision rights of the John Keells Group. In doing so, transaction threshold values which require discussion in detail, RPTs which require pre-approval by the Board, RPTs which require to be reviewed annually were established and reporting templates were designed and approved by the Committee. Further, the guidelines which senior management must follow in dealing with related parties, including pricing where applicable, were documented.

The Committee in discharging its functions introduced processes and periodic reporting by the relevant entities with a view to ensuring that;

- There is compliance with the Code,
- Shareholder interests are protected, and
- Fairness and transparency are maintained.

The Committee recommended and the Board adopted criteria for designating JKH Key Management Personnel (KMP). All Presidents, Executive Vice Presidents, Chief Executives Officers, Chief Financial Officers and Sector Financial Controllers of their respective companies / sectors in addition to the Directors were designated as KMPs in order to increase transparency and enhance governance. Further, processes were introduced to obtain annual disclosures from all KMPs so designated.

Related Party Transaction Review Committee Meeting Attendance during the year ended 31st December 2015

Name of Director	Year of appointment to the Committee	Related Party Transaction Review Committee Meeting Attendance				Eligible to attend	Attended
		28.01.2015	19.05.2015	29.07.2015	02.11.2015		
Non-Executive Directors (JKH)							
N Fonseka	01.04.2014	✓	✓	✓	✓	4	4
E F G Amerasinghe	01.04.2014	✓	✓	✓	✓	4	4
M P Perera	24.07.2014	✓	✓	✓	✓	4	4
A Cabral	01.04.2014	✓	✓	✓	✓	4	4
Executive Director (JKH)							
S Ratnayake	01.04.2014	✓	✓	✓	✓	4	4

Conclusion

The Committee held four meetings during the financial year under review. Information on the attendance of these meetings by the members of the Committee is given in the table above. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

Report of the Information Technology Committee

Composition of the Information Technology Committee

The Committee comprises of the following members;

Mr. D Pereira – Chairman of the Committee / Director / CEO
 Ms. S Cader – General Manager, Finance and Planning
 Mr. R Bakmedeniya – General Manger, Information Technology
 Ms. I Tittagalla - General Manger, Life Insurance

Brief profiles of the committee members are provided in pages 127 to 128 of the annual report.

Terms of reference

The Information Technology Committee is established to ensure that IT strategies align with the overall business operations and effective implementation of the Board approved IT strategies.

The Committee is responsible for;

- Developing and reviewing the IT strategic plan on an ongoing basis
- Approving and reviewing the progress of new IT projects / initiatives
- Ensuring post implementation system reviews
- Reviewing vendors for major IT supplies
- Ensuring proper IT governance

Information Technology committee meetings

The committee meets as and when required in addition to monthly meetings to review the progress of ongoing IT initiatives.

Significant progress made during the year

Union Assurance implemented an e-learning platform across the company to fulfil the training requirements to foster the sustainable development of its distribution staff. These efforts were recognised with the prestigious “Celent Model Insurer Asia Award 2014”

Further in its commitment to ensure integrity and data security of its Data Centre Management System, the ISO 27001:2013 accreditation was obtained during the year. Union Assurance PLC is the first company in the industry to achieve the prestigious ISO 27001:2013 certification for Information security management. This ensure that all sensitive customer and management information is managed and stored securely.

Conclusion

The Committee confirms that the company has made satisfactory progress in relation to the implementation of the strategic plan of 2015-17 and has operated within the IT governance framework of the company.



D Pereira

Chairman - Information Technology Committee

24 February 2016

Corporate Governance

Director's Statement on Internal Controls

The following statement fulfils the requirement to publish the Director's statement on Internal Controls as per the Code of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and company assets.

The Board has structured an Enterprise Risk Management (ERM) process to identify the principal risks impacting the business and mitigating actions by management. The company's management implements policies on risk and control set by the Board and are accountable to the Board for monitoring and providing assurance as to their effectiveness. The company has commissioned PricewaterhouseCoopers, as independent internal auditors to ensure the effectiveness of the internal control systems. As a result of their activities, several processes have been enhanced during the year under review.

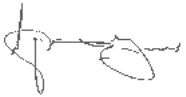
The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place;

- Delegated certain responsibilities to Board sub committees where the members of these committees have expertise to assist in discharging the Board's duties and to improve the governance structure.
- Instituted and maintained an effective Board Audit and Compliance Committee (BACC) and independent Internal Auditor to review and report on the internal control environment of the company
 - o The minutes of the BACC meetings are tabled at regular Board meetings. The report of the BACC is provided on page 195 of the annual report.
 - o The BACC reviews and approves the internal audit plan for the year. The audit plan is structured on a matrix based on key risk areas and delivery dates which is regularly monitored, and any delays highlighted and rectified.
 - o During the year under review the audit committee reviewed 40 audit reports 4 of which covered several Head Office processes while 36 covered different branch locations. The reports covered key findings with management comments and action taken to rectify any control weaknesses. Control weaknesses identified in previous reviews were also tracked to ensure that the management has taken necessary action to eliminate or minimise any risks.
- On Information Technology (IT) controls, the Board has initiated multiple mechanisms;
 - o IT system audits were carried out to ensure the integrity of financial information, data security and adequate access controls are in place with regard to processing of data
 - o During the year cyber security was considered as an area of focus and an analysis was conducted to identify 'critical assets of the company' in this context
 - o In addition to the year-end system review, the external auditors continued to perform the follow up review of the comprehensive IT audit on all critical applications / systems conducted during the previous year.
 - o During the year the Data Centre Management System was accredited with ISO 27001:2013 certification ensuring confidentiality, integrity and availability of information.
- The company continued with the ongoing robust bottom up enterprise risk management (ERM) process.
 - o An ongoing process is in place for identifying, evaluating and managing the risks faced by the company. This is done at each department level in detail.
 - o A summary of the key risks are updated on a risk grid and reported to the BACC on a quarterly basis.
 - o New risks, mitigating actions and changes of risk status of earlier identified risks are highlighted separately as well.
 - o The process continued to be effective during the year under review.
- The internal auditors conducted regular reviews to ensure the effective design and implementation of internal controls;
 - o The effectiveness of the internal controls are measured based on the repetition of the control weaknesses or improvement areas that have been highlighted in the audit reports
 - o Improvements in line with industry and / or non-industry best practices are also implemented on an on going basis
 - o BACC continued to monitor the progress of the bottom up compliance sign off process which strengthened the control environment and provide comfort to the senior management and Board that staff at all functions are aware and conducts business transactions as per laid down rules and procedures. The process was subjected to an independent audit by the internal auditors to ensure that the process is working as intended.

Conclusion

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and financial statements have been prepared in accordance with applicable accounting standards, requirements of the Company's Act No.7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments and the listing rules of the Colombo Stock Exchange.



Ajit D Gunewardene
Chairman



A S De Zoysa
Director



H A J De Silva Wijeyeratne
Chairman - Audit and Compliance Committee

24 February 2016

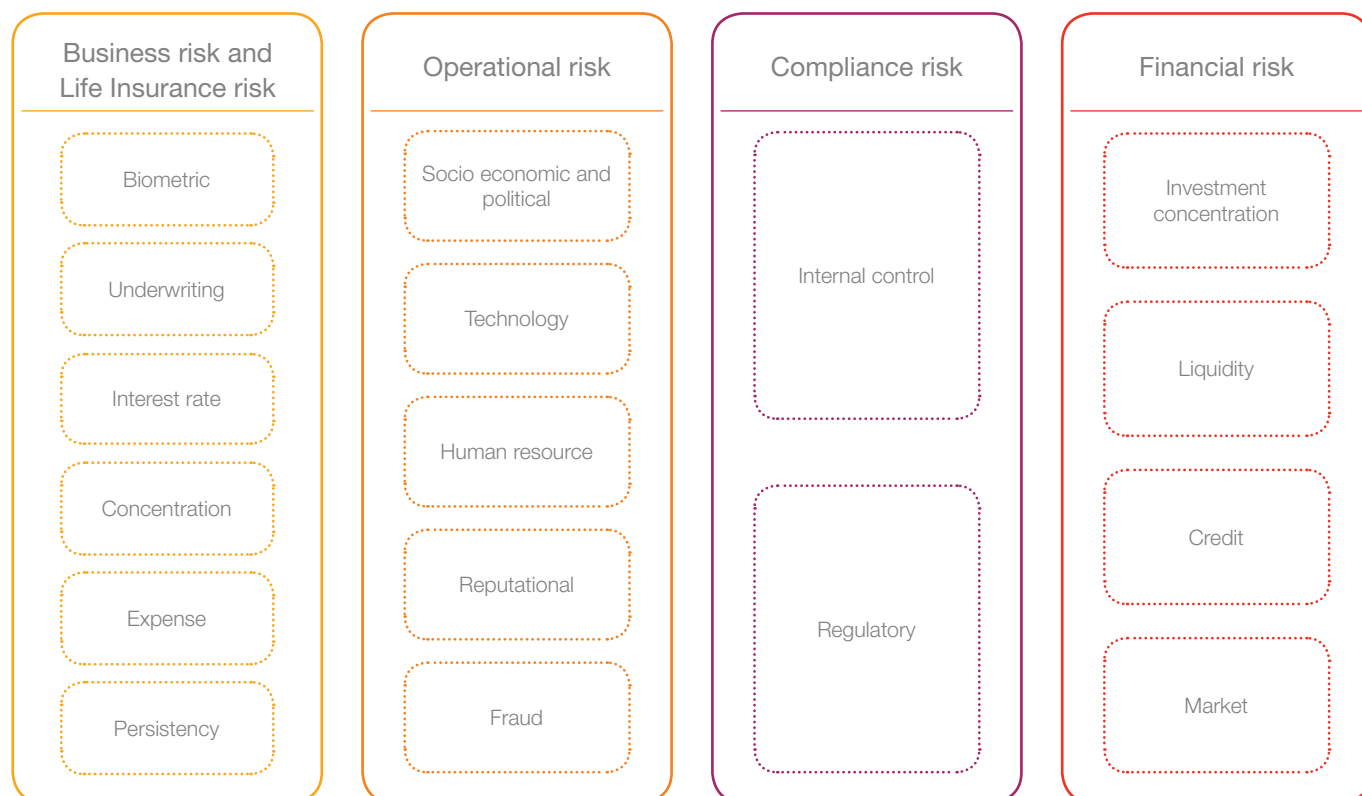
Integrated Risk Management

An insurance company is in the business of reducing and eliminating risk and uncertainty faced by customers. Effectively managing risks affecting Union Assurance is therefore essential to our ability to help our customers manage theirs. Risk management is an integral component of Union Assurance's enterprise governance system and the risk management

framework is designed to identify, assess, measure and manage exposure to risk. However as with man-made and natural catastrophes, there cannot, and never will be absolute security when it comes to identifying risks, measuring them sufficiently or correctly estimating the potential impact.

Our risk environment

Our current risk environment is diagrammatically presented below;



The risk types to which the life business is exposed, described in the following table below, have not changed significantly over the year. The table also provides the approach we have taken to manage / mitigate each of the risks in the risk environment we operate in.

Principal Risk/ risk description	Controls in place to mitigate risks
<p>Business risk</p> <p>Business Risk</p> <p>The risk that the company may not be able to achieve its business objectives. Business risk may arise if the company's strategy is not compatible with market or customer requirements, or with socio-economic / political parameters.</p>	<p>The risk management process is embedded within the corporate planning process i.e. once the corporate plan is formulated, the risk management team reviews the risks associated with strategies outlined and develops suitable action plans. As reflected in the diagram on page 91, there is a constant scan of the internal and external environment e.g. to identify factors which may impede the achievement of organisational objectives. The company's strategic plans are updated on an annual basis and formally approved by the Board. The Board reviews the strategic plans on an ongoing basis as well.</p>

Principal Risk/ risk description	Controls in place to mitigate risks
Life Insurance business risk	
<p>Biometric Risk</p> <p>Biometric risks refer to the mortality, disability or morbidity benefits or that the company is obliged to pay pensions to policyholder for a longer time than the company anticipated when pricing policies.</p>	<ul style="list-style-type: none"> • Apart from in-house actuaries, the company has contracted the services of an actuarial firm with extensive experience internationally and particularly in the region, to review biometric calculation tables and make suitable adjustments. • The 'Prophet' actuarial system has enabled the company to monitor trends and review pricing in a proactive manner.
<p>Underwriting / Change in risks</p> <p>Changing risk parameters and unforeseen factors may result in unexpectedly large claims.</p>	<ul style="list-style-type: none"> • The company makes significant investments to improve the knowledge and skills of underwriting staff. • The company also reviews the adequacy of reinsurance support for catastrophe / extreme events on a regular basis.
<p>Interest Rate Risk</p> <p>Interest rate risk refers to a scenario where a reduction in the value of a product could arise, due to a rise in rates</p>	<ul style="list-style-type: none"> • The company uses prudent assumptions regarding probable interest rates when computing future liabilities. • The Investment Committee members keep a regular track of macro-economic scenarios and their likely impact on interest rates. • Life insurance products are profit tested by qualified actuaries to confirm that the company will be able to meet its obligations. • Union Life "Advantage," UA's flagship life product provides a guarantee limited to a one year period. • "Union Challenger" is on a unit linked platform, which enables customers to choose their investment options in a transparent manner.
<p>Concentration Risk</p> <p>Concentration risk is the risk of exposure to increased losses associated with an inadequately diversified portfolio of assets and / or obligations.</p>	<ul style="list-style-type: none"> • The risk is mitigated by diversification of insurance contracts • The variability of risks is improved by prudent underwriting, claims management and adequate reinsurance programmes • The company reviews risks inherent in all new business propositions against the risk appetite of the Life business. • Regular reviews are carried out on existing portfolio against the needs of the market.
<p>Expense Risk</p> <p>When designing and managing products a certain expense percentage is assumed and if the actual differs from the expected, it could impact profitability.</p>	<p>Expenses are closely monitored and regular review of product profitability carried out against prevailing risk environment.</p>
<p>Persistency</p> <p>Risk of higher lapses and surrenders being different to expectation.</p>	<p>Regular monitoring of lapses against planned and revival campaigns carried out when required.</p>

Principal Risk/ risk description	Controls in place to mitigate risks
----------------------------------	-------------------------------------

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes a variety of risk sub-types. These include, among others, financial crime, sustainability and legal risk. Operational risk exists in the normal course of business activities. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible.

UA adopts a fit-for-purpose operational risk practice that assists management in understanding their inherent risk and reducing their risk profile. Sub risks categorised under operational risk and the way we manage it is given in this section.

Socio-economic and Political Risk

The socio economic and political environment has an impact on the insurance business as well as the investment climate.

- Strengthen underwriting and claims management processes to monitor issues arising from under insurance, fictitious claims, etc.
- Review pricing in light of inflation.
- Compete on service by continuously upgrading service standards.
- Monitor cancellation of Life policies.
- Develop alternative distribution channels.

Technology Risk

Relates to computer and cyber security, hardware, software and other related systems failures may cause disruption to day to day business activities.

- The Company had invested in the security infrastructure appropriate for its scale of operations.
- Security arrangements cover both physical infrastructure and information, and are constantly updated to take account of the latest knowledge and technical enhancements.
- Security regulations cover technical aspects as well as organisational measures including tracking, staff training, end user computer policies, etc.
- The disaster recovery plan is tested in the live environment within the stipulated time and confirmed to be satisfactory.
- The disaster recovery machine mirrors day to day transactions on a real time basis.
- IT conducts regular audits covering systems, network, web related services and all other infrastructure. This includes vulnerability assessments as well.

Human Resource Risk

Human resource risks are the shortage of qualified personnel and an unpleasant work environment created in the work place.

- HR policies are geared to encourage continuous education for all levels of staff.
- Managers are required to identify / provide relevant training and development opportunities and foster a culture where all employees, regardless of rank, can actively contribute to the business.
- Provide adequate monetary and non-monetary incentives.
- Implement a succession plan for senior level staff.
- Identify opportunities for job rotation.
- Review remuneration vis-à-vis industry norms.
- Implement talent management initiatives.

Principal Risk/ risk description	Controls in place to mitigate risks
<p>Reputational Risk</p> <p>Reputational risk is the risk of a particular event affecting the company and negatively impacting stakeholders' perceptions thus impairing the company's ability to operate effectively.</p>	<ul style="list-style-type: none"> • UA has implemented a robust system of internal controls which are regularly reviewed by internal and external auditors. Any shortcomings are reported and followed up by the Board Audit and Compliance Committee. For example, fraud identification is now a part of both internal and external audit programmes. • In addition, the company defined the key objectives, associated risks and mitigating actions for each business process, e.g. underwriting, claims, finance, HR, etc. This document is reviewed by internal auditors and any shortcomings are notified. • Company representatives work closely with regulators, industry players, accounting standards committees, etc, to ensure that all regulatory issues are fully understood and complied with. • The company has also implemented a Board approved media policy.
<p>Fraud Risk</p> <p>The risk that internal control weaknesses may lead to misappropriation of assets or fraudulent financial reports.</p>	<ul style="list-style-type: none"> • Authority limits, segregation of duties and access controls have been implemented for all critical functions of the company. • Key controls are reviewed periodically and internal auditors conduct regular reviews of areas which are susceptible to fraud. Internal auditors have also provided a detailed report reviewing the company's systems and processes to mitigate risks and frauds. • The company has a process by which any employee, who suspects wrongdoing at work, can report his concerns confidentially directly to the BACC, through an internal whistle blowing procedure. • The company maintains a comprehensive complaint management system. All complaints lodged in the system are reviewed on a regular basis and reported to the Board Audit and Compliance Committee. • Any complaints received from customers regarding malpractices or fraud by any employee, is investigated immediately. The company adopts a zero tolerance policy in the case of fraud
<p>Compliance risk</p> <p>Compliance risk is where the company is not able to comply with regulatory requirements and related laws which may change from time to time, or is not compliant with existing regulations. Sub risks categorised under compliance risks and the way we manage is provided in this section.</p>	
<p>UA representatives review regulatory changes and assess the business impact of such proposals. Also the Company keeps abreast of the regulatory environment in regional markets and leverages the knowledge of our appointed life insurance actuary as well.</p>	
<p>Internal Controls Risk</p> <p>Defective internal controls would adversely affect the financial reporting and management process. Flaws in the internal control system could hamper expected growth.</p>	<ul style="list-style-type: none"> • Conducting periodic internal audits of systems and processes by independent auditors to ensure that systems and procedures continue to remain robust with effective controls. • Major concerns identified at the internal audits are discussed immediately and appropriate action taken to resolve such matters.
<p>Regulatory Risk</p> <p>Not complying with applicable laws and regulations. e.g. RII Act, IBSL guidelines, Companies Act, IRD Act, etc.</p>	<ul style="list-style-type: none"> • Established a bottom up regulatory compliance check list sign off. These are monitored and reported every quarter to the BACC. • Established statutory submission compliance check list sign off. These are monitored and reported to the Board monthly.

Integrated Risk Management

Principal Risk/ risk description	Controls in place to mitigate risks
Financial Risk	
The probability of loss inherent in financing methods which may impair the ability to provide adequate return and risk of presenting inaccurate financial information to stakeholders.	
UA is actively involved in monitoring financial risks by way of having sub committees to monitor and report on financial management practices. A statutory audit is conducted every year to ensure that the financial statements present a true and fair view of the affairs of the company.	
Sub risks categorised under financial risks and the way we manage such risks is given below.	
Investment Concentration Risk Concentration risk may arise when the investment portfolio is not sufficiently diversified	<ul style="list-style-type: none"> • The Investment Committee (IC) sets an overall asset allocation target at the start of the year. The decision is based on a number of factors including an analysis of the macro-economic environment, regulatory requirements, liquidity position and return expectations during the plan period. • The Investment Committee sets sectorial asset allocation limits for equity investments as well as related party exposure limits. • The above is based on the approved investment policy of the company. • Details on asset allocation of consolidated investments and the sectorial allocation of equity investments as at 31 December 2015 are given in Note 30.6 (a) on page 293 in this report.
Liquidity Risk Liquidity risk arises when a given security cannot be traded quickly in the market to prevent a loss or to make adequate profit	<ul style="list-style-type: none"> • The IC manages this risk by diversifying investment durations and reviewing cash flow projections • Details on maturity analysis as at 31 December 2015 of corporate securities is given on Note 45.2 (b) on pages 319 to 321 in this report.
Credit Risk The risk that investment institutions will be unable to pay the contractual interest or principal on their debt obligations due to declining financial strength	<ul style="list-style-type: none"> • The creditworthiness of a potential investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue. • In the event the investments are guaranteed by a banking institution, the rating of the bank is considered. • The Investment Committee works strictly within stipulated exposure limits. The exposure limits are set (inter alia) based on institutional rating (if available) and size of the investment portfolio • As at 31 December 2015, a majority of our corporate debt investments had a rating of 'A' or better, or were guaranteed by banking institutions with ratings of 'A' or better. Refer Note 45.2 (c) on page 323 in this report.
Market Risk This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices	<ul style="list-style-type: none"> • For the equity instruments, the decisions are based on fundamentals rather than on speculation and the decisions are based on in depth of macro-economic and industry analysis as well as research reports on company performance. • The Investment Committee members keep regular track of macro-economic scenarios and their likely impact on the interest rates. • The initial recognition of the investments is closely monitored in order to avoid any interest rate risks. • For more details refer Note 45.2 (d) on page 327 in this report.

Our risk management process

The underlying premise of UA's risk management is that every division exists to provide value for its stakeholders. We face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Our risk management framework enables management to effectively

deal with uncertainty and associated risk and opportunity, enhancing the capacity to build value.

The company follows a bottom up process, with the Risk Committee reviewing divisional risk grids and summarising key risks for BACC review. The company also ensures that the risk management process is aligned with the John Keells Group's risk management policy. The bottom up approach is elaborated below.

The Bottom-Up Risk Management Process

Risk management level	Responsibility and actions
Board	<ul style="list-style-type: none"> • Approves risk governance structure • Approves high level risk appetite • Reviews with the BACC, the state and adequacy of the entity's risk management
BACC	<ul style="list-style-type: none"> • Considers adequacy of risk management and internal controls • Regularly reviews risk management reports from the risk committee • Regularly reviews reports from the internal and external auditors • Considers actions to improve risk management processes
Risk Committee	<ul style="list-style-type: none"> • Considers new and emerging risks • Develops / monitors suitable action plans to mitigate / manage risks • Recommends action to improve risk management processes • Provides General Managerial level representation of all functions in the organisation
Risk owners and managers	<ul style="list-style-type: none"> • Evaluates status of risk and effectiveness of risk mitigation • Day to day oversight of risk and risk mitigation actions • Carries out risk mitigation strategies

It is not possible to entirely eliminate all risks and some risks must be retained within the balance sheet in order to generate a return in excess of the risk free rate. The risk retention threshold has been clearly communicated by the Board of Directors.

Our risk management process



The risk management process enables the team to understand the risk profile of the company and synchronise the risk profile with the risk appetite of the Board.

Risk identification

Risk identification is a key component of a robust framework. In the absence of a risk identification process, the organisation

is unable to effectively manage its key risks and demonstrate whether they are in control.

Our process would typically include identifying the significant risks to achievement of our business objectives. The process includes identifying all types of risks, associated major components and controls currently in place, from all sources across the entire organisation's activities. At UA risks are identified at the divisional level by the respective divisions and tracked on a dashboard.

Risk validation and evaluation / measurement

The identified risks are reviewed against main assessment criteria such as business impact, likelihood of occurrence and the level of velocity. Impact of risks, likelihood of occurrence, the velocity of the risk and risk prioritisation are depicted in Page 211.

Monitor and report

Actual findings are presented to the risk management committee chaired by the CEO with representation from all distribution channels as well as operational support service functions. A comprehensive quarterly report is submitted to the BACC highlighting any major changes / developments from the previous quarter.

Integrated Risk Management

Impact of risks, likelihood of occurrence, the velocity of the risk and the risk prioritisation are depicted below;

Impact Classification	Guideline	Ranking
Catastrophic / extreme impact	Entire operation is at a standstill	5
Major / very high impact	Major effect on operation, profitability and image	4
Moderate / high impact	Medium level impact in financial, HR, reputational etc.	3
Minor impact	Considerably low effect	2
Low / insignificant impact	Negligible effect	1

Likelihood of occurrence

Almost certain to occur	Risk is affecting the operations all the time	5
Likely to occur	Risk frequency is fairly high	4
Possible to occur	Risk frequency is moderate	3
Unlikely to occur	Risk frequency is low	2
Rare / remote to occur	Risk frequency is negligible	1

Figure 5: Velocity of the risk

Probability	Effect
High	Impact of the risk item is felt immediately by the Company
Low	Impact of the risk item is felt after some period of time

The respective senior management of each division meets quarterly to review and update the risks pertaining to their divisions.

Each risk is scored by multiplying impact and likelihood scores, which are then prioritised as follows;

Priority	Short Form	Score	Colour
Ultra high risk	U	15-25	●
High risk	H	10-14	●
Moderate risk	M	8-9	●
Low risk	L	3-7	●
Insignificant risk	I	1-2	●

The respective senior management of each division meets quarterly to review and update the risks pertaining to their divisions. There were in total 43 risk items in the divisional Risk Grids identified by the year end. These have been forwarded to the Risk Committee. The Risk Committee summarised these risks into 14 main risk items that needed continuous management attention.

Summary of the Company Risk Grid

Impact / severity ranking	5	Catastrophic / extreme risk					
	4	Major / very high impact	1		1		
	3	Moderate / high impact	1	3	3		
	2	Minor impact			3		
	1	Low / insignificant impact	2	1			
			Rare / remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
			1	2	3	4	5
			Occurrence / likelihood ranking				



















Summary of the Divisional Risk Grid

Impact / severity ranking	5	Catastrophic / extreme risk					
	4	Major / very high impact	2	2	4	1	
	3	Moderate / high impact	5	7	2		
	2	Minor impact		3	1	1	
	1	Low / insignificant impact					
			Rare / remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur
			1	2	3	4	5
			Occurrence / likelihood ranking				

Risks that have been analysed at high level are classified into ten broad headings. The following table provides a brief summary of these “headline risks,” the overall risk rating and action plans initiated by UA to mitigate such risks.

Headline Risk	Description	Risk Priority		Action Plans
		2014	2015	
Catastrophic / external environment	Risk associated with a large scale event			<ul style="list-style-type: none"> We have ensured adequate reinsurance arrangements to cover such an eventuality per annum and per event Periodically test and update the disaster recovery as well as business continuity plan Monitor accumulation
Human resources	Shortage of qualified personnel and loss of experienced life/ distribution / technical / customer service staff			<ul style="list-style-type: none"> HR policies are geared to encourage continuous education for all levels of staff Provide adequate monetary and non-monetary incentives Implement a succession plan for senior level staff Identify opportunities for job rotation Structured talent management initiatives

Integrated Risk Management

Headline Risk	Description	Risk Priority		Action Plans
		2014	2015	
Competitor	Risk of competition from large international players entering market			<ul style="list-style-type: none"> Invest in technology to enhance the brand image of the sales force Pre underwritten products to empower the sales force Effective rewards and recognition schemes Continue to improve services as a differentiator
Internal control	Risk of breakdown of internal controls			<ul style="list-style-type: none"> Periodic review of internal controls Educate employees about internal controls Implementation of a bottom up compliance sign off process with regular audits to ensure effectiveness
Interest rate	Impact on reinvestment rates, investment income, dividends and profits, solvency and risk based capital			<ul style="list-style-type: none"> Tight control on expenses to mitigate low investment income environment Interim guarantee on 'Advantage' product moderated in line with low interest rate environment Monitor solvency, regularly conduct scenario testing and implement asset liability matching programmes
Regulatory	An advisor being able to work for one life company and one non-life company could lead to loss of focus and conflicting business priorities			<ul style="list-style-type: none"> Currently reviewing options to enable life advisors to sell non-life products as well as attract general advisors to sell life products within the legal framework
Health and safety	Risk of accidents to staff, including insurance sales advisors			<ul style="list-style-type: none"> Continuously educate staff on health and safety aspects Ensure proper health and safety measures are implemented within company premises
Fraud and corruption	Waste / misuse of company resources, damage to reputation, privacy issues			<ul style="list-style-type: none"> Strict controls via MOFA (Manual of financial authority) Staff rotation Periodic asset / stock verification and maintenance of a log of custodians of company assets Annual sign off by staff on adherence to company ethics and code of conduct Work with screened registered suppliers as far as possible
Reinsurance	Refer financial section on business risks (pages 314 to 317)			Refer pages 314 to 317
Socio-economic and political	Refer financial section on business risks (pages 314 to 317)			Refer pages 314 to 317
Underwriting	Refer financial section on business risks (pages 314 to 317)			Refer pages 314 to 317

Risk Governance

The Board is responsible and provides oversight to Enterprise Risk Management, and sets the entity's risk appetite and annually evaluates the implementation of UA's risk policy and risk management plan. The Board has delegated the responsibility to design, implement and monitor the risk management plan to the CEO, who in turn manages this through the Risk Committee comprising the senior management.

The line managers support the entity's risk management philosophy, promote compliance with its risk appetite, and manage risks within their spheres of responsibility consistent with risk tolerances as per the delegated authority levels. Other personnel are responsible for executing enterprise risk management in accordance with established directives and protocols. Risk management is, however, a team effort and every employee will be responsible for managing risk in his / her working environment and therefore assist to identify risks at all levels and in all functions of the business as required by the integrated risk management plan. Regular and formal risk analysis provides the basis for risk identification and evaluation, and the appropriate risk responses and mitigation.

The management ensures continuous and regular measurement of risks, and reports the Company's risk performance to the Board Audit and Compliance Committee (BACC). Control assurance will focus on continuously improving the underlying quality and sustainability of the Company's business activities.

Line management, the risk function and internal audit forms our three line of defence of risk management as depicted below;

1st Line of defence

Business units are accountable for managing all risks relating to the respective unit. Department level detailed risks grids are maintained for this purpose and is reviewed regularly for any changes to the identified risks and their status and also for any new and potential risks. These are escalated to the BACC.

2nd line of defence

This provides companywide policies and standards. Risk committee with the guidance of the BACC and the Board reviews applicability and proper execution of these on a regular basis.

3rd line of defence

This is the independence assurance by the outsourced internal auditors and the external auditors on the adequacy and improvements required of the existing controls in place for risk management.

Future Outlook

We will continue to identify, validate and evaluate potential risks as well as monitor already identified risk for changes in the risks requiring amendments to the current actions.

Main focus in 2016 would be to integrate the Risk Based Capital (RBC) regime into the risk management process. Though we have successfully completed the two year parallel run we will focus on identifying any areas that would require greater focus in the new regime. We believe that RBC approach will lead to the betterment of the industry and discourage irrational price based competition leading to a level playing field in managing capital of the businesses.



Integrated Risk Management

Emerging risks

New technologies – New technologies will have an impact on customer behaviour and how they would prefer to purchase need to be understood. Failure to do so could potentially make the current business models obsolete.

Political risk – Governments encouraging pension type products with the ageing population need to be taken note of by the industry. If the industry does not react potentially the opportunity could be directed towards a government sponsored scheme.

Cybercrime – The increasing sophistication of cyber-crime increases our risk exposure with our digital strategy. The resulting risks are associated with policyholder privacy and financial exposure leading to reputational and financial loss to the company.

Big data – Failure to keep pace with the use of big data for pricing and customer behaviour could lead to loss of competitive advantage and financial loss.

Statement of Solvency, Approved Assets and Risk Based Capital (RBC)

Solvency

The statement of Solvency for long term insurance business has been prepared in accordance with the Solvency Margin Rules of 2002 (and subsequent amendments) as disclosed below.

Rs. Mn As at 31 December	Life insurance business	
	2015	2014
Value of admissible assets maintained	26,670	24,225
Total liabilities including technical reserves	23,665	19,850
Net admissible assets	3,005	4,375
Required solvency margin	1,100	923
Excess over required solvency margin	1,905	3,452
Solvency ratio	2.73	4.74

Approved Assets

Determined is prepared as per section 25 (1) of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent determinations made by the Insurance Board of Sri Lanka in terms of the said Act.

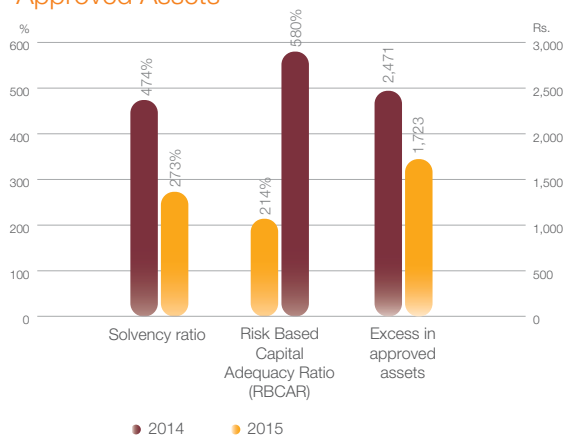
Rs. Mn As at 31 December	Life insurance business	
	2015	2014
Approved assets	24,990	22,550
Life insurance fund liability under solvency valuation basis	23,267	20,079
Excess in approved assets	1,723	2,471

Risk Based Capital (RBC)

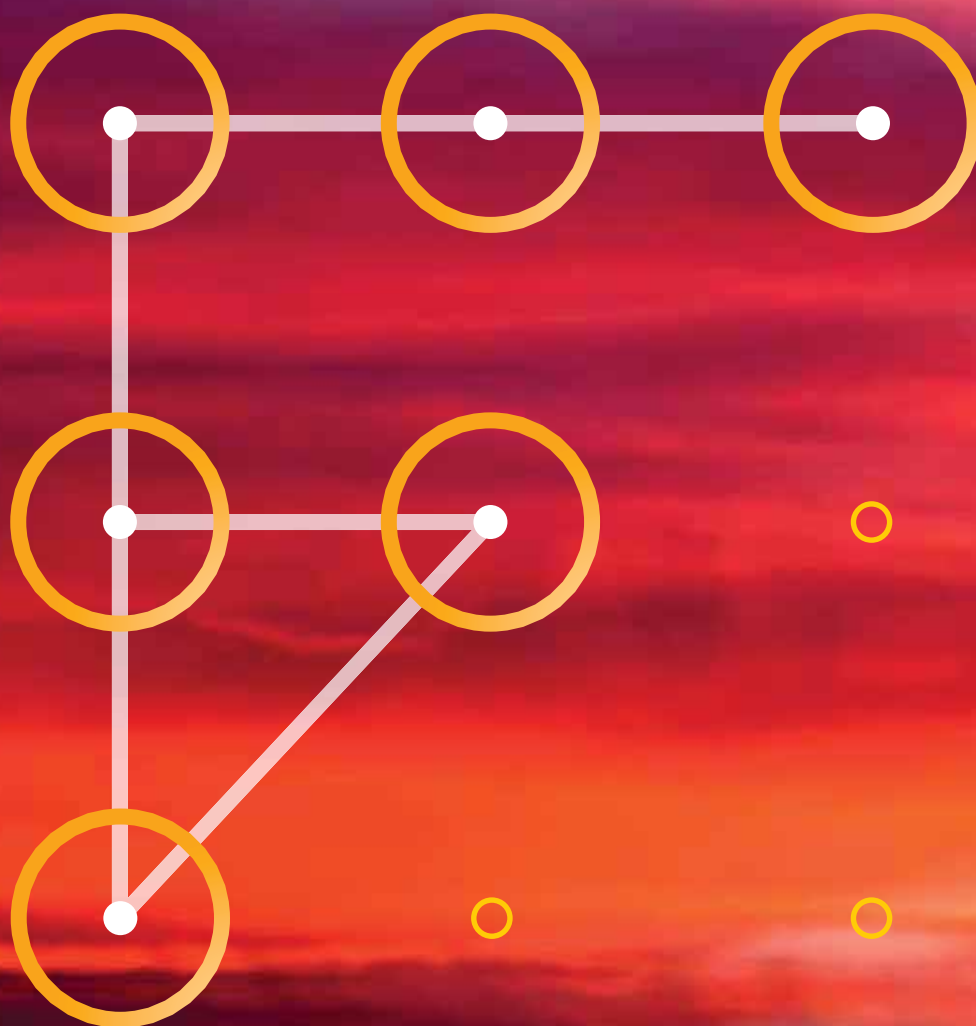
Every insurer is required to maintain a capital amount computed under the Risk Based Capital framework proposed by the Insurance Board of Sri Lanka or Rs. 500 million whichever is higher with effect from 1st January 2016. The ratios derived as at 31st December 2015 under the parallel run based on the draft framework is presented below with the comparatives.

Rs. Mn As at 31 December	Life insurance business	
	2015	2014
Total Available Capital (TAC)	11,713	9,358
Risk Based Capital Requirement (RBCR)	2,018	4,379
Excess capital available	9,695	4,979
Risk Based Capital Adequacy Ratio (RBCAR)	580%	214%
Supervisory capital adequacy ratio	120%	120%

Solvency, Risk Based Capital Ratios and Approved Assets



Financial Reports



The possibilities of the future

Financial Reports

The pages that follow record excellent bottom line growth for your company. Our strong fundamentals reinforce our business capabilities, enabling us to grow as we help people look at their lives differently; today, tomorrow and into the future.



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Financial Calendar	2015	2016
29 th Annual General Meeting to be held on	N/A	31 March 2016
28 th Annual General Meeting held on	31 March 2015	N/A
The first and final dividends for the year 2015 will be paid on	N/A	16 March 2016
The first and final dividends for the year 2014 paid on	18 March 2015	N/A
Audited financial statements of preceding year authorised on	25 February 2015	24 February 2016

Interim financial statements will be published as per rule 7.4 of the Colombo Stock Exchange

Interim results for the three months ended 31 March (Unaudited)	14 May 2015	13 May 2016
Interim results for the three months ended 30 June (Unaudited)	11 August 2015	15 August 2016
Interim results for the three months ended 30 September (Unaudited)	12 November 2015	15 November 2016
Interim results for the three months ended 31 December (Unaudited)	24 February 2016	28 February 2017

Annual Report of the Board of Directors on the Affairs of the Company

Overview

The Directors have pleasure in presenting the annual report of your company together with the audited financial statements for the year ended 31 December 2015.

Union Assurance PLC is a public limited liability company incorporated in Sri Lanka on 8 January 1987 under the Companies Act No. 17 of 1982, quoted on the Colombo Stock Exchange since 1988 and reregistered as required under the provisions of the Companies Act No. 7 of 2007 on 7 June 2007.

In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, Union Assurance PLC completed the segregation of the life and non life insurance businesses on 1 January 2015.

The company, Union Assurance PLC continues to carry on the Life insurance business while its non life insurance business (inclusive of all assets, undertakings, property, rights and liabilities) is being undertaken by Union Assurance General Limited which was incorporated as a fully owned subsidiary in 2014. On 1 January 2015, company divested a 78% stake in its subsidiary, Union Assurance General Limited to Fairfax Asia Limited for a total consideration of Rs. 3.66 billion. Union Assurance PLC retains a 22% stake in Union Assurance General Ltd and the latter is treated as an associate by the company.

Principal Activities

The principal activity of the company, which is 'Insurance' remained unchanged during the financial year. Subsequent to the segregation and the sale of the non life business, the company continues to carry on the life insurance business from 1 January 2015.

The company has not engaged in any activities, which contravene laws and relevant regulations.

Vision, Mission and Corporate conduct

The corporate vision and mission are provided on page 4 of this report. In achieving its vision and mission, all Directors and employees conduct their activities with the highest level of ethical standards and integrity as set out in the Code of Conduct.

Review of Business and Future Developments

A review of the financial and operational performance and future business developments of the company is contained in the Chairman's Message, Chief Executive Officer's Review and the Management Discussion and Analysis section of the annual

report, as required under Section 168 (1) (a) of the Companies Act. These reports form an integral part of the report of the Directors and together with the audited financial statements reflect the state of affairs of the company.

Turnover

The total gross written premium generated by the company for the year 2015 was Rs. 6,964 million (2014 – Rs. 5,945 million).

Financial Results and Appropriations

The net profit after tax of the company was Rs. 2,289 million for the year (2014 - Rs. 1,203 million) whilst the company and investee profit after tax was Rs. 2,347 million (2014 - group Rs. 1,204 million).

A synopsis of the performance is presented below;

Financial Results

Rs.'000	2015	2014
	Company and Investee	Group
Profit after taxation	2,346,636	1,204,203
Profit brought forward from previous year	3,843,704	3,149,766
Charge relating to super gains tax of Group	(52,424)	-
Profit available for appropriation	6,137,916	4,353,969
Appropriations		
Dividend paid for previous year	(557,141)	(514,286)
Transfer from revaluation reserve	4,521	4,521
Capital re-organisation	138,433	-
Share re-purchase	(4,494,643)	-
Share issue expenses	-	(500)
Share re-purchase cost	(646)	-
Transfer of reserves of non-life segment	3,595	-
Unappropriated profit carried forward	1,232,035	3,843,704

Financial Statements and Auditors' Report

The financial statements for the year ended 31 December 2015 has been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements duly signed by the Directors are provided on pages 231 to 239 and Auditors' Report on the financial statements is provided on page 228 of this annual report.

Accounting Policies

Details of accounting policies are presented in Note 4 to the financial statements, and comply with Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the company during the year under review apart from new policies relating to equity accounted investee due to disposal of a 78% stake in Union Assurance General Limited during the period. For all periods up to and including the year ended 31 December 2015, the company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLRFS / LKAS) issued by Institute of Chartered Accountant of Sri Lanka.

Dividends

The Board of Directors has approved a first and final dividend of Rs. 8.50 per share for the year 2015 (2014 - Rs. 6.50). The Board of Directors has confirmed that the company satisfies the solvency test in accordance with Section 56 of the Companies Act No. 7 of 2007 and has obtained a certificate from the auditors prior to declaring dividend.

The dividend will be paid partly out of dividend received and partly out of taxable profits of the company. The dividend to be paid out of profits will be subject to withholding tax.

Provision for Taxation

Company is liable to income tax at 28% (2014 - 28%) in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. The tax position of the company is disclosed in Note 44 to the financial statements on page 311.

Property, Plant and Equipment

During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs. 53 million. The carrying value of property, plant and equipment as at 31 December 2015 is Rs. 1,524 million. The details of property, plant and equipment are shown in Note 28 to the financial statements on page 284.

Intangible Assets

During the financial year, the company acquired intangible assets to the aggregate value of Rs. 24 million. The carrying value of Intangible assets is Rs. 60 million as at the reporting date. The details of Intangible assets are shown in Note 27 to the financial statements on page 282.

Market Value of Freehold Properties

The land and building owned by the company at No. 6, Rajapihilla Road, Kurunegala and at No. 20, St. Michael's Road,

Colombo 3 were revalued as at 31 December 2015 to reflect its market value as per company policy.

The revaluation was performed by Mr. P B Kalugalagedera and Associates, Chartered Valuation Surveyor. The details of the revaluation and relevant accounting policies are provided in Note 28.6 and Note 4.21 to the financial statements respectively.

Investments

Details of investments held by the company are disclosed in Note 30 to the financial statements on pages 288 to 295.

Stated Capital and Reserves

In compliance with the Companies Act No. 7 of 2007, the financial statements reflect the stated capital of the company. The stated capital is the total of all amounts received by the company in respect of the issued share capital. The stated capital of the company and investee as at 31 December 2015 was Rs. 1,000 million (2014 – group Rs. 1,138 million) and the total capital and reserves was Rs. 3,465 million (2014 – group Rs. 6,211 million).

Consequent to the unanimous shareholder approval obtained at the Extraordinary General Meeting held on 28 November 2014 and the demerger sanctioned by way of a Scheme of Arrangement in terms of Section 256 of the Companies Act No.7 of 2007 by the Commercial High Court of Colombo, in case No. H.C.(Civil) 48/2014 (CO) by order dated 8 December 2014, Union Assurance PLC re-organised its stated capital to Rs. 1,000,000,000 on 1 January 2015 with the difference of Rs. 138,432,305 being transferred to retained earnings.

On 28 May 2015, the Board of Directors of Union Assurance PLC resolved that up to a maximum of 26,785,714 of its ordinary shares will be repurchased at a price of Rs. 167.80 per share on a pro rata basis of ten (10) shares for every thirty two (32) shares held amounting to a maximum value of Rs. 4,494,642,809. Subsequently, the company concluded the repurchase of 26,785,714 shares on 25 September 2015 at a price of Rs. 167.80 per share and the transaction has been recorded in the financial statements accordingly.

Refer Notes 37 and 38 to the financial statements on pages 301 and 302 for details on the stated capital and reserves.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given in the ten year summary on page 365. Information on share trading is given on page 356 of this report.

Annual Report of the Board of Directors on the Affairs of the Company

Share Holdings

There were 1,334 registered shareholders, holding ordinary voting shares as at 31 December 2015 (2014 - 1,298). The distribution of shareholding including the percentage held by the public is given on page 358 of this report.

Equitable Treatment to all Shareholders

The company has made every endeavour to ensure the equitable treatment to all shareholders and adopted adequate measures to prevent Information asymmetry.

Substantial Shareholdings

The list of top twenty shareholders as at 31 December 2015 is given on page 358 of this report, together with comparative shareholding as at 31 December 2014.

Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

Corporate Governance

Directors' declaration

The Directors declare that;

- a) The company has not engaged in any activity, which contravenes laws and regulations
- b) The Directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested
- c) The company has made all endeavours to ensure the equitable treatment of shareholders
- d) The business is in going concern
- e) A review of the internal controls covering, financial, operational and compliance controls and risk management has been conducted, and the Directors have obtained reasonable assurance of their effectiveness and successful adherence therewith
- f) The company, being listed on the Colombo Stock Exchange (CSE), is compliant with the rules on corporate governance under the listing rules of the CSE with regard to the composition of the Board and its sub committees

- g) The company is in compliance with the Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL)

The Board of Directors is committed to maintaining an effective corporate governance structure and process. A more comprehensive report on corporate governance is found on pages 123 to 203.

Board Audit and Compliance Committee

The composition of the Board Audit and Compliance Committee comprising of Non-Executive Directors is provided on page 195. The CEO, other Executive Committee members and internal and external auditors attend the meetings by invitation. The report of the Board Audit and Compliance Committee is provided on pages 195 to 198 of this report.

System of Internal Controls

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial, operational and compliance controls and have obtained reasonable assurance of their effectiveness. An enterprise risk management initiative has been implemented. The Board is satisfied that the process is sufficiently robust to identify and manage risks which have an impact on the company's performance.

Risk Management

The Board and the executive management of the company have put in place a comprehensive risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the risk management report in the corporate governance section of this annual report on page 204.

The Board of Directors

As at 31 December 2015 the Board of Directors of Union Assurance PLC consisted of seven Directors with diverse knowledge and experience. Brief profiles of the Directors are given in the corporate governance section of the annual report on page 123 to 126 and details of their appointments are given in the following table.

Name of Director	Directorship	Year of appointment	Position/Status
Ajit D. Gunewardene	Chairman / Non-Executive Director	Appointed as alternate Director on 1 May 1992 Appointed to the Board on 24 February 2004 Appointed Chairman on 1 January 2006	Chairman of the Board and of the Remuneration Committee and the Nominations Committee
A. S. De Zoysa	Independent Non-Executive Director	1 April 2009	Director, Member of the Audit and Compliance Committee, Nominations Committee and Investment Committee
G. F. C. De Saram	Independent Non-Executive Director	1 April 2009	Director, Member of the Remuneration Committee and Nominations Committee
D. C. Alagaratnam	Non-Executive Director	16 August 2011	Director
S. Rajendra	Non-Executive Director	16 August 2011	Director, Member of the Audit and Compliance Committee
H. A. J. De Silva Wijeyeratne	Independent Non-Executive Director	7 September 2011	Director, Chairman of the Audit and Compliance Committee and Member of the Remuneration Committee
A. D. Pereira	Executive Director	28 May 2014	Director, Chief Executive Officer, Member of the Investment Committee

Responsibility of the Board

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the corporate governance section of the annual report.

Retirement and Re-election / Re-appointment of Directors

In terms of Article 84 of the Articles of Association of the company, Mr. G. F. C De Saram and Mr. S. Rajendra who retire by rotation are eligible for re-election. A brief profile of the said Directors are given on page 123 and 126.

Appointments of Directors

No new appointments were made to the Board during the year under review.

Board Sub Committees

The Board while assuming the overall responsibility and accountability in the management of the company has also appointed Board Sub Committees to ensure control over certain affairs of the company as detailed in the corporate

governance section of the annual report in pages 181 to 201 in this report. The compositions of sub committees as at 31 December 2015 is given on pages 191 to 201 in this report.

Directors' Interests Register

The company, in compliance with the Companies Act No. 7 of 2007 maintains an Interests Register. In compliance with the requirements of the Companies Act, as given below this annual report also contains particulars of entries made in the interests registers of companies which are public companies or private companies and have not dispensed with the requirement to maintain an interests register as permitted by Section 30 of the Companies Act No. 07 of 2007.

Directors' Interests in Transactions

The Directors of the company have made general declarations as provided for in section 192 (2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest are found in Note 48 on page 335 to the financial statements, under related party transactions.

Annual Report of the Board of Directors on the Affairs of the Company

Directors' Interests in Shares

The Directors' individual shareholdings in the company as at 31 December 2015 and 31 December 2014 were as follows;

Name of Director	Union Assurance PLC	
	No. of shares as at 31.12.2015	No. of shares as at 31.12.2014
Ajit D. Gunewardene	8,562	8,562
A. S. De Zoysa	Nil	Nil
G. F. C. De Saram	Nil	Nil
D. C. Alagaratnam	Nil	Nil
S. Rajendra	Nil	Nil
H. A. J. De Silva Wijeyeratne	Nil	Nil
A. D. Pereira	Nil	Nil

Share Dealings

There have been no share dealings by the Directors during the year.

Remuneration to Directors

Directors' remuneration is established within a framework approved by the Remuneration Committee. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the company. The remuneration of the Non-Executive Directors is determined according to scales of payment decided upon by the Board. Details of Directors' fees and emoluments paid during the year along with the corresponding amounts for the previous year are set out in Note 21 of the financial statements.

Directors' Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 139 to 141 and 181 to 201 of the annual report.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000 and the Listing Rules of the Colombo Stock Exchange.

Related Party Transactions

There are no related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the company. Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures, in Note 48 on page 335 to the financial statements.

The Board of the Parent Company - John Keells Holdings PLC - has formed the Related Party Transactions Review Committee with effect from 1 April 2014, to enhance the corporate governance within the group and complies with the early adoption of the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC). On the basis that the parent company is also a listed company, the SEC has permitted the Related Party Transactions Review Committee of the parent company, to represent the listed companies in the John Keells Group of which, Union Assurance PLC is a member. Please refer details of the committee on page 200 of the annual report.

Compliance with the transfer pricing regulations

All transactions entered into with associated persons during the period are on an arm's length basis, and are comparable with transactions carried out with non-associated persons.

Donations

There were no donations made during the year.

Compliance with Laws and Regulations

The company has complied with all applicable laws and regulations. A compliance checklist is signed-off on a monthly basis by responsible officers and any violations are reported to the Board Audit and Compliance Committee. Refer page 131 for a statement of compliances.

Risk Based Capital Requirement (RBC)

The mandatory two year road test to review the impact from RBC and the parallel run with solvency submissions for 2014 and 2015 were completed and with effect from 1 January 2016 all insurance companies will have to maintain a capital amount as computed under the risk based capital framework introduced by the IBSL or Rs. 500 million whichever is higher.

Based on the data gathered from the test runs as well as the parallel run, the company is confident of a smooth transition to the RBC framework which would be effective 1 January 2016.

Integrated Corporate Reporting

The annual report has been prepared broadly in line with the preparer's guide to integrated corporate reporting issued by the Institute of Chartered Accountants of Sri Lanka. The Board Audit and Compliance Committee has reviewed the framework presented in this annual report and based on their recommendation, the Board has adopted the framework as a transparent basis to report the company's activities and results to all stakeholder groups.

Sustainability

The company is aware of the need to pursue its business goals from a stakeholder perspective of business governance. Hence, through the structured stakeholder engagement process, the company has identified material issues in relation to each stakeholder group and endeavours to achieve its business goals with due respect to all stakeholder needs. This year the company publishes its third integrated annual report, combining financial information with sustainability information in a bid to provide its stakeholders with more holistic information.

KPMG has issued an assurance of the financial performance data disclosed and the content of the report which represents the company's sustainability policies, objectives, management approach and performance, and as prepared under the requirements of the GRI G4 content index guidelines. The report has also gone through a GRI Materiality Disclosures Service.

Human Resources

The company continued to implement appropriate human resource management policies to develop employees and optimise their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees. The company also adopts equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Some of the processes and procedures adopted in this regard are mentioned in the human capital report in the Management Discussion and Analysis section of the annual report on page 50.

The number of persons employed by the company as at 31 December 2015 was 450 (2014 – 445).

There were no material issues pertaining to employees and industrial relations of the company during the year under review.

Code of Conduct

The company demands impeccable standard of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the company's image. The company has also implemented a code of conduct for field staff covering their responsibility, commitment and level of service to the client. During the year no material violations of the code was noted.

Whistle Blowing

The company has an established procedure for whistle blowing on matters of misconduct. The policy is made active within the company and has been communicated to all members of the staff to enable any member of the company to raise issues with the management and/or the Board. During the year the policy was reviewed and relaunched.

No serious concerns were reported through this channel during the year.

Environment Protection

Initiatives taken by the company to preserve the environment are presented in the 'Natural Capital report' of the Management Discussion and Analysis report. The company has not engaged in any activity that is harmful to the environment.

Supplier Policy

The company applies an overall policy of agreeing and clearly communicating terms of payments as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items properly charged in accordance with those agreed terms. As at 31 December 2015, the other payments of the company amounted to Rs. 894 million (2014 – Rs. 772 million).

Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to employees as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 on page 339 to the financial statements, relating to contingent liabilities.

Capital Commitments

No significant capital commitments exist as at 31 December 2015 other than those disclosed in Note 49 on page 339 to the financial statements.

Annual Report of the Board of Directors on the Affairs of the Company

Contingencies and Outstanding Litigation

In the opinion of the Directors and in consultation with the company lawyers, litigation currently pending against the company will not have a material impact on the reported financial results or future operations of the company.

Events After the Reporting Date

There have been no events subsequent to the reporting date, which would have any material effect on the company, other than those disclosed in Note 50 to the financial statements on page 339.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on corporate governance, issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis is adopted in preparing the financial statements.

Auditors

The company's auditors during the period under review were Messrs. KPMG. The fee amount paid / payable for the services provided to the company during the year, with corresponding figures for the previous year, is presented below.

Rs. '000	2015	2014
Audit and audit related fees	3,385	3,500
Non audit fees	777	392

Independence of Auditors

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the auditors do not have any relationship or interest other than that of an Auditor in the company.

Reappointment of Auditors

The retiring auditor Messrs. KPMG have intimated their willingness to continue in office and a resolution to reappoint them as auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Auditors' Report

Auditors' Report on the financial statements is given on page 228 of this annual report.

Approval of Financial Statements

The audited financial statements were approved by the Board of Directors on 24 February 2016.

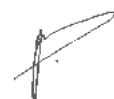
Annual General Meeting

The Annual General Meeting will be held at the Auditorium of Union Assurance PLC, No. 20, St. Michael's Road, Colombo 3, on Thursday 31 March 2016 at 9.00 a.m. The notice of the meeting relating to the twenty ninth Annual General Meeting is given on page 380.

This Annual Report is signed for and on behalf of the Board of Directors by:



Ajit D. Gunewardene
Chairman



A. S. De Zoysa
Director



Keells Consultants (Private) Limited
Secretaries

24 February 2016

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The financial statements of Union Assurance PLC as at 31 December 2015 are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- Requirements of the Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- Listing rules of the Colombo Stock Exchange (CSE)
- The Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto
- Code of best practice on corporate governance issued jointly by the ICASL and the Securities and Exchange Commission of Sri Lanka (SEC)

Accordingly, the company has prepared the financial statements which comply with SLFRS / LKAS and related interpretations applicable for the year ended 31 December 2015, together with the comparative data as at and for the year ended 31 December 2014, where required, as described in the accounting policies.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements. There have been no changes in the accounting policies adopted by the company during the year under review. Subsequent to the disposal of a 78% stake of the company's subsidiary Union Assurance General Limited on 1 January 2015, the said subsidiary became an associate of the company. Accordingly, an accounting policy relating to investment in equity accounted investee was adopted during the year. This is provided in detail in Note 4.1.6 to the financial statements.

The accounting policies applicable only to non life, have been disclosed separately in Note 5.2 to the financial statements to support the comparative information presented in the financial statements.

Significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our external auditors and the Board Audit and Compliance Committee (BACC).

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report.

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report and on an ongoing basis.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees.

Our internal auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed.

The financial statements were audited by Messrs. KPMG, Chartered Accountants, Independent Auditors.

The BACC pre-approves the audit and non-audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence. The BACC also reviews the external audit plan, the internal audit plan, all internal audit reviews and management letters and follows up on any issues raised during the statutory audit as well as the internal audits. The BACC also meets with the external and internal auditors to review the effectiveness of the audits.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting insurance business.

We also confirm that the company has complied with the following IBSL requirements;

- All provisions in the regulation of Insurance Industry Act No. 43 of 2000, and all rules, regulations, determinations, directions issued by IBSL; Complied with all orders made by the Ministry of Finance and Planning under the Regulation of Insurance Industry Act, No. 43 of 2000
- Terms and conditions pertaining to reinsurance placements issued by IBSL in terms of section 31(1) of the Regulation of Insurance Industry Act, No. 43 of 2000
- Conditions pertaining to co-insurance issued by IBSL
- All applicable circulars issued by IBSL
- All provisions in the Financial Transactions Reporting Act, No. 6 of 2006
- Rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 6 of 2006
- Guidelines on Anti Money Laundering Programme for Insurers issued by IBSL



Dirk Pereira
Chief Executive Officer



Sherin Cader
Chief Financial Officer

24 February 2016

Actuary's Report



Actuarial & Management
Consultants (Pvt) Limited

1st Floor, 434, R.A. De Mel Mawatha, Colombo 03, Sri Lanka. Telephone (94) 112575280/ (94) 112301079 Fax: (94) 112301079

To the shareholders of Union Assurance PLC

Actuarial Valuation Of The Long Term Insurance Business As At 31 December, 2015

We have carried out an actuarial valuation of the Long Term Insurance Business as at 31 December, 2015. We hereby certify that, in our opinion,

- 1) Proper records have been kept by the Company, which are appropriate for the purpose of the actuarial valuation of the liabilities of the Long Term Insurance Fund;
- 2) Adequate and proper reserves have been provided as at 31 December, 2015, for all liabilities in respect of the Long Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
- 3) The Long Term Insurance Fund, excluding the Unit Fund and the Non-Unit Fund, as included in the audited accounts, exceeds the required actuarial reserves, excluding the reserves for the Unit Fund and the Non-Unit Fund, as at 31 December 2015 by Rs.1,706.663 million, before allocation of reversionary bonus to policies with contractual participation in profits, provision for contingencies, provision for solvency margin and any transfer to shareholders.
- 4) The Non-Unit Fund, as included in the audited accounts, exceeds the required actuarial reserves by Rs.176.166 million.
- 5) The solvency margin required under the Regulation of Insurance Industry Act No .43 of 2000 is Rs. 1,099.955 million, including the solvency margin for the new reversionary bonus allotted as at 31 December 2015 and the non-unit fund, is fully provided for.

M POOPALANATHAN

Actuary

26 January 2016

Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements is set out in the following statement.

The responsibility of the auditors in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007 is set out in the Report of the Auditors on page 228.

As per the provisions of the Companies Act No. 7 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of;

- a statement of income and statement of profit or loss and other comprehensive income of the company which present a true and fair view of the profit or loss of the company for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the company as at the end of the financial year; and
- a statement of changes in equity, statement of cash flows for the year then ended and notes.

The Directors have ensured that, in preparing these financial statements;

- the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- all applicable accounting standards in accordance with the Sri Lanka Accounting Standards (SLFRS / LKAS) as relevant have been applied; and
- reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- it provides the information required by and otherwise complies with the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange and requirements of any other regulatory authority as applicable to the company.

The Directors have also ensured that the company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to declaring a final dividend of Rs. 8.50 per share for the year ended 31 December 2015, to be paid on 16 March 2016.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the company, and all other known statutory dues as were due and payable by the company as at the reporting date have been paid or, where relevant provided for except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

By order of the Board



Keells Consultants (Private) Limited
Secretaries

24 February 2016

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

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To the Shareholders of Union Assurance PLC Report on the Financial Statements

We have audited the accompanying financial statements of Union Assurance PLC, ("the Company") and the Company and its equity accounted investee ("Company and Investee"), which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 231 to 340 of this Annual Report.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. 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 disclosures in the financial statements. The procedures selected depend on the auditors' 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 control relevant to the entity'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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company and Company and Investee as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CHARTERED ACCOUNTANTS
Colombo

24 February 2016

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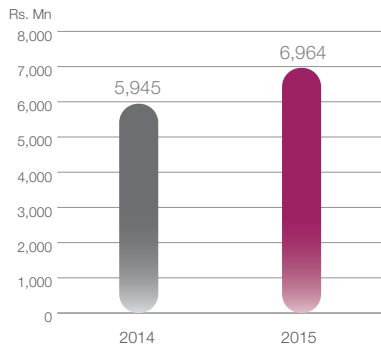
Financial Statements

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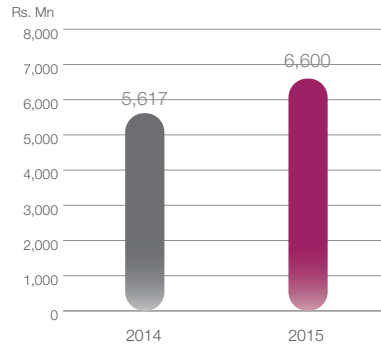
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Financial Statements Highlights

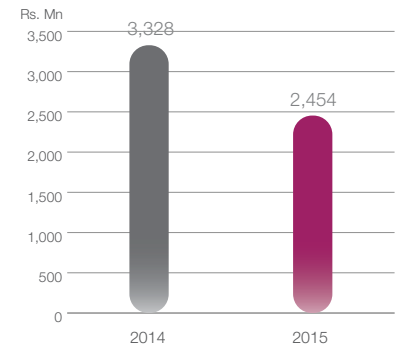
Gross Written Premium



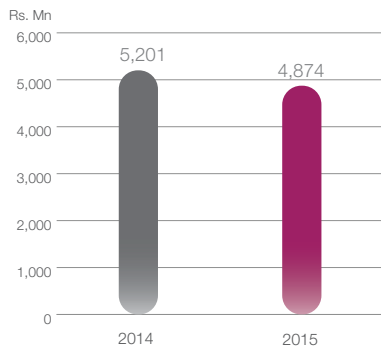
Net Written Premium



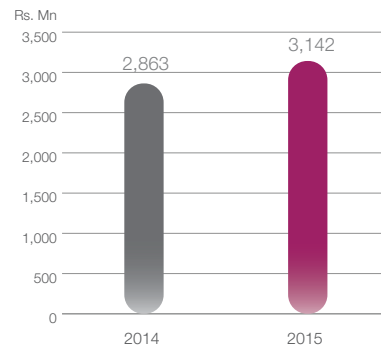
Other Revenue



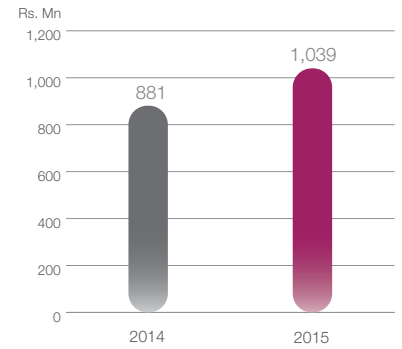
Net Benefits and Claims Including Change in Contract Liabilities



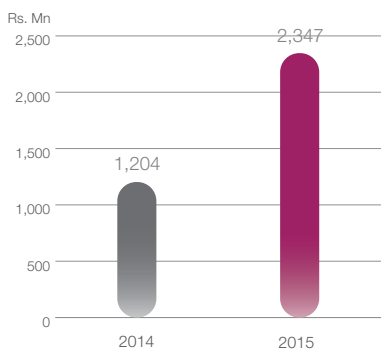
Expenses Including Net Acquisition Cost



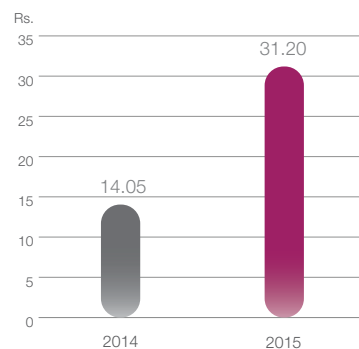
Profit from Operations



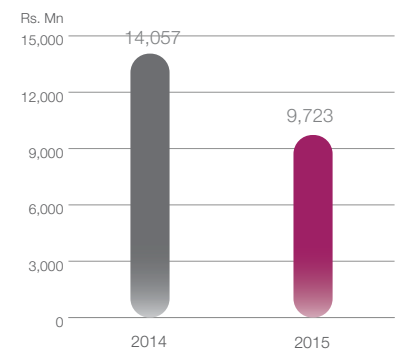
Profit After Taxation



Earnings Per Share



Market Capitalisation



Income Statement

For the year ended 31 December				2015		2014		Change* %
Rs. '000	Note	Page	Company	Company and Investee	Company	Group		
Continuing operations								
Gross written premium	9	267	6,964,390	6,964,390	5,945,499	5,945,499	17	
Premium ceded to reinsurers	10	268	(364,182)	(364,182)	(328,064)	(328,064)	11	
Net written premium			6,600,208	6,600,208	5,617,435	5,617,435	17	
Other revenue								
Net investment income	11	269	2,620,382	2,620,382	2,291,122	2,291,122	14	
Net realised gains	12	270	54,198	54,198	118,900	118,900	(54)	
Net fair value gains / (losses)	13	271	(294,563)	(294,563)	806,269	806,269	(137)	
Other income	14	272	74,256	74,256	111,289	111,289	(33)	
Total other revenue			2,454,273	2,454,273	3,327,580	3,327,580	(26)	
Total net revenue			9,054,481	9,054,481	8,945,015	8,945,015	1	
Benefits, claims and expenses								
Net insurance benefits and claims paid	15	272	(1,448,328)	(1,448,328)	(1,237,958)	(1,237,958)	17	
Net change in insurance claims outstanding	16	273	(24,606)	(24,606)	(94,864)	(94,864)	(74)	
Change in contract liabilities - Life Fund	17	274	(3,400,673)	(3,400,673)	(3,868,203)	(3,868,203)	(12)	
Underwriting and net acquisition costs (including reinsurance)	18	274	(1,289,437)	(1,289,437)	(1,115,834)	(1,115,834)	16	
Other operating, administrative and selling expenses	19	275	(1,732,543)	(1,732,543)	(1,654,839)	(1,654,839)	5	
Depreciation and amortisation	28/27	284/282	(119,983)	(119,983)	(92,577)	(92,577)	30	
Total benefits, claims and expenses			(8,015,570)	(8,015,570)	(8,064,275)	(8,064,275)	(1)	
Profit from operations			1,038,911	1,038,911	880,740	880,740	18	
Gain on sale of subsidiary	20	275	1,221,460	1,221,460	-	-	100	
Share of results of equity accounted investee, net of tax	29	287	-	57,990	-	-	-	
Profit before tax	21	276	2,260,371	2,318,361	880,740	880,740	157	
Income tax reversal	22	277	28,275	28,275	-	-	100	
Profit from continuing operations			2,288,646	2,346,636	880,740	880,740	160	
Discontinued operations								
Profit from discontinued operations, net of tax	23	279	-	-	322,322	323,463	(100)	
Profit for the year			2,288,646	2,346,636	1,203,062	1,204,203	90	
Profit for the year attributable to:								
Owners of the company			2,288,646	2,346,636	1,203,062	1,204,203	90	
Non - controlling interest			-	-	-	-	-	
			2,288,646	2,346,636	1,203,062	1,204,203	90	
Earnings per share								
Basic (Rs.)	24	280	30.43	31.20	14.04	14.05	117	
Diluted (Rs.)	24	281	30.43	31.20	14.04	14.05	117	
Earnings per share - Continuing operations								
Basic (Rs.)	24	280	30.43	31.20	10.28	10.28	196	
Diluted (Rs.)	24	281	30.43	31.20	10.28	10.28	196	

* Change shows the variance of the company results.

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December		2015		2014		Change* %
Rs. '000	Note	Company	Company and Investee	Company	Group	
Profit for the year		2,288,646	2,346,636	1,203,062	1,204,203	90
Other comprehensive income, net of tax						
Continuing operations						
Items that will never be reclassified to profit or loss						
Net gains on revaluation of land and buildings	28.8	355,570	355,570	-	-	
Reversal of deferred tax on revaluation reserve	38.1 (b)	-	-	25,371	25,371	
Share of net change in actuarial gains on defined benefit plan of equity accounted investee	29 / 38.2 (b)	-	(64)	-	-	
Actuarial gains / (losses) on defined benefit plan	38.2 (b)	(7,593)	(7,593)	5,290	5,290	
Related tax	38.1 (b) / 38.2 (b)	(6,433)	(6,433)	-	-	
		341,544	341,480	30,661	30,661	1,014
Items that are or may be reclassified to profit or loss						
Fair value reserve (available for sale financial assets)						
Net change in fair value of available for sale financial assets	38.2 (a)	(34,156)	(34,156)	26,575	26,575	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	29 / 38.2 (a)	-	(10,739)	-	-	
Net change in fair value of available for sale financial assets transferred to the income statement	38.2 (a)	(39,522)	(39,522)	-	-	
Related tax	38.2 (a)	2,122	2,122	-	-	
		(71,556)	(82,295)	26,575	26,575	(369)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	38.2 (a)	(219,077)	(219,077)	381,812	381,812	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	38.2 (a)	(11,505)	(11,505)	(78,649)	(78,649)	
Related tax	38.2 (a)	(23,964)	(23,964)	-	-	
		(254,546)	(254,546)	303,163	303,163	(184)
		(326,102)	(336,841)	329,738	329,738	(199)
Other comprehensive income from continuing operations, net of tax		15,442	4,639	360,399	360,399	(96)
Discontinued operations						
Other comprehensive income from discontinued operations, net of tax	23.1	-	-	36,747	36,747	
		-	-	36,747	36,747	
Total comprehensive income for the year, net of tax		2,304,088	2,351,275	1,600,208	1,601,349	44
Total comprehensive income attributable to:						
Owners of the company		2,304,088	2,351,275	1,600,208	1,601,349	44
Non-controlling interest		-	-	-	-	-
		2,304,088	2,351,275	1,600,208	1,601,349	44

* Change shows the variance of the company results.

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December			2015		2014	
			Company	Company and Investee	Company	Group
Rs. '000	Note	Page				
Assets						
Intangible assets	27	282	59,616	59,616	66,766	66,766
Property, plant and equipment	28	284	1,523,676	1,523,676	1,203,934	1,203,934
Investment in equity accounted investee	29	287	689,029	736,216	-	-
Financial investments	30	288	26,540,934	26,540,934	24,038,978	24,038,978
Loans to life policyholders	31	296	741,852	741,852	660,744	660,744
Reinsurance receivables	32	296	149,772	149,772	67,536	67,536
Premium receivables	33	297	203,722	203,722	159,117	159,117
Receivables and other assets	34	298	732,017	732,017	816,718	816,718
Cash in hand and at bank	35	299	326,012	326,012	196,429	196,429
Assets held for sale	36	300	-	-	8,392,424	8,393,314
Total assets			30,966,630	31,013,817	35,602,646	35,603,536
Equity and liabilities						
Equity						
Stated capital	37	301	1,000,000	1,000,000	1,138,433	1,138,433
Reserves	38	302	1,243,696	1,232,893	1,228,722	1,228,722
Retained earnings	39	306	1,174,045	1,232,035	3,843,063	3,843,704
Total equity			3,417,741	3,464,928	6,210,218	6,210,859
Liabilities						
Insurance contract liabilities - Life	40	306	23,731,238	23,731,238	20,435,876	20,435,876
Insurance contract liabilities - Unit Linked			2,541,221	2,541,221	2,618,007	2,618,007
Employee benefits	41	308	100,199	100,199	90,437	90,437
Reinsurance payables	42	310	213,855	213,855	150,784	150,784
Other liabilities	43	310	843,424	843,424	770,190	770,190
Bank overdraft	35	299	118,952	118,952	66,017	66,017
Liabilities held for sale	36	300	-	-	5,261,117	5,261,366
Total liabilities			27,548,889	27,548,889	29,392,428	29,392,677
Total equity and liabilities			30,966,630	31,013,817	35,602,646	35,603,536

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements. I certify that the above financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Sherin Cader
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board:



Ajit D. Gunewardene
Chairman



A. S. De Zoysa
Director

Colombo
24 February 2016

Statement of Changes in Equity - Company

Rs. '000	Note	Reserves					Retained earnings	Total
		Stated capital	Revaluation reserve	Reserve on merger	Other reserves			
					Available for sale reserve	Other capital reserves		
Balance as at 1 January 2014		1,138,433	794,926	16,752	18,368	(952)	3,149,766	5,117,293
Profit for the year		-	-	-	-	-	1,203,062	1,203,062
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	38.2 (a)	-	-	-	74,019	-	-	74,019
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	38.2 (a)	-	-	-	303,163	-	-	303,163
Actuarial gain on defined benefit plan	38.2 (b)	-	-	-	-	8,883	-	8,883
Reversal of deferred tax on revaluation reserve	38.1 (b)	-	25,371	-	-	-	-	25,371
Tax on other comprehensive income	38.2 (a) / 38.2 (b)	-	-	-	(13,284)	(1,006)	-	(14,290)
Total other comprehensive income		-	25,371	-	363,898	7,877	-	397,146
Total comprehensive income for the year		-	25,371	-	363,898	7,877	1,203,062	1,600,208
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividends 2013	25.2	-	-	-	-	-	(514,286)	(514,286)
Share based payments	38.2 (c)	-	-	-	-	7,003	-	7,003
Transfer from revaluation reserve to retained earnings	38.1 (b)	-	(4,521)	-	-	-	4,521	-
Total contributions and distributions		-	(4,521)	-	-	7,003	(509,765)	(507,283)
Balance as at 31 December 2014		1,138,433	815,776	16,752	382,266	13,928	3,843,063	6,210,218

Rs. '000	Note	Reserves					Retained earnings	Total
		Stated capital	Revaluation reserve	Reserve on merger	Other reserves			
					Available for sale reserve	Other capital reserves		
Balance as at 1 January 2015		1,138,433	815,776	16,752	382,266	13,928	3,843,063	6,210,218
Charge relating to super gains tax (Note A)	39.1	-	-	-	-	-	(52,424)	(52,424)
Adjusted balance as at 1 January 2015		1,138,433	815,776	16,752	382,266	13,928	3,790,639	6,157,794
Profit for the year		-	-	-	-	-	2,288,646	2,288,646
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	38.2 (a)	-	-	-	(73,678)	-	-	(73,678)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	38.2 (a)	-	-	-	(230,582)	-	-	(230,582)
Revaluation gains on land and buildings	28.8 / 38.1 (b)	-	355,570	-	-	-	-	355,570
Actuarial loss on defined benefit plan	38.2 (b)	-	-	-	-	(7,593)	-	(7,593)
Tax on other comprehensive income	38.1 (b)	-	-	-	-	-	-	-
	38.2 (a)	-	(8,560)	-	(21,842)	2,127	-	(28,275)
	38.2 (b)	-	(8,560)	-	(21,842)	2,127	-	(28,275)
Total other comprehensive income		-	347,010	-	(326,102)	(5,466)	-	15,442
Total comprehensive income for the year		-	347,010	-	(326,102)	(5,466)	2,288,646	2,304,088
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividends 2014	25.2	-	-	-	-	-	(557,141)	(557,141)
Share re-purchase	37.3	-	-	-	-	-	(4,494,643)	(4,494,643)
Share re-purchase cost		-	-	-	-	-	(646)	(646)
Share based payments	38.2 (c)	-	-	-	-	7,648	-	7,648
Transfer from revaluation reserve to retained earnings	38.1 (b)	-	(4,521)	-	-	-	4,521	-
Capital re-organisation	37.2	(138,433)	-	-	-	-	138,433	-
Transfer of reserves of non life segment	38.2 (b)/38.2 (c)	-	-	-	-	(3,595)	4,236	641
Total contributions and distributions		(138,433)	(4,521)	-	-	4,053	(4,905,240)	(5,044,141)
Balance as at 31 December 2015		1,000,000	1,158,265	16,752	56,164	12,515	1,174,045	3,417,741

		2015	2014
Dividend per share (Rs.)	25	8.50	6.50

Note A

Although the company did not become eligible to pay super gains tax as a stand alone entity, Rs 52.4 million has been paid as super gains tax on the basis that the company is part of the John Keells Holdings PLC group.

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Statement of Changes in Equity - Group / Company and Investee

Rs. '000	Note	Reserves					Retained earnings	Total
		Stated capital	Revaluation reserve	Reserve on merger	Other reserves			
					Available for sale reserve	Other capital reserves		
Balance as at 1 January 2014		1,138,433	794,926	16,752	18,368	(952)	3,149,766	5,117,293
Profit for the year - Group		-	-	-	-	-	1,204,203	1,204,203
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	38.2 (a)	-	-	-	74,019	-	-	74,019
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	38.2 (a)	-	-	-	303,163	-	-	303,163
Actuarial gain on defined benefit plan	38.2 (b)	-	-	-	-	8,883	-	8,883
Reversal of deferred tax on revaluation reserve	38.1 (b)	-	25,371	-	-	-	-	25,371
Tax on other comprehensive income	38.2 (a) 38.2 (b)	-	-	-	(13,284)	(1,006)	-	(14,290)
Total other comprehensive income		-	25,371	-	363,898	7,877	-	397,146
Total comprehensive income for the year		-	25,371	-	363,898	7,877	1,204,203	1,601,349
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividends 2013	25.2	-	-	-	-	-	(514,286)	(514,286)
Share based payments	38.2 (c)	-	-	-	-	7,003	-	7,003
Share issue expenses		-	-	-	-	-	(500)	(500)
Transfer from revaluation reserve to retained earnings	38.1 (b)	-	(4,521)	-	-	-	4,521	-
Total contributions and distributions		-	(4,521)	-	-	7,003	(510,265)	(507,783)
Balance as at 31 December 2014 - Group		1,138,433	815,776	16,752	382,266	13,928	3,843,704	6,210,859

Rs. '000	Note	Reserves					Retained earnings	Total
		Stated capital	Revaluation reserve	Reserve on merger	Other reserves			
					Available for sale reserve	Other capital reserves		
Balance as at 1 January 2015		1,138,433	815,776	16,752	382,266	13,928	3,843,704	6,210,859
Charge relating to super gain tax (Note A)	39.1	-	-	-	-	-	(52,424)	(52,424)
Adjusted balance as at 1 January 2015		1,138,433	815,776	16,752	382,266	13,928	3,791,280	6,158,435
Profit for the year - Company and Investee		-	-	-	-	-	2,346,636	2,346,636
Other comprehensive income for the year, net of tax								
Net change in fair value of available for sale financial assets	38.2 (a)	-	-	-	(73,678)	-	-	(73,678)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	38.2 (a)	-	-	-	(230,582)	-	-	(230,582)
Revaluation gains on land and buildings	28.8	-	355,570	-	-	-	-	355,570
Actuarial loss on defined benefit plan	38.2 (b)	-	-	-	-	(7,593)	-	(7,593)
Share of net change in fair value of available for sale financial assets of equity accounted investee	38.2 (a)	-	-	-	(10,739)	-	-	(10,739)
Share of net change in actuarial gains on defined benefit plan of equity accounted investee	38.2 (b)	-	-	-	-	(64)	-	(64)
Tax on other comprehensive income	38.1 (b) 38.2 (a) 38.2 (b)	-	(8,560)	-	(21,842)	2,127	-	(28,275)
Total other comprehensive income		-	347,010	-	(336,841)	(5,530)	-	4,639
Total comprehensive income for the year		-	347,010	-	(336,841)	(5,530)	2,346,636	2,351,275
Transactions with owners, transfers, recorded directly in equity								
Contributions and distributions								
First and final dividends 2014	25.2	-	-	-	-	-	(557,141)	(557,141)
Share re-purchase	37.3	-	-	-	-	-	(4,494,643)	(4,494,643)
Share re-purchase cost		-	-	-	-	-	(646)	(646)
Share based payments	38.2 (c)	-	-	-	-	7,648	-	7,648
Transfer from revaluation reserve to retained earnings	38.1 (b)	-	(4,521)	-	-	-	4,521	-
Capital re-organisation	37.2	(138,433)	-	-	-	-	138,433	-
Transfer of reserves of non life segment	38.2 (b) 38.2 (c)	-	-	-	-	(3,595)	3,595	-
Total contributions and distributions		(138,433)	(4,521)	-	-	4,053	(4,905,881)	(5,044,782)
Balance as at 31 December 2015 - Company and Investee		1,000,000	1,158,265	16,752	45,425	12,451	1,232,035	3,464,928

Note A

Although the company did not become eligible to pay super gain tax as a stand alone entity, Rs 52.4 million has been paid as super gain tax on the basis that the company is part of the John Keells Holdings PLC group.

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December		2015		2014
Rs. '000	Note	Company	Company and Investee	Company / Group
Continuing operations				
Cash flows from operations				
Insurance premium received		6,919,785	6,919,785	5,901,361
Reinsurance premium paid		(286,105)	(286,105)	(257,329)
Insurance benefits and claims paid	15	(1,542,972)	(1,542,972)	(1,326,361)
Reinsurance claims received	15	94,644	94,644	88,403
Payments to intermediaries to acquire insurance contracts		(1,274,479)	(1,274,479)	(1,108,533)
Cash paid to and on behalf of employees		(809,107)	(809,107)	(733,419)
Interest received		2,077,085	2,077,085	1,987,141
Dividends received		106,416	106,416	97,393
Other operating cash flows		(1,111,875)	(1,111,875)	(1,600,303)
Cash generated from operating activities	Note A	4,173,392	4,173,392	3,048,353
Retiring gratuity paid	41.3	(17,787)	(17,787)	(10,782)
Super gains tax paid	39.1	(52,424)	(52,424)	-
Net cash flow from operating activities		4,103,181	4,103,181	3,037,571
Cash flows from / (used in) investing activities				
Acquisition of investments	30.7	(119,514,625)	(119,514,625)	(52,815,422)
Maturity proceeds of investments	30.7	115,612,877	115,612,877	49,196,135
Proceeds from sale of investments		1,287,017	1,287,017	893,720
Acquisition of property, plant and equipment	28.3	(53,409)	(53,409)	(47,028)
Acquisition of intangible assets	27.5	(23,662)	(23,662)	(6,405)
Proceeds on sale of property, plant and equipment		16	16	-
Proceed from sale of subsidiary	23.3	3,664,379	3,664,379	-
Net cash from / (used in) investing activities		972,593	972,593	(2,779,000)
Cash flows from / (used in) financing activities				
Dividends paid to equity holders of the company		(503,837)	(503,837)	(327,879)
Cash used for share re-purchase including costs	37.3	(4,495,289)	(4,495,289)	-
Net cash used in financing activities		(4,999,126)	(4,999,126)	(327,879)
Net increase / (decrease) in cash and cash equivalents - Continuing operations		76,648	76,648	(69,308)
Net decrease in cash and cash equivalents - Discontinued operations		-	-	(4,932)
Total net increase / (decrease) in cash and cash equivalents	Note B	76,648	76,648	(74,240)

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

For the year ended 31 December		2015		2014
		Company	Company and Investee	Company / Group
Rs. '000	Note			
Note A.				
Reconciliation of profit before taxation with cash from operating activities				
Profit before tax		2,260,371	2,318,361	880,740
Adjustment for:				
Depreciation and amortisation	21	119,983	119,983	92,577
Provision for employee benefits	41.3	19,956	19,956	19,713
Provision for doubtful staff / advisor loans	34.1 / 34.2	8,334	8,334	5,530
Fair value (gains) / losses	13	294,563	294,563	(806,269)
Net realised gains	12	(54,198)	(54,198)	(118,900)
Losses on sale of property, plant and equipment	14	49	49	143
Amortisation of financial investments	30.7	(258,968)	(258,968)	(261,622)
Gain on sale of subsidiary	20	(1,221,460)	(1,221,460)	-
Share of results of equity accounted investee	29	-	(57,990)	-
Share based payment expenses	38.2 (c)	7,648	7,648	4,904
Profit / (Loss) before working capital changes		1,176,278	1,176,278	(183,184)
Net change in operational assets				
Net change in reinsurance assets / liabilities		(19,165)	(19,165)	58,545
Net change in premium receivables		(44,604)	(44,604)	(44,139)
Net change in receivables and other assets		(83,519)	(83,519)	(764,268)
Net change in operational liabilities				
Net change in life insurance contract liabilities		3,218,577	3,218,577	3,728,730
Net change in other liabilities		(74,175)	(74,175)	252,669
Cash generated from operating activities		4,173,392	4,173,392	3,048,353
Note B.				
Increase / (decrease) in cash in hand and at bank				
Continuing operations				
Cash in hand and at bank		326,012	326,012	196,429
Bank overdraft		(118,952)	(118,952)	(66,017)
Cash and cash equivalents	35.2	207,060	207,060	130,412
Cash and cash equivalents for the previous year		130,412	130,412	199,720
Increase / (decrease) in cash and cash equivalents		76,648	76,648	(69,308)
Discontinued operations				
Cash in hand and at bank		-	-	174,694
Bank overdraft		-	-	(70,842)
Net cash and cash equivalents		-	-	103,852
Effect of exchange rate fluctuations on cash held		-	-	2,074
Net cash and cash equivalents for the current year		-	-	105,926
Net cash and cash equivalents for the previous year		-	-	110,858
Decrease in cash and cash equivalents		-	-	(4,932)
Total net increase / (decrease) in cash and cash equivalents		76,648	76,648	(74,240)

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Segmental Review

Income Statement

For the year ended 31 December

Rs. '000	2014		
	Life Insurance	Non Life Insurance	Total
Gross written premium	5,945,499	5,222,645	11,168,144
Change in reserve for unearned premium	-	(93,316)	(93,316)
Gross earned premium	5,945,499	5,129,329	11,074,828
Premium ceded to reinsurers	(328,064)	(1,070,182)	(1,398,246)
Change in reserve for unearned reinsurance premium	-	44,489	44,489
Net earned premium	5,617,435	4,103,636	9,721,071
Other revenue			
Net investment income	2,291,122	573,871	2,864,993
Net realised gains / (losses)	118,900	(5,792)	113,108
Net fair value gains	806,269	11,662	817,931
Other income	111,289	80,262	191,551
Total other revenue	3,327,580	660,003	3,987,583
Total net revenue	8,945,015	4,763,639	13,708,654
Benefits, claims and expenses			
Net insurance benefits and claims paid	(1,237,958)	(2,748,985)	(3,986,943)
Net change in insurance claims outstanding	(94,864)	12,549	(82,315)
Change in contract liabilities - Life Fund	(3,868,203)	-	(3,868,203)
Underwriting and net acquisition costs (including reinsurance)	(1,115,834)	(280,120)	(1,395,954)
Other operating, administrative and selling expenses	(1,654,839)	(1,319,357)	(2,974,196)
Depreciation and amortisation	(92,577)	(66,580)	(159,157)
Total benefits, claims and expenses	(8,064,275)	(4,402,493)	(12,466,768)
Profit before tax	880,740	361,146	1,241,886
Income tax expense	-	(38,824)	(38,824)
Profit for the year	880,740	322,322	1,203,062
Profit for the year attributable to:			
Owners of the company	880,740	322,322	1,203,062
Non - controlling interest	-	-	-
	880,740	322,322	1,203,062

Subsequent to divesting the non life business, there is only one operating segment, which is the life insurance business. (Refer Note 8.)

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Segmental Review - Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December

Rs. '000	2014		
	Life Insurance	Non Life Insurance	Total
Profit for the year	880,740	322,322	1,203,062
Other comprehensive income, net of tax			
Items that will never be reclassified to profit or loss			
Reversal of deferred tax on revaluation reserve	25,371	-	25,371
Actuarial gain on defined benefit plan	5,290	3,593	8,883
Related tax	-	(1,006)	(1,006)
	30,661	2,587	33,248
Items that are or may be reclassified to profit or loss			
Fair value reserve (available for sale financial assets)			
Net change in fair value of available for sale financial assets	26,575	47,444	74,019
Net change in fair value of available for sale financial assets transferred to the income statement	-	-	-
Related tax	-	(13,284)	(13,284)
	26,575	34,160	60,735
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets			
	381,812	-	381,812
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement			
	(78,649)	-	(78,649)
Related tax	-	-	-
	303,163	-	303,163
	329,738	34,160	363,898
Other comprehensive income for the year, net of tax	360,399	36,747	397,146
Total comprehensive income for the year, net of tax	1,241,139	359,069	1,600,208
Total comprehensive income attributable to:			
Owners of the company	1,241,139	359,069	1,600,208
Non - controlling interest	-	-	-
	1,241,139	359,069	1,600,208

Subsequent to divesting the non life business, there is only one operating segment, which is the life insurance business. (Refer Note 8.)

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Segmental Review

Statement of Financial Position

As at 31 December

Rs. '000	2014		
	Life Insurance	Non Life Insurance	Total
Assets			
Intangible assets	66,766	28,309	95,075
Property, plant and equipment	1,203,934	84,635	1,288,569
Investment in subsidiary	-	100,000	100,000
Financial investments	24,038,978	5,338,016	29,376,994
Loans to life policyholders	660,744	-	660,744
Reinsurance receivables	67,536	591,597	659,133
Premium receivables	159,117	1,550,859	1,709,976
Receivables and other assets	816,718	328,093	1,144,811
Cash in hand and at bank	196,429	174,694	371,123
Deferred tax assets	-	29,204	29,204
Deferred acquisition cost	-	167,017	167,017
Total assets	27,210,222	8,392,424	35,602,646
Equity and liabilities			
Equity			
Stated capital	625,000	513,433	1,138,433
Reserves	709,746	518,976	1,228,722
Retained earnings	1,744,165	2,098,898	3,843,063
Total equity	3,078,911	3,131,307	6,210,218
Liabilities			
Insurance contract liabilities - Life	20,435,876	-	20,435,876
Insurance contract liabilities - Unit Linked	2,618,007	-	2,618,007
Insurance contract liabilities - Non Life	-	3,653,048	3,653,048
Reinsurance payables	150,784	478,633	629,417
Deferred revenue	-	130,328	130,328
Employee benefits	90,437	106,561	196,998
Other liabilities	770,190	680,187	1,450,377
Current tax liabilities	-	141,518	141,518
Bank overdraft	66,017	70,842	136,859
Total liabilities	24,131,311	5,261,117	29,392,428
Total equity and liabilities	27,210,222	8,392,424	35,602,646

Subsequent to divesting the non life business, there is only one operating segment, which is the life insurance business. (Refer Note 8.)

The notes to the financial statements as set out in pages 243 to 340 form an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate Information

1.1 Reporting Entity

Union Assurance PLC ("company") is a public limited company incorporated and domiciled in Sri Lanka and the ordinary shares of the company are listed on the Colombo Stock Exchange. The registered office of the company is located at Union Assurance Centre, No. 20, St. Michael's Road, Colombo 03.

1.2 Principal Activities and Nature of Operations

The company is primarily involved in the Life insurance business.

In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, the company completed the segregation of the life and non-life insurance businesses on 1 January 2015. The company continues to carry on the life insurance business and its non-life insurance business operates under Union Assurance General Limited (UAG) with effect from 1 January 2015.

The company divested its 78% stake in UAG to Fairfax Asia Limited on 1st January 2015, and since that date UAG has become an equity accounted investee.

The principal activity of the associate is provided below.

Associate company

Entity	Principle business activity	Ownership as at 31 December 2015	Ownership as at 31 December 2014
Union Assurance General Limited	Non-life insurance business.	22%	100%

1.3 Financial Statements

The financial statements for the year ended 31 December 2015, comprise of "the Company" referring to Union Assurance PLC and "the Company and Investee" referring to the company and the results of the equity accounted investee, Union Assurance General Limited (UAG). In addition, the company has opted to present separate financial statements.

1.4 Number of Employees

The staff strength of the company as at 31 December 2015 is 450 (2014 – 445).

1.5 Parent Entity and Ultimate Parent Entity

The company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and the listing rules of the Colombo Stock Exchange.

These financial statements include the following components:

- an income statement and statement of profit or loss and other comprehensive income providing information on the financial performance of the company, and company and investee for the year under review; (Refer pages 231 and 232 for details)
- a statement of financial position providing information on the financial position of the company and company and Investee as at the year end; (Refer page 233 for details)
- a statement of changes in equity depicting all changes in shareholders' funds during the year under review of the company and company and Investee; (Refer pages 234 to 237 for details)
- a statement of cash flows providing information to the users, on the ability of the company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows; (Refer pages 238 and 239 for details) and
- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 243 to 340 for details).

Details of the company's accounting policies are included in Note 4.

Notes to the Financial Statements

2.2 Segregation of Life and Non Life Insurance Businesses

In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, Union Assurance PLC completed the segregation of the Life and Non Life insurance businesses on 1 January 2015. The company continues to carry on the Life insurance business and its Non Life insurance business (inclusive of all assets, undertakings, property, rights and liabilities in respect of the Non-Life business) have been transferred to Union Assurance General Limited.

The Non Life business operations were reported as Discontinued Operations and the Assets and Liabilities relating to Non Life insurance business were reported as Assets / Liabilities held for sale in the financial statements for the year ended 31 December 2014.

Subsequent to the segregation, the company disposed a 78% stake of Union Assurance General Limited to Fairfax Asia Limited.

2.3 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of the financial statements of the company as per the provisions of the Companies Act No. 7 of 2007, the Sri Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000 and the listing rules of the Colombo Stock Exchange. The responsibility of the Directors in relation to the financial statements is set out in detail in the Statement of Directors' Responsibility report in the annual report.

2.4 Approval of Financial Statements

The financial statements for the year ended 31 December 2015 were authorised for issue by the Directors on 24 February, 2016.

2.5 Supplementary Statements - Statement of Financial Position of the Life Insurance Fund

Supplementary statement of financial position of the Life insurance fund together with the notes are disclosed in pages 343 to 354 continuing the past practice which is a requirement of the Statement of Recommended Practice (SoRP) for insurance contracts then applicable, adopted by the Institute of Chartered Accountants of Sri Lanka.

2.6 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or

function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements.'

2.7 Going Concern

The Directors have made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.8 Basis of Measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note No.	Page reference
Non-derivative financial instruments at fair value through profit or loss	Fair value	4.18.1 (a)	252
Available for sale financial assets	Fair value	4.18.1 (d)	253
Unit linked financial assets	Fair value	4.27.2	258
Land and buildings	Fair value	4.21	255
Policyholders' liabilities	Measured based on actuarial valuation	4.27	258
Net defined benefit assets / (liabilities)	Actuarially valued and recognised at the present value	4.29.4	260
Disposal groups held for sale	Lower of cost or fair value less cost to sell	5.2.2	264

No adjustments have been made for inflationary factors affecting the financial statements.

2.9 Comparative Information

The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.10 Functional and Presentation Currency

Items included in the Financial Statements of the company are measured using the currency of the primary economic environment in which the company operates (the Functional Currency).

These Financial Statements are presented in Sri Lankan Rupees, the company's Functional and Presentation Currency.

There was no change in the company's Presentation and Functional Currency during the year under review.

All amounts presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

3. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included as follows;

Valuation of Insurance contract liabilities – Life Insurance

The liability for Life Insurance contracts with Discretionary Participating Features (DPF) is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time, increased with a margin for risk and adverse deviation.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates as further detailed in notes to the financial statements. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made for future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the company's own risk exposure.

Defined Benefit Obligation

The defined benefit obligation liability of the company is based on an actuarial valuation carried out by an Independent Actuary. The actuarial valuation involves

Critical Accounting Estimates / Judgments	Disclosure reference	
	Note to the financial statements	Page
Valuation of insurance contract liabilities – Life	4.27.1	258
Measurement of defined benefit obligations: Key actuarial assumptions	4.29.4	260
Impairment test: Key assumptions underlying recoverable amounts	4.18.7	254
Recognition and measurement of provisions and contingencies: Key assumptions about the likelihood and magnitude of an outflow of resources	4.30	260
Recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used	4.15.2	250
Determination of the fair value of financial instruments	4.18.6	254
Liability Adequacy Test – Life	4.27.1	258

Notes to the Financial Statements

making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment of Non Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Provisions and Contingencies

The company receives legal claims against it in the normal course of business. Management has made judgment as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including

the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognised insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates. Any deficiencies shall be recognised in the income statement by setting up a provision for liability adequacy.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Statements of Financial Position of the company / company and investee represent the assets, liabilities and equity. The Life insurance financial position presented under supplemental information on page 343 represents assets, liabilities and reserves of the Life insurance fund. The Income Statement and Statement of Profit or Loss and Other Comprehensive Income (OCI) reflect the total revenue, benefits and claims, surplus from Long term insurance business, expenses from Life insurance business and OCI changes.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

No.	Significant accounting policies	Page
	General	
	Basis for consolidation	247
	Foreign currency	248
	Operating segments	248
	Income and Expenses	
	Gross Written Premium	249
	Reinsurance Premium	249
	Acquisition Cost	249
	Reinsurance Commission Income	249
	Gross Benefits and Claims Expense	249
	Reinsurance Claims Recoveries	249
	Net Investment Income	249
	Realised Gains and Losses	249
	Fair Value Gains and Losses	249
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General

4.1 Basis of Consolidation

4.1.1. Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the company. The consideration transferred in the acquisition is generally measured at fair value, as are the

identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships.

4.1.2 Subsidiaries

‘Subsidiaries’ are investees controlled by the company. The company ‘controls’ an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The company reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the company having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

4.1.3 Loss of control

When the company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.1.5 Accounting for investment in subsidiaries

When separated financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the company’s statement of financial position at cost less accumulated impairment losses.

Notes to the Financial Statements

4.1.6 Investment in equity accounted investee - Associate

An associate is an entity over which the company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate is accounted for under the equity method of accounting.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The company's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the company's OCI. In addition, when there has been a change recognised directly in the equity of the associate the company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the company's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax.

After application of the equity method, the company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate, the company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

The accounting policies of associate company conform to those used for similar transactions of the company.

Accounting policies that are specific to the business of the associate company are discussed in Note 5.

4.1.7 Accounting for investment in associate

When separated financial statements are prepared, investment in associate is accounted for using the cost method. Investments in associate is stated in the company's statement of financial position at cost less accumulated impairment losses.

4.1.8 Financial period

The associate has the same reporting date as the company and the financial statements are prepared to a common financial year ending 31 December.

4.2 Foreign Currency

Foreign currency transactions and balances

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on fair value of the item.

4.3 Operating Segments

On 1 January 2015, the company divested its interest in the non life business. Therefore, for management purposes the company has only one business segment, which is the life insurance business. All operating results

are reviewed regularly by the Chief Executive Officer (CEO) to make decisions regarding resource allocation and assess its performance, and for which financial information is available.

Income and Expenses

4.4 Gross Written Premiums (GWP)

Gross written premiums on life and investment contracts with discretionary participating features (DPF) are recognised as revenue when receivable from the policyholder (policies within the 30 day grace period are considered as due). For single premium business, revenue is recognised on the date on which the policy is effective.

4.5 Reinsurance Premiums

Reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

4.6 Acquisition Costs

All acquisition cost are recognised as an expense when incurred.

4.7 Reinsurance Commission Income

Reinsurance commission income on outwards reinsurance contracts is recognised as revenue when receivable.

4.8 Gross Benefits and Claims Expense

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities. Net change in insurance claims outstanding is also recognised in the income statement.

4.9 Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

4.10 Net Investment Income

Investment income comprises interest income on funds invested (including available-for-sale financial assets) and dividend income.

Interest income is recognised in the income statement as it accrues and is calculated by using the Effective Interest Rate method (EIR). Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Dividend income is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex - dividend.

Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee etc. These expenses are recognised on an accrual basis.

4.11 Realised Gains and Losses

Realised gains and losses recorded in the income statement on investments include gains and losses on financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value and are recorded on occurrence of the sale transaction.

4.12 Fair Value Gains and Losses

Fair value gains and losses recorded in the income statement on investments include fair value gains on financial assets at fair value through profit or loss.

4.13 Other Income

Other income comprises fees charged for policy administration services, disposal gains on property, plant and equipment, gains on foreign currency translations, and miscellaneous income. Gains on foreign currency translations are recognised on a net basis.

4.14 Expenditure Recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

Notes to the Financial Statements

Taxation

4.15 Income Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in items recognised directly in equity or in other comprehensive income.

4.15.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4.15.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

4.15.3 Tax exposures

In determining the amount of current and deferred tax, the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the company to change its judgment regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.15.4 Economic service charge (ESC)

As per the provisions of the Economic Service Charge Act No.13 of 2006 and the amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward within the specified time period mentioned in the Act and set off against the income tax payable as per the relevant provisions in the Act.

4.15.5 Crop insurance levy (CIL)

The Crop Insurance Levy was introduced under the provisions of the Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1% of the Profit after Tax.

4.15.6 Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the company is recognised at the time the liability to pay the related dividend is recognised.

4.15.7 Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except;

- Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as a part of receivables or payables in the statement of financial position.

4.16 Earnings Per Share (EPS)

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Assets and Liabilities

4.17 Insurance and Investment Contracts

4.17.1 Product classification

SLFRS 4 requires contracts written by insurers to be classified as either “insurance contracts” or “investment contracts” depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer;

and contractually based on:

- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or

Notes to the Financial Statements

investment contract with DPF is measured at fair value through the profit and loss.

IBSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

4.17.2 Unit linked contracts

Unit-linked contracts are those that do not meet the definition of insurance or investment contracts with discretionary participating features. For these Unit-linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investments backing those contracts at the reporting date together with rights to future management fees.

4.17.3 Impact of unrealised gains and losses on available for sale assets on liabilities from insurance contracts

Where unrealised gains or losses arise on available-for-sale assets, the adjustment to the liabilities arising from insurance contracts and investment contracts with DPF is equal to the effect that the realisation of those gains or losses at the end of the reporting period would have had on those liabilities (and related assets) and is recognised directly in other comprehensive income.

4.18 Financial Assets and Liabilities

4.18.1 Non derivative financial assets

Initial recognition and measurement

The company initially recognises loans and receivables, and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Depending on the intention and ability to hold the invested assets, the company classifies its non derivative financial assets into following categories;

- Financial assets at fair value through profit or loss (FVTPL)
- Held to maturity (HTM)
- Loans and receivables (L&R) and
- Available for sale (AFS) financial assets

Income and expenses are presented on a net basis only when permitted under SLFRS / LKAS, or for gains and losses arising from a group of similar transactions such as the company's trading activity.

Subsequent measurement

(a) *Fair value through profit or loss (FVTPL)*

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's investment strategy. Attributable transaction costs are recognised in the income statement as incurred.

Financial assets at fair value through profit and loss investments are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Financial assets designated at fair value through profit or loss comprises of financial assets of the unit link fund.

(b) *Held-to maturity financial assets (HTM)*

Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the company has the positive intention and ability to hold it to maturity. Held to maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in net investment income in the income statement. The losses arising from impairment are recognised in the profit or loss.

Held to maturity financial assets comprise of debt securities and treasury bonds.

(c) **Loans and receivables (L&R)**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of investments in unquoted debentures, commercial papers, reverse repos, policy loans and other loans, reinsurance receivables, premium receivables and cash at bank and cash in hand.

(d) **Available for sale financial assets (AFS)**

Available-for-sale financial assets are financial assets that are designated as available for sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available for sale equity instruments are recognised in the statement of profit or loss and other comprehensive income and presented within equity in the available-for-sale reserve. When an investment is derecognised, the cumulative gain or loss recognised through statement of profit or loss and other comprehensive income is reclassified to the income statement.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to the need for liquidity or in response to changes in the market conditions.

The company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate.

In the case where the company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

Available-for-sale financial assets comprise of quoted debentures and investments in treasury bills and bonds.

4.18.2 Non derivative financial liabilities

Initial recognition and measurement

The company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise interest bearing borrowings, reinsurance payables, other liabilities and bank overdrafts.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as follows:

Reinsurance payables

Reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition of reinsurance payables

Reinsurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

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4.18.3 Derecognition

The company derecognises a financial asset when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - (a) the company has transferred substantially all the risks and rewards of the asset, or
 - (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

- (a) the consideration received (including any new asset obtained less any new liability assumed) and
- (b) any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income is recognised in the income statement.

The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

4.18.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.18.5 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

4.18.6 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction on the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

4.18.7 Impairment

Financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as result of one or more events that has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(a) *Impairment losses on financial assets carried at amortised cost*

The company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held to maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted

at the asset's original effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

(b) **Impairment losses on available for sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. In the case of equity investments impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment are recognised directly in the statement of profit or loss and other comprehensive income.

4.19 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand with a maturity of three months or less.

For the purpose of the cashflow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.20 Premium Receivables

Premium receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premium receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premium receivables are the difference between the carrying amount and the present value of the estimated discounted cash flows. The impairment losses are recognised in the income statement.

4.21 Property, Plant and Equipment

Recognition and measurement

The company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the company and cost of the asset can be reliably measured.

Basis of measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Except for land and buildings, the company applies the cost model for all property, plant and equipments.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalised borrowing costs.

Notes to the Financial Statements

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in “other income” in the income statement. When revalued assets are sold, any related amount included in the revaluation surplus reserves are transferred to retained earnings.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in income statement as incurred.

Repairs and maintenance

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Revaluations

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in statement of profit or loss and other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in

the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation is recognised in the Income Statement on a straight - line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Basis
Buildings	50 years
Office furniture	5 years
Furniture and fittings	5 years
Computer equipment	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and depreciation commences when it is available for use, i.e. when it is in the location and in the condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and

accumulated depreciation at the beginning and at the end of the year are given in Note 28 on page 284.

Carrying amount

The carrying amount of an asset or significant group of assets within the class is assessed annually with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the income statement.

The residual values of assets that are not insignificant are reassessed annually.

Depreciation on revaluation of a class of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - recognition

An item of property, plant and equipment is de - recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de - recognised.

4.22 Intangible Assets

Software

Software acquired by the company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in the income statement over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4.23 Leased Assets – Lessee

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date.

Operating leases

Leases that do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

4.24 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

4.25 Impairment of Non Financial Assets

The carrying amounts of the company's non-financial assets, other than, inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and infinite intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Notes to the Financial Statements

Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.26 Equity Movements

Ordinary shares

The company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's Board of Directors in accordance with the Articles of Association.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Share Issue / re - purchase costs

Share issue / re - purchase related expenses are charged against the retained earnings in the statement of changes in equity.

4.27 Insurance Contract Liabilities

4.27.1 Life Insurance contract liabilities

These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is

generally included. Adjustments to the liabilities at each reporting date are recorded in the income statement in 'Increase in life insurance contract liabilities'.

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

For products containing DPF the amount of the DPF is deemed to be the investment return on all related assets where the apportionment between the shareholder and the policyholder has not yet been determined. The liability includes certain elements of net unrealised gains / (losses) and retained earnings attributable to the DPF, based on the mandated rates applied to these gains and earnings on the assumption that they had been realised as of the statement of financial position date.

The minimum mandated amounts, which are to be paid to policyholders plus any declared / undeclared additional benefits, are recorded in liabilities.

Liability Adequacy Test (LAT) – Life Insurance

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows and the interest rate applied based on management's prudent expectation of market interest rates.

Any deficiency is recognised in the income statement by setting up a provision for liability adequacy.

4.27.2 Investment Contract Liabilities – Unit Linked

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the income statement.

Fair value adjustments are performed at each reporting date and are recognised in the income statement. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The funds' assets and funds' liabilities used to determine the unit prices at the reporting date are valued and adjusted to take account of the effect on liabilities of the deferred tax on unrealised gains on assets in the fund.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position.

4.28 Reinsurance

The company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the financial position unless a right to offset exists.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. The impairment loss is recorded in the income statement.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

4.29 Employee Benefits

4.29.1 Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.29.2 Employee share option plan

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

The company applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 2013/14 financial year onwards.

Notes to the Financial Statements

Equity - settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity - settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity - settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share - based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity - settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

4.29.3 Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit

or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan and which are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Employees' provident fund

All employees of the company are members of the Employees' Provident Fund (EPF). The company and employees contribute 12% and 8% respectively of the salary, monthly to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

Employees' trust fund

All employees of the company are members of the Employees' Trust Fund (ETF). The company contributes at the rate of 3% of the salaries of each employee, monthly to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

4.29.4 Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

With the adoption of LKAS 19 - "Employee Benefits", which became effective from 1 January 2013, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in the statement of profit or loss and other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

4.30 Provisions and Contingencies (other than insurance provisions)

A provision is recognised if, as a result of a past event, the company has a present legal or constructive

obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

4.31 Capital Commitments

Capital commitments of the company are disclosed in Note 49 to the financial statements.

4.32 Events Occurring after the Reporting Date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

4.33 Dividend Declaration

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as a note to the financial statements.

Cash Flows

4.34 Statement of Cash Flows

The statement of cash flows has been prepared using the direct method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Statement of Cash Flows."

Interest and dividend received are classified as operating cash flows.

The cash and cash equivalents include cash in hand and at banks. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

5. Other Significant Accounting Policies

5.1 Significant Accounting Policies that are Specific to the Business of Equity Accounted Investee

Income and expenses - non life insurance

5.1.1 Gross written premiums (GWP)

Gross written premiums comprise the total premiums received / receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no - claim rebates, are deducted from the gross written premium.

5.1.2 Unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. UPR represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 60 - 40 basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

5.1.3 Reinsurance premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered during the period, and are generally recognised on the date on which the policy incepts.

5.1.4 Unearned reinsurance premiums

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are calculated on the 1/24 basis except for the marine and title policies which are computed on a 60-40 basis.

5.1.5 Unexpired risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

5.1.6 Acquisition cost

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the

Notes to the Financial Statements

extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

5.1.7 Reinsurance commission income

Reinsurance commission income on outwards reinsurance contracts are recognised as revenue when receivable.

Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

5.1.8 Gross claims expense

Gross claims expense includes all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of settling those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends.

Actuarial valuations are performed on an annual basis. While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

5.1.9 Reinsurance claims recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR as well.

Assets and liabilities – non life insurance

5.1.10 Deferred expenses

Deferred acquisition costs (DAC) – Non life

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

DAC is amortised over the period in which the related revenues are earned. The reinsurers share of deferred acquisition costs is amortised in the same manner as the unearned premium reserve is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

DAC are derecognised when the related contracts are either settled or disposed of.

Reinsurance commissions - Unearned commission reserve (UCR) – Non life

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Deferred expenses - Investment management services

Those incremental costs incurred during the financial period directly attributable to securing investment contracts without DPF (under which the company will render investment management services), are deferred and recognised as an asset, to the extent that they can be identified separately, measured reliably and it is probable that they will be recovered from future revenue margins. Incremental cost is a cost that would not have been incurred if the company had not secured the investment contract without DPF. All other origination costs are recognised as an expense when incurred.

For contracts involving both the origination of a financial liability and the provision of investment management services, only the transaction costs allocated to the servicing component are deferred. The other transaction costs are included in the financial liability. Subsequent to initial recognition, these costs are amortised in line with fee income. Amortisation is recorded in the income statement.

An impairment review is performed at each reporting date, or more frequently, when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

Investment management services are derecognised when the related contracts are settled or disposed of.

5.1.11 Insurance contract liabilities

Non-life insurance liabilities

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

Claims payable including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is decided by an independent external actuary.

Provision for unearned premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. Provision for unearned premium is calculated on a 1/24 basis except for marine / cargo class which is subject to 60 - 40 basis.

At each reporting date, the company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

Title insurance reserve

Title insurance reserve is maintained by the company to pay potential claims arising from the title insurance policies. Title insurance policies are normally issued for a long period such as 5 years or more. Thus, no profit is recognised until validity of the policy expires.

Liability Adequacy Test (LAT) - non-life insurance

At the end of each reporting period the company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the income statement by setting up a provision for liability adequacy.

Notes to the Financial Statements

Non-life insurance liability adequacy is decided by an independent external actuary.

5.2 Significant Accounting Policies that are Applicable Only to the Comparatives

5.2.1 Discontinued operations

A discontinued operations is a component of the company's / group's business, the operations and cash flows of which can be clearly distinguished from the rest of the company / group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs at the earlier of the disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative income statement and statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

5.2.2 Non-current assets held for sale and disposal groups

The company intends to recover the value of Non-current Assets and disposal groups classified as held for sale as at reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management has committed to the sale and the sale is expected to be completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard - SLFRS 5 on 'Non-current Assets held for Sale and Discontinued Operations', these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired. The company recognises

an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset only to the extent to the cumulative impairment losses that has been recognised previously. As a result once classified, the company neither amortises nor depreciates the assets classified as held for sale.

In the income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, done to the level of profits after tax even when the company retains a non controlling interest (NCI) in a subsidiary after the sale. The resulting profit or loss (after taxes) is reported in the income statement.

6. Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as land and building.

Fair value hierarchy

The company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs.

A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within level that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- (a) quoted market in active markets for similar instruments,
- (b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
- (c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar

instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on recognition of the instrument.

An analysis of fair value measurement of financial and non-financial assets and liabilities is provided in Note 47 on page 330.

7. Standards Issued but not yet Effective

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements.

7.1 Standards issued but not yet adopted which may have an impact

New or amended standard	Summary of the Requirement	Possible impact on financial statements
SLFRS 9 Financial Instruments	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective from 1 January 2018.	The company is assessing the potential impact on its financial statements resulting from the application of SLFRS 9.

Notes to the Financial Statements

7.2 Standard issued but not yet adopted which may not have a significant impact

The following new standard is not expected to have a significant impact of the company's financial statements.

- SLFRS 15 Revenue from Contracts with Customers – effective from 1 January 2018

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidelines, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

7.3 Standards issued but not yet adopted which is not expected to have an impact

The following new standard is not expected to have an impact on the company's financial statements.

- SLFRS 14 Regulatory Deferral Accounts – effective from 1 January 2016

SLFRS 14 is an interim standard which provides relief for first-time adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities (regulatory deferral accounts). The standard permits these entities to continue to apply their previous generally accepted accounting principles (GAAP) accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

8. Operating Segments

In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, the company completed the segregation of the life and non-life insurance businesses on 1 January 2015 and Union Assurance PLC continues to carry on the life insurance business and its non-life insurance business was taken over by Union Assurance General Limited. The same

day the company disposed a 78% stake in Union Assurance General Limited to Fairfax Asia Limited.

The activities of the company were located mainly in Sri Lanka. Consequently, the economic environment in which the company operates was not subject to risks and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region was not provided.

For management purposes, the company was organised into two business units (life and non-life) until previous year based on their products and services and had two reportable operating segments as follows:

- The life insurance segment (primary business of the company at present) offers savings, protection products and other long-term contracts (both with and without insurance risk and with and without discretionary participating features). It comprises a wide range of whole life, term assurance, guaranteed pensions, pure endowment pensions and mortgage endowment products. Revenue from this segment is derived primarily from insurance premium, fees and commission income, investment income and fair value gains and losses on investments.
- The non life insurance segment comprised non - life insurance to individuals and corporates. non - life insurance products offered included motor, fire, accident and liability, cargo and workmen's compensation. These products offered protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of accidents, e.g. employee liability claims. Revenue in this segment was derived primarily from insurance premiums, investment income and fair value gains and losses on investments.

Subsequent to segregation of life and non life insurance businesses, no operating segments have been identified during the financial year under review.

Rs. '000	2014	
	Life	Non Life
Gross written premium	5,945,499	5,222,645
Net earned premium	5,617,435	4,103,636
Total net revenue	8,945,015	4,763,639
Total revenue from external customers	8,913,225	4,753,316
Inter segment revenue	31,790	10,323
Total operating income	8,945,015	4,763,639

Rs. '000	2014	
	Life	Non Life
Benefits, losses and expenses	7,971,698	4,335,913
Depreciation and amortisation	92,577	66,580
Share of results of equity accounted investee	-	-
Segment results	880,740	361,146
Less: Income tax expenses	-	(38,824)
Profit for the year	880,740	322,322
Segment assets	27,210,222	8,392,424
Unallocated assets	-	-
Total assets	27,210,222	8,392,424
Segment liabilities	24,131,311	5,261,117
Unallocated liabilities	-	-
Total liabilities	24,131,311	5,261,117
Cash flows from operating activities	3,299,192	1,107,297
Cash flows from investing activities	(3,040,621)	(976,922)
Cash flows from financing activities	(327,879)	(135,307)
Capital expenditure	53,433	34,650

9 Gross Written Premium

Refer Note 4.4 for the accounting policy.

Gross written premium (GWP) represents the premium charged by the company to underwrite risks. GWP is accounted on an accrual basis.

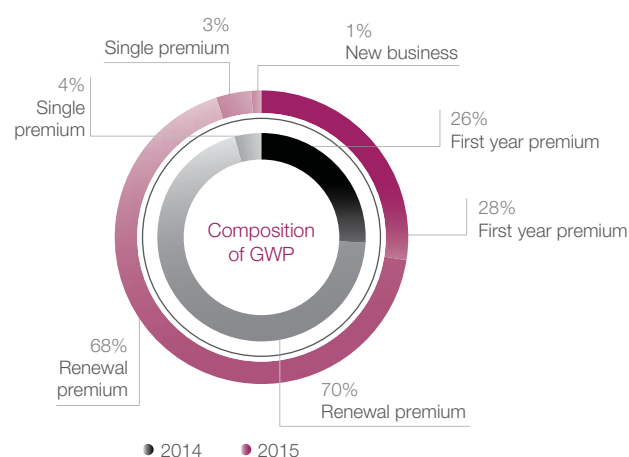
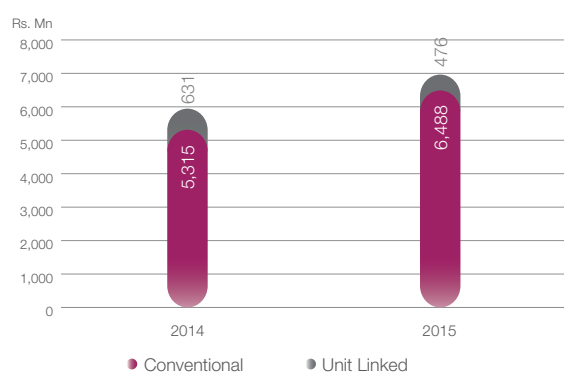
For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Conventional	6,488,276	5,314,754
Unit linked	476,114	630,745
Total gross written premium	6,964,390	5,945,499

Notes to the Financial Statements

For the year ended 31 December	2015			2014		
	Company / Company and Investee			Company / Group		
Rs. '000	Conventional	Unit linked	Total	Conventional	Unit linked	Total
Individual policies						
First year premium	1,902,450	53,356	1,955,806	1,480,502	71,246	1,551,748
Renewal premium	4,257,476	406,579	4,664,055	3,523,309	548,951	4,072,260
Single premium	232,347	16,179	248,526	235,755	10,548	246,303
	6,392,273	476,114	6,868,387	5,239,566	630,745	5,870,311
Corporate policies						
New business premium	20,237	-	20,237	12,418	-	12,418
Renewal premium	75,766	-	75,766	62,770	-	62,770
	96,003	-	96,003	75,188	-	75,188
Total gross written premium	6,488,276	476,114	6,964,390	5,314,754	630,745	5,945,499

Gross Written Premium



10 Premium Ceded to Reinsurers

Refer Note 4.5 for the accounting policy.

Premium ceded to reinsurers represents the premium paid by the company to its reinsurers in order to manage its underwriting risks. This is accounted on an accrual basis.

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Conventional	363,135	326,873
Unit linked	1,047	1,191
Total premium ceded to reinsurers	364,182	328,064

11 Net Investment Income

Refer Note 4.10 for the accounting policy.

For the year ended 31 December

Rs. '000	Note	2015	2014
		Company / Company and Investee	Company / Group
Investment income from;			
Held to maturity financial assets	11.1	1,366,507	1,284,366
Loans and receivables	11.2	460,576	398,205
Available for sale financial assets	11.3	679,238	521,086
Financial assets at fair value through profit or loss	11.4	138,970	122,991
Investment related expenses		(24,909)	(35,526)
Total net investment income		2,620,382	2,291,122

11.1 Investment income from held to maturity financial assets

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Interest income		
Quoted debentures	226,227	232,418
Treasury bonds	1,140,280	1,051,948
	1,366,507	1,284,366

11.2 Investment income from loans and receivables

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Interest income		
Unquoted debentures	65,239	71,138
Reverse repurchase agreements	232,041	89,915
Fixed deposits	41,061	103,062
Savings account interest	556	764
Interest income on policy loans	99,249	90,565
Interest income on loans given to staff	22,430	42,761
	460,576	398,205

11.3 Investment income from available for sale financial assets

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Interest income		
Treasury bills	7,434	33,596
Treasury bonds	263,298	180,822
Quoted debentures	408,506	306,668
	679,238	521,086

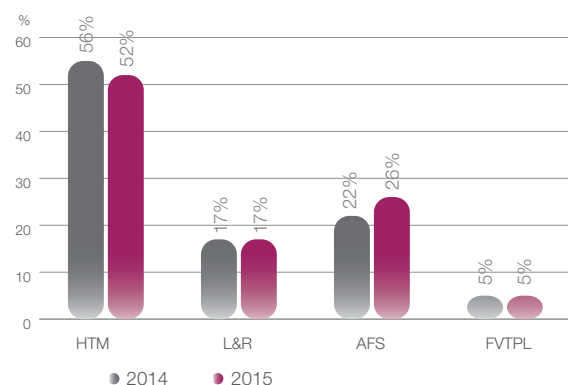
Notes to the Financial Statements

11.4 Investment income from financial assets at fair value through profit or loss

For the year ended 31 December

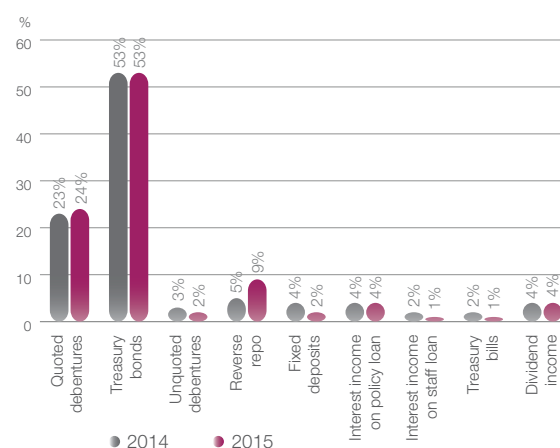
Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Interest income		
Treasury bills	10,294	3,078
Treasury bond	1,111	-
Quoted debentures	2,896	2,885
Reverse repurchase agreements	14,996	18,702
Fixed deposits	64	593
	29,361	25,258
Dividend income		
Held for trading - Conventional	48,208	43,150
Held for trading - Unit linked	61,401	54,583
	109,609	97,733
	138,970	122,991

Investment Income - Reporting Category



Composition of the portfolio remains similar to previous year

Composition of Investment Income



12 Net Realised Gains

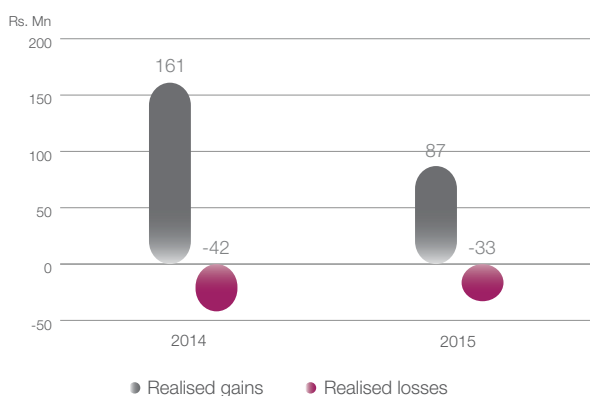
Refer Note 4.11 for the accounting policy.

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Realised gains	86,860	160,931
Realised losses	(32,662)	(42,031)
Total net realised gains	54,198	118,900

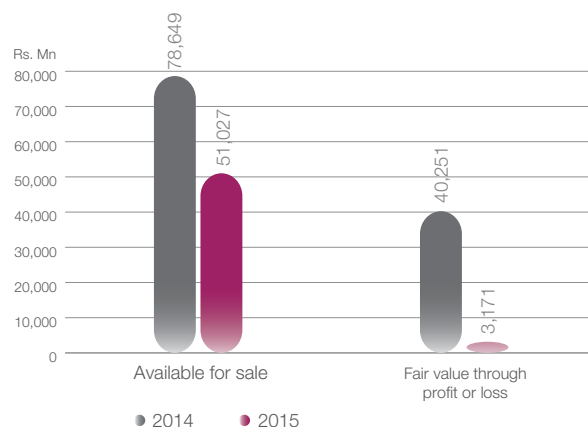
For the year ended 31 December	2015			2014		
	Company / Company and Investee			Company / Group		
	Realised gains	Realised losses	Net realised gains	Realised gains	Realised losses	Net realised gains
Rs. '000						
Available for sale financial assets						
Unquoted equity securities	-	-	-	76,471	-	76,471
Treasury bills	-	-	-	59	-	59
Debenture	13	-	13	-	-	-
Treasury bonds	52,320	(1,306)	51,014	2,119	-	2,119
	52,333	(1,306)	51,027	78,649	-	78,649
Fair value through profit or loss financial assets						
Quoted equity securities	34,527	(31,356)	3,171	82,282	(42,031)	40,251
	86,860	(32,662)	54,198	160,931	(42,031)	118,900

Realised Gains / Losses



There is no gain on disposal of unquoted equity securities during 2015

Net Realised Gains - Reporting Category



13 Net Fair Value Gains / (Losses)

Refer Note 4.12 for the accounting policy.

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Fair value through profit or loss financial assets		
Quoted equity securities	(292,265)	804,061
Treasury bond	(1,067)	-
Treasury bills	(290)	(246)
Debentures	(941)	2,454
Total net fair value gains / (losses)	(294,563)	806,269

Notes to the Financial Statements

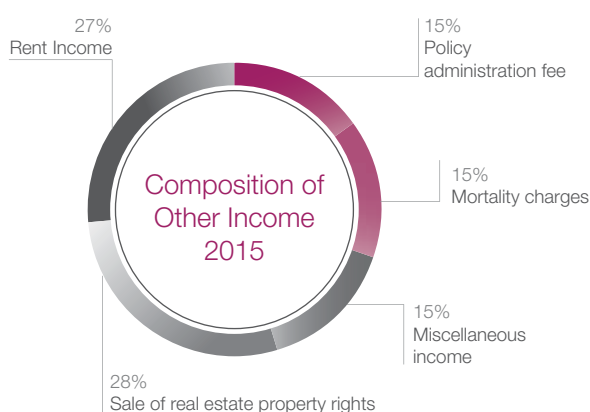
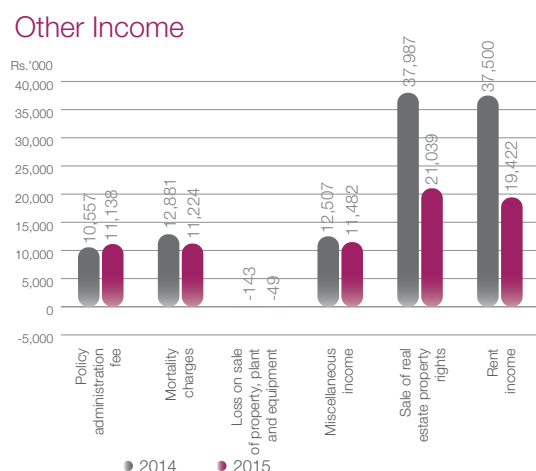
14 Other Income

Refer Note 4.13 for the accounting policy.

For the year ended 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Policy administration fee	11,138	10,557
Mortality charges	11,224	12,881
Losses on sale of property, plant and equipment	(49)	(143)
Miscellaneous income	11,482	12,507
Sale of real estate property rights	21,039	37,987
Rent income	19,422	37,500
Total other income	74,256	111,289

Other Income



15 Net Insurance Benefits and Claims Paid

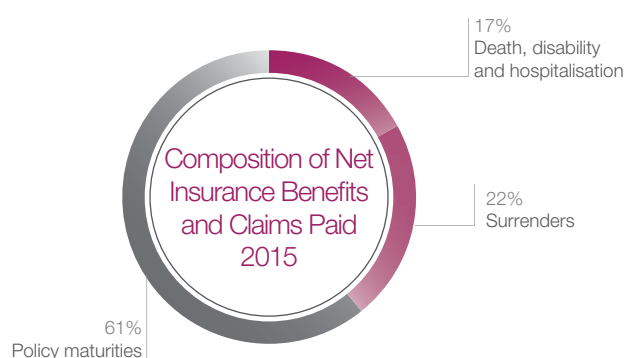
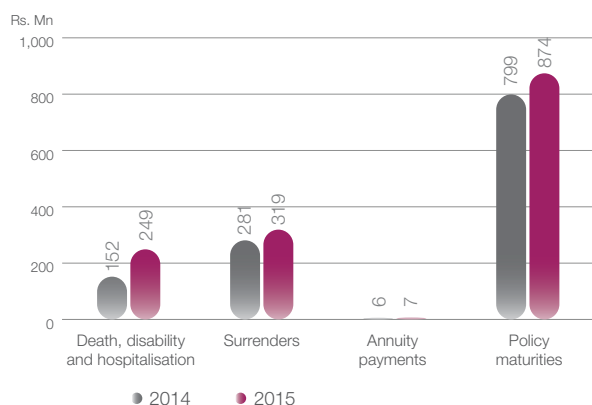
Refer Note 4.8 for the accounting policy.

Life insurance policyholders are entitled to maturity proceeds, interim payments (e.g. payments made before the expiry of the policy etc.). They may also require to surrender their policies or make claims on account of death, disability or hospitalisation. These amounts net of reinsurance receivable are recorded under insurance claims and benefits.

For the year ended 31 December

Rs. '000	2015			2014		
	Company / Company and Investee			Company / Group		
	Gross claims paid	Claims recovered from reinsurers	Net claims paid	Gross claims paid	Claims recovered from reinsurers	Net claims paid
Death, disability and hospitalisation	343,609	(94,644)	248,965	240,525	(88,403)	152,122
Surrenders	318,514	-	318,514	280,985	-	280,985
Annuity payments	6,528	-	6,528	6,328	-	6,328
Policy maturities	874,321	-	874,321	798,523	-	798,523
Total net life insurance claims and benefits	1,542,972	(94,644)	1,448,328	1,326,361	(88,403)	1,237,958

Net Insurance Benefits and Claims Paid



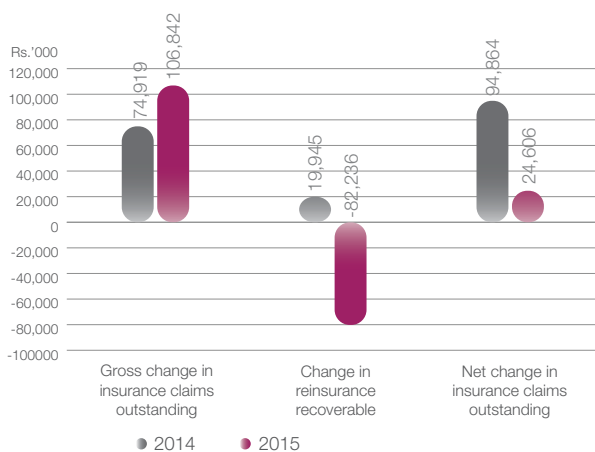
16 Net Change in Insurance Claims Outstanding

Refer Note 4.9 for the accounting policy.

For the year ended 31 December

Rs. '000	2015 Company / Company and Investee			2014 Company / Group		
	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding
Death, disability and hospitalisation	46,604	(82,236)	(35,632)	16,978	19,945	36,923
Surrenders	439	-	439	8	-	8
Policy maturities	59,799	-	59,799	57,933	-	57,933
Total net change in insurance claims outstanding	106,842	(82,236)	24,606	74,919	19,945	94,864

Net Change in Insurance Claims Outstanding



Notes to the Financial Statements

17 Change in Contract Liabilities - Life Fund

Refer Note 4.27.1 for the accounting policy.

For the year ended 31 December Rs. '000	Note	2015 Company / Company and Investee			2014 Company / Group		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Gross written premium	9 / 10	6,964,390	(364,182)	6,600,208	5,945,499	(328,064)	5,617,435
Insurance benefits and claims incurred		(1,649,814)	176,880	(1,472,934)	(1,401,280)	68,458	(1,332,822)
Underwriting and net acquisition costs (including reinsurance)	18	(1,304,443)	15,006	(1,289,437)	(1,147,970)	32,136	(1,115,834)
Other operating, selling and administrative expenses attributable to policyholders		(1,817,346)	-	(1,817,346)	(1,710,533)	-	(1,710,533)
Investment and other income attributable to policyholders		2,151,907	-	2,151,907	3,159,957	-	3,159,957
Income tax reversal		28,275	-	28,275	-	-	-
Surplus from life insurance fund transferred to Life shareholder's fund	40.2	(800,000)	-	(800,000)	(750,000)	-	(750,000)
Change in contract liabilities - Life Fund		3,572,969	(172,296)	3,400,673	4,095,673	(227,470)	3,868,203

18 Underwriting and Net Acquisition Costs (Including Reinsurance)

Refer Notes 4.6 and 4.7 for the accounting policy.

For the year ended 31 December Rs. '000	2015 Company / Company and Investee	2014 Company / Group
Acquisition cost	1,304,443	1,147,970
Reinsurance commission including profit commission	(15,006)	(32,136)
Total underwriting and net acquisition costs	1,289,437	1,115,834

19 Other Operating, Administrative and Selling Expenses

Refer Note 4.14 for the accounting policy.

For the year ended 31 December		2015	2014
		Company / Company and Investee	Company / Group
Rs. '000	Note		
Employee benefits expenses	19.1	659,098	633,845
Administration and establishment expenses		737,398	758,510
Selling expenses		336,047	262,484
Total other operating, administrative and selling expenses		1,732,543	1,654,839

19.1 Employee benefits expenses

For the year ended 31 December		2015	2014
		Company / Company and Investee	Company / Group
Rs. '000	Note		
Staff remuneration		513,527	499,414
Defined contribution plan cost - EPF		48,090	45,607
Defined contribution plan cost - ETF		12,022	11,402
Defined benefit plan cost	41.3	19,956	19,713
Staff welfare		24,937	26,177
Training expenses		25,247	21,398
Share based payment expenses	38.2 (c)	7,648	4,903
Other costs		7,671	5,231
		659,098	633,845

20 Gain on Sale of Subsidiary

Refer Note 4.1.3 for the accounting policy.

The company incorporated its fully owned subsidiary, Union Assurance General Limited on 11 July 2014 in order to segregate its non life business on 1 January 2015 in compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011. Accordingly, the non life business was transferred to Union Assurance General Limited on 1 January 2015 and subsequent to the transfer the company disposed a 78% stake in Union Assurance General Limited to Fairfax Asia Limited.

As referred to in the paragraph above, on 1 January 2015, the company divested a 78% stake in its subsidiary, Union Assurance General Limited to Fairfax Asia Limited for a total consideration of Rs. 3.66 billion which resulted in a capital gain of Rs. 1.22 billion to the company. Union Assurance PLC retains a 22% stake in Union Assurance General Ltd and the latter is treated as an Associate by the company.

The gain on disposal of the subsidiary is recorded as part of profit for the period in the income statement. Considering the nature of the transaction and transitional arrangement of establishing the subsidiary as explained above, the gain on sale of subsidiary has been reported separately and not as part of operating profits.

Notes to the Financial Statements

The amount recognised in profit or loss on the loss of control of the subsidiary of Union Assurance General Limited is as follows;

As at 1 January Rs. '000	Note	2015
Total assets	36.1	8,393,314
Total liabilities	36.1	(5,261,366)
Carrying amount of the former subsidiary's net assets (100%)		3,131,948
Fair value of the consideration received		3,664,379
Fair value of retained non-controlling investment (22%)		689,029
Gain associated with the loss of control attributable to the former controlling interest		1,221,460

Refer Note 23.2, Profit from discontinued operations, net of tax, for information relating to net cash inflow arising on disposal.

21 Profit Before Tax

For the year ended 31 December Rs. '000	2015 Company / Company and Investee	2014 Company / Group
Directors fee and emoluments	25,339	20,772
Auditors remuneration		
Statutory audit and audit related services	3,385	3,500
Non audit related services	777	392
Legal fees	1,421	383
Depreciation	89,171	64,222
Amortisation	30,812	28,355
Defined contribution plan cost - EPF	48,090	45,607
Defined contribution plan cost - ETF	12,022	11,402
Defined benefit plan cost	19,956	19,713
Research and development costs	632	226
Donations and CSR expenses	15,002	11,939
(Reversal) / provision of impairment of reinsurance receivable	-	-
Provision for impairment of premium receivable	-	-
Provision for impairment of staff loans	3,939	-
Provision for impairment of agent / advisory loans	4,395	5,530

22 Income Tax Reversal

Refer Note 4.15 for the accounting policy.

22.1 Amount recognised in the income statement

For the year ended 31 December

Rs. '000	Note	2015	2014
		Company / Company and Investee	Company / Group
Current tax expense			
Current tax expense for the year		-	-
		-	-
Deferred tax expense			
Origination of deferred tax assets	44.1	131,179	-
Origination of deferred tax liabilities	44.1	(102,904)	-
Net deferred tax reversal		28,275	-
Income tax reversal		28,275	-

The company is liable to income tax at 28% in 2015 (2014 - 28%) in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. Currently, the company does not have an income tax expense as the business continues to report taxable losses.

22.2 Amount recognised in other comprehensive income

For the year ended 31 December

Rs. '000	Note	2015	2014
		Company / Company and Investee	Company / Group
Other comprehensive income			
Revaluation of property plant and equipment		(8,560)	25,371
Reassessment of defined benefit obligations		2,127	-
Available for sale investment securities		(21,842)	-
Deferred tax (expense) / reversal recognised in other comprehensive income	44.1	(28,275)	25,371

22.3 Reconciliation of effective tax rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December

Rs. '000	2015				2014	
	Company		Company / Company and Investee		Company / Group	
Profit from continuing operations	2,288,646		2,346,636		880,740	
Income tax reversal	(28,275)		(28,275)		-	
Profit before tax from continuing operations	2,260,371		2,318,361		880,740	
Tax using the company's domestic tax rate	28%	632,904	28%	649,141	28%	246,607
Share of profit of equity accounted investee reported net of tax	0%	-	-1%	(16,237)	0%	-
Aggregate allowable expenses	64%	1,385,535	60%	1,385,535	168%	1,477,608
Tax - exempt income	-94%	(2,122,460)	-92%	(2,122,460)	-213%	(1,880,295)
Current year losses for which no deferred tax asset is recognised	5%	104,021	4%	104,021	18%	156,079
Deferred tax reversal	1%	28,275	1%	28,275	0%	-
Total income tax reversal	1%	28,275	1%	28,275	0%	-

Notes to the Financial Statements

22.4 Tax loss analysis

The tax loss carried forward as at the reporting date is Rs. 3,767 million (2014 - Rs.3,365 million) which is made up as follows;

For the year ended 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Balance as at 1 January	3,365,141	2,883,033
Utilised during the year	-	(158,305)
	3,365,141	2,724,728
Loss incurred in the business of life insurance	371,505	522,825
Losses transferred to Non life segment with company segregation	(20,038)	-
Unrecognised tax losses from previous year	50,663	117,588
Balance as at 31 December	3,767,271	3,365,141

22.5 Notional tax credit for withholding tax on treasury bills and bonds

The Inland Revenue Act No. 10 of 2006 as amended by subsequent legislation provides that a company which derives interest income from secondary market transactions in government securities on or after 1 April 2002 would be entitled to a notional tax credit being one ninth of the net interest income, provided such interest income forms part of the statutory income of the company.

The notional tax credit available for set off against the future tax liability of the company is as follows;

For the year ended 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Balance as at 1 January	1,119,636	925,981
Tax credit for the year	185,495	193,655
Balance as at 31 December	1,305,131	1,119,636

23 Profit from Discontinued Operations, Net of Tax

Refer Notes 5.2 for the accounting policies.

In compliance with the requirements of the Regulation of Insurance Industry (Amendment) Act No 3 of 2011, the company completed the segregation of the life and non-life insurance businesses on 1 January 2015. Consequent to the unanimous shareholder approval obtained at the Extraordinary General Meeting held on 28 November 2014 and the demerger sanctioned by way of a scheme of arrangement in terms of Section 256 of the Companies Act No. 07 of 2007 by the Commercial High Court of Colombo, in Case No. H.C. (Civil) 48/2014 (CO) by order dated 8 December 2014, the non life business was transferred to Union Assurance General Limited, on 1 January 2015. The company, Union Assurance PLC will continue to carry on the life insurance business and its non life insurance business (inclusive of all assets, undertakings, property, rights and liabilities in respect of non life business) was undertaken by Union Assurance General Limited.

On 1 January 2015, the company divested a 78% stake in its subsidiary, Union Assurance General Limited to Fairfax Asia Limited.

23.1 Results of discontinued operations

For the year ended 31 December Rs. '000	2014 Company	2014 Group
Net earned premium	4,103,636	4,103,636
Net investment income	579,741	581,131
Other income	80,262	80,262
Net benefits and claims	(2,736,436)	(2,736,436)
Underwriting and net acquisition costs (including reinsurance)	(280,120)	(280,120)
Other operating, administrative and selling expenses	(1,319,357)	(1,319,357)
Depreciation and amortisation	(66,580)	(66,580)
Results from discontinued operating activities	361,146	362,536
Income tax expense	(38,824)	(39,073)
Profit from discontinued operations, net of tax	322,322	323,463
Actuarial gain on defined benefit plan, net of tax	2,587	2,587
Net change in fair value of available for sale financial assets, net of tax	34,160	34,160
Total other comprehensive income, net of tax	36,747	36,747
Total comprehensive income from discontinued operations, net of tax	359,069	360,210
Basic earnings per share	3.76	3.77
Diluted earnings per share	3.76	3.77

23.2 Cash flows from (used in) discontinued operations

For the year ended 31 December Rs. '000	2014 Company	2014 Group
Net cash from operating activities	1,107,297	1,108,687
Net cash used in investing activities	(976,922)	(978,312)
Net cash used in financing activities	(135,307)	(135,307)
Net decrease in cash and cash equivalents	(4,932)	(4,932)
Cash and cash equivalents as at 1 January	110,858	110,858
Effect of exchange rate fluctuations on cash held	(2,074)	(2,074)
Cash and cash equivalents as at 31 December	103,852	103,852

Notes to the Financial Statements

23.3 Effect of disposal on the financial position

As at 31 December

Rs. '000	2014 Company / Group
Financial investments	(5,338,016)
Property, plant and equipment	(84,635)
Intangible assets	(28,309)
Investment in subsidiary	(100,000)
Reinsurance receivables	(591,597)
Premium receivables	(1,550,859)
Receivables and other assets	(328,093)
Deferred tax assets	(29,204)
Deferred acquisition cost	(167,017)
Cash in hand and at bank	(174,694)
Insurance contract liabilities	3,653,048
Reinsurance payable	478,633
Deferred revenue	130,328
Employee benefits	106,561
Other liabilities	680,187
Current tax liabilities	141,518
Bank overdraft	70,842
Net assets	(3,131,307)
Consideration received, satisfied in cash	3,664,379
Cash and cash equivalents disposed of	(103,852)
Net cash inflows	3,560,527

24 Earnings Per Share

Refer Note 4.16 for the accounting policy.

24.1 Basic earnings per share

The calculation of basic earnings per share was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period.

For the year ended 31 December 2015	Note	Company		Company and Investee			
		Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
Profit for the period attributable to equity holders of the company Rs. '000		2,288,646	-	2,288,646	2,346,636	-	2,346,636
Weighted average number of ordinary shares ('000)	24.2	75,220	-	75,220	75,220	-	75,220
Basic earnings per share (Rs.)		30.43	-	30.43	31.20	-	31.20

* The above profit includes Rs. 1,221 million from gain on disposal of subsidiary.

For the year ended 31 December 2014	Note	Company			Group		
		Continuing operations	Discontinuing operations	Total	Continuing operations	Discontinuing operations	Total
Profit for the period attributable to equity holders of the company Rs. '000		880,740	322,322	1,203,062	880,740	323,463	1,204,203
Weighted average number of ordinary shares ('000)	24.2	85,714	85,714	85,714	85,714	85,714	85,714
Basic earnings per share (Rs.)		10.28	3.76	14.04	10.28	3.77	14.05

24.2 Weighted average number of ordinary shares

For the year ended 31 December '000	Note	2015 Shares	2014 Shares
Issued ordinary shares as at 1 January		85,714	85,714
Effect of re - purchase of own shares	37.3	(10,494)	-
Weighted average number of ordinary shares at 31 December		75,220	85,714

24.3 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown in Note 24.1

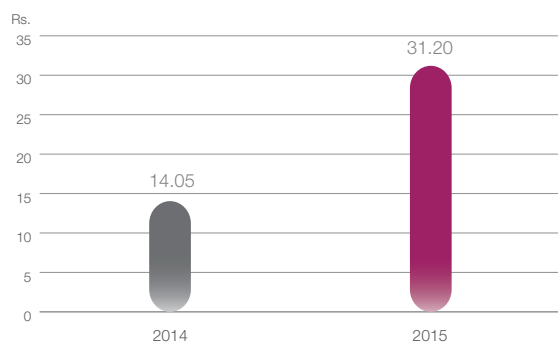
25 Dividends Per Share

Refer Note 4.33 for the accounting policy.

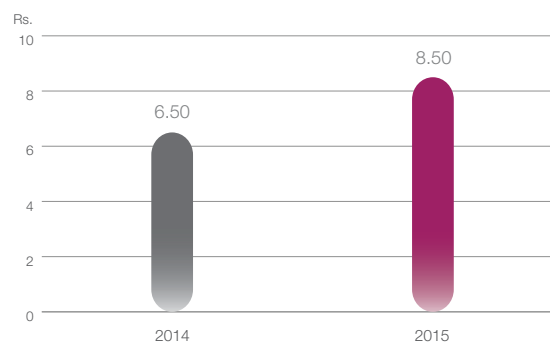
The Board of Directors of the company has declared a first and final dividend of Rs. 8.50 per share (2014 - Rs. 6.50 per share) for the financial year ended 31 December 2015.

For the year ended 31 December	2015	2014
Dividend declared (Rs. '000)	500,893	557,141
Number of ordinary shares ('000)	58,929	85,714
Dividend per share (Rs.)	8.50	6.50

Earnings Per Share



Dividends Per Share



25.1 Compliance with section 56 and 57 of Companies Act No. 7 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 24 February 2016 has been audited by Messrs. KPMG.

Notes to the Financial Statements

25.2 Dividend paid during the year

For the year ended 31 December Rs. '000	2015	2014
First and final dividend for 2014 - Rs.6.50 per share (2013 - Rs. 6.00 per share)	557,141	514,286

26 Investment in Subsidiary

Refer Note 4.1.5 for the accounting policy.

As at 31 December 2014

	Company			Directors valuation Rs.'000
	Number of shares	Holding %	Cost Rs.'000	
Unquoted				
Union Assurance General Limited	10,000,000	100	100,000	100,000

The company incorporated a fully owned subsidiary on 11 July 2014 by investing Rs. 100 million in order to facilitate the segregation of the insurance businesses as required by RII (Amendment) Act No. 3 of 2011, with the intention of transferring the non life insurance business of Union Assurance PLC.

As explained in Note 23, the non life insurance business was transferred to Union Assurance General Limited (UAG) on 1 January 2015 and subsequently a 78% stake of Union Assurance General Limited was disposed to Fairfax Asia Limited for a consideration of Rs. 3,664 million. Accordingly, the residual interest in UAG at fair value has been recognised as initial cost of Investment in equity accounted investee as of the date of disposal (Refer Note 29).

The investment in subsidiary had been classified as Assets Held for Sale as at 31 December 2014 (Refer Note 36).

27 Intangible Assets

Refer Note 4.22 for the accounting policy.

27.1 Reconciliation of carrying amounts

As at 31 December Rs. '000	Notes	2015 Company / Company and Investee			2014 Company / Group
		Licensed	Purchased	Total	
Cost					
Balance as at 1 January		38,646	148,778	187,424	246,891
Acquisitions during the year		381	23,281	23,662	16,604
Reclassification to assets held for sale	27.2	-	-	-	(76,071)
Balance as at 31 December		39,027	172,059	211,086	187,424
Accumulated amortisation and impairment losses					
Balance as at 1 January		17,474	103,184	120,658	129,416
Amortisation*		7,288	23,524	30,812	39,004
Reclassification to assets held for sale	27.2	-	-	-	(47,762)
Balance as at 31 December		24,762	126,708	151,470	120,658
Carrying value					
As at 31 December 2015		14,265	45,351	59,616	
As at 31 December 2014		21,172	45,594		66,766

*Amortisation for the year 2014 consists of life Rs. 28.35 million and non life Rs.10.65 million.

27.2 Reclassification to assets held for sale (Note 36)

As at 31 December	2014 Company / Group
Rs. '000	
Cost	76,071
Accumulated amortisation and impairment losses	(47,762)
Carrying amount as at 31 December 2014	28,309

27.3 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 December 2015. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of intangible assets.

27.4 Title restriction on intangible assets

There are no restrictions on the title of the intangible assets as at the reporting date.

27.5 Acquisition of intangible assets during the year

During the financial year, the company acquired intangible assets to the aggregate value of Rs. 24 million (2014 - life Rs. 6 million, non life Rs. 10 million). Cash payment amounting to Rs. 24 million (2014 - life Rs. 6 million, non life Rs. 10 million) were made during the year for purchase of intangible assets.

27.6 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year (2014 - Nil).

27.7 Fully amortised intangible assets in use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 30 million (2014 - Rs. 30 million).

Notes to the Financial Statements

28 Property, Plant and Equipment

Refer Note 4.21 for the accounting policy.

As at 31 December

Rs. '000	Note	2015					2014 Company / Group		
		Freehold land	Freehold buildings	Office equipment	Furniture and fittings	Computer equipment		Motor vehicles	Total
Cost / Revaluation									
Balance as at 1 January		724,000	290,000	153,162	174,739	404,041	80	1,746,022	2,217,569
Additions during the year		-	-	8,059	2,571	42,779	-	53,409	71,479
Reclassification to assets held for sale	28.1	-	-	-	-	-	-	-	(533,640)
Revaluation	28.8	325,000	13,500	-	-	-	-	338,500	-
Disposals during the year		-	-	(1,011)	(221)	(1,938)	-	(3,170)	(9,386)
Balance as at 31 December		1,049,000	303,500	160,210	177,089	444,882	80	2,134,761	1,746,022
Accumulated depreciation and impairment losses									
Balance as at 1 January		-	8,535	103,785	130,851	298,890	27	542,088	880,071
Depreciation for the year*		-	8,535	18,083	21,108	41,429	16	89,171	120,153
Reclassification to assets held for sale	28.1	-	-	-	-	-	-	-	(449,005)
Transferred accumulated depreciation on assets revalued		-	(17,070)	-	-	-	-	(17,070)	-
Accumulated depreciation on disposals during the year		-	-	(979)	(221)	(1,904)	-	(3,104)	(9,131)
Balance as at 31 December		-	-	120,889	151,738	338,415	43	611,085	542,088
Carrying value									
As at 31 December 2015		1,049,000	303,500	39,321	25,351	106,467	37	1,523,676	
As at 31 December 2014		724,000	281,465	49,377	43,888	105,151	53		1,203,934

*Depreciation for the year 2014 consists of life Rs.64.2 million and non life Rs.55.9 million.

28.1 Reclassification to assets held for sale

Rs. '000	Note	Freehold Land	Freehold Buildings	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	Total 2014
Cost		-	-	94,956	131,336	307,348	-	533,640
Accumulated depreciation and impairment losses		-	-	(77,397)	(113,807)	(257,801)	-	(449,005)
Carrying value as at 31 December 2014	36	-	-	17,559	17,529	49,547	-	84,635

28.2 Title restriction on property, plant and equipment

There are no restrictions on the title of the property, plant and equipment as at the reporting date.

28.3 Acquisition of property, plant and equipment during the year

During the financial year, the company acquired property, plant and equipment to the aggregate value of Rs. 53 million (2014 - life Rs. 47 million, non life Rs. 24 million). Cash payments amounting to Rs. 53 million (2014 - life Rs. 47 million, non life Rs. 24 million) were made during the year for purchase of property plant and equipment.

28.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year (2014 - Nil).

28.5 Amount of contractual commitments for the acquisition of property, plant and equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

28.6 The details of freehold land and buildings which are stated at valuation

Company property	Land Extent (Perches)	Building (Square feet)	Method of valuation	Date of valuation	Valuer	Revalued amount Land Rs.'000	Revalued amount Building Rs.'000	Carrying value after revaluation Rs.'000	Carrying value %
Land and building situated at No. 20, St. Michael's Road, Colombo 3 owned by Union Assurance PLC	93.4	57,916	Market Comparable method	31 December 2015	Mr. P. B. Kalugalagedera and Associates Chartered valuation surveyor	935,000	195,000	1,130,000	84
Land and building situated at No. 6, Rajapihilla Road, Kurunegala owned by Union Assurance PLC	32.3	27,904	Market Comparable method	31 December 2015		114,000	108,500	222,500	16
						1,049,000	303,500	1,352,500	100

The company has changed the method of valuation from Investment method to market comparable method since it represents the most appropriate value of land and buildings.

28.7 Significant Unobservable Inputs used in measuring Fair Value

The table below sets out information about significant unobservable inputs used in measuring land and buildings categorised as Level 3 in the fair value hierarchy as at 31 December 2015.

Location and address of Property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease if
Kollupitiya No. 20, St. Michael's Road, Colombo 3	Market comparable method	Price per perch for land	Rs. 10,000,000	Price per perch for land increases or decreases
		Price per square foot for building	Rs. 500 to Rs. 4,000	Price per square foot for building increases or decreases
Kurunegala No. 6, Rajapihilla Road, Kurunegala	Market comparable method	Price per perch for land	Rs. 4,000,000	Price per perch for land increases or decreases
		Price per square foot for building	Rs. 2,500 to Rs. 4,500	Price per square foot for building increases or decreases

Market comparable method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

Notes to the Financial Statements

28.8 Revaluation surplus

Rs. '000	Land	Buildings	Total
Revalued amount	1,049,000	303,500	1,352,500
Carrying value (prior to revaluation)	(724,000)	(272,930)	(996,930)
Revaluation surplus for the year	325,000	30,570	355,570

28.9 If land and buildings were stated at historical cost, the amounts would have been as follows;

As at 31 December Rs. '000	2015	2014
Cost	251,124	251,124
Accumulated depreciation	(73,575)	(69,561)
Carrying value	177,549	181,563

28.10 The effect of revaluation of freehold buildings on the income statement in the subsequent period is as follows;

As at 31 December Rs. '000	2015	2014
Depreciation charge per annum after revaluation	8,535	8,535
Depreciation charge per annum prior to revaluation	4,014	4,014
Decrease in profit in subsequent period	4,521	4,521

28.11 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 December 2015. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

28.12 Fully depreciated property, plant and equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December Rs. '000	2015	2014
Computer equipment	231,928	211,776
Office equipment	78,182	59,800
Furniture and fittings	90,484	59,484
Total	400,594	331,060

28.13 Property, plant and equipment pledged as security

None of the property, plant and equipment has been pledged as securities as at the reporting date.

28.14 Temporarily idle property, plant and equipment

There are no temporarily idle property, plant and equipment as at the reporting date.

28.15 Compensation from third parties for items of property, plant and equipment

There were no compensation received / receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

29 Investment in equity accounted investee

Refer Note 4.1.6 for the accounting policy.

As at 31 December 2015

Rs. '000	Place of incorporation and operation	Proportion of ownership interest	Number of Shares	Company		Company and Investee
				Cost	Directors valuation / market value	
Unquoted						
Union Assurance General Limited	Sri Lanka	22%	68,902,870	689,029	736,216	736,216

29.1 Summarised financial information in respect of the associate is set out below.

Income Statement		2015
For the year ended 31 December		
Rs. '000	Note	
Net earned premium		4,557,650
Finance and other income		742,824
Benefits, claims and expenses		(4,978,455)
Profit before tax		322,019
Income tax expense		(58,427)
Profit from continuing operations, net of tax		263,592
Percentage ownership interest		22%
Company's share of profit from investment in associate, net of tax		57,990
Other Comprehensive Income		
Other comprehensive income, net of tax		(49,106)
Company's share of other comprehensive income, net of tax	29.1 (a)	(10,803)
Total comprehensive income		214,486
Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax		47,187

Statement of financial position

As at 31 December		2015
Rs. '000		
Total Assets		9,416,163
Total Liabilities		(6,069,728)
Net assets		3,346,435
Percentage ownership interest		22%
Company's share of net assets		736,216
Less unrealised profits		-
Carrying amount of interest in associate		736,216

29.1 (a) Company's share of other comprehensive income, net of tax

As at 31 December		2015
Rs. '000		
Net change in actuarial gain on defined benefit plan		(64)
Net change in fair value of available for sale financial assets		(10,739)
		(10,803)

Notes to the Financial Statements

29.2 Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in these financial statements is as follows;

Rs. '000	2015
Cost on initial recognition of the investment in Union Assurance General Limited as at 1 January	689,029
Add:	
Net profit for the year recognised in income statement	57,990
Other comprehensive income	(10,803)
Dividend received	-
Company share of net results of equity accounted investee for the year ended 31 December	47,187
Value of investment in equity accounted investee as at 31 December	736,216
Contingent liabilities of equity accounted investee	Nil
Capital and other commitments of equity accounted investee	Nil

29.3 The reporting period of the associate entity is similar to the reporting period of the company.

29.4 There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

29.5 The company has neither contingent liabilities nor capital and other commitments towards its associate company.

30 Financial Investments

Refer Note 4.18 for the accounting policy

The following provides details of how life insurance funds have been invested. The risk management practices adopted by the company in relation to the investment portfolio and risk management disclosures are outlined in Note 45. The majority of the company's investments, i.e. 63% (2014 - 58%) are in Government securities. Corporate debt securities (which comprise quoted and unquoted debentures) account for a further 22% of investments (2014 - 25%) and 13% is invested in equities (2014 - 15%). The balance 2% was invested in fixed deposits (2014 - 2%). The current portion of financial assets is Rs. 6,663 million (2014 - Rs. 9,502 million) while the remaining being non current financial assets.

30.1 Financial investments pledged as security

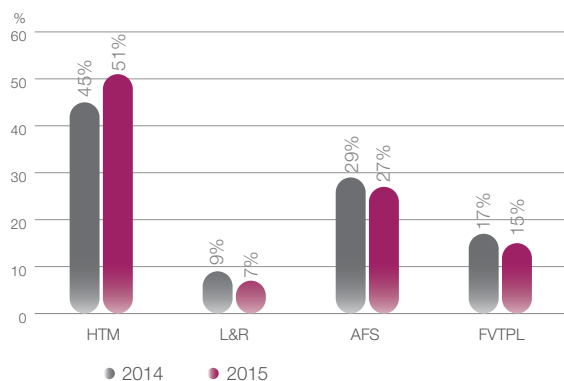
None of the financial investments have been pledged as securities as at the reporting date.

30.2 The company's financial instruments are summarised in to the following categories:

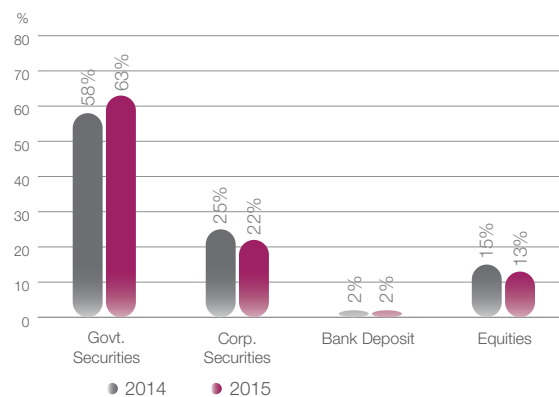
As at 31 December		2015		2014	
Rs. '000	Note	Company / Company and Investee		Company / Group	
		Carrying value	Fair Value	Carrying value	Fair Value
Held to maturity financial assets (HTM)	30.3	13,600,906	14,067,124	10,749,495	12,040,036
Loans and receivables (L&R)	30.4	1,888,987	1,959,887	2,250,619	2,295,942
Available for sale financial assets (AFS)	30.5	7,041,021	7,041,021	7,033,871	7,033,871
Financial assets at fair value through profit or loss (FVTPL)	30.6	4,010,020	4,010,020	4,004,993	4,004,993
Total financial investments		26,540,934	27,078,052	24,038,978	25,739,842

The composition of financial investments is analysed below.

Composition of Investments - Reporting category



Composition of Investments - Instrument



30.3 Held to maturity financial assets (HTM)

As at 31 December

Rs. '000	Note	2015	2014
		Company / Company and Investee	Company / Group
Amortised cost			
Quoted debentures	30.3 (a)	1,439,728	1,735,746
Treasury bonds		12,161,178	9,013,749
Total HTM financial investments		13,600,906	10,749,495

30.3(a) Quoted debentures

Diversified Holdings

As at 31 December

Issuer	Maturity date	2015			
		No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Nations Trust Bank PLC	04/08/2016	200,000	209,452	212,897	11.50
DFCC Vardhana Bank PLC	07/09/2016	1,481,481	148,195	151,486	11.50
DFCC Bank PLC	26/09/2016	200,000	228,000	236,052	14.00
Sampath Bank PLC	12/10/2017	476,900	55,754	58,420	16.50
Bank of Ceylon	30/11/2017	5,000,000	507,014	563,395	16.00
Peoples Leasing Company PLC	19/03/2018	686,300	74,425	83,656	16.75
Hatton National Bank PLC	31/07/2022	2,000,000	216,888	268,157	16.75
			1,439,728	1,574,063	

Notes to the Financial Statements

As at 31 December

Issuer	Maturity date	No. of debentures	2014 Company / Group		
			Carrying value	Market value	Interest
			Rs. '000	Rs. '000	%
Urban Development Authority	05/10/2015	1,743,000	178,923	166,617	11.00
Merchant Bank of Sri Lanka PLC	15/11/2015	1,050,000	111,246	111,246	11.80
Nations Trust Bank PLC	04/08/2016	200,000	209,452	211,972	11.50
DFCC Vardhana Bank PLC	07/09/2016	1,481,481	148,195	148,195	11.50
DFCC Bank PLC	26/09/2016	200,000	228,000	228,000	14.00
Sampath Bank PLC	12/10/2017	476,900	55,808	62,388	16.50
Bank of Ceylon	30/11/2017	5,000,000	507,014	527,014	16.00
Peoples Leasing Company PLC	19/03/2018	686,300	80,220	93,843	16.75
Hatton National Bank PLC	31/07/2022	2,000,000	216,888	216,888	16.75
			1,735,746	1,766,163	

30.3(b) Impairment of held to maturity financial investments

At the reporting date, there were no held to maturity financial investments that were overdue and impaired.

30.4 Loans and receivables (L&R)

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Amortised cost		
Bank deposits	501,023	459,962
Unquoted debentures	385,100	485,100
Reverse repurchase agreements	1,002,864	1,305,557
Total L&R financial investments	1,888,987	2,250,619
The effective interest rates on non-current portion of portfolio	13.49%	15.66%

The estimated fair values of loans and receivables are the discounted amount of the estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

30.4 (a) Impairment of loans and receivables financial investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

30.5 Available for sale financial assets (AFS)

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Fair value		
Debt securities - Listed debentures	30.5 (a) 4,008,909	3,693,290
Debt securities - Unlisted		
Treasury bonds	2,870,928	3,293,139
Treasury bills	161,184	47,442
	7,041,021	7,033,871

All debt securities, both listed and unlisted, pay a fixed interest rate.

30.5 (a) Debt securities - listed debentures (AFS)

As at 31 December

Issuer	2015				
	Company / Company and Investee				
	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Singer Sri Lanka PLC	29/05/2016	655,968	69,050	69,050	14.50
Central Finance Company PLC	17/06/2016	24,500	26,750	26,750	14.25
Lion Brewery (Ceylon) PLC	17/06/2016	47,100	51,405	51,405	13.50
Hayleys PLC	09/07/2016	65,400	69,900	69,900	14.25
Senkadagala Finance PLC	28/05/2017	185,014	21,350	21,350	17.25
Lion Brewery (Ceylon) PLC	17/06/2017	33,600	36,850	36,850	13.75
DFCC Bank PLC	18/08/2017	3,000,000	305,961	305,961	8.50
Singer Sri Lanka PLC	23/12/2017	216,700	22,691	22,691	8.25
Peoples Leasing Company PLC	19/03/2018	595,000	72,527	72,527	16.75
Peoples Leasing Company PLC	26/03/2018	120,000	15,711	15,711	17.00
Merchant Bank of Sri Lanka PLC	28/03/2018	469,300	60,042	60,042	17.50
Hatton National Bank PLC	13/06/2018	2,533,733	293,528	293,528	14.00
Central Finance Company PLC	17/06/2018	155,200	176,009	176,009	14.75
Lion Brewery (Ceylon) PLC	17/06/2018	44,800	50,260	50,260	14.00
Peoples Leasing Company PLC	23/09/2018	309,900	33,790	33,790	9.63
Sampath Bank PLC	04/12/2018	1,114,800	127,537	127,537	13.00
Sampath Bank PLC	04/12/2018	1,114,800	134,367	134,367	13.40
Central Finance Company PLC	12/12/2018	446,900	51,123	51,123	13.50
Central Finance Company PLC	12/12/2018	710,500	88,876	88,876	13.95
Nations Trust Bank PLC	19/12/2018	2,881,300	323,551	323,551	13.00
Hemas Holdings PLC	29/04/2019	1,452,900	151,541	151,541	11.00
Merchant Bank of Sri Lanka PLC	12/11/2019	500,000	49,367	49,367	9.00
Lanka Orix Leasing Company PLC	24/11/2019	1,000,000	99,078	99,078	9.00
Sampath Bank PLC	15/12/2019	3,000,000	308,730	308,730	8.25
Seylan Bank PLC	23/12/2019	2,000,000	183,904	183,904	8.60
Siyapatha Finance Limited	24/12/2019	250,000	25,393	25,393	8.90
Central Finance Company PLC	01/06/2020	400,000	40,613	40,613	9.52
National Development Bank PLC	24/06/2020	4,279,000	345,981	345,981	9.40
Bank of Ceylon	24/10/2021	242,499	27,538	27,538	13.25
Hatton National Bank PLC	30/08/2023	1,204,706	103,581	103,581	8.00
Bank of Ceylon	25/10/2023	452,300	52,630	52,630	13.75
National Development Bank PLC	19/12/2023	4,500,000	589,275	589,275	13.90
			4,008,909	4,008,909	

Notes to the Financial Statements

As at 31 December

Issuer	Maturity date	No. of debentures	2014 Company / Group		
			Carrying value Rs. '000	Market value Rs. '000	Interest %
Singer Sri Lanka PLC	29/05/2015	437,312	46,322	46,322	14.50
Singer Sri Lanka PLC	29/05/2016	655,968	72,376	72,376	14.50
Central Finance Company PLC	17/06/2016	24,500	27,003	27,003	14.25
Lion Brewery (Ceylon) PLC	17/06/2016	47,100	52,728	52,728	13.50
Hayleys PLC	09/07/2016	65,400	74,067	74,067	14.25
Senkadagala Finance PLC	28/05/2017	185,014	22,486	22,486	17.25
Lion Brewery (Ceylon) PLC	17/06/2017	33,600	34,777	34,777	13.75
DFCC Bank PLC	18/08/2017	3,000,000	309,261	309,261	8.50
Singer Sri Lanka PLC	23/12/2017	216,700	21,714	21,714	8.25
Peoples Leasing Company PLC	19/03/2018	595,000	76,335	76,335	16.75
Merchant Bank of Sri Lanka PLC	28/03/2018	469,300	65,312	65,312	17.50
Hatton National Bank PLC	13/06/2018	2,533,733	273,005	273,005	14.00
Central Finance Company PLC	17/06/2018	155,200	181,988	181,988	14.75
Lion Brewery (Ceylon) PLC	17/06/2018	44,800	51,616	51,616	14.00
Peoples Leasing Company PLC	24/09/2018	194,800	20,803	20,803	9.63
Sampath Bank PLC	04/12/2018	1,114,800	139,789	139,789	13.00
Sampath Bank PLC	04/12/2018	1,114,800	144,199	144,199	13.40
Central Finance Company PLC	12/12/2018	446,900	47,731	47,731	13.50
Central Finance Company PLC	12/12/2018	710,500	88,194	88,194	13.95
Nations Trust Bank PLC	19/12/2018	2,881,300	341,444	341,444	13.00
Hemas Holdings PLC	29/04/2019	1,452,900	152,471	152,471	11.00
Merchant Bank of Sri Lanka PLC	12/11/2019	500,000	50,616	50,616	9.00
Lanka Orix Leasing Company PLC	24/11/2019	1,000,000	101,057	101,057	9.00
Sampath Bank PLC	15/12/2019	3,000,000	302,353	302,353	8.25
Seylan Bank PLC	23/12/2019	2,000,000	200,424	200,424	8.60
Siyapatha Finance Limited	24/12/2019	250,000	25,051	25,051	8.90
Bank of Ceylon	24/10/2021	242,499	31,044	31,044	13.25
Hatton National Bank PLC	30/08/2023	1,204,706	87,760	87,760	8.00
Bank of Ceylon	25/10/2023	452,300	60,604	60,604	13.75
National Development Bank PLC	19/12/2023	4,500,000	590,760	590,760	13.90
			3,693,290	3,693,290	

30.5 (b) Impairment of available for sale financial investments

At the reporting date, there were no available for sale financial investments that were overdue and impaired.

30.6 Financial assets at fair value through profit or loss (FVTPL)

As at 31 December

Rs. '000		2015	2014
		Company / Company and Investee	Company / Group
Fair value			
Quoted equities	30.6 (a)	1,473,814	1,386,071
Investments in unit linked funds			
Quoted equities	30.6 (b)	2,022,719	2,233,992
Reverse repurchase agreements		229,890	244,005
Treasury bills		215,316	114,382
Treasury bonds		32,614	-
Bank deposits		10,064	-
Debentures		25,603	26,543
		4,010,020	4,004,993

30.6(a) Quoted equities

This note indicates our investments in quoted equities other than unit linked investments. As per accounting policy in Note 4.18.1 these investments are measured at fair value and classified under fair value through profit or loss category. Approximately 67% of quoted equities are invested in Banking, Finance and Insurance sector, and Manufacturing sector accounts for 14% of the total equity portfolio.

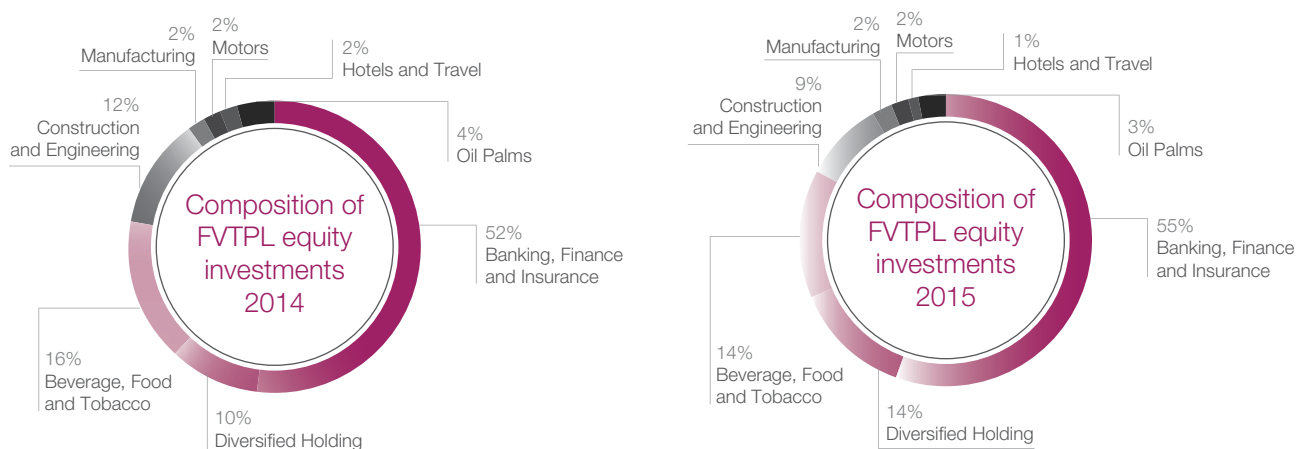
As at 31 December	2015			2014		
	Company / Company and Investee			Company / Group		
	No of shares	Carrying value		No of shares	Carrying value	
Cost Rs. '000		/ Fair value Rs. '000	Cost Rs. '000		Rs. '000	
Banking, Finance and Insurance						
Commercial Bank PLC (non-voting)	572,424	40,414	70,408	565,107	40,414	70,695
Commercial Bank PLC	350,469	36,106	49,136	346,996	36,106	59,336
Hatton National Bank PLC	1,827,098	253,631	350,525	1,458,678	173,175	240,290
Sampath Bank PLC	824,255	184,387	204,415	510,811	104,400	120,705
HNB Assurance PLC	336,266	23,645	25,085	336,266	23,645	28,078
Central Finance Company PLC	207,711	39,522	52,551	207,711	39,522	51,928
DFCC Bank PLC	191,520	35,615	32,195	191,520	35,615	41,943
National Development Bank PLC	619,907	120,842	120,324	619,907	120,842	154,977
Peoples Leasing and Finance PLC	3,821,672	67,308	84,077	3,821,672	67,308	93,631
		801,470	988,716		641,027	861,583
Diversified Holding						
Hemas Holdings PLC	536,638	18,644	49,854	482,975	14,780	35,885
Softlogic Holdings PLC	-	-	-	1,117,806	32,416	18,444
		18,644	49,854		47,196	54,329
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	632,441	145,110	155,580	357,856	65,470	75,150
		145,110	155,580		65,470	75,150
Construction and Engineering						
Colombo Dockyard PLC	238,350	50,507	35,776	238,350	50,507	46,002
		50,507	35,776		50,507	46,002
Manufacturing						
Chevron Lubricants Lanka PLC	122,200	16,129	42,037	122,200	16,129	48,831
Tokyo Cement Company (Lanka) PLC (voting)	640,777	7,817	31,398	640,777	7,817	41,586
Tokyo Cement Company (Lanka) PLC (non-voting)	1,658,150	42,486	65,497	2,658,150	68,109	124,667
Lanka Floortiles PLC	-	-	-	455,200	61,211	50,072
Piramal Glass PLC	1,874,100	16,585	11,432	1,874,100	16,585	9,183
Textured Jersey Lanka PLC	1,553,000	25,384	55,132	1,553,000	25,384	31,992
		108,401	205,496		195,235	306,331
Motors						
Diesel and Motor Engineering PLC	22,062	33,340	13,579	22,062	33,340	14,031
		33,340	13,579		33,340	14,031
Hotels and Travel						
Aitken Spence Hotel Holdings PLC	364,900	25,931	24,813	364,900	25,931	28,645
		25,931	24,813		25,931	28,645
		1,183,403	1,473,814		1,058,706	1,386,071

Notes to the Financial Statements

30.6 (b) Equity securities - Unit Linked fund - (FVTPL)

As at 31 December	2015			2014		
	Company / Company and Investee			Company / Group		
	No of shares	Cost Rs.'000	Carrying value / Fair value Rs.'000	No of shares	Cost Rs.'000	Carrying value Rs.'000
Banking, Finance and Insurance						
Commercial Bank of Ceylon PLC*	1,837,358	197,831	257,598	1,889,485	205,480	323,102
DFCC Bank PLC*	491,912	62,341	82,690	491,912	62,341	107,729
DFCC Bank PLC*	70,715	12,976	11,887	70,715	12,976	15,487
Hatton National Bank PLC*	790,818	121,066	166,546	800,818	122,597	156,079
Hatton National Bank PLC*	230,822	34,984	45,629	226,288	34,009	40,274
National Development Bank PLC*	496,359	83,242	96,343	463,957	74,560	115,989
National Development Bank PLC*	170,227	33,397	33,041	170,227	33,397	42,557
Sampath Bank PLC*	443,964	85,653	110,103	432,622	85,653	102,229
Sampath Bank PLC*	133,951	26,860	33,220	126,796	25,864	29,962
Lanka Orix Finance PLC*	275,713	20,852	25,917	264,379	19,912	23,265
Peoples Leasing and Finance PLC*	1,350,416	33,683	29,709	33,670	828	825
Peoples Leasing and Finance PLC*	694,444	11,798	15,278	694,444	11,798	17,014
Commercial Bank of Ceylon PLC	46,102	4,995	6,464	45,646	4,995	7,805
Commercial Bank of Ceylon PLC - (non voting)	81,863	7,231	10,069	80,817	7,231	10,110
Central Finance Company PLC	78,160	14,923	19,774	78,160	14,923	19,540
		751,832	944,268		716,564	1,011,967
Beverage, Food and Tobacco						
Cargills (Ceylon) PLC*	180,968	27,335	34,203	174,876	26,214	26,756
Nestle Lanka PLC*	19,188	34,282	39,326	18,786	33,347	39,545
Distilleries Company of Sri Lanka PLC*	393,880	75,338	96,894	389,903	74,254	81,880
Distilleries Company of Sri Lanka PLC*	64,609	13,355	15,894	61,000	12,359	12,810
Ceylon Tobacco Company PLC*	68,889	69,125	68,372	65,547	65,757	69,486
The Lion Brewery Ceylon PLC*	71,527	31,528	45,062	90,220	39,623	59,058
		250,963	299,751		251,554	289,535
Construction and Engineering						
Access Engineering PLC*	1,124,524	33,898	25,977	58,690	2,134	1,884
Colombo Dockyard PLC	43,365	9,993	6,509	43,365	9,993	8,369
		43,891	32,486		12,127	10,253
Diversified Holdings						
John Keells Holdings PLC*	1,522,660	271,431	271,186	1,085,195	219,604	271,299
Aitken Spence PLC*	650,890	76,951	62,941	650,690	76,931	67,346
C T Holdings PLC*	-	-	-	221,301	31,448	31,646
Hayleys PLC*	-	-	-	92,091	27,435	31,302
Carsons Cumberbatch PLC*	235,647	102,881	81,557	228,709	100,117	98,436
Hemas Holdings PLC	155,555	6,611	14,451	140,000	5,491	10,402
		457,874	430,135		461,026	510,431
Hotels and Travel						
Asian Hotels and Properties PLC*	-	-	-	271,178	20,070	18,386
Aitken Spence Hotel Holdings PLC	125,493	9,003	8,534	125,493	9,003	9,851
		9,003	8,534		29,073	28,237
Manufacturing						
Chevron Lubricants Lanka PLC*	220,877	60,327	75,982	220,877	60,327	88,262
Chevron Lubricants Lanka PLC*	24,600	4,322	8,462	24,600	4,322	9,830
Lanka Tiles PLC	-	-	-	128,000	9,938	14,080
Tokyo Cement Company Lanka PLC - (non voting)	281,745	6,373	11,129	451,660	10,217	21,183
Piramal Glass Ceylon PLC	806,000	4,917	4,917	806,000	4,917	3,949
Textured Jersey Lanka PLC	388,200	6,150	13,781	388,200	6,150	7,997
		82,089	114,271		95,871	145,301
Telecommunication						
Dialog Axiata PLC*	6,337,348	59,806	67,810	6,173,250	57,841	82,104
Sri Lanka Telecom PLC*	391,128	19,043	18,383	162,006	7,934	8,084
		78,849	86,193		65,775	90,188
Oil Palms						
The Bukit Darah PLC*	209,010	145,855	106,846	207,107	144,558	148,080
		145,855	106,846		144,558	148,080
Hospitals						
Asiri Hospital Holdings PLC	9,805	230	235	-	-	-
		230	235		-	-
		1,820,586	2,022,719		1,776,548	2,233,992

* Investments made by Union Assurance PLC under the Unit Linked Equity Tracker Fund, which invests in the 20 companies that comprise Standard & Poor's (S&P) Sri Lanka 20 Index. Additional equities in the portfolio are due to S&P annual re-balancing that are to be disposed.



30.6(c) Impairment of fair value through profit or loss financial investments

At the reporting date, there were no fair value through profit or loss financial investments that were overdue and impaired.

30.7 Movement of financial investments

Rs. '000	Held to maturity	Loans and receivables	Fair value through profit or loss	Available for sale	Total
As at 1 January 2014 - Company / Group	11,457,350	3,271,859	2,344,631	2,780,595	19,854,435
Purchases	-	36,220,596	11,773,653	4,821,173	52,815,422
Maturities	(900,000)	(37,019,874)	(10,566,261)	(710,000)	(49,196,135)
Disposals	-	-	(354,758)	(420,062)	(774,820)
Fair value gains recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	806,269	-	806,269
Fair value gains recorded in other comprehensive income	-	-	-	329,738	329,738
Amortisation	218,567	-	3,068	39,987	261,622
Net change in accrued Interest	(26,422)	(221,962)	(1,609)	192,440	(57,553)
As at 31 December 2014 - Company / Group	10,749,495	2,250,619	4,004,993	7,033,871	24,038,978

As at 1 January 2015 - Company and investee	10,749,495	2,250,619	4,004,993	7,033,871	24,038,978
Purchases	3,810,151	99,348,830	14,037,153	2,318,491	119,514,625
Maturities	(1,279,300)	(99,751,626)	(13,518,220)	(1,063,731)	(115,612,877)
Disposals	-	-	(229,802)	(1,042,538)	(1,272,340)
Fair value gains recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	(294,563)	-	(294,563)
Fair value gains recorded in other comprehensive income	-	-	-	(264,738)	(264,738)
Amortisation	245,479	-	10,100	3,389	258,968
Net change in accrued Interest	75,081	41,164	359	56,277	172,881
As at 31 December 2015 - Company / company and investee	13,600,906	1,888,987	4,010,020	7,041,021	26,540,934

Notes to the Financial Statements

31 Loans to Life Policyholders

Refer Note 4.18 for the accounting policy

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Balance as at 1 January	504,085	396,781
Loans granted during the year	259,364	251,818
Repayments during the year	(204,692)	(144,514)
	558,757	504,085
Interest receivables on loans to life policyholders	183,095	156,659
Balance as at 31 December	741,852	660,744

31.1 Collateral details

As at 31 December 2015 surrender value of policyholder loans amounted to Rs.1,252 million (2014 - Rs. 1,093 million).

If the total receivable of the loan, including interest due and accrued exceeds the cash surrender value, the policy terminates and becomes void.

31.2 Fair value of loans to life policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

31.3 Concentration risk of loans to life policyholders

There is lower concentration of credit risk with respect to policyholders, as the company has a large number of dispersed receivables.

31.4 Impairment of loans to life policyholders

As of 31 December 2015, there were no impaired losses on policyholder loans (2014 - Nil).

31.5 Number of policy loans

Number of policy loans due as at 31 December 2015 was 14,782 (2014 - 14,668).

32 Reinsurance Receivables

Refer Note 4.28 for the accounting policy

This analyses the amounts due from reinsurers between receivables on account of outstanding claims (i.e. claims which have been reserved, but not paid to policyholders) and receivables on account of claims which have already been paid. The risk management initiatives of reinsurance receivables are detailed in Note 45.2 (c).

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Reinsurance receivables on outstanding claims	60,113	26,329
Reinsurance receivables on settled claims	89,659	41,207
Total reinsurance receivables	149,772	67,536

32.1 Impairment of reinsurance receivables

As at 31 December 2015, there were no impaired losses on reinsurance receivables.

32.2 Fair value of reinsurance receivables

The carrying values disclosed above approximate the fair value at the reporting date.

32.3 The ageing of reinsurance receivables on settled claims

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Less than 60 days	27,603	15,069
More than 60 days	62,056	26,138
	89,659	41,207

32.4 Reinsurance receivable past due but not impaired (on paid claims)

As at 31 December 2015, reinsurance receivable of Rs. 62 million (2014 - Rs. 26 million) were past due but not impaired. These relate to parties where there were no recent history of default.

32.5 Collateral details

The company does not hold any collateral as security against potential default by reinsurance counter parties.

32.6 Reinsurance receivable on outstanding claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

32.7 Risk management

Refer Note 45 to the financial statements for risk management initiatives relating to reinsurance.

33 Premium Receivables

Refer Note 4.20 for the accounting policy.

The company has opted to record the life insurance premium on an accrual basis in terms of SLFRS 4, Insurance Contracts from the year ended 31 December 2012. The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission cost and reinsurance premium relating to that accrued income are also being recorded in the same manner.

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Premium receivable from;		
Policyholders	84,850	74,824
Intermediaries (Including collections in transit)	118,872	84,293
Total premium receivables	203,722	159,117

33.1 Fair value of premium receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

Notes to the Financial Statements

33.2 Impairment of premium receivable

As of 31 December 2015, there were no impaired losses on premium receivables (2014 - Nil).

33.3 Collateral details

The company does not hold any collateral as security against potential default by policyholders or intermediaries.

33.4 Risk management initiatives relating to premium receivables

Refer Note 45 to the financial statements for risk management initiatives relating to premium receivables.

34 Receivables and Other Assets

Refer Note 4.18 for the accounting policy.

As at 31 December		2015	2014
Rs. '000	Note	Company / Company and Investee	Company / Group
Financial assets			
Staff loans*	34.1	204,042	208,764
Agent / advisory loans	34.2	77,460	64,556
Refundable deposits		7,066	7,207
Amount due from Union Assurance General Limited		42,034	-
Other receivables		66,726	66,607
		397,328	347,134
Non financial assets			
Taxes recoverable	34.4	203,815	220,567
Prepayments		97,806	113,109
Inventories		9,776	6,106
Other receivables		-	284
Advance payments		23,292	129,518
		334,689	469,584
Total receivables and other assets		732,017	816,718

*No loans have been granted to Directors of the company.

34.1 Staff loans

As at 31 December		2015	2014
Rs. '000		Company / Company and Investee	Company / Group
Balance as at 1 January		208,764	1,348
Transfer from non life business		-	260,916
Loans provided during the year		90,545	49,476
Payments / settlements during the year		(108,514)	(51,078)
Fair value adjustment during the year		17,186	(51,898)
Provision for impairment		(3,939)	-
Balance as at 31 December		204,042	208,764

34.2 Agent / Advisory loans

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Balance as at 1 January	64,556	84,480
Loans provided during the year	64,231	71,087
Payments / settlements during the year	(46,932)	(85,481)
Provision for impairment	(4,395)	(5,530)
Balance as at 31 December	77,460	64,556

34.3 Impairment of staff and agent loans

The Board of Directors has assessed potential impairment loss of staff and agent loans as at 31 December 2015. Based on the assessment, no additional impairment provision is required to be made in the financial statements as at the reporting date in respect of staff and agent loans, other than the amounts provided in Note 34.1 and 34.2.

34.4 Taxes recoverable

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
ACT recoverable	92,296	92,296
WHT recoverable	105,043	116,579
ESC receivable	6,476	11,692
	203,815	220,567

34.5 Fair value

The fair value of staff loans are based on discounted cash flows. Discount rate is equal to AWPLR plus appropriate risk margin. The fair values of agent / advisory loans are equal to the carrying amount as they are granted at competitive market rates.

34.6 Refer Note 45 to the financial statements for risk management policies / initiatives relating to other financial assets.

35 Cash and cash equivalents

Refer Note 4.19 for the accounting policy.

35.1 Cash in hand and at bank

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Cash at bank	297,604	189,817
Cash at bank with related parties - Nations Trust Bank PLC	25,590	3,926
Cash in hand	2,818	2,686
Total cash in hand and at bank	326,012	196,429

Notes to the Financial Statements

35.2 Cash and cash equivalent in the statement of cash flows

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Cash in hand and at bank	326,012	196,429
Bank overdraft used for cash management purposes	(118,952)	(66,017)
Cash and cash equivalents in the statement of cash flows	207,060	130,412

Cash and cash equivalent in the statement of cash flows includes bank overdrafts that are repayable on demand.

35.3 Fair value of cash in hand and at bank

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

35.4 Risk management initiatives relating to cash and cash equivalents

Please refer Note 45 to the financial statements for more information.

36 Disposal Groups Held for Sale

Refer Note 5.2 for the accounting policy.

The Board committed to a plan to transfer the non life business segment to a fully owned subsidiary, Union Assurance General Limited to comply with the regulatory requirements. The assets and liabilities relating to the non life business segment was transferred to the subsidiary on 1 January 2015.

Subsequent to the transfer of the non life business to the subsidiary, the company disposed 78% of its shareholding in its subsidiary to Fairfax Asia Limited.

Accordingly, the non life segment has been identified as discontinued operations as per SLFRS 5 "Non Current Assets Held for Sale and Discontinued Operations" as at 31 December 2014.

Consequent to the above, the assets and liabilities relating to the non life segment have been classified as assets / liabilities held for sale including investment in the Subsidiary.

As at 31 December 2014, the disposal group was stated at lower of carrying amount and fair value less cost to sell and comprised the following assets and liabilities.

36.1 Assets / Liabilities held for sale

As at 31 December Assets Rs. '000	2014	
	Company	Group
Financial investments	5,338,016	5,439,406
Property, plant and equipment	84,635	84,635
Intangible assets	28,309	28,309
Investment in subsidiary	100,000	-
Reinsurance receivables	591,597	591,597
Premiums receivables	1,550,859	1,550,859
Receivables and other assets	328,093	327,593
Deferred tax assets	29,204	29,204
Deferred acquisition cost	167,017	167,017
Cash in hand and at bank	174,694	174,694
Total assets held for sale	8,392,424	8,393,314

As at 31 December Liabilities Rs. '000	2014	
	Company	Group
Insurance contract liabilities	3,653,048	3,653,048
Reinsurance payable	478,633	478,633
Deferred revenue	130,328	130,328
Employee benefits	106,561	106,561
Other liabilities	680,187	680,187
Current tax liabilities	141,518	141,767
Bank overdraft	70,842	70,842
Total Liabilities held for sale	5,261,117	5,261,366

36.2 Impairment losses relating to the disposal group

There has not been any impairment losses on the disposal group, comparing the lower of its carrying amount and its fair value less costs to sell.

36.3 Cumulative income and expenses included in other comprehensive income

The cumulative income / (expenses) included in OCI relating to the disposal group as at 31 December 2014 amounted to Rs. 36.7 million.

37 Stated Capital

Refer Note 4.26 for the accounting policy.

As at 31 December	Note	2015		2014	
		No. of shares	Rs. '000	No. of shares	Rs. '000
Balance as at 1 January		85,714,286	1,138,433	85,714,286	1,138,433
Capital re-organisation	37.2	-	(138,433)	-	-
Number of shares re-purchased	37.3	(26,785,714)	-	-	-
Balance as at 31 December		58,928,572	1,000,000	85,714,286	1,138,433

37.1 Ordinary shares

All issued shares are fully paid. There is only one class of ordinary shares. All shares issued carry equal voting rights. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company.

Notes to the Financial Statements

37.2 Capital re-organisation

Consequent to the unanimous shareholder approval obtained at the Extraordinary General Meeting held on 28 November 2014 and the demerger sanctioned by way of a Scheme of Arrangement in terms of Section 256 of the Companies Act No.7 of 2007 by the Commercial High Court of Colombo, in case No. H.C.(Civil) 48/2014 (CO) by Order dated 8 December 2014, Union Assurance PLC re-organised its stated capital to Rs. 1,000,000,000 on 1 January 2015 with the difference of Rs. 138,433,305 being transferred to retained earnings.

37.3 Share re-purchase

On 28 May 2015, the Board of Directors of Union Assurance PLC resolved that up to a maximum of 26,785,714 of its ordinary shares will be repurchased at a price of Rs. 167.80 per share on a pro rata basis of ten (10) shares for every thirty two (32) shares held amounting to a maximum value of Rs. 4,494,642,809.

Subsequently, the company concluded the repurchase of 26,785,714 shares on 25 September 2015 at a price of Rs. 167.80 per share and the transaction has been recorded in the financial statements accordingly.

38 Reserves

As at 31 December		2015		2014
		Company	Company and Investee	Company / Group
Rs. '000	Note	Company	and Investee	Group
Capital reserves	38.1	1,175,017	1,175,017	832,528
Other reserves	38.2	68,679	57,876	396,194
Total reserves		1,243,696	1,232,893	1,228,722

38.1 Capital reserves

As at 31 December		2015		2014
		Company / Company and Investee	Company / Group	Company / Group
Rs. '000	Note	Company / Company and Investee	Company / Group	Group
Revaluation reserve				
Unrealised gain reserve	38.1 (a)	475,860		475,860
Life policy holders' revaluation reserve, net of tax	38.1 (b)	682,405		339,916
		1,158,265		815,776
Reserve on merger with Cornhill (Private) Limited	38.1 (c)	16,752		16,752
		1,175,017		832,528

38.1 (a) Unrealised gain reserve

Unrealised gain reserve comprises of the gain from transferring the investment of Cornhill (Private) Limited to life policy holders in 2007, and the gain on transferring the land and building in Kurunegala in 2011. These gains will be realised to shareholders when the properties are disposed.

38.1 (b) Life policy holders' revaluation reserve

As at 31 December	2015		2014
	Company / Company and Investee	Company / Group	Company / Group
Rs. '000			
Balance as at 1 January	339,916	319,066	
Revaluation surplus during the year	355,570	-	
Adjustment for deferred tax	(8,560)	25,371	
Net gain on revaluation of land and buildings	686,926	344,437	
Depreciation transfer during the year	(4,521)	(4,521)	
Balance as at 31 December	682,405	339,916	

The revaluation relates to land and building as indicated in Note 28.

The revaluation was performed on freehold land and buildings as at the reporting date by Mr. P. B. Kalugalagedara chartered valuation surveyor using the market comparable method.

The revaluation reserve is transferred annually to the revenue reserve based on the remaining useful life of the asset which is estimated to be 40 years.

38.1 (c) Reserve on merger with Cornhill (Private) Limited

The unrealised gain reflects the net result of the merger of the company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policy holders statement of financial position.

38.2 Other reserves

This reserve represents the unrealised gain in available for sale financial assets and other capital reserves:

As at 31 December	Note	2015		2014
		Company Company and Investee	Company / Group	Company / Group
Rs. '000				
Reserve for available for sale financial instruments	38.2 (a)	56,164	45,425	382,266
Other capital reserves				
Reserves on retirement benefit obligation	38.2 (b)	(2,578)	(2,642)	3,292
Other capital reserves	38.2 (c)	15,093	15,093	10,636
		12,515	12,451	13,928
		68,679	57,876	396,194

38.2 (a) Reserve for available for sale (AFS) financial instruments

As at 31 December	2015		2014
	Company Company and Investee	Company / Group	Company / Group
Rs. '000			
Balance as at 1 January	382,266	382,266	18,368
Unrealised gain on AFS assets (Gross) - Life	(253,233)	(253,233)	408,387
Share of loss on AFS assets of equity accounted investee	-	(10,739)	-
Unrealised gain on AFS assets (Gross) - Non Life	-	-	47,444
Transferred to the statement of income	(51,027)	(51,027)	(78,649)
Related tax			
Life	(21,842)	(21,842)	-
Non life	-	-	(13,284)
Balance as at 31 December	56,164	45,425	382,266

Notes to the Financial Statements

38.2 (b) Reserves on retirement benefit obligation

As at 31 December	2015		2014
	Company	Company and Investee	Company / Group
Rs. '000			
Balance as at 1 January	3,292	3,292	(4,585)
Reserves on retirement benefit obligation - Life	(7,593)	(7,593)	5,290
Share of actuarial loss on defined benefit plan of equity accounted investee	-	(64)	-
Transfer of reserves of non life segment to retained earnings	(404)	(404)	-
Reserves on defined benefit plan obligation - Non Life	-	-	3,593
Related tax			
Life	2,127	2,127	-
Non life	-	-	(1,006)
Balance as at 31 December	(2,578)	(2,642)	3,292

This is the reserve arising due to movement in actuarial valuation of the retirement benefit obligation (Actuarial gains / losses).

38.2 (c) Other capital reserves

Share based payment plan

Description of the employee share option scheme

Under the John Keells Group's Employee Share Option Scheme (ESOP), share options of the Parent are granted to senior executives of the company and is dependent on a performance criteria and a service criteria. SLFRS 02 - Share based payment has been applied to equity instruments in share based transactions that were granted after 1 January 2012, which was the effective date of the standard. Hence options granted subsequent to this date have been accounted for as per the standard.

The terms and conditions of the grants are as follows; All options are to be settled by shares and there are no cash settlement alternatives.

Grant date / employees entitled	Number of instruments	Vesting conditions	Contractual life of the awards	Exercise price
The grant date for each Award is on the 1 of July of that respective financial year.	Please refer table below	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRA's) and being in employment at the time the share options vests.	5 years for each Award	For each "Award" it is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant.
Senior executives of the company with more than 12 months of service as at the respective reporting date.				

Reconciliation of outstanding share options

The following table illustrates the number of options (No.) and weighted average exercise prices (WAEP) and movements of share options during the year;

As at 31 December	2015		2014	
	No	WAEP (Rs)	No	WAEP (Rs)
Outstanding at 1 January	323,600	241.05	154,842	253.16
Granted during the year	115,725	171.25	168,758	229.93
Adjustment for 7:8 sub-division	50,516	198.14	-	-
Transferred to Union Assurance General Limited	(85,673)	210.09	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Adjustment for warrants 43:1000	5,764	219.03	-	-
Outstanding at 31 December	409,932	197.62	323,600	241.05
Exercisable at 31 December	101,502	212.97	38,711	253.16

There were no options exercised during the year ended 31 December 2015.

Employee expenses for share based payment transactions

The expense recognised for employee services received during the year is as follows;

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Balance as at 1 January	10,636	3,633
Expense arising from equity-settled share-based payment transactions		
Life	7,648	4,903
Non Life	-	2,100
Transfer of reserves of non life segment to retained earnings	(3,191)	-
Balance as at 31 December	15,093	10,636

The expense recognised for employee services is based on the Parents' best estimate of the number of options that will ultimately vest. No expense is recognised for awards that do not ultimately vest.

Fair value of the share options and assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The valuation takes into account factors such as stock price, expected time to maturity, exercise price, expected volatility of the share price, expected dividend yield and risk free interest rate.

Notes to the Financial Statements

39 Retained Earnings

As at 31 December		2015		2014	
Rs. '000	Note	Company	Company and Investee	Company	Group
Balance as at 1 January		3,843,063	3,843,704	3,149,766	3,149,766
Charge relating to super gains tax of group	39.1	(52,424)	(52,424)		
Adjusted balance as at 1 January 2015		3,790,639	3,791,280	3,149,766	3,149,766
Profit for the year		2,288,646	2,346,636	1,203,062	1,204,203
Transfer from revaluation reserve to retained earnings	38.1 (b)	4,521	4,521	4,521	4,521
First and final dividends 2014 / 2013		(557,141)	(557,141)	(514,286)	(514,286)
Capital re-organisation	37.2	138,433	138,433	-	-
Share re-purchase	37.3	(4,494,643)	(4,494,643)	-	-
Share re-purchase cost		(646)	(646)	-	-
Share issue expenses		-	-	-	(500)
Transfer of reserves of non life segment		4,236	3,595	-	-
Balance as at 31 December		1,174,045	1,232,035	3,843,063	3,843,704

39.1 Super Gains Tax

Although the company did not become eligible to pay super gains tax as a stand alone entity, Rs 52.4 million has been paid as super gains tax on the basis that the company is part of the John Keells Holding PLC group. According to the Act, the super gains tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards and hence the expense of super gains tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for super gains tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

40 Insurance Contract Liabilities - Life

Refer Note 4.27 for the accounting policy.

As at 31 December		2015			2014		
Rs. '000	Note	Company / Company and Investee			Company / Group		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Insurance contract liabilities	40.1	24,422,947	(1,155,652)	23,267,295	20,964,889	(886,114)	20,078,775
Unclaimed benefits		463,943	-	463,943	357,101	-	357,101
Total insurance contract liabilities	40.2	24,886,890	(1,155,652)	23,731,238	21,321,990	(886,114)	20,435,876

40.1 Insurance contract liabilities

As at 31 December		2015			2014		
		Company / Company and Investee			Company / Group		
Rs. '000	Note	Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Balance as at 1 January		20,964,889	(886,114)	20,078,775	17,882,286	(646,453)	17,235,833
Premium income / Reinsurance expenses	9 / 10	6,964,390	(364,182)	6,600,208	5,945,499	(328,064)	5,617,435
Liabilities paid for death, maturities, surrenders, benefits and claims	15	(1,542,972)	94,644	(1,448,328)	(1,326,361)	88,403	(1,237,958)
Benefits and claims experience variation		(1,230,698)	-	(1,230,698)	(1,381,555)	-	(1,381,555)
Investment return		2,345,846	-	2,345,846	2,687,709	-	2,687,709
Expenses		(3,106,783)	-	(3,106,783)	(2,842,689)	-	(2,842,689)
Income tax reversal	22.1	28,275	-	28,275	-	-	-
Balance as at 31 December		24,422,947	(1,155,652)	23,267,295	20,964,889	(886,114)	20,078,775

Changes in some of the assumptions used in previous year will largely be offset by corresponding changes in the assets backing the liabilities.

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserves have been established based on the following;

- Interest rates which vary by product and as required by regulations issued by the Insurance Board of Sri Lanka (IBSL).
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IBSL.
- Surrender rates based on actual experience.

The amount of policyholder dividend to be paid is determined annually by the company. The dividend includes life policyholders share of net income that is required to be allocated by the insurance contract or by insurance regulations.

The valuation of conventional life insurance fund as at 31 December 2015 was carried out by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 760 million to be transferred from the conventional life insurance fund to the shareholders fund for the year 2015. Subsequent to the transfer the conventional life fund stands at Rs. 23,124 million, including the liability in respect of bonuses and dividends declared up to and including the year 2015.

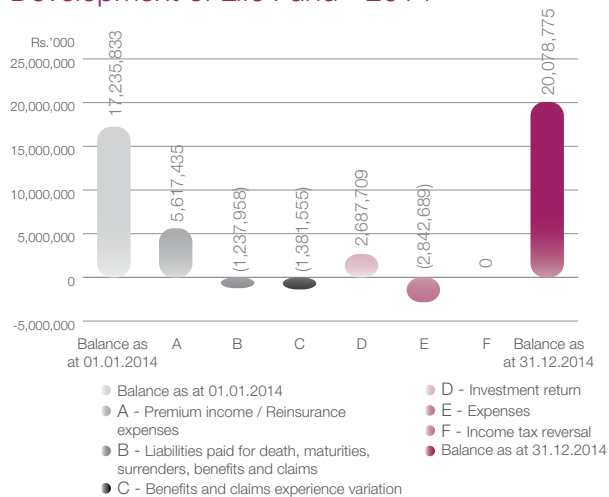
Similarly the non unit fund of linked long term business valuation was carried out by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd, who recommended a sum of Rs. 40 million to be transferred from the non unit fund of the linked long term fund to shareholders fund for the year 2015. Subsequent to the transfer the fund stands at Rs.143 million as at 31 December 2015.

In establishing the valuation, a reserve of Rs. 614 million for conventional life insurance fund and Rs. 136 million for non unit fund of linked long term business have been created by the actuary to counter any further fluctuations in interest rates and distributions.

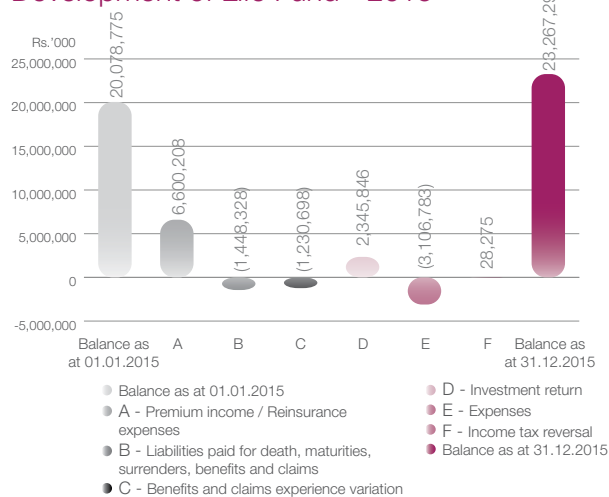
In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2015 is adequate to cover the liabilities of the funds and the solvency margin requirement prescribed under Section 26 of the Regulation of Insurance Industry Act No 43 of 2000.

Notes to the Financial Statements

Development of Life Fund - 2014



Development of Life Fund - 2015



40.2 Movement in insurance contract liabilities

As at 31 December

Rs. '000	2015	2014
	Company / Company and Investee	Company / Group
Conventional life insurance fund		
Balance as at 1 January	20,308,965	17,408,645
Increase in life insurance fund before surplus transfer to share holders	3,927,534	3,534,879
Transfer to shareholders	(760,000)	(710,000)
Net change in unclaimed benefits	105,468	75,441
Balance as at 31 December - Conventional Life insurance	23,581,967	20,308,965
Non unit fund of linked life insurance contracts		
Balance as at 1 January	126,911	109,371
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	60,986	58,063
Transfer to shareholders	(40,000)	(40,000)
Net change in unclaimed benefits	1,374	(523)
Balance as at 31 December - Non unit fund of linked Life insurance	149,271	126,911
	23,731,238	20,435,876

40.3 Liability Adequacy Test (LAT) - Life insurance contract liabilities

As at the reporting date, liability adequacy test performed by the internal actuary concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was made for premium deficiency.

41 Employee Benefits

Refer Note 4.29 for the accounting policy.

The company had 450 and 445 employees (full-time equivalents) as of 31 December 2015 and 2014 respectively. Personnel and other related costs incurred for the year ended 31 December 2015 and 2014 were Rs. 659 million and Rs. 634 million respectively, which include staff remuneration of Rs. 514 million and Rs. 499 million as of 31 December 2015 and 2014 respectively.

41.1 Defined contribution plans

Following contributions have been made for employee provident fund and employee trust fund during the year.

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Employees' Provident Fund (EPF)		
Employer's contribution (12%)	48,090	45,607
Employee's contribution (8%)	32,060	30,405
Employees' Trust Fund (ETF)		
Employer's contribution (3%)	12,022	11,402

41.2 Defined benefit plans

This note indicates the assumptions used and the movement in the employee benefit plan. The plan is not externally funded. As at 31 December 2015, the gratuity liability was actuarially valued under the projected unit credit (PUC) method by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Limited as required by Sri Lanka Accounting Standard (LKAS) 19 – Employee Benefits. The valuation is performed annually.

41.3 Movement in present value of gratuity

As at 31 December	2015	2014
Rs. '000	Company / Company and Investee	Company / Group
Balance as at 1 January	90,437	116,383
Included in profit or loss:		
Current service cost	10,772	10,165
Interest cost	9,184	9,548
	19,956	19,713
Included in OCI:		
Actuarial (gain) / loss on obligation	7,593	(5,290)
Other		
Payments during the year	(17,787)	(10,782)
Transfer to non life segment	-	(29,587)
Balance as at 31 December	100,199	90,437

41.4 Principal actuarial assumptions used

Assumptions	2015	2014
Discount rate	10%	10%
Staff turnover rate - early withdrawal through resignations		
Less than 5 years	13%	17%
More than 5 years	4%	3%
Salary increase	8%	8%
Retirement age	55 years	55 years

Assumptions regarding future mortality are based on published statistics and mortality tables.

Notes to the Financial Statements

41.5 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

As at 31 December

Rs. '000	2015 Company / Company and Investee
Within the next 12 months	13,903
Between 1 and 2 years	7,270
Between 2 and 5 years	38,134
Between 5 and 10 years	40,892
Total expected payments	100,199

41.6 Sensitivity analysis

Reasonably possible variation in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below;

Increase / (decrease) in discount rate	Increase / (decrease) in salary increment	2015	
		Effect on employee defined benefit liability Rs'000	Employee defined benefit liability Rs'000
1%	-	(3,916)	96,283
(-1%)	-	4,261	104,460
-	1%	4,659	104,858
-	(-1%)	(4,354)	95,845

42 Reinsurance Payables

Refer Note 4.28 for the accounting policy.

As at 31 December

Rs. '000	2015 Company / Company and Investee	2014 Company / Group
Balance as at 1 January	150,784	112,184
Premium ceded to reinsurers	364,182	328,064
Payments made during the year	(301,111)	(289,464)
Balance as at 31 December	213,855	150,784

43 Other Liabilities

Refer Notes 4.18 and 4.30 for the accounting policy.

As at 31 December

Rs. '000	2015 Company / Company and Investee	2014 Company / Group
Other financial liabilities		
Agency commission payable	130,900	107,482
Other staff related provisions	87,018	91,776
Premiums in suspense	236,089	204,415
Amount due to related parties	8,294	11,733
	462,301	415,406
Other non financial liabilities		
Government levies	22,357	8,110
Other liabilities and accruals	245,168	263,584
Premium received In advance	113,598	83,090
	381,123	354,784
Total other liabilities	843,424	770,190

Maturity schedule of other financial liabilities as of 31 December 2015 and 2014 are shown in Note 45.2 (b) to the financial statements.

44 Deferred Tax

Refer Note 4.15.2 for the accounting policy.

As at 31 December	2015	2014
	Company / Company and Investee	Company / Group
Rs. '000		
Deferred tax assets	(133,306)	-
Deferred tax liabilities	133,306	-
Net tax liabilities/ (assets)	-	-

44.1 Movement in deferred tax balances

As at 31 December	2015					
	Net balance as at 1 January	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Rs. '000						
Deferred tax liabilities						
Property, plant and equipment	-	93,013	8,560	101,573	-	101,573
Intangible assets	-	9,891	-	9,891	-	9,891
Available-for-sale financial assets	-	-	21,842	21,842	-	21,842
	-	102,904	30,402	133,306	-	133,306
Deferred tax assets						
Employee benefits	-	(25,929)	(2,127)	(28,056)	(28,056)	-
Staff bonus provisions	-	(24,365)	-	(24,365)	(24,365)	-
Carry forward tax losses	-	(80,885)	-	(80,885)	(80,885)	-
	-	(131,179)	(2,127)	(133,306)	(133,306)	-
Net tax liabilities / (assets)	-	(28,275)	28,275	-	(133,306)	133,306

Deferred tax assets / liabilities has not been recognised in respect of the temporary differences and tax losses relating to life business up to 2014, when the company also had the non life business. Unrecognised deferred tax assets arising from temporary differences and tax losses were disclosed up to 31 December 2014.

Subsequent to the segregation of businesses, from 1 January 2015, the company recognised deferred tax assets up to the deferred tax liabilities arising from the life business. Unrecognised deferred tax assets are disclosed under Note 44.3

44.2 Analysis of recognised deferred tax assets / liabilities

As at 31 December	2015	
	Temporary Difference	Tax effect
Rs. '000		
Deferred tax assets		
Employee benefits	(100,199)	(28,056)
Staff bonus provisions	(87,018)	(24,365)
Carry forward tax losses	(288,875)	(80,885)
	(476,092)	(133,306)
Deferred tax liability		
Property, plant and equipment	362,761	101,573
Intangible assets	35,325	9,891
Available-for-sale financial assets	78,006	21,842
	476,092	133,306
Net recognised deferred tax assets / liabilities	-	-

Notes to the Financial Statements

44.3 Unrecognised deferred tax assets / liabilities

As at 31 December		2015		2014	
		Temporary Difference	Tax effect	Temporary Difference	Tax effect
Rs. '000	Note				
Deferred tax assets					
Employee benefits		-	-	(90,437)	(25,323)
Staff bonus provisions		-	-	(91,776)	(25,697)
Carry forward tax losses	44.4	(3,478,396)	(973,951)	(3,365,141)	(942,239)
		(3,478,396)	(973,951)	(3,547,354)	(993,259)
Deferred tax liability					
Property, plant and equipment		-	-	378,623	106,014
Available-for-sale financial assets		-	-	342,743	95,968
		-	-	721,366	201,982
Net unrecognised deferred tax assets		(3,478,396)	(973,951)	(2,825,988)	(791,277)

44.4 Carry forward tax losses

Tax losses as at the reporting date was Rs. 3,767 million which gave rise to deferred tax asset of Rs.1,055 million. However, deferred tax asset arising from tax losses as at the reporting date has been recognised only up to the extent of the tax liability due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilised. Accordingly, the unrecognised deferred tax asset as at the reporting date was Rs. 974 million.

44.5 Potential impact of income tax rate change

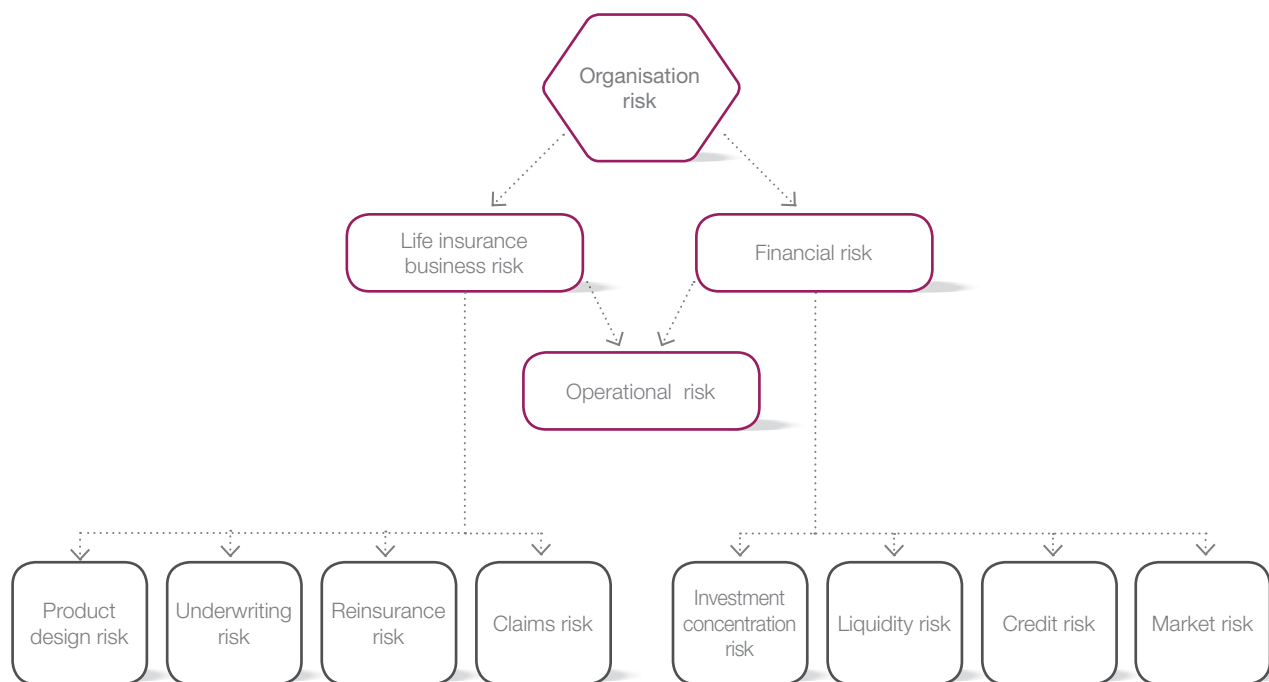
A change in the Income tax rate for the Sri Lankan insurance sector from 28% to 30% has been recommended by the Government Budget for 2016 which was approved by Parliament on 19 December 2015. Since the new tax rate of 30% had not been published through a gazette as at the reporting date, the new rate was not substantially enacted as at that date. Accordingly the company has not provided for the potential changes to deferred taxation rate of 28% in the financial statements for the year ended 31 December 2015. The potential impact on the deferred tax due to the potential income tax rate change is shown below.

44.5 (a) Deferred tax assets / liabilities

As at 31 December	2015
Rs. '000	
Deferred tax assets	
Balance as at 1 January	-
Deferred tax assets recognised in income statement	(140,549)
Deferred tax assets recognised in statement of profit or loss and other comprehensive income	(2,279)
Balance as at 31 December	(142,828)
Deferred tax liabilities	
Balance as at 1 January	-
Deferred tax liabilities recognised in income statement	110,254
Deferred tax liabilities recognised in statement of profit or loss and other comprehensive income	32,574
Balance as at 31 December	142,828
Net deferred tax assets / liabilities	-

45 Financial Risk Management

It is of paramount importance that the management identify the uncertainties that hinder achievement of financial objectives of the company and implement effective mitigating strategies to safeguard the financial expectations of the stakeholders. The following diagram graphically presents the risks that the company considers in Risk Management. This note presents information about the company's exposure to each of the stated risks, the company's objectives, policies and processes for measuring and managing such risks.



Risk Management Framework

Primary objective of the company's business and financial risk management framework is to protect the company's shareholders from events that could hinder the sustainable delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the company's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses.

The company's Board of Directors (the Board) has overall responsibility for the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risk faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits.

The Board has delegated the responsibility to design, implement and monitor the risk management plan to the Risk Committee comprising the senior management. The management ensures effective management of risk through continuous and regular measurement and reports the company's risk management performance to the Board Audit and Compliance Committee (BACC) which in turn updates the Board.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial risk management can be qualitative and quantitative. As a specialisation of risk management, financial risk management focuses on when and how to use financial instruments to hedge / manage costly exposures.

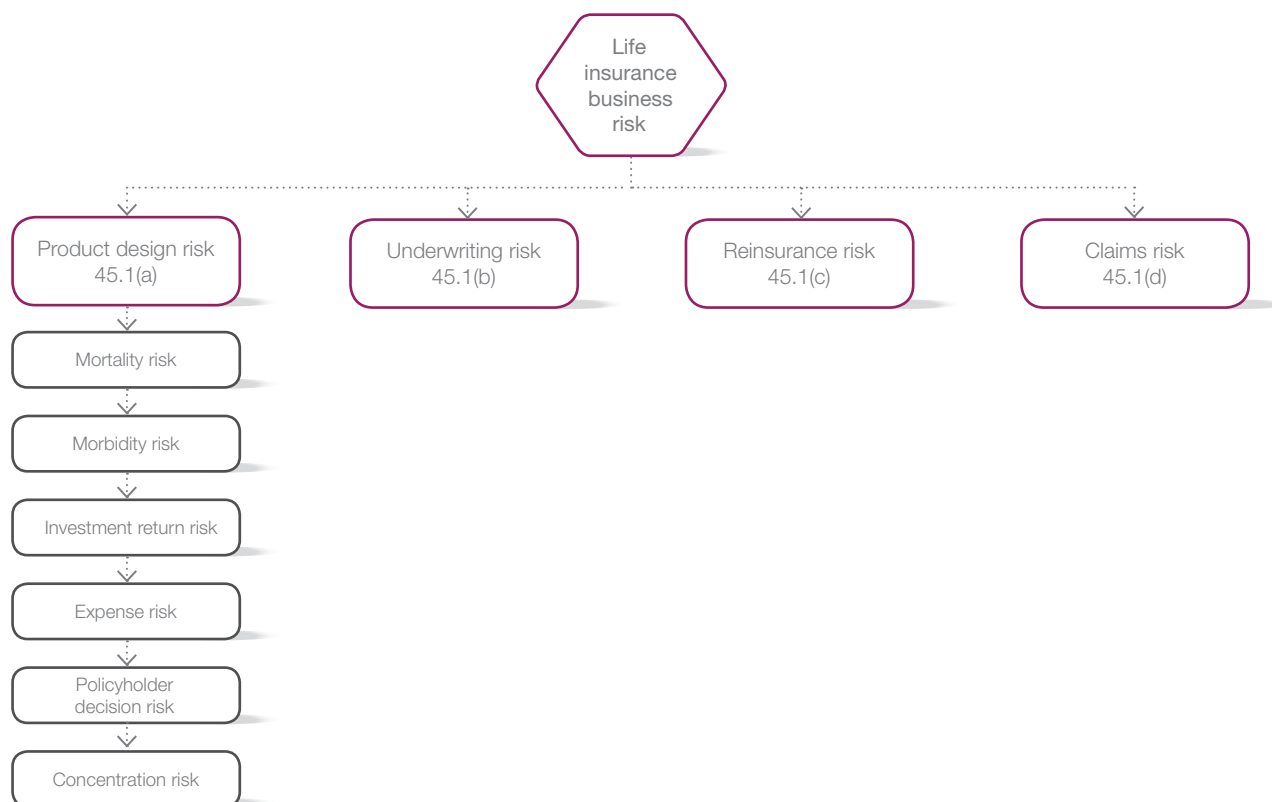
Notes to the Financial Statements

Regulatory Framework

The Insurance Board of Sri Lanka (IBSL) safeguards policyholders through supervisory control of insurance companies in line with the regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. All insurance companies need to comply with rules with respect to the solvency position and the determination requirements to ensure the company maintains appropriate level of admissible and approved investments in excess of liabilities to meet risks arising from unforeseen events. Further the company is in compliance with the Risk Based Capital (RBC) requirement as per IBSL. The company has adequate Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk based Capital Required (RCR).

The operations of the company are also subject to oversight by various other regulators such as the Securities and Exchange Commission of Sri Lanka (SEC), the Colombo Stock Exchange (CSE), the Central Bank of Sri Lanka (CBSL), the Department of Inland Revenue etc. The company is also regulated by the Companies Act No. 07 of 2007.

45.1 Business Risk



The company being in the insurance industry, life insurance business risk is the risk that the company is exposed to as a result of the insurance contracts undertaken. Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Risk Response

The objective of the company is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by;

- Diversification across a large portfolio of insurance contracts and geographical areas.
- Careful selection and implementation of underwriting guidelines.
- The use of reinsurance arrangements.

Risk management procedures adopted by the company to manage insurance risk is given on pages 204 to 214.

Business risk - Life insurance risk

Traditional Life insurance

Life insurance is a contractual agreement between a policyholder and a life insurance company. Policyholders agree to make premium payments to the company, and the company agrees to pay beneficiaries a sum of money if the policyholder dies or an insured event occurred.

Traditional life insurance products include protection and annuity covers. Protection products carry product designing, underwriting, claims and re-insurance risk.

45.1 (a) Product design risk

Life insurance product design is largely depending on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable product to the market due to inappropriate use of assumptions or judgments. The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders' death experience being different from expected	Use of standard mortality tables which are used by the industry.
Morbidity risk	Risk of loss arising due to policyholders' health experience being different from expected	Assumptions are based on standard industry tables, adjustments made when appropriate to reflect the company's own risk experience
Investment return risk	Risk of loss arising from actual returns being different from expected	The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy
Expense risk	Risk of loss arising from the expense experience being different from expected	Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses
Policyholder decision risk (persistency)	Risk of loss arising due to policyholders' experiences (lapses and surrenders) being different from expected	Lapses and surrender rates are projected according to the company's past experience.
Concentration risk	Risk of losses due to maintaining inadequate product portfolio.	Market analysis is performed and comparison of expected product features with existing product portfolio.

Overall risk mitigation approach in traditional life insurance

Unit linked products have been introduced as a method of mitigating overall risk of life insurance business.

Unit linked products

Unit linked products have been designed in order to reduce much of the market and credit risks associated with traditional products. It is a type of insurance vehicle in which the policyholder purchases units at their net asset values and also makes contributions toward another investment vehicle. Unit linked insurance plans allow for the coverage of an insurance policy.

Under unit linked contracts, risks are largely passed on to the policyholder, although a portion of the company's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease.

Unit linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are minimised by explicit mortality and morbidity charges.

Notes to the Financial Statements

Participating Fund vs Non-Participating Fund

The following table shows the concentration of the Participating and Non-Participating funds position of the company.

Type of contract	2015		2014	
	Rs. '000	%	Rs. '000	%
Participating	7,143,864	30	7,160,897	35
Non Participating	16,398,104	70	13,148,068	65
Total traditional life insurance	23,541,968	100	20,308,965	100
Non unit fund of linked insurance	189,270		126,911	
Value of insurance liabilities	23,731,238		20,435,876	

The table below presents the sensitivity of the value of insurance liabilities to movements in the key assumptions used in the estimation of insurance liabilities with other assumptions held constant. For liabilities under life insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No adjustments were required in 2015 or 2014, based on the results of the liability adequacy test.

Assumption	Change in assumptions (%)	Impact on liabilities (%)	Impact on liabilities (Rs. '000)
Mortality	+10	0.43	100,062
	(10)	(0.42)	(96,706)

45.1 (b) Underwriting risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums.

Risk response

- Validation of policy holder data before underwriting. Accordingly policyholder undergoes a medical test at company's expense.
- Appropriate training is provided to insurance advisers.
- Use of common pricing policy.

45.1 (c) Reinsurance risk

Notwithstanding the advantages reinsurance provides insurers, it can expose them, at varying degrees, to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- Residual insurance risk may arise from discrepancies between reinsurance needs and the actual coverage provided for in the contract, resulting in the insurer retaining greater risk than anticipated.
- Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced;
- Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.
- Liquidity risk may arise from the possible lag time between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.
- Operational risk may result from inadequate contractual arrangements or from insufficient technological or administrative capacity to manage and collect sums owed by reinsurers

Risk Response

- Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka.
- Management assesses the creditworthiness of reinsurers on a regular basis to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

The company reinsures 5% - 6% of gross written premium.

	2015		2014	
	Rs. '000	%	Rs. '000	%
Gross Written premium	6,964,390		5,945,499	
Reinsurance	(364,182)	5	(328,064)	6
Net Written Premium	6,600,208		5,617,435	

Company has recovered 6% of gross claims from reinsurers during the period under review.

	2015		2014	
	Rs. '000	%	Rs. '000	%
Gross claims	1,542,972		1,326,361	
Claims recovered from reinsurers	(94,644)	6	(88,403)	7
Net claims	1,448,328		1,237,958	

45.1 (d) Claim risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk Response

- Obtaining adequate reinsurance cover.
- Adequate information is gathered to confirm the event occurred prior to processing the claim.
- In-house actuarial department closely monitors claim reserves.

45.2 Financial Risk

Financial risk is the probability of loss inherent in financing methods which may impair the ability to provide adequate returns. The company is exposed to a range of financial risk through;

- Financial assets
- Financial liabilities

Financial risk can be categorised as follows;



Notes to the Financial Statements

45.2 (a) Investment Concentration Risk

Investment Concentration Risk is the risk that an investor will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security. It may also be defined as the risk of loss due to overexposure to one investment, asset class, risk factor, etc.

Risk response

- The Investment Committee (IC) sets an overall asset allocation target at the start of the year. The decision is based on a number of factors including an analysis of the macroeconomic environment, regulatory requirements, liquidity position and return expectations during the plan period.
- The Investment Committee sets sectorial asset allocation limits for equity investments as well as related party exposure limits.
- The company limits the maximum cash amount that can be deposited with a single counterparty.

The above is based on the approved investment policy of the company.

Investment concentration related to financial investments is given below;

As at 31 December	2015		2014	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	16,196,154	67	13,659,887	64
Corporate debt securities	5,833,737	24	5,914,136	28
Fixed deposits	501,023	2	459,962	2
Investment in quoted equity	1,473,814	7	1,386,071	6
Total	24,004,728	100	21,420,056	100

Government securities and related institutions

This includes investments made in treasury bills, treasury bonds, and reverse repurchase agreements.

Corporate debt securities

The company has predominantly invested in Banking, finance and insurance sector for which the company believes credit risk and market risk is low.

As at 31 December	2015		2014	
	Rs. '000	%	Rs. '000	%
Banking, Finance and Insurance	5,382,041	92	5,229,141	88
Beverage, Food and Tobacco	138,515	2	139,121	2
Diversified Holdings	221,441	4	226,538	4
Manufacturing	91,740	2	140,413	2
Other	-	-	178,923	4
Total	5,833,737	100	5,914,136	100

Fixed deposits

This includes investments made in fixed deposits issued by DFCC.

Investment in quoted equity

Considering the market return and risk, the company has predominantly invested in Banking, Finance and Insurance sector and regularly reviews market risk of the portfolio to assess adequacy of the diversification.

As at 31 December Sector	2015		2014	
	Rs. '000	%	Rs. '000	%
Banking, Finance and Insurance	988,716	67	861,583	62
Beverage, Food and Tobacco	155,580	11	75,150	6
Diversified Holdings	49,854	3	54,329	4
Manufacturing	205,496	14	306,331	22
Construction and Engineering	35,776	2	46,002	3
Motors	13,579	1	14,031	1
Hotels and Travels	24,813	2	28,645	2
Total	1,473,814	100	1,386,071	100

45.2.(b) Liquidity Risk

Liquidity risk is the risk that the company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

Risk Response

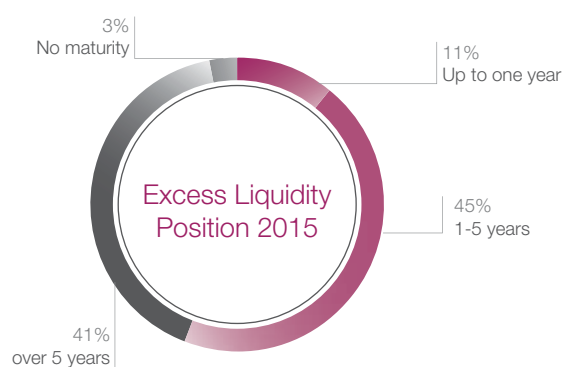
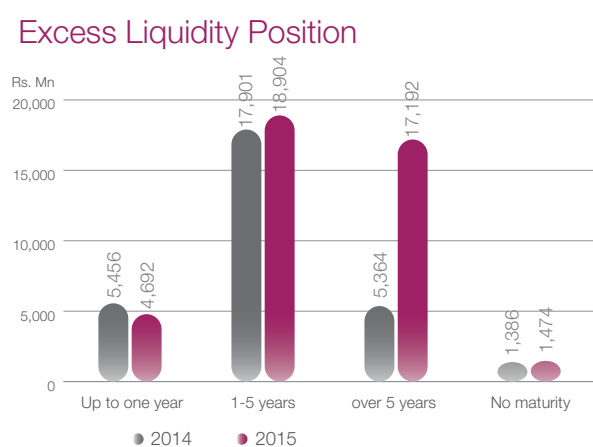
- The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.
- Availability of stand by overdraft facility to be used only in the event of an emergency.
- Reviewing the maturity mix of the investment portfolio by the management and the investment committee on a regular basis.
- Maintaining sufficient cash balances, overnight investments and other short tenure investment to accommodate expected obligations and commitment of the company.

Excess liquidity position of the company is given below;

	2015		2014	
	Rs. '000	%	Rs. '000	%
Up to one year	4,691,536	11	5,455,725	17
1 - 5 Years	18,904,085	45	17,900,677	60
Over 5 years	17,191,752	41	5,364,430	18
No maturity	1,473,814	3	1,386,071	5
	42,261,187	100	30,106,903	100

Notes to the Financial Statements

Excess Liquidity Position



For reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit linked liabilities are repayable or transferable on demand and are included as 'current' repayments.

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities based on remaining undiscounted contractual obligations, including interest payable and receivable.

As at December 2015 Rs. '000	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	13,600,906	-	2,050,776	11,208,872	15,112,078	28,371,726
Loans and receivables	1,888,987	-	1,384,578	710,340	-	2,094,918
Available for sale	7,041,021	-	1,175,198	6,586,457	1,932,824	9,694,479
Fair value through profit or loss	1,473,814	1,473,814	-	-	-	1,473,814
Life policyholder loans	741,852	-	224,967	386,501	130,384	741,852
Reinsurance receivable	149,772	-	121,391	11,915	16,466	149,772
Premiums receivable	203,722	-	203,722	-	-	203,722
Cash and cash equivalents	326,012	-	326,012	-	-	326,012
Total undiscounted assets	25,426,086	1,473,814	5,486,644	18,904,085	17,191,752	43,056,295
Financial liabilities						
Reinsurance payable	213,855	-	213,855	-	-	213,855
Other financial liabilities	462,301	-	462,301	-	-	462,301
Bank overdraft	118,952	-	118,952	-	-	118,952
Total undiscounted liabilities	795,108	-	795,108	-	-	795,108
Total excess liquidity	24,630,978	1,473,814	4,691,536	18,904,085	17,191,752	42,261,187

As at December 2014 Rs. '000	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	10,749,495	-	2,299,135	10,476,048	4,309,303	17,084,486
Loans and receivables	2,250,619	-	1,473,307	1,092,053		2,565,360
Available for sale	7,033,871	-	1,686,879	6,004,091	928,397	8,619,367
Fair value through profit or loss	1,386,071	1,386,071	-	-	-	1,386,071
Life policyholder loans	660,744	-	229,684	311,267	119,793	660,744
Reinsurance receivable	67,536	-	43,381	17,218	6,937	67,536
Premiums receivable	159,117	-	159,117	-	-	159,117
Cash and cash equivalents	196,429	-	196,429	-	-	196,429
Total undiscounted assets	22,503,882	1,386,071	6,087,932	17,900,677	5,364,430	30,739,110
Financial liabilities						
Reinsurance payable	150,784	-	150,784	-	-	150,784
Other financial liabilities	415,406	-	415,406	-	-	415,406
Bank overdraft	66,017	-	66,017	-	-	66,017
Total undiscounted liabilities	632,207	-	632,207	-	-	632,207
Total excess liquidity	21,871,675	1,386,071	5,455,725	17,900,677	5,364,430	30,106,903

The table below sets out the availability of the company's financial assets to support future funding.

Unencumbered As at 31 December Rs.'000	2015			2014		
	Restricted as collateral	Available as collateral	Total	Restricted as collateral	Available as collateral	Total
Held to maturity	13,600,906	-	13,600,906	10,749,495	-	10,749,495
Loans and receivables	1,400,988	487,999	1,888,987	1,839,497	411,122	2,250,619
Available for sale	6,374,473	666,548	7,041,021	5,970,676	1,063,195	7,033,871
Fair value through profit or loss	4,010,020	-	4,010,020	4,004,993	-	4,004,993
Life policyholders loans	741,852	-	741,852	660,744	-	660,744
Reinsurance receivable	149,772	-	149,772	67,536	-	67,536
Premiums receivable	203,722	-	203,722	159,117	-	159,117
Other financial assets	192,995	204,333	397,328	88,310	258,824	347,134
Cash and cash equivalents	316,407	9,605	326,012	189,227	7,202	196,429
Total	26,991,135	1,368,485	28,359,620	23,729,595	1,740,343	25,469,938

Assets restricted as collateral represents the assets owned by the policyholders of the company.

Financial assets pledged as collateral

There were no financial assets pledged as collateral during the year ended 31 December 2015.

Notes to the Financial Statements

45.2 (c) Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations. The company's exposure to credit risk is derived from the following main categories of assets.

- Financial investment
- Loans to life policy holders
- Reinsurance receivables
- Premium receivables
- Cash in hand and at bank

Analysis of maximum credit exposure is given below.

Risk element	2015		2014	
	Rs. '000	%	Rs. '000	%
Financial investments	22,530,914	94	20,033,985	95
Loans to life policyholders	741,852	3	660,744	3
Reinsurance receivables	149,772	1	67,536	-
Premium receivables	203,722	1	159,117	1
Cash in hand and at bank	326,012	1	196,429	1
	23,952,272	100	21,117,811	100

Credit risk related to Financial investments

The company is exposed to credit risk from counterparties where the company holds securities issued by those entities.

Risk Response

- The company's investment policy prohibits non-graded investments, unless specifically authorised.
- Appropriate actions are being implemented when the company identifies investments are expected to be downgraded.
- The company identifies and selectively reduces unsecured and subordinated credit exposure issued by banks with weak credit profiles.
- Structured finance exposures are assessed on a look-through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

The company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk from financial investments is shown below.

As at 31 December	2015		2014	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	16,196,154	72	13,659,887	68
Corporate debt securities	5,833,737	26	5,914,136	30
Fixed deposits	501,023	2	459,962	2
Total	22,530,914	100	20,033,985	100

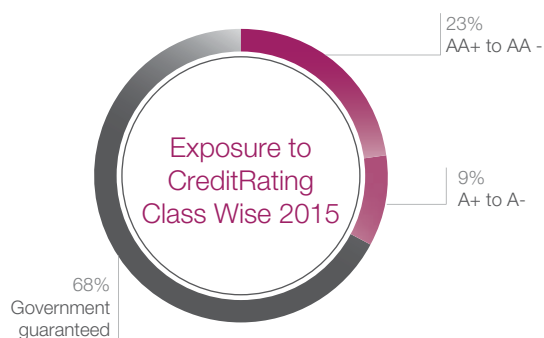
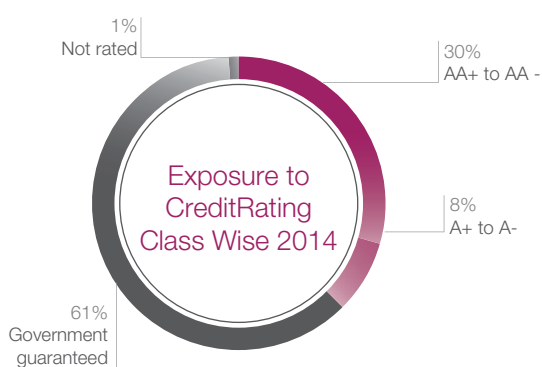
The tables below set out information about credit quality of financial investments (government securities and corporate debt securities).

As at 31 December 2015 Rs. '000	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk carrying amount	13,600,906	1,888,987	7,041,021	-	22,530,914	-
Neither past due nor impaired						
AAA (Fitch)	-	203	-	-	203	-
AA+ to AA- (Fitch)	1,174,522	1,778,579	2,158,347	-	5,111,448	23
A+ to A- (Fitch)	265,206	59,823	1,730,134	-	2,055,163	9
A+ to A- (ICRA)	-	-	99,078	-	99,078	-
BBB+ to BBB- (Fitch)	-	50,382	21,350	-	71,732	-
Government guaranteed	12,161,178	-	3,032,112	-	15,193,290	68
Not rated	-	-	-	-	-	-
Total	13,600,906	1,888,987	7,041,021	-	22,530,914	100

Past due but not impaired	Nil	Nil	Nil	Nil	Nil	Nil
Impaired	Nil	Nil	Nil	Nil	Nil	Nil

As at 31 December 2014 Rs. '000	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk carrying amount	10,749,495	2,250,619	7,033,871	-	20,033,985	-
Neither past due nor impaired						
AAA (Fitch)	-	1,167	-	-	1,167	-
AA+ to AA- (Fitch)	1,347,371	2,249,452	2,365,031	-	5,961,854	30
A+ to A- (Fitch)	209,452	-	1,305,773	-	1,515,225	8
BBB+ to BBB- (Fitch)	-	-	22,486	-	22,486	-
Government guaranteed	9,013,749	-	3,340,581	-	12,354,330	61
Not rated	178,923	-	-	-	178,923	1
Total	10,749,495	2,250,619	7,033,871	-	20,033,985	100

Past due but not impaired	Nil	Nil	Nil	Nil	Nil	Nil
Impaired	Nil	Nil	Nil	Nil	Nil	Nil



Notes to the Financial Statements

Collateral of debt securities

Reverse repo investments which fall under government securities is backed by Treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. A haircut of 10% is maintained at all times. As at the reporting date, the company held Treasury bonds and Treasury bills worth Rs 1.06 billion as collateral for reverse repo investments amounting to Rs. 1.00 billion.

Credit risk related to policy loans

Financial losses could arise due to non-settlement of loans obtained by policy holders.

Risk response

- Policy loans are collateralised by the surrender value of the policy.
- System controls are in place to automatically convert a policy to lapse stage when the policy loan amount together with the interest is reaching the surrender value of the policy.

Analysis of maximum exposure to credit risk related to life policyholder loans can be summarised as follows.

As at 31 December Rs.'000	2015	2014
Maximum exposure to credit risk	741,852	660,744
Neither past due nor impaired		
Past due but not impaired	54,043	44,711
61- 90 days	22,677	17,279
91-180 days	56,629	56,854
181 days +	608,503	541,900
Total	741,852	660,744
Impaired	Nil	Nil
Total	741,852	660,744

A loan issued by the company considers the surrender value of the life policy as collateral. As at the reporting date, the value of policy loans granted amounted to Rs.742 million (2014 - 661 million) and its related surrender value is Rs. 1,252 million (2014 – 1,093 million).

Credit risk related to reinsurance assets

This is the risk of reinsurers failing to fulfil their financial obligations towards the company.

Risk Response

- The company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used and applying strict limits to each reinsurer.
- Regular review of creditworthiness of reinsurers.

Reinsurance receivables amount to Rs. 150 million (2014 - Rs. 68 million) mainly consisting of receivable on paid claims amounting to Rs. 90 million (2014 - Rs. 41 million) and reinsurance share of claims (reserve receivables on outstanding claims) amounting to Rs. 60 million (2014 - Rs. 26 million).

As at 31December	2015		2014	
	Rs.'000	%	Rs.'000	%
Maximum exposure to credit risk	149,772		67,536	
Receivables on paid claims	89,659	60	41,207	61
Receivables on reinsurance share of claims	60,113	40	26,329	39
Total reinsurance receivables	149,772	100	67,536	100

As at 31 December 2015, 100% (2014 - 100%) of our reinsurance receivables was due from reinsurers with a rating of "A+" or better. There were no collateral against reinsurance receivables as at reporting date.

As at 31December		2015			2014		
Reinsurers	Rating Agency	Rating	Reinsurance receivables	%	Rating	Reinsurance receivables	%
Munich Reinsurance Company	Standard & Poor's	AA-	129,003	86	AA-	62,821	93
Hannover Reinsurance Company	Standard & Poor's	AA-	16,769	11	AA-	4,715	7
Partner Reinsurance Company	Standard & Poor's	A+	4,000	3	A+	-	-
Total			149,772	100		67,536	100

Credit risk related to premium receivables

Premiums receivables consist of premium receivable from intermediaries that create the risk of financial losses due to non-settlement of dues or taking substantial time to settle dues.

Risk Response

- Only designated institutions are employed as intermediary parties.
- Agreements have been signed with the intermediaries committing them to settle dues within a specified time period.

Maximum exposure to credit risk related to premium receivables as at 31 December 2015 is Rs. 204 million (2014 - Rs. 159 million). Following table provides an age analysis of premium receivables.

Rs. '000	2015	2014
Maximum exposure to credit risk	203,722	159,117
Neither past due nor impaired		
0 - 30 days	203,722	159,117
Pass due but not impaired	Nil	Nil
Total	203,722	159,117

Notes to the Financial Statements

Credit risk related to cash at bank

Risk Response

- The company maintains an authorised list of acceptable bank counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

The company manages credit risk by maintaining its deposits with various banking institutions with quality credit ratings. A list of such banking partners is provided in below table. Majority i.e 68% of funds are deposited in banking institutions backed by government of Sri Lanka.

Bank	2015		2014	
	Amount Rs. '000	%	Amount Rs. '000	%
Bank of Ceylon	220,551	68.24	131,170	67.70
Commercial Bank of Ceylon PLC	16,697	5.17	11,643	6.01
Deutsche Bank AG	9,204	2.85	7,082	3.66
DFCC Bank PLC	651	0.20	64	0.03
HDFC Bank of Sri Lanka	1,587	0.49	148	0.08
Hatton National Bank PLC	8,281	2.56	7,109	3.67
Hong Kong and Shanghai Banking Corporation	5,042	1.56	3,523	1.82
National Development Bank PLC	884	0.27	533	0.28
National Savings Bank	5,461	1.69	8,231	4.25
Nations Trust Bank PLC	25,590	7.92	3,926	2.03
People's Bank	15,251	4.72	6,133	3.17
Sampath Bank PLC	7,241	2.24	62	0.03
Standard Chartered Bank	4,838	1.50	7,078	3.65
Seylan Bank PLC	617	0.19	561	0.29
Union Bank of Colombo PLC	1,299	0.40	6,480	3.33
Total cash at banks	323,194	100.0	193,743	100.0
Cash in hand	2,818		2,686	
Total cash in hand	2,818		2,686	
Total cash in hand and at bank	326,012		196,429	

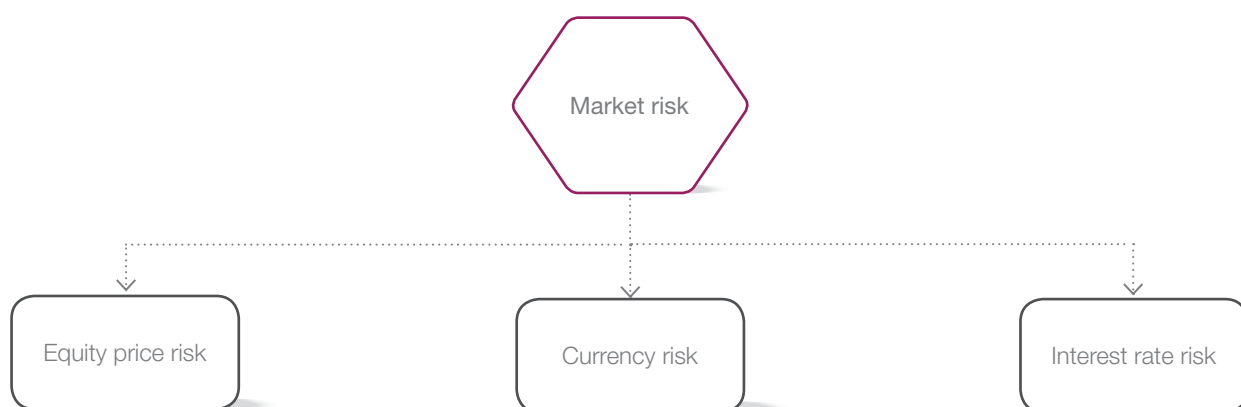
The company held cash in hand and at bank of Rs. 326 million as at 31 December 2015 (2014 - Rs. 196 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BBB or better as at 31 December 2015.

Rating	2015		2014	
	Cash in hand and at bank Rs. '000	%	Cash in hand and at bank Rs. '000	%
AAA	22,472	6.89	18,832	9.59
AA+	236,127	72.43	137,303	69.90
AA	16,697	5.12	11,643	5.93
AA-	9,548	2.93	7,706	3.92
A+	53	0.02	62	0.03
A	25,590	7.85	3,926	2.00
A-	9,821	3.01	7,643	3.89
BB+	1,299	0.40	6,480	3.30
BBB	1,587	0.49	148	0.08
Cash in hand	2,818	0.86	2,686	1.36
Total	326,012	100	196,429	100

45.2 (d) Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The company has assessed the market risk under main three categories namely;

- I. Equity price risk
- II. Currency risk
- III. Interest rate risk



Equity price risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments.

Risk Response

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance
- A model to review the market prices of certain asset classes has been developed and is referred to the Investment Committee on a monthly basis

As at 31 December 2015, the company has invested 6% in equity as shown in the table below;

Rs.'000	2015		2014	
	Value	% of allocation	Value	% of allocation
Total value of equity	1,473,814	6	1,386,071	6
Total value of investments	24,004,728		21,420,056	

Notes to the Financial Statements

The table below shows the estimated impact from a 10 percent decline in the stock markets on the portfolio with indicative comparatives.

Sensitivity of profit before tax to decline in equity prices

	2015 Rs. '000	2014 Rs. '000
Investments	(147,381)	(138,607)
Net impact on net assets	(147,381)	(138,607)

Currency Risk

Currency risk is the risk that the fair value / present value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk primarily arises when transacting with reinsurers who are outside the country.

Risk Response

- Company does not carry foreign currency dominated assets or liabilities and any such foreign payment is promptly processed.

Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates.

Risk Response

- The Investment Committee members keep a regular track of macroeconomic scenarios and their likely impact on interest rates.
- Initial recognition of investments is closely monitored.
- Floating rate instruments expose the company to cash flow fluctuations, whereas fixed interest rate instruments expose the company to changes in fair values.

The following provides details of the quantum of investment exposed to fluctuations in fair values. No instrument exposed to fluctuations in cash flows as the company does not hold any instrument with variable interest rates.

Instruments Rs.'000	2015			2014		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Government securities	16,196,154	-	-	13,659,887	-	-
Corporate debts	5,833,737	-	-	5,914,136	-	-
Fixed deposits	501,023	-	-	459,962	-	-
Equity instruments	-	-	1,473,814	-	-	1,386,071
Total	22,530,914	-	1,473,814	20,033,985	-	1,386,071

The table below shows the estimated impact on profitability and equity due to fluctuation of interest rates on the corporate debt securities classified as available for sale financial assets which is exposed to fair value changes.

Sensitivity of change in interest rates

	2015		2014	
	Impact on profit before tax Rs. '000	%	Impact on profit before tax Rs. '000	%
(+) 100 basis points	(68,191)	(2)	(58,094)	(2)
(-)100 basis points	139,749	5	79,272	2

Company's life insurance liability is sensitive to discounting rate as follows.

Assumption	Change in assumptions	Impact on liabilities (%)	Impact on liabilities (Rs 000')
Discount rate	+50 basis points	(1.14)	263,370
	-50 basis points	1.21	(277,982)

45.3 Operational Risk

Risk stemming from inadequate or failed internal processes, people and systems, or from external events. The Board of Directors has delegated responsibility for operational risk to its Risk owners and managers who are responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall company standards for the management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance, where this is cost effective.
- Compliance with company standard, policies and procedures is supported by a programme of periodic reviews undertaken by internal audit.
- The results of internal audit reviews are discussed with the Risk Committee, with summaries submitted to the BACC and the Board.

Notes to the Financial Statements

46 Capital Management

For the purpose of the company's capital management, capital includes stated capital, reserves and retained earnings. The primary objectives of the company's capital management are to maximise shareholder returns and share price appreciation and sustain financial stability and financial strength.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and regulatory requirements (e.g. Risk Based Capital). To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company monitors capital using the Risk Based Capital method.

In terms of using the capital, the company engages in the following value adding processes in order to provide the desired output to its varied stakeholders, while maintaining the right balance of Risk Base Capital required.

- Providing financial security to citizens (Underwriting process)
- Management of overall business operations
- Prudent investments and risk management
- Delivering the benefits and claims assured

The company has adequate Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk-Based Capital Required (RCR).

47 Fair Value of Financial Instruments

Refer Note 6 for the Accounting Policy.

This note explains the methodology for valuing our financial assets and liabilities and provides an analysis of these according to the 'fair value hierarchy'.

47.1 Valuation models

The determination of fair value for financial assets and financial liabilities for which there is no observable market price, requires the use of valuation techniques as described in Note 6. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

47.2 Valuation framework

The company has established a control framework with respect to the measurement of fair values of investments. The investment committee has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include;

- Verification of observable pricing
- Re-performance of model valuations
- Quarterly calibration and back-testing of models against observed market transactions
- Analysis and investigation of significant daily valuation movements

When third party information, such as broker quotes or pricing services, are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

47.3 Financial Instruments - Accounting classification

The following table provides the analysis of financial assets and liabilities according to its accounting classification.

As at 31 December		2015					
		Fair value through profit or loss		Held to maturity	Loans and receivables	Available for sale	Other financial liabilities
Carrying amount		Held for trading	Designated as FVTPL				
Rs'000	Note						
Financial assets measured at fair value							
Quoted debentures	30.6 / 30.5	-	25,603	-	-	4,008,909	- 4,034,512
Treasury bonds	30.6 / 30.5	-	32,614	-	-	2,870,928	- 2,903,542
Treasury bills	30.6 / 30.5	-	215,316	-	-	161,184	- 376,500
Quoted equities	30.6	1,473,814	2,022,719	-	-	-	- 3,496,533
Bank deposits	30.6	-	10,064	-	-	-	- 10,064
Reverse repurchase agreements	30.6	-	229,890	-	-	-	- 229,890
		1,473,814	2,536,206	-	-	7,041,021	- 11,051,041
Financial assets not measured at fair value							
Quoted debentures	30.3	-	-	1,439,728	-	-	- 1,439,728
Treasury bonds	30.3	-	-	12,161,178	-	-	- 12,161,178
Bank deposits	30.4	-	-	-	501,023	-	- 501,023
Unquoted debentures	30.4	-	-	-	385,100	-	- 385,100
Reverse repurchase agreements	30.4	-	-	-	1,002,864	-	- 1,002,864
Loans to life policyholders	31	-	-	-	741,852	-	- 741,852
Reinsurance receivables	32	-	-	-	149,772	-	- 149,772
Premium receivables	33	-	-	-	203,722	-	- 203,722
Receivables and other assets	34	-	-	-	397,328	-	- 397,328
Cash in hand and at bank	35	-	-	-	326,012	-	- 326,012
		-	-	13,600,906	3,707,673	-	- 17,308,579
Financial liabilities not measured at fair value							
Reinsurance payables	42	-	-	-	-	-	213,855 213,855
Other financial liabilities	43	-	-	-	-	-	462,301 462,301
Bank overdraft	35	-	-	-	-	-	118,952 118,952
		-	-	-	-	-	795,108 795,108

Notes to the Financial Statements

As at 31 December

2014

Carrying amount	Note	Fair value through profit or loss		Held to maturity	Loans and receivables	Available for sale	Other financial liabilities	Total
		Held for trading	Designated as FVTPL					
		Rs'000						
Financial assets measured at fair value								
Quoted debentures	30.6 / 30.5	-	26,543	-	-	3,693,290	-	3,719,833
Treasury bonds	30.5	-	-	-	-	3,293,139	-	3,293,139
Treasury bills	30.6 / 30.5	-	114,382	-	-	47,442	-	161,824
Quoted equities	30.6	1,386,071	2,233,992	-	-	-	-	3,620,063
Reverse repurchase agreements	30.6	-	244,005	-	-	-	-	244,005
		1,386,071	2,618,922	-	-	7,033,871	-	11,038,864
Financial assets not measured at fair values								
Quoted debentures	30.3	-	-	1,735,746	-	-	-	1,735,746
Treasury bonds	30.3	-	-	9,013,749	-	-	-	9,013,749
Bank deposits	30.4	-	-	-	459,962	-	-	459,962
Unquoted debentures	30.4	-	-	-	485,100	-	-	485,100
Reverse repurchase agreements	30.4	-	-	-	1,305,557	-	-	1,305,557
Loans to life policyholders	31	-	-	-	660,744	-	-	660,744
Reinsurance receivables	32	-	-	-	67,536	-	-	67,536
Premium receivables	33	-	-	-	159,117	-	-	159,117
Receivables and other assets	34	-	-	-	347,134	-	-	347,134
Cash in hand and at bank	35	-	-	-	196,429	-	-	196,429
		-	-	10,749,495	3,681,579	-	-	14,431,074
Financial liabilities not measured at fair value								
Reinsurance payables	42	-	-	-	-	-	150,784	150,784
Other financial liabilities	43	-	-	-	-	-	415,406	415,406
Bank overdraft	35	-	-	-	-	-	66,017	66,017
		-	-	-	-	-	632,207	632,207

47.4 Financial assets measured at fair value

The following table analyses financial assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. Whenever available, quoted prices in active markets are obtained for identical assets at the reporting date to measure fixed maturity securities at fair value in trading and available for sale portfolios. Market price data is generally obtained from dealer markets.

As at 31 December	Note	Fair value hierarchy							
		2015				2014			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:									
Financial assets held for trading:									
Equity securities	30.6	1,473,814	-	-	1,473,814	1,386,071	-	-	1,386,071
Designated at fair value through profit or loss:									
Investments for the benefit of Life insurance policyholders who bear the investment risk									
Equity securities	30.6	2,022,719	-	-	2,022,719	2,233,992	-	-	2,233,992
Debt securities	30.6	-	255,493	-	255,493	-	270,548	-	270,548
Government securities	30.6	247,930	-	-	247,930	114,382	-	-	114,382
Fixed deposits	30.6	-	10,064	-	10,064	-	-	-	-
		3,744,463	265,557	-	4,010,020	3,734,445	270,548	-	4,004,993
Available for sale financial assets:									
Quoted debentures	30.5	1,757,259	2,251,650	-	4,008,909	3,693,290	-	-	3,693,290
Treasury bonds	30.5	2,870,928	-	-	2,870,928	3,293,139	-	-	3,293,139
Treasury bills	30.5	161,184	-	-	161,184	47,442	-	-	47,442
		4,789,371	2,251,650	-	7,041,021	7,033,871	-	-	7,033,871
Total of fair values of financial assets carried at fair value		8,533,834	2,517,207	-	11,051,041	10,768,316	270,548	-	11,038,864

47.5 Transfer between levels

Quoted debentures amounting to Rs 2.25 billion was transferred from level 1 to level 2 during the year since there is no active market for those debentures. Valuation techniques have been used to value the debentures. The valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

There were no transfers from Level 2 to Level 1.

There were no transfers in either direction in 2014.

Notes to the Financial Statements

47.6 Financial assets and liabilities not measured at fair value

Financial assets and liabilities of which value approximates carrying value

The following financial assets and liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.

Financial Assets	Financial Liabilities
Reinsurance receivables	Reinsurance payable
Premium receivables	Other financial liabilities
Receivables and other assets	Bank overdraft
Cash in hand	

The fair values of these financial assets and financial liabilities are disclosed along with the respective notes to the financial assets and liabilities.

Fixed rate financial instruments

The fair value of fixed rate financial investments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on observable market inputs.

Table below analyses the fair value of financial investments in to their levels in fair value hierarchy which are carried at amortised cost.

As at 31 December	Fair value hierarchy									
	2015					2014				
Rs'000	Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
Held to maturity financial assets										
Quoted debentures	1,439,728	58,420	1,515,643	-	1,574,063	1,735,746	1,766,162	-	-	1,766,162
Treasury bonds	12,161,178	12,493,061	-	-	12,493,061	9,013,749	10,273,874	-	-	10,273,874
	13,600,906	12,551,481	1,515,643	-	14,067,124	10,749,495	12,040,036	-	-	12,040,036
Loans and receivables										
Bank deposits	501,023	-	569,250	-	569,250	459,962	-	535,281	-	535,281
Unquoted debentures	385,100	-	387,773	-	387,773	485,100	-	455,104	-	455,104
Reverse repurchase agreements	1,002,864	-	1,002,864	-	1,002,864	1,305,557	-	1,305,557	-	1,305,557
	1,888,987	-	1,959,887	-	1,959,887	2,250,619	-	2,295,942	-	2,295,942
Total of fair values of financial investments not measured at fair value	15,489,893	12,551,481	3,475,530	-	16,027,011	13,000,114	12,040,036	2,295,942	-	14,335,978

47.7 Transfer between levels

Quoted debentures amounting to Rs 1.5 billion was transferred from level 1 to level 2 during the year since there is no active market for those debentures. Valuation techniques have been used to value the debentures. The valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

48 Related Party Disclosures

The company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures. Details of related party transactions are given below.

48.1 Parent and ultimate controlling party

The company's immediate and ultimate controlling party is John Keells Holdings PLC.

48.2 Transactions with key management personnel (KMPs)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the company (including Executive and Non - Executive Directors) and selected key employees who meet the criteria for KMP.

As John Keells Holdings PLC (JKH) is the ultimate parent of the company and the Board of Directors of JKH has the authority and responsibility of planning, directing and controlling the activities of the company, the Directors of JKH have also been identified as KMP of the company.

48.2.(a) Compensation of KMPs

For the year ended 31 December Rs. '000	2015	2014
Short term employment benefits	25,339	20,772
Post employment benefits	8,315	625
Total	33,654	21,397

The short term employment benefits include only the Non Executive Directors fees and emoluments paid to the Executive Director. Where applicable such Director fees are paid directly to the companies that the Directors represent. There are no short - term, long - term, post - employment, terminal and share - based payments linked to the remuneration of the Non - Executive Directors and no ex - gratia payments were made to Directors during the year.

48.2.(b) Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. They may include KMPs' domestic partner and children, children of the KMPs' domestic partner and dependents of the KMP or the KMPs' domestic partner.

For the year ended 31 December Rs. '000	2015	2014
Insurance premium	2,225	502

The Directors of the company and their immediate relatives do not have substantial shareholdings in the company as at 31 December 2015.

Notes to the Financial Statements

48.3 Transactions with related entities

The Directors of the company are also Director / CEO of the following companies as set out below and transactions included in Note 48.4 (a) 48.4 (b) and 48.4 (c) have been carried out with such companies.

Company	Name of director	Position	Relationship	Details of financial dealings
John Keells Holdings PLC	Ajit D. Gunewardene	Deputy Chairman	John Keells Holdings PLC and its subsidiaries own 93.92% of the company's issued share capital	The company has transactions in the normal course of business with John Keells Holdings PLC, and its subsidiaries and associate companies
Keells Consultants (Pvt) Ltd	Ajit D. Gunewardene D. C. Alagaratnam	Director Director	Keells Consultants (Private) Ltd is the Secretary of Union Assurance PLC and Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with Keells Consultants (Pvt) Ltd
John Keells Office Automation (Pvt) Ltd	Ajit D. Gunewardene D. C. Alagaratnam	Director Director	Fellow Subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with John Keells Office Automation (Pvt) Ltd
John Keells Computer Services (Pvt) Ltd	Ajit D. Gunewardene	Director	Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with John Keells Computer Services (Pvt) Ltd
Asian Hotels and Properties PLC	Ajit D. Gunewardene S. Rajendra	Director Director	Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with Asian Hotels and Properties PLC
Trans Asia Hotels PLC	Ajit D. Gunewardene	Director	Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with Trans Asia Hotels PLC
Whittal Boustead (Pvt) Ltd	Ajit D. Gunewardene	Director	Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with Whittal Boustead (Pvt) Ltd
Tea Smallholder Factories PLC	Ajit D. Gunewardene	Director	Fellow subsidiary of Union Assurance PLC	The company has transactions in the normal course of business with Tea Smallholder Factories PLC
Union Assurance General Ltd	A. D. Pereira	Director	Associate company of Union Assurance PLC	The company owns 22% of the company's issued share capital and has transactions in the normal course of business
Kalutara Bodhi Trust	A. S. De Zoysa	Director	Through key management personnel	The company has transactions in the normal course of business with Kalutara Bodhi Trust
Akzo Nobel Paints Lanka (Pvt) Ltd	G. F. C. De Saram	Chief Executive Officer	Through key management personnel	The company has transactions in the normal course of business with Akzo Nobel Paints Lanka (Pvt) Ltd
Associated Electrical Corporation Ltd	A. S. De Zoysa	Director	Through key management personnel	The company has transactions in the normal course of business with Associated Electrical Corporation Ltd
SLINTEC (Pvt) Ltd	H. A. J. De Silva Wijeyeratne Ajit D. Gunewardene	Chief Executive Officer Director	Through key management personnel	The company has transactions in the normal course of business with SLINTEC (Pvt) Ltd

48.4 (a) Transactions with the parent and ultimate controlling party

As at 31 December Rs. '000	2015	2014
Statement of financial position		
Liabilities		
Other liabilities	7,498	11,441
	7,498	11,441
	Transacted amounts during the year	
For the year ended 31 December Rs. '000	2015	2014
Income Statement		
Gross written premium	2,310	27,3288
Net benefits and claims	(620)	(14,713)
Other operating and administrative expenses	(25,700)	(37,834)

48.4 (b) Transactions with / between subsidiary companies and associates of the Parent company and other related entities

As at 31 December Company Rs. '000	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	2015	2014
Statement of financial position				
Assets				
Property plant, and equipment				
Other subsidiaries and associates		Acquisition of property plant, and equipment	2,482	51,281
			2,482	51,281
Financial investments				
Nations Trust Bank PLC	Associate	Debentures	538,618	664,992
Nations Trust Bank PLC	Associate	Reverse repurchase agreement	-	56,408
Nations Trust Bank PLC	Associate	Cash and cash equivalents	25,590	3,926
			564,208	725,326
Receivables and other assets				
John Keells Residential Properties (Pvt) Ltd	Subsidiary	Advance paid for investment property	-	77,751
			-	77,751
Other liabilities				
Other subsidiaries and associates		Payment for shared services	796	292
			796	292

Notes to the Financial Statements

Company	Relationship with John Keells Holdings PLC		Transaction amount during the year	
	Investment / Nature of transaction		2015 Rs. '000	2014 Rs. '000
Income Statement				
Gross written premium				
Other subsidiaries and associates			1,573	121,493
Kalutara Bodhi Trust			-	154
Nations Trust Bank PLC	Associate		-	968
Akzo Nobel Paints Lanka (Pvt) Ltd			-	221
Associated Electrical Corporation Ltd			-	10
SLINTEC (Pvt) Ltd			-	18
			1,573	122,864
Net benefits and claims				
Other subsidiaries and associates			615	64,761
Kalutara Bodhi Trust			-	34
Nations Trust Bank PLC	Associate		-	453
			615	65,248
Investment income				
Nations Trust Bank PLC	Associate	Debentures	61,107	72,660
		Reverse repurchase agreement	6,932	5,976
			68,039	78,636
Other operating and administrative expenses				
Other subsidiaries and associates			12,100	62,234
			12,100	62,234

48.4 (c) Transactions with / between subsidiary of the company - Union Assurance General Ltd

As at 31 December Nature of transaction Rs. '000	2015	2014
Statement of financial position		
Transfer of assets and liabilities due to segregation of non life business	3,131,307	-
	3,131,307	-

48.4 (c) Transactions with / between associate of the company - Union Assurance General Ltd

For the year ended 31 December Income Statement Rs. '000	2015	2014
Gross written premium	1,432	-
Net benefits and claims	690	-
Rent Income	13,225	-
Other operating and administrative expenses	35,169	-

Other Receivables

Amounts due from Union Assurance General Ltd as at reporting date is Rs. 42 million (2014 - Nil), Refer Note 34.

49 Commitments

Refer Note 4.31 for the accounting policies.

49.1 Capital commitments

There were no significant capital commitments as at the reporting date other than the followings;

As at 31 December Rs. '000	2015	2014
Capital commitments contracted	-	19,438

49.2 Operating lease

The company leases a number of office facilities under operating leases. These leases run for one to five years, with an option to renew after the expiry period.

49.2 (a) Future minimum lease payments.

The company does not have any non cancellable operating leases as at the reporting date.

49.2 (b) Amount recognised in profit or loss

As at 31 December Rs. '000	2015	2014
Lease expenses	62,870	65,026
Contingent rent expenses	-	-

50 Events After the Reporting Date

Refer Note 4.32 for the accounting policies.

There have been no events subsequent to the reporting date, which would have any material effect on the company, other than the following;

The Board of Directors of the company has declared a first and final dividend of Rs. 8.50 per share for the financial year ended 31 December 2015.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 24 February 2016 has been audited by Messrs. KPMG.

In accordance with the LKAS 10, Events After the Reporting Period, the final dividend has not been recognised as a liability in the financial statements as at 31 December 2015.

51 Contingencies

Refer Note 4.30 for the accounting policies.

There were no significant contingent liabilities as at the reporting date other than the following;

51.1 Income tax assessment relating to years of assessment 2010/11, 2011/12 and 2012/13

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2010 / 11, assessing the life insurance business to pay an income tax liability of Rs. 13 million and the company has lodged a valid appeal against the said assessment with the tax appeals commission.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2011 / 12, assessing the life insurance business to pay an income tax liability of Rs. 475 million and the company has lodged a valid appeal against the said assessment.

Notes to the Financial Statements

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2012 / 2013, assessing the life insurance business to pay an income tax liability of Rs. 466 million along with a 50% penalty totalling to Rs. 699 million and the company has lodged a valid appeal against the said assessment.

Directors are of the view that it has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment 2010 /11, 2011/12 and 2012/13 and therefore, the above assessments have no rationale or basis in law.

51.2 The company operates in the insurance industry and is subject to legal proceedings in the normal course of business.

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the company's results and financial position. All pending litigations for claims have been evaluated and adequate provisions have been made in the financial statements.

51.3 The company is also subject to insurance solvency regulations and has complied with all solvency regulations

There are no contingencies associated with the company's compliance or lack of compliance with such regulations.

52 Comparative Information

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

53 Directors' Responsibility

The Board of Directors of the company is responsible for the preparation and presentation of these financial statements.

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Insurance Revenue Account

For the year ended 31 December Rs. '000	2015	2014
Gross written premium	6,964,390	5,945,499
Premium ceded to reinsurers	(364,182)	(328,064)
Net written premium	6,600,208	5,617,435
Policy administration fee	11,138	10,557
Net insurance benefits and claims paid	(1,448,328)	(1,237,958)
Net change in insurance claims outstanding	(24,606)	(94,864)
Underwriting and net acquisition costs (including reinsurance)	(1,289,437)	(1,115,834)
Other operating, selling and administrative expenses	(1,817,346)	(1,710,533)
Underwriting surplus	2,031,629	1,468,803
Investment and other income	2,140,769	3,149,400
Change in contract liabilities - Life fund	(3,400,673)	(3,868,203)
Income tax reversal	28,275	-
Surplus from life insurance fund	800,000	750,000
Investment and other income not attributable to policyholders	1,530,851	167,623
Expenses not attributable to policyholders	(42,205)	(36,883)
Share of results of equity accounted investee, net of tax	57,990	-
Profit from shareholders' fund	1,546,636	130,740
Profit for the year attributable to equity holders of the company	2,346,636	880,740

Life Insurance Fund

Statement of Financial Position

As at 31 December Rs. '000	Note	Page	2015	2014
Assets				
Intangible assets	1	346	59,616	66,766
Property, plant and equipment	2	346	1,523,676	1,203,934
Financial investments	3	347	25,386,387	22,564,661
Loans to life policyholders			741,852	660,744
Reinsurance receivables	4	352	149,772	67,536
Premium receivables			203,722	159,117
Receivables and other assets	5	352	475,539	474,993
Cash in hand and at bank	6	352	316,407	189,227
Total assets			28,856,971	25,386,978
Reserves and liabilities				
Reserves				
Other reserves	7	353	760,322	675,723
Total reserves			760,322	675,723
Liabilities				
Insurance contract liabilities - Life	8	353	23,731,238	20,435,876
Insurance contract liabilities - Unit Linked			2,541,221	2,618,007
Employee benefits	9	354	100,199	90,437
Reinsurance payables			213,855	150,784
Other liabilities	10	354	1,391,184	1,350,134
Bank overdraft			118,952	66,017
Total liabilities			28,096,649	24,711,255
Total reserves and liabilities			28,856,971	25,386,978

Life Insurance Fund

Statement of Cash Flows

For the year ended 31 December Rs. '000	2015	2014
Cash flows from operations		
Insurance premium received	6,919,785	5,901,361
Reinsurance premium paid	(286,105)	(257,329)
Insurance benefits and claims paid	(1,542,972)	(1,326,361)
Reinsurance claims received	94,644	88,403
Payments to intermediaries to acquire insurance contracts	(1,274,479)	(1,108,533)
Cash paid to and on behalf of employees	(794,065)	(707,382)
Interest received	1,802,456	1,747,012
Dividends received	106,416	97,393
Other operating cash flows	(1,217,735)	(1,445,790)
Cash paid to life shareholder fund	(750,000)	(612,000)
Cash generated from operating activities (Note A)	3,057,945	2,376,774
Retiring gratuity paid	(17,787)	(10,782)
Net cash from operating activities	3,040,158	2,365,992
Cash flows from investing activities		
Acquisition of investments	(52,209,669)	(49,940,367)
Maturity proceeds of investments	48,033,794	46,657,697
Proceeds from sale of investments	1,287,017	893,720
Acquisition of property, plant and equipment	(53,409)	(47,028)
Acquisition of intangible assets	(23,663)	(6,405)
Proceeds on sale of property, plant and equipment	17	-
Net cash used in investing activities	(2,965,913)	(2,442,383)
Net cash (used in) / inflow before financing activities	74,245	(76,391)
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents - (Note B)	74,245	(76,391)

For the year ended 31 December Rs. '000	2015	2014
A. Reconciliation of surplus from life insurance fund before tax with cash from operating activities		
Surplus from life insurance fund before tax	771,725	750,000
Adjustment for:		
Depreciation and amortisation	119,983	92,577
Provision for employee benefits	19,956	19,713
Provision for doubtful staff debtors	4,396	5,530
Fair value (gains) / losses	294,563	(806,269)
Net realised (gains)	(14,676)	(118,900)
Losses on sale of property, plant and equipment	49	143
Amortisation of financial investment	(265,061)	(265,153)
Loss before working capital changes	930,935	(322,359)
Net change in operational assets		
Net change in reinsurance assets	(19,165)	58,545
Net change in premium receivables	(44,604)	(44,139)
Net change in receivables and other assets	(140,839)	(596,784)
Net change in operational liabilities		
Net change in life insurance contract liabilities	3,218,577	3,728,730
Net change in other liabilities	(886,959)	(447,219)
Cash generated from operating activities	3,057,945	2,376,774
B. Increase / (decrease) in cash in hand and at bank		
cash in hand and at bank	316,407	189,227
Bank overdraft	(118,952)	(66,017)
Net cash in hand and at bank for the current year	197,455	123,210
Net cash in hand and at bank for the previous year	123,210	199,601
Increase / (decrease) in cash in hand and at bank	74,245	(76,391)

Life Insurance Fund

Notes to the Statement of Financial Position

1 Intangible Assets

Refer Note 4.22 for the accounting policy.

As at 31 December Rs.'000	Licensed	Purchased	2015 Total	2014
Cost				
Balance as at 1 January	38,646	148,778	187,424	152,397
Acquisitions during the year	381	23,281	23,662	6,405
Asset transfers	-	-	-	28,622
Balance as at 31 December	39,027	172,059	211,086	187,424
Accumulated amortisation and impairment losses				
Balance as at 1 January	17,474	103,184	120,658	85,701
Amortisation	7,288	23,524	30,812	28,355
Accumulated amortisation on asset transfers	-	-	-	6,602
Balance as at 31 December	24,762	126,708	151,470	120,658
Carrying value				
As at 31 December 2015	14,265	45,351	59,616	
As at 31 December 2014	21,172	45,594		66,766

2 Property, Plant and Equipment

Refer Note 4.21 for the accounting policy.

As at 31 December Rs.'000	Freehold land	Freehold buildings	Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2015 Total	2014
Cost / Revaluation								
Balance as at 1 January	724,000	290,000	153,162	174,739	404,041	80	1,746,022	1,242,507
Additions during the year	-	-	8,059	2,571	42,779	-	53,409	47,028
Asset transfers	-	-	-	-	-	-	-	461,018
Surplus on revaluation	325,000	13,500	-	-	-	-	338,500	-
Disposals during the year	-	-	(1,011)	(221)	(1,938)	-	(3,170)	(4,531)
Balance as at 31 December	1,049,000	303,500	160,210	177,089	444,882	80	2,134,761	1,746,022
Accumulated depreciation and impairment losses								
Balance as at 1 January	-	8,535	103,785	130,851	298,890	27	542,088	133,301
Depreciation for the year	-	8,535	18,083	21,108	41,429	16	89,171	64,222
Accumulated depreciation on assets transfers	-	-	-	-	-	-	-	348,953
Transferred accumulated depreciation on assets revalued	-	(17,070)	-	-	-	-	(17,070)	-
Accumulated depreciation on disposals during the year	-	-	(979)	(221)	(1,904)	-	(3,104)	(4,388)
Balance as at 31 December	-	-	120,889	151,738	338,415	43	611,085	542,088
Carrying value								
As at 31 December 2015	1,049,000	303,500	39,321	25,351	106,467	37	1,523,676	
As at 31 December 2014	724,000	281,465	49,377	43,888	105,151	53		1,203,934

3 Financial Investments

Refer Note 4.18 for the accounting policy

As at 31 December		2015		2014	
		Carrying value	Fair value	Carrying value	Fair value
Rs. '000	Note				
Held to maturity financial assets (HTM)	3.1	13,600,906	14,067,124	10,749,495	12,040,036
Loans and receivables (L&R)	3.2	1,400,988	1,471,888	1,839,497	1,809,500
Available for sale financial assets (AFS)	3.3	6,374,473	6,374,473	5,970,676	5,970,676
Financial assets at fair value through profit or loss (FVTPL)	3.4	4,010,020	4,010,020	4,004,993	4,004,993
Total financial investments		25,386,387	25,923,505	22,564,661	23,825,205

3.1 Held to maturity financial assets (HTM)

As at 31 December		Note	2015	2014
Rs. '000				
Amortised cost				
Quoted debentures		3.1 (a)	1,439,728	1,735,746
Treasury bonds			12,161,178	9,013,749
Total			13,600,906	10,749,495

3.1 (a) Quoted debentures (HTM)

As at 31 December		2015			
		Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000
Issuer					
Nations Trust Bank PLC	08/04/2016	200,000	209,452	212,897	11.50
DFCC Vardhana Bank PLC	09/07/2016	1,481,481	148,195	151,486	11.50
DFCC Bank PLC	26/09/2016	200,000	228,000	236,052	14.00
Sampath Bank PLC	12/10/2017	476,900	55,754	58,420	16.50
Bank of Ceylon	30/11/2017	5,000,000	507,014	563,395	16.00
Peoples Leasing Company PLC	19/03/2018	686,300	74,425	83,656	16.75
Hatton National Bank PLC	31/07/2022	2,000,000	216,888	268,157	16.75
			1,439,728	1,574,063	

Life Insurance Fund

Notes to the Statement of Financial Position

As at 31 December	2014				
	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Issuer					
Urban Development Authority	05/10/2015	1,743,000	178,923	166,617	11.00
Merchant Bank of Sri Lanka PLC	15/11/2015	1,050,000	111,246	111,246	11.80
Nations Trust Bank PLC	03/08/2016	200,000	209,452	211,972	11.50
DFCC Vardhana Bank PLC	30/08/2016	1,481,481	148,195	148,195	11.50
DFCC Bank PLC	26/09/2016	200,000	228,000	228,000	14.00
Sampath Bank PLC	10/11/2017	476,900	55,808	62,388	16.50
Bank of Ceylon	29/11/2017	5,000,000	507,014	527,014	16.00
Peoples Leasing Company PLC	19/03/2018	686,300	80,220	93,843	16.75
Hatton National Bank PLC	31/07/2022	2,000,000	216,888	216,888	16.75
			1,735,746	1,766,163	

Fair values of held to maturity financial assets are based on market prices / quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

At the reporting date, there were no held to maturity assets that were overdue and impaired.

3.2 Loans and receivables (L&R)

As at 31 December Rs. '000	2015	2014
Amortised cost		
Bank deposits	501,023	459,962
Unquoted debentures	385,100	485,100
Reverse repurchase agreements	514,865	894,435
	1,400,988	1,839,497

3.3 Available for sale financial assets (AFS)

As at 31 December Rs. '000	Note	2015	2014
Fair value			
Debt securities - listed	3.3 (a)	4,008,909	3,693,290
Debt securities - unlisted			
Treasury bonds		2,204,380	2,229,944
Treasury bills		161,184	47,442
		6,374,473	5,970,676

All debt securities, both listed and unlisted, pay a fixed interest rate.

At the reporting date there were no available for sale assets that were overdue but impaired.

Interest-bearing available for sale financial assets with a carrying amount of Rs. 6,374 million as at 31 December 2015 (2014- Rs. 5,971 million) have stated interest rates of 8.25% to 17.5% (2014 - 8% to 17.5%) and mature in 1 to 8 years.

3.3 (a) Debt securities - listed (AFS)

As at 31 December	2015				
	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Issuer					
Singer Sri Lanka PLC	29/05/2016	655,968	69,050	69,050	14.50
Central Finance Company PLC	17/06/2016	24,500	26,750	26,750	14.25
Lion Brewery (Ceylon) PLC	17/06/2016	47,100	51,405	51,405	13.50
Hayleys PLC	07/09/2016	65,400	69,900	69,900	14.25
Senkadagala Finance PLC	28/05/2017	185,014	21,350	21,350	17.25
Lion Brewery (Ceylon) PLC	17/06/2017	33,600	36,850	36,850	13.75
DFCC Bank PLC	18/08/2017	3,000,000	305,961	305,961	8.50
Singer Sri Lanka PLC	23/12/2017	216,700	22,691	22,691	8.25
Peoples Leasing Company PLC	19/03/2018	595,000	72,527	72,527	16.75
Peoples Leasing Company PLC	26/03/2018	120,000	15,711	15,711	17.00
Merchant Bank of Sri Lanka PLC	28/03/2018	469,300	60,042	60,042	17.50
Hatton National Bank PLC	13/06/2018	2,533,733	293,528	293,528	14.00
Central Finance Company PLC	17/06/2018	155,200	176,009	176,009	14.75
Lion Brewery (Ceylon) PLC	17/06/2018	44,800	50,260	50,260	14.00
Peoples Leasing Company PLC	23/09/2018	309,900	33,790	33,790	9.63
Sampath Bank PLC	12/04/2018	1,114,800	127,537	127,537	13.00
Sampath Bank PLC	12/04/2018	1,114,800	134,367	134,367	13.40
Central Finance Company PLC	12/12/2018	446,900	51,123	51,123	13.50
Central Finance Company PLC	12/12/2018	710,500	88,876	88,876	13.95
Nations Trust Bank PLC	19/12/2018	2,881,300	323,551	323,551	13.00
Hemas Holdings PLC	29/04/2019	1,452,900	151,541	151,541	11.00
Merchant Bank of Sri Lanka PLC	12/11/2019	500,000	49,367	49,367	9.00
Lanka Orix Leasing Company PLC	24/11/2019	1,000,000	99,078	99,078	9.00
Sampath Bank PLC	15/12/2019	3,000,000	308,730	308,730	8.25
Seylan Bank PLC	23/12/2019	2,000,000	183,904	183,904	8.60
Siyapatha Finance Limited	24/12/2019	250,000	25,393	25,393	8.90
Central Finance Company PLC	06/01/2020	400,000	40,613	40,613	9.52
National Development Bank PLC	24/06/2020	4,279,000	345,981	345,981	9.40
Bank of Ceylon	24/10/2021	242,499	27,538	27,538	13.25
Hatton National Bank PLC	30/08/2023	1,204,706	103,581	103,581	8.00
Bank of Ceylon	25/10/2023	452,300	52,630	52,630	13.75
National Development Bank PLC	19/12/2023	4,500,000	589,275	589,275	13.90
			4,008,909	4,008,909	

Life Insurance Fund

Notes to the Statement of Financial Position

As at 31 December

Issuer	Maturity date	No. of debentures	2014		
			Carrying value Rs. '000	Market value Rs. '000	Interest %
Singer Sri Lanka PLC	29/05/2015	437,312	46,322	46,322	14.50
Singer Sri Lanka PLC	29/05/2016	655,968	72,376	72,376	14.50
Central Finance Company PLC	17/06/2016	24,500	27,003	27,003	14.25
Lion Brewery (Ceylon) PLC	17/06/2016	47,100	52,728	52,728	13.50
Hayleys PLC	09/07/2016	65,400	74,067	74,067	14.25
Senkadagala Finance PLC	28/05/2017	185,014	22,486	22,486	17.25
Lion Brewery (Ceylon) PLC	17/06/2017	33,600	34,777	34,777	13.75
DFCC Bank PLC	18/08/2017	3,000,000	309,261	309,261	8.50
Singer Sri Lanka PLC	23/12/2017	216,700	21,714	21,714	8.25
Peoples Leasing Company PLC	19/03/2018	595,000	76,335	76,335	16.75
Merchant Bank of Sri Lanka PLC	28/03/2018	469,300	65,312	65,312	17.50
Hatton National Bank PLC	13/06/2018	2,533,733	273,005	273,005	14.00
Central Finance Company PLC	17/06/2018	155,200	181,988	181,988	14.75
Lion Brewery (Ceylon) PLC	17/06/2018	44,800	51,616	51,616	14.00
Peoples Leasing Company PLC	24/09/2018	194,800	20,803	20,803	9.63
Sampath Bank PLC	04/12/2018	1,114,800	139,789	139,789	13.00
Sampath Bank PLC	04/12/2018	1,114,800	144,199	144,199	13.40
Central Finance Company PLC	12/12/2018	446,900	47,731	47,731	13.50
Central Finance Company PLC	12/12/2018	710,500	88,194	88,194	13.95
Nations Trust Bank PLC	19/12/2018	2,881,300	341,444	341,444	13.00
Hemas Holdings PLC	29/04/2019	1,452,900	152,471	152,471	11.00
Merchant Bank of Sri Lanka PLC	12/11/2019	500,000	50,616	50,616	9.00
Lanka Orix Leasing Company PLC	24/11/2019	1,000,000	101,057	101,057	9.00
Sampath Bank PLC	15/12/2019	3,000,000	302,353	302,353	8.25
Seylan Bank PLC	23/12/2019	2,000,000	200,424	200,424	8.60
Siyapatha Finance Limited	24/12/2019	250,000	25,051	25,051	8.90
Bank of Ceylon	24/10/2021	242,499	31,044	31,044	13.25
Hatton National Bank PLC	30/08/2023	1,204,706	87,760	87,760	8.00
Bank of Ceylon	25/10/2023	452,300	60,604	60,604	13.75
National Development Bank PLC	19/12/2023	4,500,000	590,760	590,760	13.90
			3,693,290	3,693,290	

3.4 Financial assets at fair value through profit or loss (FVTPL)

As at 31 December	Note	2015	2014
Rs. '000			
Equity securities	3.4 (a)	1,473,814	1,386,071
Investments in unit linked funds			
Quoted equities		2,022,719	2,233,992
Reverse repurchase agreements		229,890	244,005
Treasury bills		215,316	114,382
Debentures		25,603	26,543
Treasury bonds		32,614	-
Bank deposits		10,064	-
		4,010,020	4,004,993

3.4 (a) Equity securities - (FVTPL)

As at 31 December	2015			2014		
	No of shares	Cost	Carrying value	No of shares	Cost	Carrying value
Rs. '000						
Banking, Finance and Insurance						
Commercial Bank PLC - Non voting	572,424	40,414	70,408	565,107	40,414	70,695
Commercial Bank PLC	350,469	36,106	49,136	346,996	36,106	59,336
Hatton National Bank PLC	1,827,098	253,631	350,525	1,458,678	173,175	240,290
Sampath Bank PLC	824,255	184,387	204,415	510,811	104,400	120,705
HNB Assurance PLC	336,266	23,645	25,085	336,266	23,645	28,078
Central Finance Company PLC	207,711	39,522	52,551	207,711	39,522	51,928
DFCC Bank PLC	191,520	35,615	32,195	191,520	35,615	41,943
National Development Bank PLC	619,907	120,842	120,324	619,907	120,842	154,977
Peoples Leasing and Finance PLC	3,821,672	67,308	84,077	3,821,672	67,308	93,631
		801,470	988,716		641,027	861,583
Diversified Holding						
Hemas Holdings PLC	536,638	18,644	49,854	482,975	14,780	35,885
Softlogic Holdings PLC	-	-	-	1,117,806	32,416	18,444
		18,644	49,854		47,196	54,329
Beverage, Food and Tobacco						
Distilleries Company of Sri Lanka PLC	632,441	145,110	155,580	357,856	65,470	75,150
		145,110	155,580		65,470	75,150
Construction and Engineering						
Colombo Dockyard PLC	238,350	50,507	35,776	238,350	50,507	46,002
		50,507	35,776		50,507	46,002
Manufacturing						
Chevron Lubricants Lanka PLC	122,200	16,129	42,037	122,200	16,129	48,831
Tokyo Cement Company (Lanka) PLC - Voting	640,777	7,817	31,398	640,777	7,817	41,586
Tokyo Cement Company (Lanka) PLC - Non voting	1,658,150	42,486	65,497	2,658,150	68,109	124,667
Lanka Floortiles PLC	-	-	-	455,200	61,211	50,072
Piramal Glass PLC	1,874,100	16,585	11,432	1,874,100	16,585	9,183
Textured Jersey Lanka PLC	1,553,000	25,384	55,132	1,553,000	25,384	31,992
		108,401	205,496		195,235	306,331
Motors						
Diesel and Motor Engineering PLC	22,062	33,340	13,579	22,062	33,340	14,031
		33,340	13,579		33,340	14,031
Hotels and Travel						
Aitken Spence Hotel Holdings PLC	364,900	25,931	24,813	364,900	25,931	28,645
		25,931	24,813		25,931	28,645
		1,183,403	1,473,814		1,058,706	1,386,071

Life Insurance Fund

Notes to the Statement of Financial Position

4 Reinsurance Receivables

Refer Note 4.28 for the accounting policy.

As at 31 December Rs. '000	2015	2014
Reinsurance receivables on outstanding claims	60,113	26,329
Reinsurance receivables on settled claims	89,659	41,207
Total reinsurance receivables	149,772	67,536

5 Receivables and Other Assets

Refer Note 4.18 for the accounting policy.

As at 31 December Rs. '000	Note	2015	2014
Financial assets			
Agent / advisor loans		77,460	64,556
Refundable deposits		7,066	7,207
Other receivables		107,802	16,547
		192,328	88,310
Non financial assets			
Taxes recoverables	5.1	203,204	202,930
Prepayments		46,939	47,846
Inventories		9,776	6,106
Advance payments		23,292	129,518
Other receivables		-	283
		283,211	386,683
Total receivable and other assets		475,539	474,993

5.1 Taxes recoverable

As at 31 December Rs. '000	2015	2014
ACT recoverable	92,296	92,296
WHT receivable	105,043	99,220
ESC receivable	5,865	11,414
	203,204	202,930

6 Cash in hand and at bank

Refer Note 4.19 for the accounting policy.

As at 31 December Rs. '000	2015	2014
Cash at bank - Conventional	315,709	188,383
Cash in hand - Conventional	550	550
Cash at bank - Unit Linked	148	294
Total cash in hand and at bank	316,407	189,227

7 Other Reserves

Refer Note 4.26 for the accounting policy.

As at 31 December Rs. '000	Note	2015	2014
Capital reserves	7.1	699,157	356,668
Reserve for available for sale		63,744	316,168
Reserve on retirement benefit obligation		(2,579)	2,887
Total other reserves		760,322	675,723

7.1 Capital reserves

As at 31 December Rs. '000	Note	2015	2014
Revaluation reserve	7.1(a)	682,405	339,916
Reserve on Cornhill merger	7.1(b)	16,752	16,752
		699,157	356,668

7.1(a) Revaluation reserve

As at 31 December Rs. '000	2015	2014
Balance as at 1 January	339,916	319,066
Revaluation surplus during the year	355,570	-
Adjustment for deferred tax	(8,560)	-
Transfer to retained earnings	(4,521)	(4,521)
Reversal of deferred tax on revaluation reserve	-	25,371
Balance as at 31 December	682,405	339,916

7.1(b) Reserve on merger with Cornhill (Private) Limited

The unrealised gain reflects the net result of the merger of the company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policy holders.

8 Insurance Contract Liabilities - Life

Refer Note 4.27 for the accounting policy.

As at 31 December Rs. '000	2015	2014
Insurance contract liabilities	23,267,295	20,078,775
Unclaimed benefits	463,943	357,101
Total insurance contract liabilities - Life	23,731,238	20,435,876

Life Insurance Fund

Notes to the Statement of Financial Position

9 Employee Benefits

Refer Note 4.29 for the accounting policy.

As at 31 December Rs. '000	2015	2014
Balance as at 1 January	90,437	116,383
Payments during the year	(17,787)	(10,782)
Transfer to non life segment	-	(29,587)
Provisions during the year	19,956	19,713
Net actuarial (gain) / loss on obligation	7,593	(5,290)
Balance as at 31 December	100,199	90,437

10 Other Liabilities

Refer Note 4.18 for the accounting policy.

As at 31 December Rs. '000	2015	2014
Financial liabilities		
Agency commission payable	130,900	107,482
Other staff related provisions	87,018	91,776
Premiums in suspense	236,089	204,415
Amount due to related parties	8,294	11,733
	462,301	415,406
Non financial liabilities		
Government levies	5,691	5,028
Premium received in advance	113,598	83,090
Other liabilities	809,594	846,610
	928,883	934,728
Total other liabilities	1,391,184	1,350,134

Shareholder Information

Stock exchange listing

Union Assurance PLC is a public quoted company, ordinary shares of which are listed on the Colombo Stock Exchange (CSE). The audited income statement, the audited statement of profit or loss and other comprehensive income for the year ended 31 December 2015 and the audited statement of financial position of the company as at that date will be submitted to the Colombo Stock Exchange within three months of the reporting date.

The CSE ticker symbol for Union Assurance shares is 'UAL.N0000'

Share market performance

During the year 2015, the All Share Index recorded a loss of 404.45 index points or 5.54% in contrast to the 23.44% return recorded in 2014. The more liquid S & P SL20 index declined by 463.45 index points or 11.33% compared to the return of 25.29% in 2014. Daily average market turnover dipped by 25% from LKR 1.4 billion to LKR 1.1 billion in 2015. Market capitalisation figure stood at LKR 9,723 billion as at 31 December 2015.

Cumulative net foreign sales for 2015 were Rs. 5.3 billion.

UA share

Adequate corporate disclosures are provided to the financial community by Union Assurance in order to allow optimum pricing of UA securities. UA share price shows a marginal increase from Rs. 164.00 in 2014 to Rs. 165.00 in 2015.

The Company Share was traded between a low of Rs. 150.00 and high of Rs. 200.00 during the year 2015.

Earnings per share (EPS)

EPS for the year ended 31 December 2015 was Rs.31.20, an increase from Rs. 14.04 recorded in 2014. This was mainly due to the gain on sale of subsidiary during 2015.

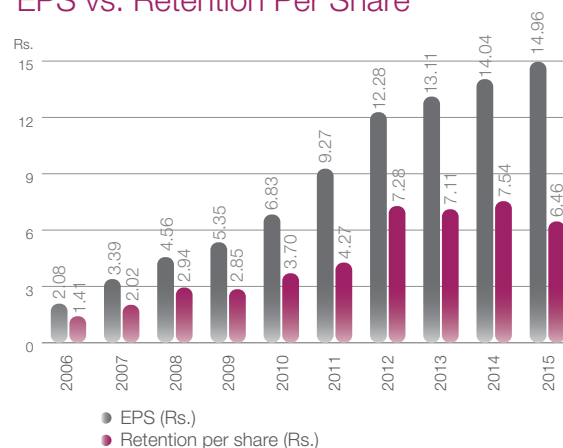
EPS vs retention ratio

Year	EPS (Rs.)*	Retention per share (Rs.)	Retention ratio
2006	2.08	1.41	68%
2007	3.39	2.02	59%
2008	4.56	2.94	64%
2009	5.35	2.85	53%
2010	6.83	3.70	54%
2011	9.27	4.27	46%
2012	12.28	7.28	59%
2013	13.11	7.11	54%
2014	14.04	7.54	54%
2015**	14.96	6.46	43%

* Diluted for subsequent bonus issues, subdivision of shares and rights issues.

** The EPS has been adjusted for the gain on sale of subsidiary.

EPS vs. Retention Per Share



Price earnings ratio (PER)

PER as at 31 December 2015 decreased to 5.29 times from 11.68 times as at 31 December 2014. The company shares were trading at a 70.6% discount to the market PER which on 31 December 2015 was estimated at 17.98 times.

Price to book ratio

The price to book ratio as at 31 December 2015 was 2.81 times, an increase of 24% from 2.26 times recorded in 2014.

Shareholder Information

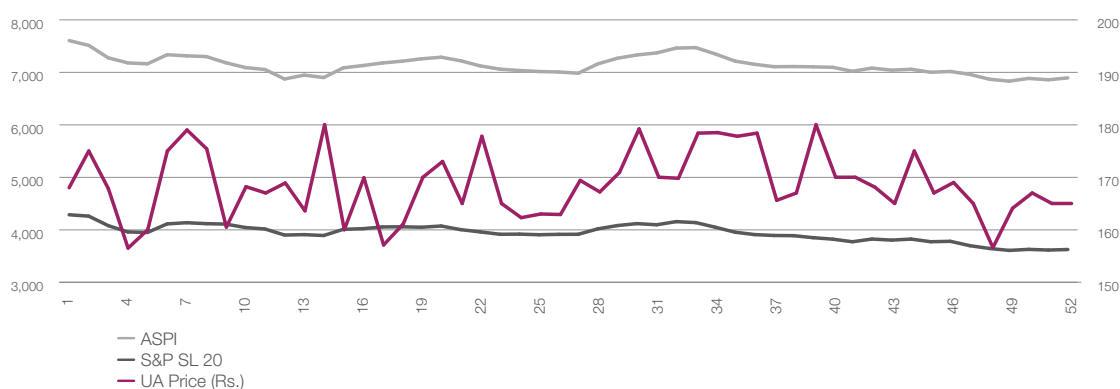
Total Shareholder Returns (TSR)

TSR of UA share were 4.6% in 2015 compared with 63.5% recorded in the previous year. Dividend yield of 3.9% and capital gain of 0.6% contributed to this positive TSR in 2015.

Valuation

31 December	2015	2014
Earnings per share (Rs.)	31.2	14.04
Net assets per share	58.8	72.5
Price earnings ratio (Times)	5.3	11.70
Price / book value (Times)	2.8	2.26
Dividend yield (%)	3.9	3.7
Total shareholder returns (%)	4.6	63.5

UA Share Price Movement vs. Market Performance



Company share price movement vs. market performance

Market capitalisation and market price

The market capitalisation of Union Assurance share as at 31 December 2015 was Rs. 9.72 billion, valued at the year end price of Rs. 165 per share. UA's main benchmark indices - the All Share Price Index (ASPI) and the S&P Sri Lanka 20 - decreased by 5.54% and 11.33% respectively. In the same period, the UA share price ranged between a low of Rs 150.00 and a high of Rs 200.00, closing the year at Rs. 165.00.

Market information on ordinary shares of the company

Market value	2015	2014
Highest price (Rs.)	200.00 (23 July 2015)	180.00 (12 Nov 2014)
Lowest price (Rs.)	150.00 (29 April 2015)	100.20 (11 Mar 2014)
Year end price (Rs.)	165.00	164.00

Trading statistics

	2015	2014
Number of transactions	936	1,425
Number of shares traded	248,509	572,423
Value of shares traded (Rs.)	41,637,617	84,082,580
Percentage of total shares in issue (%)	0.4	0.7
Market capitalisation	9,723,214,380	14,057,142,904
Percentage of total market capitalisation (%)	0.3	0.5

Dividends

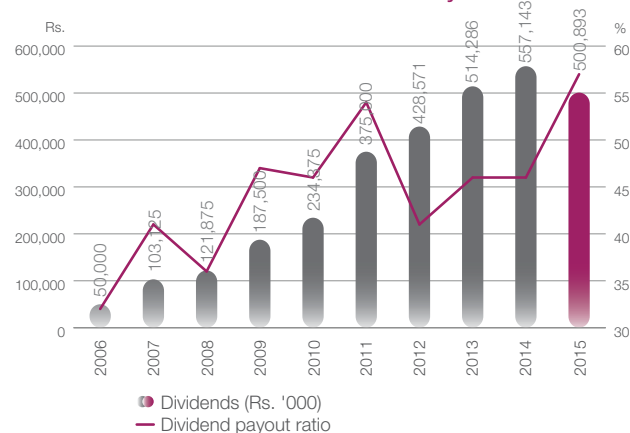
The dividend policy of UA seeks to ensure a dividend payout which correlates with the growth in profits, whilst ensuring that the company retains adequate funds to meet the solvency requirements as stipulated by the Insurance Board of Sri Lanka (IBSL) in the short, medium and long term.

The Board of Directors declared a first and final dividend of Rs. 8.50 per share, based on the profits of 2015. Accordingly, The gross dividend payable out of the profits for the year ended 31 December 2015 will be Rs. 501 million, compared to the dividend of Rs. 557 million in the previous year. UA pays its dividend annually.

Gross dividend vs. dividend payout

Year	DPS (Rs.)*	Dividends (Rs. '000)	Dividend payout ratio
2006	0.67	50,000	32%
2007	1.38	103,125	41%
2008	1.63	121,875	36%
2009	2.50	187,500	47%
2010	3.13	234,375	46%
2011	5.00	375,000	54%
2012	5.00	428,571	41%
2013	6.00	514,286	46%
2014	6.50	557,143	46%
2015	8.50	500,893	57%

Gross Dividend vs. Dividend Payout



Shareholder base

UA has a diversified shareholder base, both geographically and in the ratio of private to institutional investors. The total number of shareholders increased from 1,298 as at 31 December 2014 to 1,334 as at 31 December 2015. On 31 December 2015, UA had 1,245 registered individual shareholders, representing 93% of the shareholders; 70% of the shareholders hold less than 1,000 shares. The vast majority of UA's individual shareholders are residents of Sri Lanka. Institutional shareholders represent approximately 96% of UA's ordinary share capital.

The top twenty shareholders hold 96.79% of UA's shares. The Directors hold 0.01% of the total outstanding shares in their individual capacity.

Distribution of shareholders

Range of shareholders	31 December 2015				31 December 2014			
	No. of shareholders	%	No. of shares	%	No. of shareholders	%	No. of shares	%
Less than 1,000	938	70.31	246,385	0.42	900	69.34	236,841	0.28
1,001 10,000	339	25.41	1,054,314	1.79	339	26.12	1,070,796	1.25
10,001 100,000	51	3.82	1,267,792	2.15	53	4.08	1,335,228	1.56
100,001 1,000,000	4	0.30	1,015,771	1.72	4	0.31	1,082,297	1.26
Over 1,000,001	2	0.15	55,344,310	93.92	2	0.15	81,989,124	95.65
Total	1,334	100.00	58,928,572	100.00	1,298	100.00	85,714,286	100.00

Shareholder Information

Composition of shareholders

	31 December 2015				31 December 2014			
	No. of shareholders	%	No. of shares	%	No. of shareholders	%	No. of shares	%
Directors and spouses:	1	0.07	8,562	0.01	1	0.08	8,562	0.01
Resident:								
Individuals	1,234	92.50	2,205,003	3.74	1,203	92.68	2,211,164	2.58
Institutions	87	6.52	5,703,389	9.68	84	6.47	7,823,700	9.13
Non resident:								
Individuals	10	0.75	28,080	0.05	8	0.62	25,585	0.03
Institutions	1	0.07	2,000	0.00	1	0.08	2,000	0.00
Shareholders holding more than 10%:	1	0.07	50,981,538	86.51	1	0.08	75,643,275	88.25
Total	1,334	100	58,928,572	100	1,298	100	85,714,286	100

Public shareholding

As at 31 December	2015		2014	
	No. of Shares	(%) of Shares	No. of Shares	(%) of Shares
Public shareholding	3,575,700	6.07	3,716,600	4.34

Twenty largest shareholders

Name of Shareholder	As at 31 December 2015		As at 31 December 2014	
	No. of Shares	%	No. of Shares	%
1 John Keells Holdings PLC	50,981,538	86.51	75,643,275	88.25
2 Whittall Boustead Limited	4,362,772	7.40	6,345,849	7.40
3 Waldock Mackenzie Ltd / Mr. S. N. P. Paliyana and Mrs. A. S. Paliyana	600,000	1.02	600,000	0.70
4 Corporate Holdings (Private) Limited	149,373	0.25	149,373	0.17
5 Waldock Mackenzie Ltd / Hi-Line Trading (Pvt) Ltd	146,360	0.25	212,886	0.25
6 Dr. (Mrs.) V. Bandaranayake	120,038	0.20	120,038	0.14
7 Peoples Leasing & Finance PLC / Mr. L. P. Hapangama	94,465	0.16	72,105	0.08
8 Dr. A. C. Visvalingam	58,662	0.10	84,872	0.10
9 Mr. H. A. D. Ratnapala	56,250	0.10	56,250	0.07
10 Mr. J. W. Nanayakkara	56,250	0.10	56,250	0.07
11 Mrs. R. Z. Wikramanayake	53,585	0.09	53,585	0.06
12 Dr. N. I. Wikramanayake	53,059	0.09	53,059	0.06
13 Waldock Mackenzie Limited / Dr. H. S. D. Soysa	49,466	0.08	46,141	0.05
14 People's Leasing & Finance PLC / Mr. L. H. L. M. P Haradasa	43,954	0.07	25,033	0.03
15 Assetline Leasing Company Ltd / Mr. L. H. L. M. P. Haradasa	42,238	0.07	42,238	0.05
16 Mr. H. A. Rehmanjee	40,000	0.07	36,596	0.04
17 Mr. N. D. Kurukulasuriya	39,000	0.07	39,000	0.05
18 Mrs. L. Amaradasa	33,750	0.06	33,750	0.04
19 Mr. S. Vasudevan	28,800	0.05	28,800	0.03
20 Mrs. M. R. Wijetunga	28,124	0.05	28,124	0.03
	57,037,684	96.79	83,727,224	97.68
Others	1,890,888	3.21	1,987,062	2.32
Total	58,928,572	100.00	85,714,286	100.00

Directors' shareholdings

No. of shares as at	31.12.2015	31.12.2014
Mr. Ajit D. Gunewardene (Chairman)	8,562	8,562
Mrs. D. C. Alagaratnam	Nil	Nil
Mr. S. Rajendra	Nil	Nil
Mr. A . S. De Zoysa	Nil	Nil
Mr. G. F. C. De Saram	Nil	Nil
Mr. H. A. J. De S. Wijeyeratne	Nil	Nil
Mr. A. D. Pereira	Nil	Nil

CEO's shareholding

No. of shares as at	31.12.2015	31.12.2014
Mr. A. D. Pereira	Nil	Nil

Record of changes in number of shares

Year	Issue	Basis	No. of shares	Share capital (Rs.)
1987	Prior to public issue	-	8,000,000	80,000,000
1988	Public issue	-	2,000,000	20,000,000
1995	Rights @ Rs. 50	3 : 1	3,333,333	33,333,333
1999	Bonus	2 : 1	6,666,667	66,666,667
2002	Bonus	4 : 1	5,000,000	50,000,000
2007	Bonus	2 : 1	12,500,000	125,000,000
2011	Share split	1 : 2	37,500,000	-
2012	Rights @ Rs. 70	7 : 1	10,714,286	750,000,020
2015	Share repurchase	32 : 10	(26,785,714)	-
2015	Capital reorganisation		-	(125,000,020)
			58,928,572	1,000,000,000

Compliance with contents of Annual report as per Section 7.6 of the Listing Rules of the Colombo Stock Exchange

We have given below the company's status of compliance with the section 7.6 of the listing rules.

Listing rule number	Compliance requirement	Detail / reference	Compliance status
7.6.i	Names of the persons who during the financial year were Directors of the entity.	The names of the persons who held the position of Director during the financial year is provided on pages 123 to 126.	Complied
7.6.ii	Principal activities of the entity during the year and any changes therein.	The principal activities of the company during the year is the provision of life insurance services. Significant changes that took place during the year is described in Note 1.2 to the financial statements.	Complied
7.6.iii	The names and the number of shares held by the 20 largest holders of voting and non voting shares and the percentage of such shares held.	The 20 largest shareholders together with their shareholding as at 31st December 2015 is provided on page 358.	Complied

Shareholder Information

Listing rule number	Compliance requirement	Detail / reference	Compliance status
7.6.iv	The public holding percentage.	The details of the public shareholding is available on page 358.	Complied
7.6.v	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	The statement of each Director's holding and Chief Executive Officer's holding in shares is available on page 359.	Complied
7.6.vi	Information pertaining to material foreseeable risk factors of the entity.	Information pertaining to material foreseeable risk factors is provided in the risk management section from pages 204 to 214 and Note 45 to the financial statements.	Complied
7.6.vii	Details of material issues pertaining to employees and industrial relations of the entity.	UA did not encounter material issues relating to employees and industrial relations during the year 2015.	Complied
7.6.viii	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Refer property, plant and equipment Note 28 on page 284.	Complied
7.6.ix	Number of shares representing the entity's stated capital.	The total number of shares is 58,928,572 which are ordinary shares with voting rights.	Complied
7.6.x	A distribution schedule of the number of holders in each class of equity securities, and the percentages of their total holdings in the given categories.	The distribution schedule of the number of shareholders and the percentages of their total holdings in the given categories is provided on page 357.	Complied
7.6.xi	List of ratios and market price information.	The list of applicable ratios and the market price information is provided in the shareholder information section on pages 355, 356 and 357.	Complied
7.6.xii	Significant changes in the entity's fixed assets and the market value of land, if the value differs substantially from the book value.	Changes in the entity's fixed assets and market value of land is explained in Note 28.6 to the financial statements.	Complied
7.6.xiii	If during the year the entity has raised fund either through a public issue, rights issue, and private placement.	No funds were raised during 2015 in such manner.	Complied
7.6.xiv	Employee share Option Schemes and Employee Share Purchase Scheme.	The details of employee share option scheme is given in Note 38.2 (c) to the financial statements.	Complied
7.6.xv	Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 C, and 7.10.6 C of section 7 of the rule.	The disclosures relating to Corporate Governance practices are provided in the Corporate Governance Report from page 123 to 214.	Complied
7.6.xvi	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower.	There were no material transactions during the year with related parties other than disclosed in Note 48.	Complied

Quarterly Analysis 2015 - Company

Rs'000	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	January- March		July- September	October- December	
Continuing operations					
Gross written premium	1,565,238	1,611,434	1,817,081	1,970,637	6,964,390
Premium ceded to reinsurers	(84,648)	(92,254)	(92,768)	(94,512)	(364,182)
Net written premium	1,480,590	1,519,180	1,724,313	1,876,125	6,600,208
Other revenue					
Net investment income	653,063	669,770	669,861	627,688	2,620,382
Net realised gains / (losses)	4,616	(12,926)	17,900	44,608	54,198
Net fair value gains / (losses)	(118,106)	94,230	(91,065)	(179,622)	(294,563)
Other income	36,344	13,618	11,460	12,834	74,256
Total other revenue	575,917	764,692	608,156	505,508	2,454,273
Total net revenue	2,056,507	2,283,872	2,332,469	2,381,633	9,054,481
Benefits, claims and expenses					
Net benefits and claims	(1,296,544)	(1,459,885)	(1,510,228)	(606,950)	(4,873,607)
Underwriting and net acquisition costs (including reinsurance)	(285,348)	(298,125)	(334,609)	(371,355)	(1,289,437)
Other operating, administrative and selling expenses	(364,290)	(405,369)	(407,122)	(555,762)	(1,732,543)
Depreciation and amortisation	(30,571)	(30,894)	(29,918)	(28,600)	(119,983)
Total benefits, claims and expenses	(1,976,753)	(2,194,273)	(2,281,877)	(1,562,667)	(8,015,570)
Profit from operations	79,754	89,599	50,592	818,966	1,038,911
Gain on sale of subsidiary	1,221,460	-	-	-	1,221,460
Profit before tax	1,301,214	89,599	50,592	818,966	2,260,371
Income tax reversal	-	-	-	28,275	28,275
Profit for the period attributable to equity holders of the company	1,301,214	89,599	50,592	847,241	2,288,646

Quarterly Analysis 2015 - Company and Investee

Rs'000	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	January- March		July- September	October- December	
Continuing operations					
Gross written premium	1,565,238	1,611,434	1,817,081	1,970,637	6,964,390
Premium ceded to reinsurers	(84,648)	(92,254)	(92,768)	(94,512)	(364,182)
Net written premium	1,480,590	1,519,180	1,724,313	1,876,125	6,600,208
Other revenue					
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Net realised gains / (losses)	4,616	(12,926)	17,900	44,608	54,198
Net fair value gains / (losses)	(118,106)	94,230	(91,065)	(179,622)	(294,563)
Other income	36,344	13,618	11,460	12,834	74,256
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Total net revenue	2,056,507	2,283,872	2,332,469	2,381,633	9,054,481
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Net benefits and claims	(1,296,544)	(1,459,885)	(1,510,228)	(606,950)	(4,873,607)
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Total benefits, claims and expenses	(1,976,753)	(2,194,273)	(2,281,877)	(1,562,667)	(8,015,570)
Profit from operations	79,754	89,599	50,592	818,966	1,038,911
Gain on sale of subsidiary	1,221,460	-	-	-	1,221,460
Share of results of equity accounted investee, net of tax	27,368	781	748	29,093	57,990
Profit before tax	1,328,582	90,380	51,340	848,059	2,318,361
Income tax (expense) / reversal	(6,139)	2,735	(405)	32,084	28,275
Profit for the period attributable to equity holders of the company	1,322,443	93,115	50,935	880,143	2,346,636

Quarterly Analysis 2014 - Company

Rs'000	1st quarter January- March	2nd quarter April-June	3rd quarter July- September	4th quarter October- December	Total
Continuing operations					
Gross written premium	1,382,193	1,370,310	1,521,562	1,671,434	5,945,499
Premium ceded to reinsurers	(72,382)	(82,520)	(94,025)	(79,137)	(328,064)
Net written premium	1,309,811	1,287,790	1,427,537	1,592,297	5,617,435
Other revenue					
Net investment income	576,412	570,467	565,921	578,322	2,291,122
Net realised gains / (losses)	57,458	(10,171)	11,881	59,732	118,900
Net fair value gains	41,429	251,439	466,155	47,246	806,269
Other income	14,552	10,670	37,914	48,153	111,289
Total other revenue	689,851	822,405	1,081,871	733,453	3,327,580
Total net revenue	1,999,662	2,110,195	2,509,408	2,325,750	8,945,015
Benefits, claims and expenses					
Net benefits and claims	(1,303,210)	(1,409,561)	(1,751,924)	(736,330)	(5,201,025)
Underwriting and net acquisition costs (including reinsurance)	(266,221)	(264,071)	(286,191)	(299,351)	(1,115,834)
Other operating, administrative and selling expenses	(373,469)	(387,311)	(413,692)	(480,367)	(1,654,839)
Depreciation and amortisation	(16,542)	(17,583)	(28,563)	(29,889)	(92,577)
Total benefits, claims and expenses	(1,959,442)	(2,078,526)	(2,480,370)	(1,545,937)	(8,064,275)
Profit before tax	40,220	31,669	29,038	779,813	880,740
Income tax expense	-	-	-	-	-
Profit from continuing operations	40,220	31,669	29,038	779,813	880,740
Discontinued operations					
Profit from discontinued operations, net of tax	83,403	59,114	61,904	117,901	322,322
Profit for the period attributable to equity holders of the company	123,623	90,783	90,942	897,714	1,203,062

Quarterly Analysis 2014 - Group

Rs'000	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	January- March		July- September	October- December	
Continuing operations					
Gross written premium	1,382,193	1,370,310	1,521,562	1,671,434	5,945,499
Premium ceded to reinsurers	(72,382)	(82,520)	(94,025)	(79,137)	(328,064)
Net written premium	1,309,811	1,287,790	1,427,537	1,592,297	5,617,435
Other revenue					
Net investment income	576,412	570,467	565,921	578,322	2,291,122
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Total net revenue	1,999,662	2,110,195	2,509,408	2,325,750	8,945,015
Benefits, claims and expenses					
Net benefits and claims	(1,303,210)	(1,409,561)	(1,751,924)	(736,330)	(5,201,025)
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Other operating, administrative and selling expenses	(373,469)	(387,311)	(413,692)	(480,367)	(1,654,839)
Depreciation and amortisation	(16,542)	(17,583)	(28,563)	(29,889)	(92,577)
Total benefits, claims and expenses	(1,959,442)	(2,078,526)	(2,480,370)	(1,545,937)	(8,064,275)
Profit before tax	40,220	31,669	29,038	779,813	880,740
Income tax expense	-	-	-	-	-
Profit from continuing operations	40,220	31,669	29,038	779,813	880,740
Discontinued operations					
Profit from discontinued operations, net of tax	83,403	59,114	61,904	119,042	323,463
Profit for the period attributable to equity holders of the company	123,623	90,783	90,942	898,855	1,204,203

Ten years at a Glance

Insurance revenue account

	Company and Investee 2015	Company (Restated)									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	
Gross written premium	6,964,390	5,945,499	5,515,063	5,106,323	4,471,628	3,465,505	2,778,184	2,503,887	2,163,480	1,672,744	
Net written premium	6,600,208	5,617,435	5,234,521	4,856,728	4,268,720	3,367,179	2,678,482	2,372,375	2,066,508	1,604,083	
Investment and other income	2,151,907	3,159,957	2,017,544	1,722,070	1,215,043	1,806,873	1,361,853	934,914	707,659	590,477	
Net benefits and claims	(4,873,607)	(5,201,025)	(3,976,248)	(3,572,769)	(2,791,635)	(2,839,059)	(2,179,344)	(1,746,736)	(1,504,332)	(1,279,102)	
Underwriting and net acquisition costs (including reinsurance)	(1,289,437)	(1,115,834)	(968,181)	(890,536)	(819,076)	(675,673)	(503,150)	(457,431)	(379,647)	(263,314)	
Other operating and administrative expenses	(1,817,346)	(1,710,533)	(1,695,636)	(1,590,493)	(1,444,052)	(1,334,320)	(1,122,841)	(918,122)	(746,188)	(576,644)	
Income tax reversal	28,275	-	-	-	-	-	-	-	-	-	
Surplus from life insurance fund	800,000	750,000	612,000	525,000	429,000	325,000	235,000	185,000	144,000	75,500	
Investment and other income not attributable to policyholders	1,530,851	167,623	207,074	23,161	-	-	-	-	-	-	
Expenses not attributable to policyholders	(42,205)	(96,883)	(28,110)	(15,342)	(12,826)	-	-	-	-	-	
Share of net result of equity accounted investee	57,990	-	-	-	-	-	-	-	-	-	
Profit for the year attributable to equity holders of the company	2,346,636	880,740	790,964	532,819	416,174	325,000	235,000	185,000	144,000	75,500	

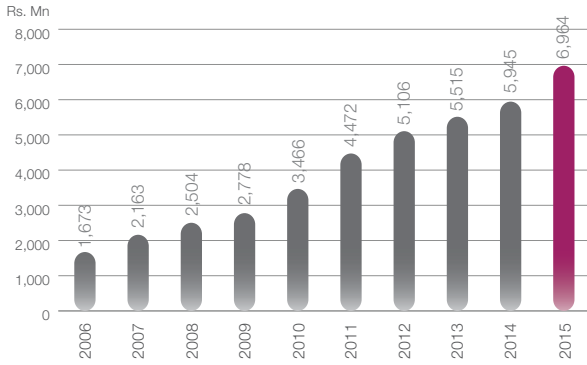
Statement of Financial Position

	Company and Investee 2015	Company (Restated)									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	
Rs'000											
Assets											
Intangible assets	59,616	66,766	117,475	-	-	-	49,500	49,500	49,500	49,500	
Property, plant and equipment	1,523,676	1,203,934	1,337,498	1,318,225	1,298,380	1,108,723	1,070,060	353,725	328,622	250,078	
Investment in subsidiary	-	-	-	-	-	-	-	183,200	183,200	183,200	
Investment in equity accounted investee	736,216	-	-	-	-	-	-	-	-	-	
Financial investments	26,540,934	24,038,978	24,297,498	20,802,309	16,579,094	14,337,860	11,911,086	9,389,319	7,952,135	6,513,709	
Loans to life policyholders	741,852	660,744	515,735	385,688	246,674	232,618	224,325	189,274	159,757	140,732	
Reinsurance receivables	149,772	67,536	502,571	400,627	545,774	619,228	900,800	836,708	920,244	1,110,604	
Premiums receivables	203,722	159,117	1,844,831	1,459,440	1,236,299	1,237,594	845,756	724,748	628,600	549,013	
Receivables and other assets	792,017	816,718	1,087,585	1,055,006	1,795,727	1,552,089	1,329,848	1,164,821	1,017,394	642,374	
Deferred acquisition cost	-	-	149,145	146,097	147,495	139,176	130,445	115,019	108,854	104,823	
Cash in hand and at bank	326,012	196,429	466,402	315,634	373,413	390,138	313,855	272,080	244,301	152,515	
Assets held for sale	-	8,393,314	-	-	-	-	-	-	-	-	
Total Assets	31,013,817	35,603,536	30,318,740	25,883,026	22,222,856	19,617,426	16,775,675	13,278,394	11,592,607	9,696,548	

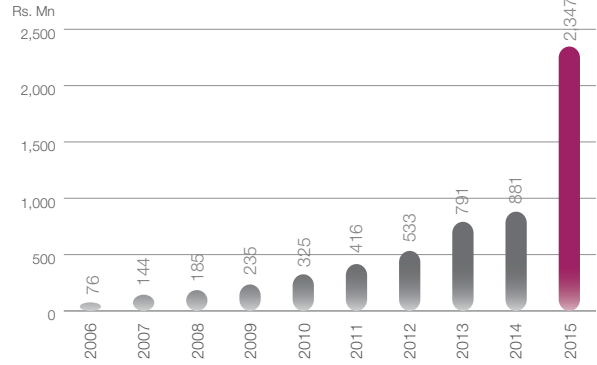
Ten years at a Glance

	Company and Investee 2015	Company (Restated)											
		Group 2014	2013	2012	2011	2010	2009	2008	2007	2006			
Rs'000													
Equity													
Stated capital	1,000,000	1,138,433	1,138,433	1,133,305	388,433	388,433	388,433	388,433	388,433	388,433	388,433	388,433	266,667
Other reserves	1,232,893	1,228,722	829,094	720,830	955,194	1,340,970	584,359	47,958	48,633	48,633	48,633	48,633	45,048
Retained earnings	1,232,035	3,843,704	3,149,766	2,454,923	1,903,587	1,439,109	1,332,359	1,051,077	716,120	716,120	716,120	716,120	666,212
Total Equity	3,464,928	6,210,859	5,117,293	4,309,058	3,247,214	3,168,512	2,305,151	1,487,468	1,153,186	1,153,186	1,153,186	1,153,186	977,927
Liabilities													
Insurance contract liabilities - Life	23,731,238	20,435,876	17,518,016	15,356,340	13,440,459	11,769,308	9,783,676	8,134,040	6,806,385	5,612,984	5,612,984	5,612,984	5,612,984
Insurance contract liabilities - Unit Linked	2,541,221	2,618,007	1,807,137	1,143,546	555,541	165,835	-	-	-	-	-	-	-
Insurance contract liabilities - Non Life	-	-	3,440,249	3,200,838	3,050,976	2,813,250	2,689,394	2,371,342	2,244,240	2,161,134	2,161,134	2,161,134	2,161,134
Provision for life fund solvency	-	-	-	-	-	-	-	-	-	-	-	-	67,849
Employee benefits	100,199	90,437	186,078	163,572	89,467	83,032	77,823	68,620	64,942	62,537	62,537	62,537	62,537
Deferred revenue	-	-	109,402	96,904	154,702	132,422	95,955	83,811	75,759	63,501	63,501	63,501	63,501
Reinsurance payables	213,855	150,784	764,977	415,394	441,567	405,764	327,196	344,991	285,403	259,034	259,034	259,034	259,034
Other liabilities	843,424	770,190	1,336,864	1,172,899	1,212,557	1,050,194	1,474,237	788,122	867,369	491,582	491,582	491,582	491,582
Bank overdraft	118,952	66,017	38,724	24,475	30,373	29,109	22,243	-	-	-	-	-	-
Liabilities held for sale	-	5,261,366	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	27,548,889	29,392,677	25,201,447	21,573,968	18,975,642	16,448,914	14,470,524	11,790,926	10,439,421	8,718,621	8,718,621	8,718,621	8,718,621
Total equity and liabilities	31,013,817	35,603,536	30,318,740	25,883,026	22,222,856	19,617,426	16,775,675	13,278,394	11,592,607	9,696,548	9,696,548	9,696,548	9,696,548
Investor Information													
Return on Net Assets (%)	67.7	19.39	21.95	21.38	21.41	16.16	17.39	23	21.85	16.25	16.25	16.25	16.25
Earnings Per Share (Rs.)	31.20	14.04	13.11	12.28	9.27	6.83	5.35	4.56	3.39	2.08	2.08	2.08	2.08
Dividend Per Share (Rs.)	8.50	6.5	6	5	5	3.13	2.5	1.63	1.38	0.67	0.67	0.67	0.67
Net Assets Per Share (Rs.)	58.80	72.46	59.7	50.27	43.3	84.49	61.47	39.67	30.75	39.12	39.12	39.12	39.12
Market Price Per Share (Rs.)	165	164	104	83	108.1	122.1	90.75	49.75	46.25	102.5	102.5	102.5	102.5
Market Capitalization (Rs. Mn.)	9,723.21	14,057.10	8,914.26	7,114.29	8,107.50	4,578.75	3,403.13	1,865.63	1,734.38	2,562.50	2,562.50	2,562.50	2,562.50
Price Earnings Ratio (Times)	5.29	11.68	7.94	6.76	11.66	8.94	8.49	5.45	6.88	16.12	16.12	16.12	16.12
Other Information													
Number of employees	450	445	1,157	1,088	1,009	989	949	902	897	792	792	792	792
No of Shares ('000)	58,929	85,714	85,714	85,714	75,000	37,500	37,500	37,500	37,500	37,500	37,500	37,500	25,000

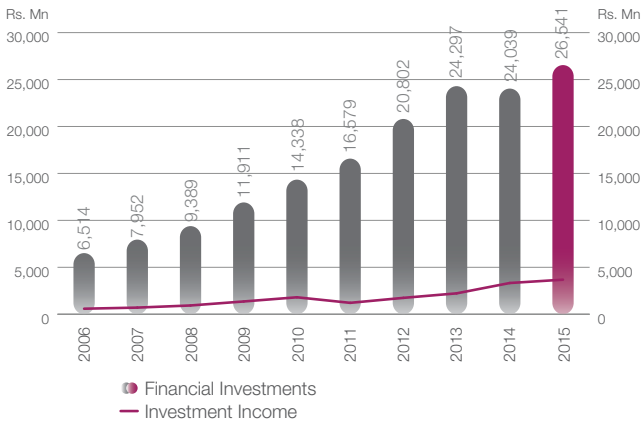
Gross Written Premium - Life



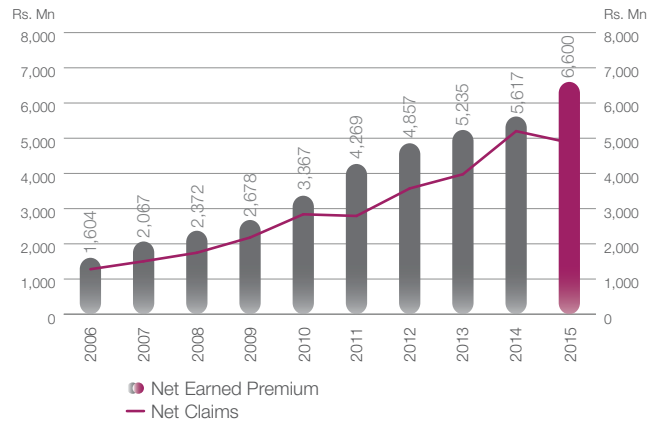
Profits - Life



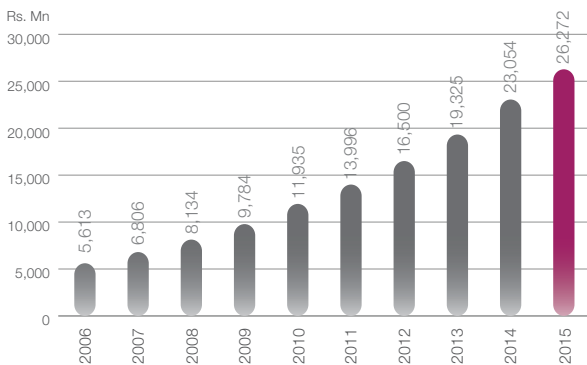
Investment vs Investment Income



Net Written Premium Vs Net Claim



Life Fund



Understanding Our Financials

Our financials provides information about the financial performance and financial position of the company. It is one means by which directors of the company advise shareholders on how the business has performed during the year 2015.

A life insurance company's statement of income includes the income and expenses derived from life insurance business. This brief note is to facilitate the reviewer in understanding our financials and is to be read with the additional information provided in the glossary. We have provided the following overview based on the life insurance statement of income and statement of financial Position.

Statement of income		Life
For the year ended 31 December 2015	Comment	Insurance
Gross written premium	1	6,964,390
Premium ceded to reinsurers	2	(364,182)
Net written premium	3	6,600,208
Other revenue		
Net investment income	4	2,620,382
Net realised gains	5	54,198
Net fair value losses	6	(294,563)
Other income		74,256
		2,454,273
Total net revenue		9,054,481
Benefits, claims and expenses		
Net benefits and claims paid	7	(4,873,607)
Underwriting and net acquisition costs (including reinsurance)	8	(1,289,437)
Other operating and administrative and selling expenses	9	(1,732,543)
Depreciation and amortisation		(119,983)
Total benefits, claims and expenses		(8,015,570)
Profit from operations		1,038,911
Gain on sale of subsidiary	10	1,221,460
Share of results of equity accounted investee, net of tax	11	57,990
Profit before income tax		2,318,361
Income tax reversal		28,275
Profit for the year attributable to equity holders of the company		2,346,636

Statement of financial Position

As at 31 December 2015

Assets

Investment in equity accounted investee	12	736,216
Financial investments	13	26,540,934
Loans to life policyholders	14	741,852
Reinsurance receivables	15	149,772
Premium receivables	16	203,722

Liabilities

Insurance contract liabilities – Life	17	23,731,238
Insurance contract liabilities - Unit linked	18	2,541,221
Reinsurance payables	19	213,855

Comments

Statement of Income

1. The main source of income of the company consists of the premiums paid by customers for the risk/s which they transfer to the company. The amount of money to be charged for a certain amount of insurance coverage is called the Gross Written Premium "GWP. GWP is comparable with the "turnover" of a trading or manufacturing organisation.
2. The portion of risk that a primary insurer passes to a reinsurer. Premium ceded to reinsurance allows the company to reduce its risk exposure to an insurance policy by passing that risk onto another company, with the accepting company receiving a premium for taking on the risk.
3. Net written premiums refer to the portion of premium which is applicable for the financial year and earned by the insurer. This is the amount of premiums that the company has earned by providing insurance against various risks during the year.
4. Net investment income refers to interest income and dividend income received, from investments maintained by the company after deducting the costs of the related investments such as bank charges, custodian fees, brokerage fee etc.
5. Net realised gains / losses resulting from selling of financial investments at a price higher or lower than the book value. While an asset may be carried on the statement of financial position at a level far above or below cost, any gains / losses while the asset is still being held would be considered unrealised, as the asset is being valued at a fair market value.
6. Net fair value gains / losses incurred by the company due to change in the market value of investments which are sensitive to market value change (e.g: Quoted equity).
7. Net benefits and claims refer to total amount of claims and claims related expenses incurred during the year, where appropriate, adjusted by claims outstanding provisions at the beginning and end of the accounting period. In Life business benefits paid to life policy holders, such as surrenders, policy maturities, annuities and interim payments are included. This also includes the balance transferred to life fund.

8. Net acquisition expenses consists of the following;

Commission / franchise fees

Insurance business is predominantly transacted through intermediaries such as brokers and direct agents. When policies are sold by intermediaries, the fee paid to an agent or broker as a percentage of the policy premium is considered as commission. The percentage varies depending on coverage and the duration of the policy..

Reinsurance commission

The commission paid by the reinsurer to the ceding company (primary insurer) on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding company's acquisition expenses.

9. Other operating, administrative and selling expenses
The above refers to staff, administration, sales and marketing costs incurred by the company.
10. In compliance with the regulatory requirement to segregate Life and Non Life insurance businesses, the Non Life business was transferred to Union Assurance General Limited on 1 January 2015. Subsequent to the transfer, the company divested a 78% stake in Union Assurance General Limited to Fairfax Asia Limited on 1 January 2015. The gain from disposal of a 78% stake of Union Assurance General Limited is shown here.
11. Share of results of equity accounted investee, net of tax refers to the share of profit from Union Assurance General Limited attributable to the company.

Statement of Financial Position

Industry specific items are selected and explained below

12. Investment in equity accounted investee refers to carrying value of 22% stake in Union Assurance General Limited.
13. Financial Investments explains how the company has invested the money received from policyholders to pay benefits to policy holders and increase profitability of the company with the expectation of capital appreciation, dividends (profit), interest earnings, or some combination of these returns. Income earned from policyholders' money is accumulated to Life fund.
14. Life policyholders can obtain loans from the company up to a certain percentage of the surrender value of the policy. Loan granted under these criteria are presented here.

Understanding Our Financials

15. The reinsurance receivable reported as an asset in the company's statement of financial position includes amounts due from the company's reinsurers on current claims and estimates of amounts that will be due on future claims.
16. Premium receivables consist of premium-related balances due from policyholders.
17. In Life insurance business, due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policyholders' obligations. This is known as the "Insurance contract liabilities." The size of the fund that needs to be maintained is determined by the actuarial valuation which happens annually. This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year end. The excess is generally known as Life Surplus and it is transferred as shareholders' funds in the financial statements.
18. Same meaning as per Note 17 however it related to the unit linked operation.
19. Reinsurance payables represent payables to reinsurers for risk portion undertaken by them.

Glossary of Insurance Terms

Aa

Accumulation - The situation where a significant number of risks insured or reinsured with the same company may be affected simultaneously by a loss event.

Acquisition expenses - All expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts e.g. commissions.

Actuary - Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics and develops solutions with due regard to legal and economic parameters.

Administrative expenses - Costs of an administrative nature including those arising from premium collection portfolio administration, handling of bonuses and rebates and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible assets - Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annuity - A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant.

A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Assets held for sale - Assets, usually long-term, which one party wishes to liquidate through sales to other parties. An abandoned asset which has no prospective buyers may not be listed as an "asset held for sale."

Bb

Bancassurance - An arrangement whereby insurer sells insurance and investment products to bank customers.

Beneficiary - A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Benefits and claims experience variation - The difference between the expected and the actual benefit payout.

Cc

Cedent - Client of a reinsurance company (also see primary insurers).

Claims - The amount payable under a contract of insurance arising from the occurrence of an insured event.

Claims incurred - A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims outstanding - Life insurance business - The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Commissions - A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Dd

Discontinued operation - Operations of an entire division, subsidiary, or segment of a company where a formal plan exists to eliminate it from the company.

Discretionary participating features (DPF) - A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits;

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer;
- That are contractually based on;
- The performance of a specified pool of contracts or a specified type of contract;
- The realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- The profit or loss of the company, fund or other entity that issues the contract.

Glossary of Insurance Terms

Ee

Endowment - Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Ff

Financial risk - The risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Gg

Global Reporting initiative (GRI) - A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. It allied with the UN Global Compact.

Hh

Healthcare - An insurance contract which provides medical coverage to a policyholder.

li

Insurance contract - A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk - Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Insurance provision – Life - The fund or funds maintained by an insurer in respect of its life insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Investment contract - A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

Investment management services - The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.

LI

Lapsed Policy - A policy terminated at the end of the grace period because of non payment of premiums.

Liability adequacy test (LAT) – An annual assessment of the sufficiency of insurance and / or investment contract with DPF liabilities, to cover future insurance obligations.

Life surplus - The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders

Life insurance business – Insurance (including reinsurance) business falling within the classes of insurance specified as long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

Longevity - The insurer's risk that an insured person lives longer than expected or that life expectancy within an insured portfolio rises as a whole.

Loss ratio - Percentage ratio of claims expenses to earned premiums.

Mm

Mortality - The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

Nn

Net - Refer Gross / net

Net asset value - The value of all tangible and intangible assets of a company minus its liabilities. It reflects a company's fundamental value.

Net expenses for claims and benefits - These include the expenses for claims (claims payments and the change in the provision for outstanding claims), expenses for premium refunds and the change in the remaining technical provisions (provision for future policy benefits and other), in each case after deduction of the ceded share.

Non-participating business – Life insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

Non-proportional reinsurance – Under this form of reinsurance, the reinsurer assumes payment of the primary insurer's loss above a defined amount. The calculation of the reinsurance premium is based on claims experience with the type of business concerned.

Oo

Outstanding claims provision - Comprises claims incurred by the policyholder and reported to the insurance company, and IBNR claims.

Pp

Participating business - Life insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

Policyholders' bonuses - In life and health insurance, policyholders are entitled contractually and by law to an appropriate share of the surplus earned by their insurers. The amount of this bonus is fixed anew each year. As a rule, in life insurance these bonuses increase the benefit payable on maturity of the policy or on occurrence of the insured event; in health insurance, they are paid by way of premium refunds.

Policy loans - A loan from the insurer to a policyholder on the security of the surrender value of a life insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

Premiums - The instalments paid by the customers.

Primary insurers - Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Proportional reinsurance - Form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer, and the reinsurer is allocated a corresponding share of the premiums and claims.

Provision for outstanding claims - Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

Rr

Reinsurance - An arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance commission – Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance insurance risk - that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.

Reinsurance inwards - The acceptance of risks under a contract of reinsurance.

Reinsurance outwards - The placing of risks under a contract of reinsurance.

Reinsurance profit commission - Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retention - The part of the risk assumed which the insurer / reinsurer does not reinsure / retrocede, i.e. retained net for own account.

Retrocession - The reinsurance outwards of risks previously accepted by an insurer as reinsurance inwards. The recipient is known as the retrocessionaire.

Risk Based Capital - A "Risk Based" approach to assess the solvency and is based on the real "cash flows" of the business.

Ss

Scenario analysis - Type of analysis used to investigate how certain key figures (market values or carrying amounts) change in the event that predefined market developments occur. Scenario analyses usually takes the form of average if-then analyses.

Glossary of Insurance Terms

Solvency margin – Life - The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on life insurance business (Long Term Insurance) as defined in Solvency Margin (Long Term Insurance) Rules, 2002 made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000.

Stress test - A special form of scenario analysis. The aim is to make a quantitative statement on the loss potential of portfolios in the event of extreme market fluctuations, tail dependencies. The result of risk drivers interacting in exceptional situations.

Surrender value - The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in life insurance).

Tt

Technical provisions – Uncertain liabilities directly connected with insurance business. These provisions are made to ensure that obligations under insurance contracts can always be met.

Uu

Underwriter - Member of an insurance company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions.

Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

Unit-linked life Insurance - A type of life insurance with a savings component, where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

Vv

Value at risk - Method of quantifying risk; measures the potential future losses that may not be exceeded within a specified period and with a specified probability.

Variable annuities – A special form of unit-linked life insurance where the investment risk is borne primarily by the policyholder but the insurer guarantees a minimum payment on occurrence of the insured event.

Ww

Written premium - Life insurance business - Premiums to which the insurer is contractually entitled and received in the accounting period.

Distribution Network

Aa

Akuressa

No 64, Matara Road,
Akuressa
Tel: 041 228 3393
Fax: 041 228 3493

Aluthgama

No. 51, Galle Road, Kalua
Modara,
Aluthgama.
Tel: 011 313 5922

Ambalangoda

No 20 1/2, Galle Road,
Ambalangoda
Tel: 091 225 8862
Fax: 091 225 5882

Ambalantota

No .46/1, Main Street,
Ambalantota
Tel: 047 222 3370
Fax: 047 222 5500

Ampara

No 32, D. S. Senanayake Street,
Ampara
Tel: 063 222 4668 / 063 222 4401 /
063 222 3669 / 011 248 2308
Fax: 063 222 4001

Anuradhapura

No. 280 A,
Mithreepala Senanayake Mw,
Anuradhapura
Tel: 025 222 4677/78 / 025 377
7777 / 78
Fax: 025 223 5547

Avissawella

No 15 1/2, Kudagama Road,
Avissawella
Tel: 036 223 1349
Fax: 036 223 3850

Anamaduwa

149, Chilaw Road,
Anamaduwa
Tel: 322263838

Bb

Badulla

Modern Complex, Main Street,
Badulla
Tel: 055 222 9536 / 011 242 8281
Fax: 055 222 4373

Bandarawela

341/A, 1st Floor, Badulla Road,
Bandarawela
Tel: 057 222 3396 / 057 222 3239
Fax: 057 222 3397

Battaramulla

No.371, Kaduwela Road,
Battaramulla
Tel: 011 207 4451 / 52 / 53 / 54
Fax: 011 207 4464

Batticaloa

No. 277, Trinco Road,
Batticaloa.
Tel: 065 222 4574 / 065 222 9876
Fax: 065 222 8167

Baddegama

402/3, Galle Road,
Baddegama
Tel: 091 3092772

Bakamuna

37, Near Bank of Ceylon, Hospital
Road, Bakamuna

Balangoda

164, Thumbagoda Junction,
Balangoda
Tel: 045 3603111

Bandaragama

55, Horana Road,
Bandarama.

Bibile

'Isuru Trader', Moneragala
Junction,
Bibile
Tel: 055 3051532

Cc

Chavakachcheri

41, Kandy Road,
Chavakachcheri
Tel: 021 227 0073

Chilaw

No.87, Puttalam Road,
Chilaw
Tel: 032 222 2104
Fax: 032 222 4824

Chunnaakam

160, 1/6, K.K.S Road,
Chunnaakam
Tel: 021 224 2097

City Office

No.305, R. A. De Mel Mawatha,
Colombo 03
Tel: 011 257 7129
Fax: 011 257 7126

Dd

Dambulla

No. 755/1, Anuradhapura Road,
Dambulla
Tel: 066 228 4628
Fax: 066 228 4647

Dehiwala

218/A/2/1, Galle Road,
Ratmalana.

Deniyaya

Viharahena Road, Main Street,
Deniyaya
Tel: 041 3003457

Divulapitiya

101/1, Meerigama Road,
Divulapitiya

Digana

36B, Victoria Golf Road,
Digana, Rajawella.

Distribution Network

Ee

Embilipitiya

Union Assurance PLC, Pallegama,
Embilipitiya

Tel: 045 223 0463

Fax: 047 226 1946

Elpitiya

44A 1/1, Ambalangoda Road,
Elpitiya

Gg

Galle

No 16 A, Gamini Mawatha,
Galle

Tel: 091 224 3948

Fax: 091 222 3759

Gampaha

No. 9, Holy Cross Road,
Gampaha.

Tel: 033 222 2802 / 033 222 6441

Ext: 8252 / 8253

Fax: 033 222 8430

Gampola

10 B, Nidahas Mawatha,
Gampola

Tel: 081 235 2915 / 081 235 2256

Fax: 081 235 0127

Galewela

324 B, Dambulla Road,
Galewela

Godakawela

186/1/1, Main Street,
Godakawela

Hh

Hambantota

103, Tissa Road, Hambantota.

Tel: 047-2220025-26

Fax: 047-2220028

Hatton

199/B/2/1, Dimbulla Road,
Hatton.

Tel: 051-2223820

Hingurakgoda

Airport Road, Hingurakgoda.

Tel: 027-2246581

Fax: 027- 2245299

Homagama

119/2/1, Katuwana Road,
Homagama

Tel: 011-2892802 – 3

Fax: 011-2892804

Horana

161, Ratnapura Road, Horana.

Tel/ Fax: 034-2264182

Ii

Ingiriya

3, Main Street, Ingiriya.

Tel: 034-2268095

Jj

Ja-ela

71/A2/1, Negombo Rd, Ja Ela.

Tel: 011-2243633

Fax: 011 2231661

Jaffna

139, Stanley Road, Jaffna.

Tel: 021-2223753

Fax: 021 2220018

Kk

Kadawatha

No.144/1/D, Kandy Road,
Kadawatha

Tel: 011-2927252/3

Fax: 011 2927254

Kalawana

46/1/1, Mathugama Road,
Kalawana.

Tel: 045-2255772

Kalmunai

212, Batticaloa Road, Kalmunai.

Tel: 067-2222636, 067-2222633

Fax: 067-2222320

Kalutara

338/1/2, Main Street, Kalutara.

Tel: 034-2228964, 034-2223132

Fax: 034-2228963

Kamburupitiya

314, Akuressa Road,
Kamburupitiya.

Tel: 041-2294580/ 041-2294581

Kandy

28, Hill Street, Kandy.

Tel: 081-2227443, 081- 2232731

Fax: 081-2233291

Katugastota

185/4, Galagedara Road,
Katugastota.

Tel: 081-2500286

Kegalle

134, Kalugalla Mawatha, Kegalle.

Tel: 035-2232829

Fax: 035-2230363

Kekirawa

41A, Yakalla Road, Kekirawa.

Tel: 025-2264453

Kilinochchi

83 and 85, Kandy Road,
Killinochchi.

Tel: 021 2280117-8

Fax: 021 2280119

Kiribathgoda

94, Makola Road, Kiribathgoda.

Tel: 011-2916924, 011-2916925

Fax: 011-2916852

Kirindiwela

153, Gampaha Road, Kirindiwela.

Tel: 033-2247411

Kottawa

197 /1/ E, Horana Road, Kottawa.

Tel: 011-2178008

Kuliyapitiya

93, Madampe Road, Kuliyapitiya.
Tel / Fax: 037-2281904

Kurunegala

Union Assurance Centre
6, Rajapihilla Road, Kurunegala.
Tel: 037-2224252, 037-2222474,
037-2222282
Fax: 037-2227585

Mm

Madampe

87, Walawwatta, Kurunegala
Road, Old Town, Madampe.

Mahaoya

Wijethunga Building, Mahaoya.
Tel: 063-2244125

Maharagama

139, Elhena Road, Maharagama.
Tel: 011-2896474

Mahawa

193, Moragollagama road,
Mahawa.

Mahiyangana

13, Kandy Road, Mahiyangana.
Tel: 055-2258244, 055-2258255
Fax: 055-2258200

Mannar

43, Ward No.2, Pallimuni Street,
Mannar.
Tel / Fax: 023-3238255

Matale

553/F1/2, Trincomalee Street,
Matale.
Tel / Fax: 066-2231536

Matara

13, Station Road, Matara.
Tel: 041-2223024, 041-2222953
Fax: 041-2223026

Mathugama

94/2, Agalawatta Road,
Mathugama.
Tel / Fax: 034-3944339

Mawanella

157, New Mawanella Road,
Mawanella.
Tel: 035-2247351

Madirigiriya

417, Main Street, Madirigiriya.
Tel: 027-2248310

Melsiripura

105/18, Siripura Estate, 15 Mile
Post,
Melsiripura.

Minuwangoda

85, Veyangoda Road,
Minuwangoda.
Tel: 011-2281923

Monaragala

112, Wellawaya Road,
Monaragala.
Tel/ Fax: 055-2276290

Moratuwa

472 1/1, Galle Road,
Rawathawathe,
Moratuwa.
Tel: 011-2641666, 011- 2641800
Fax: 011-2641811

Mullaitivu

P.W.D Road, Vannankulam,
Mullaitivu.

Nn

Narammala

209, Kuliyapitiya Road,
Narammala.
Tel: 037-2248511

Nawalapitiya

31/A, Dolosbage Road,
Nawalapitiya.
Tel: 054-2224088

Negombo

147, St. Joseph's Street,
Negombo.
Tel: 031-2235042-3, 031-
2224264
Fax: 031-2224243

Nikaweratiya

71, 2nd floor, Puttalam Road,
Nikaweratiya.
Tel/ Fax: 037-2260367

Nittambuwa

538/3, Near the 38 k.m Post,
Malwatta, Nittambuwa.
Tel: 033-2293924

Nugegoda

376, High Level Road,
Gangodawilla,
Nugegoda.
Tel: 011-2815511-3
Fax: 011-2815515

Nuwara Eliya

36, Park Road, Nuwara Eliya.
Tel/ Fax: 052-2223017

Pp

Padawiya

2, New Town, Padawiya.
Tel / Fax: 025-3770758

Panadura

571/3, Galle Road, Panadura.
Tel: 038-2244790
Fax: 038-2244630

Pannala

74/1, Negombo road, Pannala.

Pelmadulla

228, Rathnapura Road,
Pelmadulla.
Tel: 038-3392217

Piliyandala

48 1/1, Horana Road, Piliyandala.
Tel: 011-2619550

Distribution Network

Point Pedro

357, Main Street, Point Pedro.
Tel / Fax: 011-3158153

Polgahawela

67/1, 67 1/1, Colombo Road,
Polgahawela.
Tel: 037-2244575

Polonnaruwa

5, Batticaloa Road, Polonnaruwa.
Tel / Fax: 027-2226611

Pussellawa

543 1/1, Nuwara Eliya Road,
Pussellawa.
Tel: 081-2478121

Puttalam

97 B, 2nd Floor, Cargills Food
City Building, Kurunegala Road,
Puttalam.
Tel / Fax: 032-2265980

Rr

Rambukkana

87/14, 1/2, Mawanella Road,
Rambukkana.
Tel: 035-2264646

Ratnapura

567 1/1, Senevirathna Building,
Colombo
Road, Ratnapura.
Tel: 045-2230739
Fax: 045-2223525

Ruwanwella

185 1/2, Avissawella Road,
Ruwanwella.
Tel: 036-2266631
Fax: 036-2268747

Tt

Talawathugoda 1

656/A, Wickramasinghepura
Junction,
Talawathugoda.
Tel: 011-2796311-2
Fax: 011-2796310

Talawathugoda 2

123, Kaduwela Road,
Battaramulla.
Tel: 011-2074450-4

Tambuttegama

319, Rajina Junction,
Tambuttegama.
Tel: 025-2275594 / 025-2276211
Fax: 025-2276060

Tangalle

61, Beach Road, Tangalle.
Tel: 047-2241545

Thanamalwila

Wellawaya Road, Thanamalwila.
Tel: 047-2285422

Tissamaharama

92, Main Street, Tissamaharama.
Tel: 047-2237711
Fax: 047 2239644

Trincomalee

83, Main Street, Trincomalee.
Tel: 026-2227530

Vv

Valaichchenai

Main Street, Valaichchenai.
Tel: 065-2258555 / 065-2258557
Fax: 065-2258556

Vavuniya

113, Kandy Road, Vavuniya.
Tel: 024-2223138

Ww

Warakapola

No: 198/D/1/1, Willara Building,
Meerigama Junction, Kandy
Road, Warakapola.
Tel: 035-2267441
Fax: 035-2267039

Wariyapola

273/3, Chilaw Road, Wariyapola.
Tel: 037-2267206

Wattala

146 3/2, 2nd floor, Pearl Park
Shopping Complex, Market
Junction, Negombo Road,
Wattala.
Tel: 011-2932153
Fax: 011-2932030

Weligama

314, Old Galle Road, Weligama.
Tel: 041-2250821 / 041-2250831

Wellawaya

210, Moneragala Road,
Wellawaya,
Tel: 055-3600031 / 055-2274380
Fax: 055-2274218

Wennappuwa

6, Colombo Road, Wennappuwa.
Tel: 031-2255844
Fax: 031-2253892s

Wellawatta

57 2/1, High Level Road,
Kirillapone, Colombo 6.
Tel: 011-2513361

Notice of Meeting

Notice is hereby given that the 29th Annual General Meeting of Union Assurance PLC, will be held at the Auditorium of Union Assurance PLC, No. 20, St. Michael's Road, Colombo 3 on Thursday 31st March 2016 at 9.00 a.m. for the following purposes;

1. To read the Notice convening the meeting.
2. To receive and consider the annual report and financial statements of the Company for the year ended 31st December 2015 with the report of Auditors thereon.
3. To re-elect as Director, Mr. Gerald Fredrick Christopher De Saram who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. Gerald Fredrick Christopher De Saram is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Mr. Suresh Rajendra who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. Suresh Rajendra is contained in the Board of Directors section of the Annual Report.
5. To re-appoint Auditors Messrs. KPMG, Chartered Accountants, and authorise Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
Union Assurance PLC



Keells Consultants (Private) Limited
Secretaries

24th February 2016

Notes:

- a. A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- b. A proxy need not be a member of the Company.
- c. A member wishing to vote by Proxy at the meeting may use the Proxy form enclosed.
- d. In order to be valid, the completed proxy form must be lodged at the registered office of the Company not less than 48 hours before the meeting.
- e. If a poll is demanded, a vote can be taken on a show of hand or by a poll. Each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual shareholder and his/her proxy holder are both present at the meeting, only the shareholder's vote is counted. If the proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

Proxy Form

I/We.....of.....
being a member/s of Union Assurance PLC hereby appoint
of
 or failing him/her

Mr. Ajit Damon Gunewardene	or failing him
Mr. Gerald Fredrick Christopher De Saram	or failing him
Mr. Ashan Suresh De Zoysa	or failing him
Mr. Suresh Rajendra	or failing him
Ms. Dilani Champika Alagaratnam	or failing her
Mr. Harin Amendra Joseph De Silva Wijeyeratne	or failing him
Mr. Anthony Dirk Pereira	

as my/our proxy to represent me/us and vote on my/our behalf at the 29th Annual General Meeting of the Company to be held on Thursday 31st March 2016 at 9.00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage;

	For	Against
To re-elect as Director, Mr. Gerald Fedrick Christopher De Saram who retires in terms of Article 84 of the Article of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect as Director, Mr. Suresh Rajendra who retires in terms of Article 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors Messrs. KPMG Chartered Accountants and to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Signed on thisday of Two Thousand and Sixteen.

.....
 Signature /s of Shareholders/s

NOTE:

INSTRUCTIONS AS TO COMPLETION OF THE PROXY FORM ARE NOTED ON THE REVERSE.

Proxy Form

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 20, St. Michael's Road, Colombo 3, not later than 48 hours before the time appointed for the holding of the meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporate in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	:
Address	:
	
	
Jointly with	:
Share Folio No.	:

Corporate Information

GRI-G4

G4-3
G4-5
G4-7

Name of Company

Union Assurance PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 8 January 1987 and registered under the Companies Act No. 7 of 2007 and quoted on the Colombo Stock Exchange since 1988

Company Registration Number

PQ 12 [Previous registration number N(PBS)137]

Tax Payer Identification Number (TIN)

134001372

VAT Registration Number

134001372 7000

Directors

A. D. Gunewardene - Chairman
D. C. Alagaratnam
A. S. De Zoysa
G. F. C. De Saram
S. Rajendra
H. A. J. De Silva Wijeyeratne
A. D. Pereira

Board Remuneration Committee

A. D. Gunewardene
G. F. C. De Saram
H. A. J. De Silva Wijeyeratne

Board Nominations Committee

A. D. Gunewardene
G. F. C. De Saram
A. S. De Zoysa

Board Audit and Compliance Committee

H. A. J. De Silva Wijeyeratne
S. Rajendra
A. S. De Zoysa

Investment Committee

K. N. J. Balendra
A. S. De Zoysa

Secretaries and Registrars

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner
Mawatha,
Colombo 2

Auditors

Messrs. KPMG (Chartered Accountants)
PO Box 186, 32A, Sir Mohamed Macan
Markar Mawatha,
Colombo 3

Consultant Actuaries

Actuarial & Management Consultants
(Pvt) Ltd.
434, 1st Floor, R A De Mel Mawatha,
Colombo 3

Lawyers

The Legal Department
John Keells Holdings PLC
117, Sr Chittampalam A Gardiner Mawatha.
Colombo 2

Bankers

Bank of Ceylon
Citibank, N.A.
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
Hatton National Bank PLC
Hongkong and Shanghai Banking
Corporation
Housing Development Finance Corporation
Bank of Sri Lanka
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank of Colombo PLC

Reinsurance Panel

RGA
Hannover Re
Munich Reinsurance Company
Partner Re

Registered Office of the Company

Union Assurance Centre
20, St Michaels Road,
Colombo 3

Investor Relations

All investor queries should be directed to;
Investor relations hotline 011-2428859
e-mail: investorrelation@ualink.lk

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