

CHIEF EXECUTIVE OFFICER'S REVIEW



The future of the life insurance sector depends on proactive efforts to raise awareness, develop tailored products, and provide outstanding, customer-focused service. We are committed to leading this evolution by transforming into a fully digital, customer-centric insurer."



Union Assurance concluded 2024 with outstanding performance, demonstrating resilience and strategic foresight in a stable yet dynamically shifting macroeconomic landscape. Successfully navigating the challenges of evolving economic conditions, the Company proactively leveraged opportunities, solidifying its position as Sri Lanka's most trusted and digitally advanced Life Insurer. This achievement underscores our ongoing commitment to innovation, reinforcing our ability to protect lives, empower individuals, and improve the well-being of our policyholders, setting new benchmarks in the industry.

Operating Environment

Sri Lanka's economy rebounded strongly in 2024, driven by key sector growth and financial stabilisation, supported by

the IMF-EFF programme. Foreign debt restructuring led to credit rating upgrades, and inflation rapidly declined, reaching deflation by September 2024 due to lower energy costs and a stronger currency. Accommodative monetary policies, including interest rate cuts, spurred consumer spending and investment compared to the previous year, aiding further economic recovery.

The economic growth fuelled demand for health insurance and long-term financial protection, enabling us to achieve a 15% increase in GWP for the year. However, the imposition of direct and indirect taxes created headwinds, diminishing consumer spending power and limiting the growth potential of the insurance sector, with affordability remaining a key challenge.

Delivering Steady Earnings, Value and Cash Generation

Our strategy focuses on long-term value creation and prioritising stakeholder satisfaction. We achieve this by exceeding the expectations of our policyholders, shareholders, distributors, and employees, while maintaining resilience and agility.

For the year under review, regular new business premium income reached Rs. 6.2 Bn while Gross GWP totalled Rs. 21.6 Bn. The 15% growth in GWP was driven by a 13% increase in regular new business premiums, a 13% rise in renewal premiums, and a 27% increase in Group Life premiums.

Net investment income grew by 9% to Rs.11.8 Bn driven by a strategic asset allocation approach, despite the

CHIEF EXECUTIVE OFFICER'S REVIEW

challenging low-interest-rate environment that prevailed throughout the year. The net fair value gains for the year recorded at Rs. 2.0 Bn, an increase of 292% compared to 2023 driven by a strategic asset allocation approach that leveraged positive equity market performance.

Net outgoings in 2024 showed stable net claims and benefits paid to policyholders at Rs. 6.7 Bn compared to 2023. While net acquisition and underwriting costs increased by 13%, in line with the GWP increase, driven by a new incentive scheme designed to optimise volume, quality of business sold and profitability. Other operating, administrative, and acquisition expenses increased by 12% due to external factors, namely higher indirect taxes in 2024 and expansion of distribution channels. A key focus remained on cost discipline with ongoing monitoring, cost-saving measures, and optimisation initiatives aimed at reducing the overall cost ratio below 2023 levels.

Surplus transfer to shareholders increased by 7% to Rs. 3.0 Bn. However, the Profit before tax (PBT) for the year decreased marginally to Rs. 5.2 Bn due to lower shareholder investment income in a falling rate environment.

The Company's assets under management (AUM) recorded a commendable growth of 15% during the year, reaching Rs. 95.6 Bn as of 31 December 2024. The strong growth in AUM was driven by business cash inflow and the positive valuation impact on Available for Sale (AFS) assets resulting from declining interest rates during the year. The life fund was backed by a quality asset base, which recorded a growth of 21% to Rs. 77.5 Bn as of 31 December 2024.

In terms of Solvency and Liquidity, we maintained a healthy capital adequacy ratio (CAR), which is highly sensitive to interest rate movements in the market. The CAR as of 31 December 2024 was 264% and was well above the minimum regulatory requirement of 120%.

The strong balance sheet and healthy CAR supported a dividend of Rs. 5.00 per share as the first and final dividend for the year 2024.

Entering a New Phase of Growth

Guided by our vision of "Empowering Human Progress by Protecting What Matters," our dedicated team of over 3,000 colleagues works tirelessly to provide protection to over 329,000 Sri Lankans every day. Our results reflect the strong performance of our distribution channels, which continue to drive our success.

The Agency channel remains our primary engine of growth, driving 75% of our GWP. This year, the channel took an ambitious approach to expand, extending our network reach nationwide. We also enhanced customer experience by relocating 6 branches for better access and upgrading 7 others. These efforts resulted in strong double-digit growth in Annualised New Business generation, driven by improvements in key performance indicators such as persistency and case size, showcasing the team's ability to scale rapidly.

Moreover, we took a leadership position in 2024 by becoming the first in the Life Insurance industry to incorporate LIMRA persistency metrics into incentive calculations and reward/recognition for advisors. This ensures that advisors are rewarded for promoting high-quality business and enhancing the overall value of new business. Alongside this change, we offer one of the industry's most comprehensive reward and recognition programmes. Additionally, UA Premier Club remains committed to advisor skill and leadership development initiatives, consistently producing one of the highest number of MDRT winners in the industry.

Furthermore, we triumphed with record-breaking success at the 15th National Forum for Life Insurance Advisers Conference securing all national-level awards along with several category-

15%

Growth in GWP

21%

Growth in Life Fund

specific honours. This reinforces our leadership and dominance in the insurance industry. Reflecting this strength, the Agency channel delivered encouraging growth of 14% in GWP during the year.

The Bancassurance vertical holds significant growth potential, driven by the higher banking penetration in Sri Lanka. The Bancassurance channel recorded a 14% growth in GWP, with notable improvements in key performance indicators including persistency, case size and productivity. Our Bancassurance strategy continues to focus on capitalising on synergies from exclusive partnerships to drive revenue growth, while expanding our reach by targeting new consumer segments within other banking partnerships. This approach is designed to unlock new business opportunities and further strengthen our market position.

The Alternate channel achieved strong GWP growth of 37% driven by the outstanding performance in the corporate channel and DTA business. In particular, the corporate channel adopted a selective approach to business acquisition, focused on profitability and strong combined ratio, resulting in a 27% growth in GWP.

The Decreasing Term Assurance (DTA) business experienced a resurgence, driven by a high loan demand. This was as a result of the lower interest rates which boosted personal loans and investments. Aligning with our channel diversification strategy, we expanded our partnership network forging five strategic partnerships during the year, marking significant progress.



The Company was able to declare a Universal Life policyholder dividend of 12% for the year 2024."

12%

Policyholder Dividend

Demonstrating our commitment to excellence, we produced 277 Million Dollar Round Table (MDRT) qualifiers in 2024, solidifying our position as a leader in the Sri Lankan insurance market for nurturing the highest number of MDRT achievers.

Leveraging Digitalisation for Superior Service

Our digital transformation journey is anchored on three key pillars: digitising customer experience, developing a comprehensive customer value proposition, and implementing a bionic distribution model. From the outset, we recognised the importance of addressing our customers' evolving needs in the digital era. As the first life insurer to offer 100% digital proposal submissions, we have made significant progress this year, delivering cutting-edge solutions and industry-leading automation to further enhance speed and convenience for our customers.

In a collaborative effort with Munich Re, we introduced a groundbreaking financial underwriting automation system, an industry-first. This innovative project uses advanced technology to automate the evaluation of financial questionnaires, improving the speed and accuracy of customer risk assessments.

Furthering our commitment to customer-centric innovation, we introduced a market-first Digital Loyalty Rewards Programme within the Clicklife App. This innovative programme supports the Company's

mission to enhance the well-being of all Sri Lankans by offering accessible platforms that elevate their quality of life, while providing essential financial protection. Through the app's seamless integration, customers can easily earn and redeem valuable digital rewards at a broad network of participating merchants.

2024 marked a pivotal year with the launch of the Cancer Care Product, directly accessible through the Clicklife app. This groundbreaking offer empowers customers with financial support to manage financial burdens in the eventuality of a cancer, ensuring access to comprehensive care through a seamless, fully digital experience. Clicklife is setting a new standard in the insurance sector as the first app to enable direct product purchases, reinforcing our leadership in digital accessibility and meeting the evolving needs of today's self-directed consumers.

Our new Digital Onboarding Module transforms the advisor onboarding process by digitising manual documents and integrating IRCSL exam registration. This industry-first solution enhances user experience with streamlined lead entry, intuitive dashboards, and clear visibility into the onboarding journey.

Central to our strategy is the integration of digital transformation, which has made our entire business operations paperless, improving both efficiency and accessibility. We remain committed to

driving innovation, progress, and ESG values through seamless digital channels that support customers and distributors at every stage of their journey, while also minimising the industry's ecological footprint and reflecting our dedication to environmental preservation.

We were honoured as 'Most Innovative Life Insurance Service Provider Sri Lanka-2024' at the Gazet International Annual Awards; 'Most Digitally Forward Life Insurer- 2024' at the Global Brands Magazine Awards and the 'Most Loved Insurer Brand Sri Lanka-2024' at the World Economic Magazine Awards.

Further affirming our position as Sri Lanka's premier Life Insurer, Union Assurance was awarded as the 'Best Digital Life Insurer – Sri Lanka 2024' at the Global Business & Finance Magazine Awards. This esteemed platform recognises exceptional achievements in business and finance worldwide, celebrating individuals, companies and organisations that have made remarkable contributions to their industries.

These awards are a testament to our leadership in pioneering digital transformation and revolutionising the life insurance industry through innovative, customer-centric technology solutions.

During the year, we achieved the number one position in PR ranking based on AEV, further solidifying our brand presence.

Looking Ahead

The anticipated stability of the Sri Lankan economy, with steady currency, interest rates, and supportive policies, provides a favourable environment for business. Leveraging our robust digital infrastructure and the exceptional capabilities of our employees and sales force, we are well-prepared to navigate the future with agility and capitalise on emerging opportunities.

The future of the life insurance sector depends on proactive efforts to raise awareness, develop tailored products, and provide outstanding, customer-focused



Our digital transformation journey is focused on our customers' evolving needs in the digital era. As the first life insurer to offer 100% digital proposal submissions, we have made significant progress this year, delivering industry-leading automation to further enhance speed and convenience for our customers."

CHIEF EXECUTIVE OFFICER'S REVIEW

service. We are committed to leading this evolution by transforming into a fully digital, customer-centric insurer. This will drive the creation of innovative products, fuel stronger growth, optimise returns on capital, and foster deeper customer loyalty.

We are committed to driving accelerated growth in the agency channel through both internal developments and strategic expansions. Our efforts prioritise strengthening internal capabilities and expanding our presence in high-potential areas. To support these initiatives, we have equipped our agency force with advanced technology, empowering them to operate more efficiently and make an impactful contribution to the Company's growth.

Our strategic collaboration with Sampath Bank is expected to generate synergies by combining our best-in-class product offerings and advanced digital capabilities with Sampath Bank's extensive product portfolio, creating a transformative partnership that will accelerate growth.

Appreciation

I extend my sincere appreciation to all our employees for their outstanding performance, a testament to their unwavering commitment to our core purpose, innovative thinking, determination, and hard work.

I express my gratitude to our customers, partners, intermediaries, all other stakeholders and the Regulator for their invaluable guidance, timely support, and ongoing support.

We look forward to continued success in 2025 and beyond.



Senath Jayatilake
Chief Executive Officer

28 February 2025