

360° OF VALUE



Our report, with additional updated information is available on our website:



www.unionassurance.com

360° OF VALUE

For over 30 years at Union Assurance, we have worked tirelessly towards creating a comprehensive portfolio of products and services that span the wide-ranging needs of the Sri Lankan people.

That's why during the year under review, driven by a dynamic team of professionals, we repositioned ourselves with a renewed purpose. As we restructured our systems and processes, adopting a 360° approach that encompasses every Stakeholder, our holistic action plan ensured business continuity even amidst the uncertainties of a global pandemic.

As we navigate through these challenges with resourceful technologies, future-ready strategies and a broad and positive outlook of the future, Union Assurance is focused on integrating a 360° delivery of value that protects and empowers our Stakeholders, whoever and wherever they may be.

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VALUING GENERATIONS

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ABOUT OUR REPORT

GRI 102-12, 102-46, 102-48,
102-49, 102-50

At Union Assurance, we are committed to deliver quality products and services to our customers, so that they may achieve extraordinary things in life.

We present our Integrated Annual Report which aims to provide our Stakeholders a concise, balanced and accurate assessment of our strategy, performance and opportunities, in relation to material financial, economic, social, environmental and governance issues and our ability to create value in the short, medium and long term.

As your health and safety is paramount important to us and we are moving on another step in our sustainability agenda, 34th Annual General Meeting (AGM) will be held on virtual mode. A link to join the AGM and QR code to access your Annual Report 2020 are provided in Notice of Meeting.

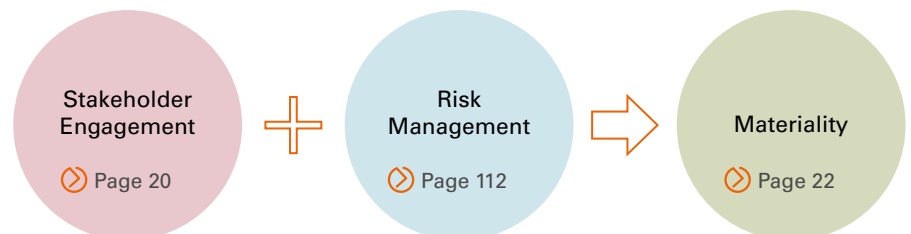
Scope and Boundary

The Report covers the operations of Union Assurance PLC for the period from 1 January 2020 to 31 December 2020 which is the Company's annual reporting cycle.

Information in this report pertaining to the previous year has not been restated, unless otherwise stated.

Materiality

We apply the principle of materiality in our reporting, to ensure that we address all material aspects that impact our ability to deliver sustainable value to our Stakeholders. Material matters are identified through an extensive Stakeholder engagement process, through Board, Executive Committee and Corporate Management team discussions and through our risk management process.



Guiding Principles

Integrated Report

- Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).
- "A Preparer's Guide to Integrated Corporate Reporting"- issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).

Read more on page 6

Corporate Governance and Risk Management Report

- Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.
- Code of Best Practice on Corporate Governance issued by the ICASL and Securities and Exchange Commission (SEC).
- Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).
- Laws and regulations of the Companies Act No. 7 of 2007.
- Insurance Industry Act No. 43 of 2000 and subsequent amendments to date.
- Guidelines, Determinations, Rules and Regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Read more on page 75

Annual Financial Statements

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the ICASL.
- Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.
- Laws and regulations of the Companies Act No. 7 of 2007
- Insurance Industry Act No. 43 of 2000 and subsequent amendments to date.
- Guidelines, Determinations, Rules and Regulations issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

Read more on page 123

Internal and External Assurance

The following assurances have been obtained for the information presented in this report.

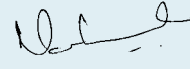
- An Independent Auditor confirming the accuracy of the annual Financial Statements (pages 133 to 136)
- An Independent Actuary confirming the life fund valuation and liability adequacy (page 131)
- An Independent Assurance engagement for specific financial and non financial sustainability indicators. (pages 236 to 237)

Statement of the Board of Directors on the Integrated Annual Report

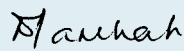
The Board acknowledges its responsibility to ensure the integrity of the Annual Integrated Report and is of the opinion that the report addresses all material issues that it believes to have a bearing on the Company's capacity to create value over the short, medium and long term. The report was unanimously approved by the Board and is signed on its behalf by;



K N J Balendra
Chairman



W M De F Arsakularatne
Director



Keells Consultants (Pvt) Ltd
Secretaries

25 February 2021

Feedback

Your comments or questions on this Report are welcome. Please direct them to;

Asha Perera

Chief Financial Officer
Union Assurance PLC
No 20, St. Michael's Road
Colombo 03,
Sri Lanka.
or email to:
investorrelations@unionassurance.com

Sustainability Performance

- This report has been prepared in accordance with the consolidated set off GRI Sustainability Reporting Standards: Core Option.
- United Nations Sustainable Development Goal.

Navigating Our Report

We have used the following icons across the report to demonstrate connectivity between information;

Our Capital Reports



Financial Capital



Manufactured Capital



Human Capital



Natural Capital



Social & Relationship Capital



Intellectual Capital

Stakeholders



Shareholders and Investors



Employees



Customers



Business Partners



Community



Government

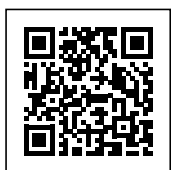
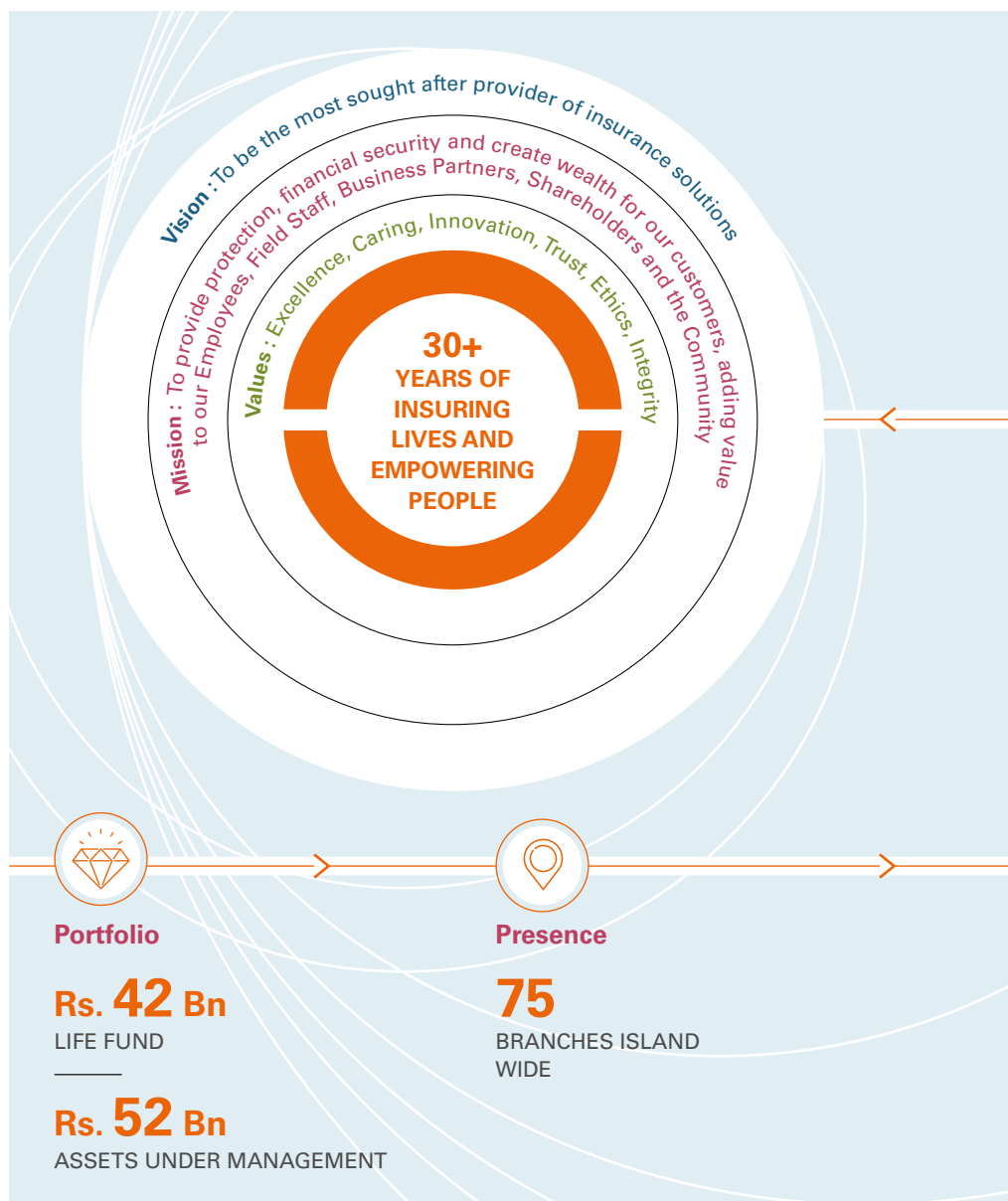
WHO WE ARE

GRI 102-2, 102-6

We have realigned our strategies based on the insights we gained by Stakeholder feedback over the years. We are striving to serve them better in the years to come.

As one of the largest Life Insurance solutions providers in the country, Union Assurance has been in the business of protecting lives, empowering people and providing peace of mind to thousands of Sri Lankans since 1987.

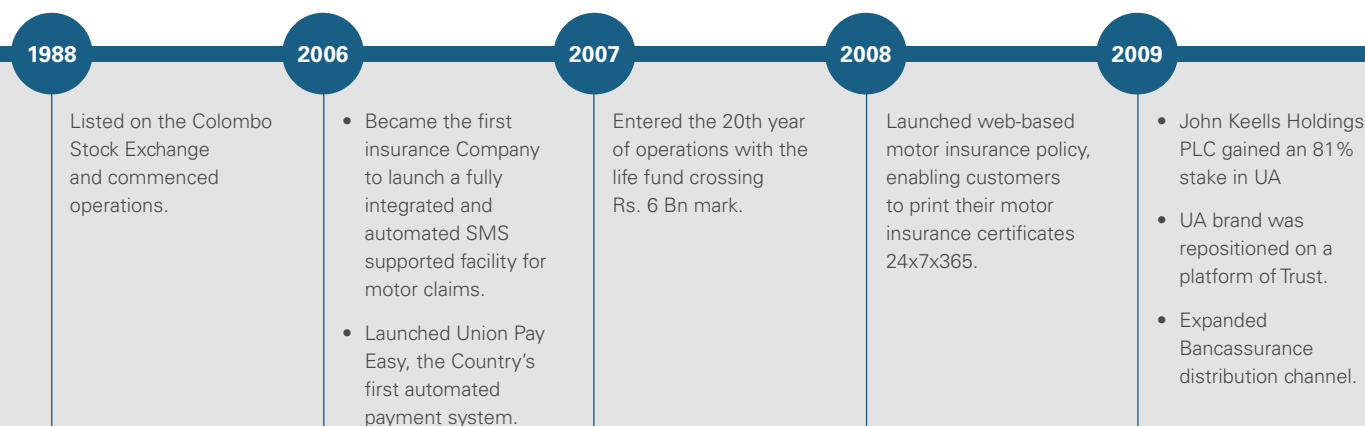
Buoyed by a team of dynamic professionals, strong capital base and highly rated global reinsurers we offer our customers tailor-made insurance products and services that meet the highest international standards.



<https://unionassurance.com/about-us/>

Milestones and Key Events

Our journey spanning 33 years has been marked with significant achievements that have propelled us to where we are today.



Financial Impact

Rs. 3 Bn
REGULAR NEW
BUSINESS PREMIUMS

Rs. 13 Bn
GROSS WRITTEN
PREMIUM

Rs. 1.8 Bn
PROFIT BEFORE TAX



Social Impact

250,000+
NO. OF LIVES
COVERED

NO. OF LIVES
TOUCHED

825
Individuals

2,000
Families



Our People

5
NO. OF TOT MDRTs

10
NO. OF COT MDRTs

157
NO. OF MDRTs

8th
Consecutive year
GPTW CERTIFICATION



Our Products

Universal Life

Endowments

Term Insurance

Group Life

Annuity



Environmental Impact

1,062tCo₂e
CARBON FOOT PRINT

265
TREES SAVED

323,889 kWh
ENERGY SAVING

4,434m³
WATER SAVING



Financial Strength

Rs. 18 Bn
MARKET CAPITALISATION

341%
CAPITAL ADEQUACY RATIO



Partnerships

4
A+ GRADED REINSURERS



Team

3,500+
FIELD SALES FORCE

795
EMPLOYEES



Group

A SUBSIDIARY OF JOHN
KEELLS HOLDINGS PLC

2011

- Launched the first trilingual website in the insurance industry
- Introduced the SAP finance module to integrate the core business activities with financial reporting.

2015

Segregated Life and Non-Life businesses and divested 78% of the Non-Life business to Fairfax Asia Limited.

2018

- Went live with a state-of-the-art web-based Policy Administration System at a cost of Rs. 800 Mn.
- Awarded as the Most Trusted Life Insurer in Asia at Asia's Most Trusted Brand Awards 2018 and a ranking in the Forbes Asia, "Best Under A Billion" list.

2019

- Leadership change with the appointment of a new Chief Executive Officer.
- Launch of "Octave" advanced data analytics transformation projects.

2020

- Launch of new UA brand and logo

CHAIRMAN'S MESSAGE

PROFIT BEFORE TAX

Rs. 1.8 Bn

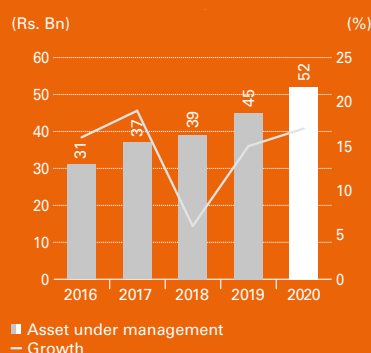
2019 - Rs. 1.9 Bn

MARKET CAPITALISATION

Rs. 18 Bn

2019 - Rs. 19 Bn

ASSETS UNDER MANAGEMENT



EARNING PER SHARE

Rs. 15.62

2019 - Rs. 19.65

LIFE FUND

Rs. 42 Bn

2019 - Rs. 35 Bn

CAPITAL ADEQUACY RATIO

341%

2019 - 362%

Given the anticipated economic recovery in the second half of 2021 and the protection gap in the Sri Lankan life insurance market, we are poised for further growth in 2021.

Dear Stakeholders,

On behalf of the Board of Directors, it gives me great pleasure to present our Integrated Annual Report for the financial year ended 31 December 2020.

A Strong Performance

Despite facing one of the most challenging years amidst the unprecedented economic and social impact of the COVID-19 pandemic, Union Assurance recorded an excellent performance in 2020 achieving several key milestones along the way.

Gross Written Premiums surpassed the Rs. 13 billion mark, becoming the 4th largest business producer in the market with Regular New Business Premiums recording a momentous growth of 15% to Rs. 3 billion.

The downward trajectory of interest rates impacted reinvestment returns on our investment portfolio, exerting pressure on margins. We however realigned asset allocation and rebalanced our equity portfolio to manage the impact. Consequently, investment income during the year amounted to Rs. 5.0 billion, a growth of 10% compared to the last year.

On the costs side, claims and benefits to policyholders increased by 8% to Rs. 3.8 billion mainly on account of maturity payouts in accordance with the contractual obligations of the Company. Underwriting and net acquisition costs also increased by 15% to Rs. 2.1 billion in line with the top line revenue growth. Cost optimisation strategies adopted by the Company had encouraging results with operating expense growing by only 8% in spite of considerable topline growth. However, with the Company adopting a growth trajectory resulted a significant increase in insurance contract liability. This coupled with low interest rate

environment resulted in Profit Before Tax recording a marginal degrowth to Rs. 1.8 billion against Rs. 1.9 billion in 2019.

Total assets under management crossed the Rs. 50 billion mark, yet another important milestone in our growth journey. Meanwhile steady growth in the Life Fund and a higher Capital Adequacy Ratio continued to secure policyholders' interests in an increasingly volatile market.

We are proud to note that we produced 172 Million Dollar Round Table (MDRT) qualifiers including 5 Top of the Table qualifiers and 10 Court of the Table qualifiers during the year. With a total of 172 qualifiers, we not only surpassed the 100 MDRT's target we set for ourselves at the beginning of the year but also achieved industry-leading status for MDRT achievers.

Insurance liabilities are backed by reinsurers who have credit ratings of 'A+' or above from international rating agencies. Meanwhile we maintained a healthy Capital Adequacy Ratio (CAR) reflecting our strong financial position.

Governance

Strong governance is the bedrock of our strategy. We continued to strengthen our Corporate Governance structure during the year, establishing a separate Audit, Risk and Compliance division to oversee the development of compliance programmes, review Company policies and provide insight on the risk management function.

The Board of Directors also played an active role in formulating a Business Continuity Plan and Agile Working Arrangements to address the impact on business performance and health and safety of our employees and customers with the outbreak of the COVID-19 pandemic.

A Bold New Identity

During the year we embarked on a rebranding initiative aimed at re-positioning ourselves as a new-age, customer-centric, digital life insurer that truly understands our customers aspirations. Our newly-launched identity reflects our commitment to changing and evolving to suit emerging requirements of consumers whilst sustaining our reputation of being a trusted insurer. The new logo unveiled as part of this rebranding exercise depicts the circle of life while the new tag line “Your Life, Our Strength” reflects the symbiotic relationship we share with our customers.

Digital Leadership

Digitisation is rapidly transforming the life insurance business landscape, and we are proud to be a catalyst in this revolution. Having embarked on our digital journey several years ago we continued to make strides during the year with the launch of several innovative digital products, continued automation of processes and greater reliance on data analytics.

A key achievement during the year was the launch of Clicklife, a revolutionary end-to-end digital solution that offers customers a seamless digital experience from policy purchase to issuance and servicing. This together with the Clicklife App is transforming our customer value proposition by making insurance simpler, more affordable and more accessible. The “Lapse Prevention Project” which uses advanced data analytics to predict insurance policies that are likely to lapse in a 3-6 months period, and recommend interventions based on customer type and account size is yet another significant milestone in our digital transformation journey. During the year we also expanded and strengthened our digital payment channels for customer convenience during the pandemic.

Supporting Our People

Ensuring the health and safety of our employees and providing them the necessary support to navigate the challenges faced during the year were

key priorities for us. We implemented an agile work-from-home (WFH) policy for all employees and strengthened our information technology infrastructure to support this arrangement.

We also continued to deliver on our employee promise by effectively leveraging digital and virtual platforms to engage, develop and motivate our employees. Leadership development and skill development programmes continued online, while virtual townhall meetings, a virtual annual award event and other employee engagement events enabled us to continue to engage with our employees despite the disruptions caused by COVID-19 outbreak.

We are proud to have been recognised as a Great Place to Work (GPTW) in Sri Lanka for the 8th consecutive year, a true testament to our unwavering commitment to delivering on our employee promise.

Supporting Our Communities

Our CSR vision is clear. To create a knowledgeable, healthier and better tomorrow through meaningful interventions in our communities. Our CSR programmes in the core areas of Health, Education and Environment continued during the year in partnership with the Ministry of Health, Ceylon Deaf and Blind School and SOS Children's Villages. Meanwhile as part of our efforts to support the Government in managing the Pandemic, we ran a co-branded campaign with the Ministry of Health to support public awareness in protecting against the virus.

Recognition

Our trailblazing efforts in forging a digital roadmap and swiftly adapting to a new operating model were recognised both locally and internationally. Union Assurance was adjudged No. 1 in the Insurance Sector in the inaugural ranking of “LMD's Most Awarded. We were also awarded the coveted title of “Domestic Life Insurer of the Year” at the prestigious Insurance Asia Awards 2020 while also being the proud

recipients of the Celent Model Insurer Award (a part of the Oliver Wyman Group) for Digital Insurer of the year.

A Positive Outlook

Our strong performance in 2020 notwithstanding the challenges during the year, is a validation of our forward-thinking strategy and a testament to our resilience amidst chaos. We are therefore confident given the anticipated economic recovery in the second half of 2021 and the protection gap in the Sri Lankan Life Insurance market, we are poised for further growth in 2021.

Acknowledgements

On behalf of the Board and the entire UA team I would like to thank Mr. Harin De Silva Wijeyeratne for his invaluable service to the Company over the last 9 years as an Independent Director and Chairman, Board Audit and Compliance Committee. I would like to welcome Mr. Daminda Gamlath and Mr. Malinga Arsakularatne to the Board of UA whose vast experience and knowledge would be valuable to the long-term journey the Company has embarked upon.

I also take this opportunity to place on record our appreciation to the Chairman, Director General and team at the Insurance Regulatory Commission of Sri Lanka for ensuring that Stakeholder concerns are heard and addressed. Our appreciation also goes out to the Insurance Ombudsman for providing an efficient, independent grievance handling mechanism.

To my fellow Directors, Chief Executive Officer, Senior Management Team and entire UA team, my deep appreciation goes out for your untiring effort, commitment and drive during this difficult year.

Krishan Balendra

Krishan Balendra
Chairman

25 February 2021

CHIEF EXECUTIVE OFFICER'S REVIEW

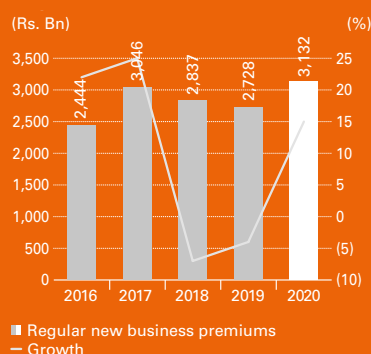
GRI 102-6, 102-14

GROSS WRITTEN PREMIUM

Rs. 13.1 Bn

2019 - Rs. 11.6 Bn

REGULAR NEW BUSINESS PREMIUMS



MDRTs

TOT MDRTs 2020 – **5** (2019 – 0)

COT MDRTs 2020 – **10** (2019 – 3)

MDRTs 2020 – **157** (2019 – 62)

LIFE FUNDYIELD

10.62%

2019 – 10.53%

SURPLUS

Rs. 0.8 Bn

2019 - Rs. 1 Bn

POLICYHOLDER DIVIDEND RATE

9%

2019 - 10%

Looking back on 2020, I am proud to announce that we delivered on our commitments across our strategic priorities and demonstrated our ability to consistently execute as we transform Union Assurance into the most digital, customer-centric Company in our industry.

Our promise “Your Life. Our Strength” is what drives our 3,500 colleagues to deliver protection to over 250,000 Sri Lankans every day. We have stood for the protection of dreams, relationships, and lifestyles, as we empowered our customers to dream bigger and plan better. 2020 was a year of transformation for Union Assurance as we relaunched the brand with a bold new identity and positioning as the trusted protector of the Sri Lankan dream.

To live by our promise, we had to think differently about our products, services, platforms, people, and processes - all with the view of offering our customers a best-in-class experience. Needless to say, that the pandemic brought on an enormous challenge to an industry which is highly dependent on physical interactions. The vigorous overhauling of our operating model ensured we established dominating market presence and resilience, recorded growth in new business, propelled digital adaptability, re-enforced commitment to our employees, and implemented customer-centric initiatives to stay connected and relevant in a continuously evolving landscape. We made steady progress in how we supported our customers and our people amidst the challenges of two lockdowns and an economic downturn.

Among our most noteworthy achievements of 2020, I'm proud to announce that for the first time in our history, Union Assurance recorded the highest number of MDRT (Million Dollar Round Table) achievers in Sri Lanka, including 10 Court of the Table and 5 Top of the Table achievers.

We were recognised as the Domestic Life Insurer of the Year by Asia Insurance Awards, #1 Most Awarded Brand in Insurance by LMD, Best Employer Brand by World HRD Congress, Best Brand and Sustainable Marketing Excellence by CMO Global/CMO Asia, and was recognised as a Great Place to Work for the eighth consecutive year by GPTW®.

I am exceptionally proud of the commitment and winning mindset of our colleagues in making 2020 a remarkable year for Union Assurance. Our success is fuelled by their commitment, dedication, and persistence.

Looking back on 2020, I am proud to announce that we delivered on our commitments across our strategic priorities and demonstrated our ability to consistently execute as we transform Union Assurance into the most digital, customer-centric Company in our industry.

An Outstanding Business Performance

In the face of these challenging conditions, UA adopted a forward-looking strategy aimed at adapting to a fast evolving “new normal”.

Following the swift transition to a new operating model, we worked collectively towards sustaining and driving revenue. Gross Written Premiums grew by 13% and surpassed the Rs. 13 billion mark while regular New Business premiums recorded an impressive growth of 15% to Rs. 3 billion making us the 4th largest new business producer in the market.

The downward trajectory of interest rates impacted reinvestment returns on our investment portfolio, exerting pressure on margins. We however realigned asset allocation and rebalanced our equity portfolio to manage the impact. Consequently, investment income during the year amounted to Rs. 5.0 billion, a growth of 10% compared to last year.

On the costs side, claims and benefits to policyholders increased by 8% to Rs. 3.8 billion mainly on account of maturity payouts in accordance with the contractual obligations of the Company. Underwriting and net acquisition costs also increased by 15% to Rs. 2.1 billion in line with the growth in top line revenue. Cost optimisation

strategies adopted by the Company had encouraging results with operating expense growing by only 8% in spite of considerable topline growth. However, with the Company adopting a growth trajectory resulted a significant increase in insurance contract liability. This coupled with low interest rate environment resulted in Profit Before Tax recording a marginal degrowth to Rs. 1.8 billion against Rs. 1.9 billion in 2019.

With margins increasingly pressured by the downward trend in market interest rates, we pro-actively optimised asset allocation and rebalanced our equity portfolio to manage the impact. Our product investment decisions enabled us to generate a 10.62% yield during the year under review, a noteworthy achievement in a sluggish market. Meanwhile spend control war rooms and other cost optimisation initiatives helped us manage liquidity and cashflow while positively impacting our bottom line.

Yet another milestone achieved during the year was total Assets Under Management surpassing the Rs. 50 billion mark. Total assets grew by 13% to reach Rs. 62.6 billion. Total liabilities meanwhile grew by 17%, with the life fund which accounts for 88% of liabilities growing by 18% during the year in line with the growth in the life insurance portfolio.

A Powerful New Identity

Our new identity depicted by the “circle of life” logo and the theme “Your Life, Our Strength,” re-ignites our passion to design and develop insurance solutions that suit emerging realities and marks the start of an exciting new journey with our customers. By renewing our identity and purpose we are renewing our commitment to fulfil the countless aspirations of our customers by Protecting Relationships, Protecting Growing Ambitions and Protecting Progressing Lifestyles.

Our efforts to transform our Brand to meet the demands of the new-age were recognised during the year, when we were awarded “Best Brand in 2020” at the Sri Lanka Leadership Awards. Meanwhile brand building initiatives such the “Are you OK” campaign and “I am Responsible Campaign” continued to gain traction in terms of reach and engagement on social media.

Supporting Our Colleagues

Our employees continued to display their dedication and commitment, going above and beyond their call of duty to ensure business continued as usual. In turn, we remained committed to supporting our employees through this difficult time, launching an income bridging programme for our sales force and putting in place flexible working arrangements and continuing to engage with employees through digital channels.

Harnessing the Power of Digital

We remain at the forefront of the digital revolution in the insurance industry in Sri Lanka and have in place a comprehensive digital road map that focuses on digitisation of operations, building digital capabilities and adopting disruptive digital technology.

Our progressive investments in cutting-edge digital technology enabled us to rapidly transition to a digital operating model with 400+ employees working from home and supported by digital platforms for collection and online client servicing.

We are also increasingly leveraging data analytics to improve our value proposition. The increased use of data analytics in customer retention and lapse prevention and straight through underwriting have resulted in significant gains in productivity and operational efficiencies.

Meanwhile we continue to disrupt the insurance industry with digital innovations such as ‘Clicklife’, a turnkey end-to-end digital insurance solution and the ‘Clicklife Self-Services App’ that provide customised solutions at a click of a button.

Channel Diversification

During the year we strengthened our Agency channel while simultaneously expanding the Bancassurance channel and exploring alternate channels to further consolidate our market position. The Agency channel which accounts for 83% of revenue continued to grow as a result of strategic branch rebranding and restructure, the implementation of a re-aligned incentive structure for agents, launch of the MRDT Talent Pool programme and the establishment of a dedicated business development unit to support channel objectives. The Bancassurance channel has recorded commendable growth over the last few years and we continue to explore new partnerships to grow this channel while

solidifying existing partnerships. Another key initiative during the year was the establishment of Alternate channel as a complementary channel to Agency and Bancassurance. We believe this channel will be a catalyst for revenue growth in the years to come.

Unique Value to Customers

We are committed to offering our customers a holistic value proposition that goes beyond high investment returns and an efficient claims process. Several innovative products such as Sisumaga+, Union Life+ and Clicklife were launched during the year providing customised solutions to customer protection requirements. We also launched the Union Lifestyle Bonus campaign, a reward scheme that offers policyholders an attractive array of discounts and encourages them to live life to the fullest.

Looking Ahead

Our robust performance, amidst the unprecedented challenges of 2020 has set the benchmark for our future performance. We are optimistic of a gradual economic recovery towards the second half of 2021 and look forward to pushing the boundaries of the insurance industry in Sri Lanka to meet the evolving needs of our customers in the Post COVID-19 ‘new normal’. As the world gradually settles into a ‘new normal’, we will focus on diversifying our distribution channels, optimising our bancassurance partnerships, developing innovative insurance products that meet evolving needs of our customers, enhancing our market presence and driving our digital leadership agenda.

Appreciation

2020 was a challenging year, but we emerged from it stronger and better due to the steadfast support of all our Stakeholders. The dedication and resilience of our team was a true inspiration during the challenging times of 2020, and I wish to place on record my sincerest appreciation to each and every one of you. To all our customers, business partners and all other Stakeholders, thank you for your continuous support; your belief in us drives us to achieve greater heights.



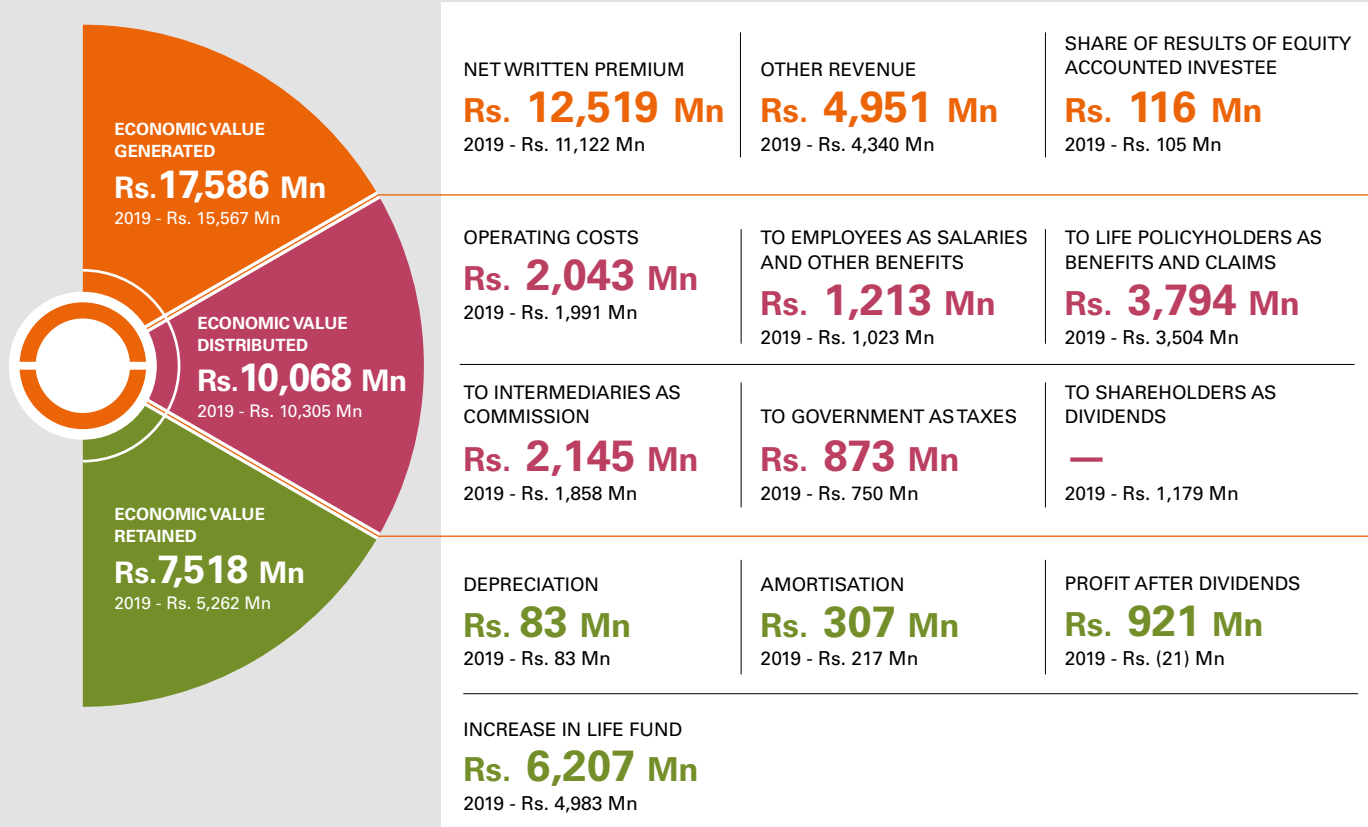
Jude Gomes
Chief Executive Officer

25 February 2021

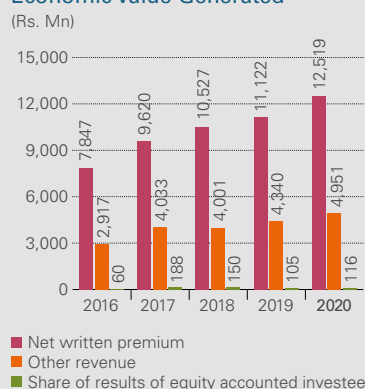
VALUE GENERATED AND DISTRIBUTED

Economic Value Added Statement (EVA)

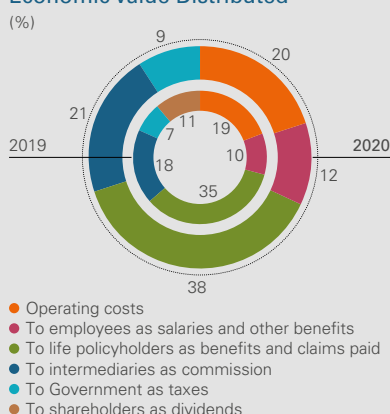
EVA reflects the efficiency of management performance and the manner in which we created and distributed wealth among various Stakeholders throughout the value chain.



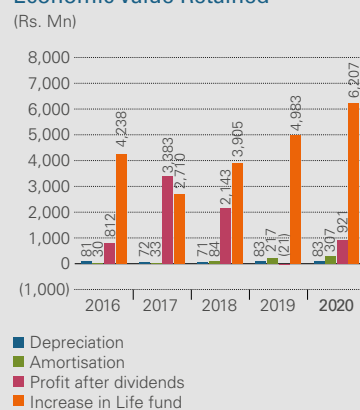
Economic Value Generated



Economic Value Distributed



Economic Value Retained



Market Value Added Statement (MVA)

MVA is an indication of the Company's capacity to increase Shareholder value over time. It is an evidence of efficient management and strong operational capabilities.



PERFORMANCE HIGHLIGHTS

Financial Highlights

Results for the Year		2020	2019	2018
Revenue	Rs. Mn	13,109	11,648	11,244
Paid in benefits and claims to policyholders	Rs. Mn	3,689	3,668	3,351
Profit from operations	Rs. Mn	1,677	1,804	1,983
EBIT	Rs. Mn	1,794	1,908	2,132
Profit after tax	Rs. Mn	921	1,158	3,244
EBITDA	Rs. Mn	2,184	2,208	2,287
Profit after tax ^{1, 2}	Rs. Mn	921	1,158	1,135
Cash EPS	Rs.	140.23	113.68	88.17
Earnings per share	Rs.	15.62	19.65	55.05
Recurrent earnings per share ^{1, 2}	Rs.	15.62	19.65	19.27
Dividends	Rs. Mn	-	1,179	1,179
Average annual premium per policy	Rs.	98,249	86,760	81,816
Persistency - Year 1	%	83	81	84
Year 2	%	72	73	73
Year 3	%	68	67	66
Investment yield	%	10.62	10.53	9.63
Earning yield	%	5.12	5.95	5.56
Total expenses ratio	%	76	79	82
Recurrent return on equity ^{1, 2}	%	6	8	9
Return on assets	%	2	2	7
Recurrent return on assets ^{1, 2}	%	2	2	2
Annual Shareholder Transfer	Rs. Mn	825	1,000	1,100
Annualised New Business Premium	Rs. Mn	4,209	4,072	3,386
Financial Position at Year End				
Total assets	Rs. Mn	62,600	55,249	49,117
Assets Under Management	Rs. Mn	52,356	44,881	39,138
Life fund	Rs. Mn	41,882	35,490	30,600
Total Shareholder funds	Rs. Mn	15,108	14,663	13,672
Net asset per share	Rs.	256	249	232
Net assets per share excluding restricted regulatory reserve	Rs.	199	191	175
Market/Shareholder Information				
Market price per share as at 31 December	Rs.	305	330	347
Highest market value per share	Rs.	355	375	364
Lowest market value per share	Rs.	275	260	134
Market capitalisation	Rs. Mn	17,973	19,446	20,466
Total Shareholder return	%	(8)	1	173
Price earning ratio	times	19.53	16.79	18
Dividend cover ^{1, 2}	times	-	0.98	0.96
Dividend per share	Rs.	-	20	20
Dividend payout/effective dividend rate	%	-	102	104
Dividend yield	%	-	6.06	5.76
Statutory Requirements/Ratios				
Excess in admissible assets	Rs. Mn	7,764	3,731	849
Capital Adequacy Ratio (CAR)	%	341	362	262
Total Available Capital	Rs. Mn	21,795	18,120	14,382

¹ Adjusted for notional tax credits of Rs. 0.5 Bn recognised in 2018.

² Adjusted for deferred tax asset of Rs. 1.6 Bn recognised in 2018.

* Comparative information have been amended where appropriate to ensure comparability with the current year.

PERFORMANCE HIGHLIGHTS

GRI 102-7, 201-1, 303-3



Financial Capital

	Indicator		2020	2019	2018
201-1	Direct economic value added	Rs. Mn	17,586	15,567	14,678



Manufactured Capital

Indicator		2020	2019	2018
Total number of branches	No	75	86	88
Revenue per investment in Manufactured Capital	Rs.	171	120	73
Total new investments	Rs. Mn	77	134	625



Natural Capital

	Indicator		2020	2019	2018
302-1	Energy consumption within the organisation	GJ	5,379	6,545	6,386
	Direct energy consumption per Rs. Mn of revenue	GJ	0.41	0.56	0.58
302-3	Energy intensity (in Gigajoules)	- Per area	0.02	0.02	0.02
	- Per employee		1.29	1.57	1.22
	- Per branch		72	76	73
303-1	Total water withdrawal	M3	17,759	22,193	22,438
	Water withdrawal per Rs. Mn of revenue	M3	1	2	2
303-3	Total volume of water recycled and reused	%	0.74	0.59	0.59
305-1	Direct greenhouse gas (ghg) emissions (scope 1)	tCO2e	39.43	96.44	93.17
305-2	Indirect greenhouse gas (ghg) emissions (scope 2)	tCO2e	697.04	1,084.25	885
305-3	Other indirect greenhouse gas (ghg) emissions (scope 3)	tCO2e	325.6	345.58	448
305-4	Greenhouse gas (ghg) emissions per Rs.1 Mn of revenue	tCO2e	0.08	0.13	0.13
305-5	Total emissions	tCO2e	1,062	1,526	1,426
306-2	Waste recycled through 3rd party contractors	Kgs	17,162	12,286	22,340
307-1	Significant environmental fines	Rs. Mn	Nil	Nil	Nil

Strategic Highlights

- Surpassed Gross Written Premium of Rs. 13 Bn
- Achieving 172 MDRT Qualifiers with industry leading status for MDRT achievers
- Highest Regular New Business growth among the TOP 5 Competitors
- Introduced free COVID-19 life cover for Policyholders
- Introduced highest industry non medical limits
- Commenced 24/7 call centre operation
- Created the most visible brand with the Brand Re-launch

GRI 102-7, 201-3, 203-1, 403-2, 404-1, 404-3, 413-1, 414-1, 419-1



Human Capital



	Indicator		2020	2019	2018
201-3	Coverage of organisations defined benefit plan	Rs. Mn	195	163	116
401-1	Total workforce				
	Permanent cadre	No	578	567	614
	Non-permanent cadre	No	3,601	3,594	4,623
	Total number of new employees hired	No	296	354	291
	Employee turnover	No	101	138	134
	Attrition of new hires against total new hires	%	14	16	10
403-2	Number of injuries	No	None	None	None
404-1	Training per permanent staff member	No of hours	8	6	6
	Training per non-permanent staff member	No of hours	75	78	58
404-3	Employees receiving performance reviews	%	100	100	100
410-1	Security personnel trained in the organisation's human rights policies or procedures	%	100	100	100
414-1	New suppliers screened using human rights criteria	%	100	100	100



Social and Relationship Capital



	Indicator		2020	2019	2018
417-2	Customer complaints received	No	301	326	254
	Customer complaints resolved	No	293	284	203
	Disputes referred to Insurance ombudsman	No	14	26	27
203-1	Investment in community and infrastructure projects	Rs. Mn	12.9	6	17
413-1	Community engagement - Individuals	No	825	Nil	Nil
	- Families	No	2,000	Nil	Nil
	Health awareness campaigns	Count	7	210	261
	Staff volunteerism	Count	24	23	253
417-3	Voluntary standards relating to advertising		Group policy/Internal code of conduct		
419-1	Significant fines for violation of laws/regulations	Rs. Mn	Nil	Nil	Nil
419-1	Significant fines for product/service issues	Rs. Mn	Nil	Nil	Nil



Intellectual Capital

	Indicator		2020	2019	2018
	Brand value	Rs. Bn	Being Determined	1.9	2.5

- Launched R U Ok Campaign
- Launched 5 new products including Sisumaga +
- Implemented agile working model for 400+ employees to work from home
- Realigned investment portfolio to optimise return in low interest rate environment
- Adjudged No. 1 in the insurance sector in the inaugural ranking of "LMD's Most Awarded"
- GPTW® Certification for the 8th consecutive year
- Received the Best Employer Brand title by CMO Global and World Human Resource Congress



VALUING AMBITIONS

MANAGEMENT DISCUSSION AND ANALYSIS

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VALUE CREATION FRAMEWORK

Built on the three pillars of protecting relationships; protecting growing ambitions and protecting progressing Lifestyles, our purpose is to show people that they can go higher if they plan better, that their children can go higher if their foundation is stronger, and that their lives can be richer if they thought smarter.

A New Purpose

A member of the John Keells Group, Union Assurance, has over the span of its history of 30 years earned a reputation for extending the best protection in the market through innovative, empowering Life Insurance solutions.

To consolidate our position further, we unveiled a bold new identity during the year, re-positioning ourselves as a new-age, customer-centric, digital life insurer that truly understands our customers' aspirations.

Our new identity marks the start of an exciting journey with our customers and will pave the way to help achieve the Sri Lankan dream of a better life for all.

Built on the three pillars of protecting relationships; protecting growing ambitions and protecting progressing lifestyles, our purpose is to show people that they can go higher if they plan better, that their children can go higher if their foundation is stronger, and that their lives can be richer if they thought smarter.

The new logo unveiled as part of this rebranding exercise depicts the circle of life while the new tag line "Your Life, Our Strength" reflects the symbiotic relationship we share with our customers.

Stakeholder Engagement

Given the wide range of Stakeholders and the diverse and evolving nature of their concerns, continuous Stakeholder engagement is important in order to stay relevant and ensure that we are meeting our Stakeholder expectations. Our Stakeholder engagement process is a continuous process that involves four key steps; identifying and prioritising Stakeholders based on an assessment of the impact on our operations, formulating and implementing customised Stakeholder engagement mechanisms, identifying and prioritising key concerns arising from engagement and formulating strategy to address these concerns.

Our Three Pillars of Purpose



Protecting relationships



Protecting growing ambitions



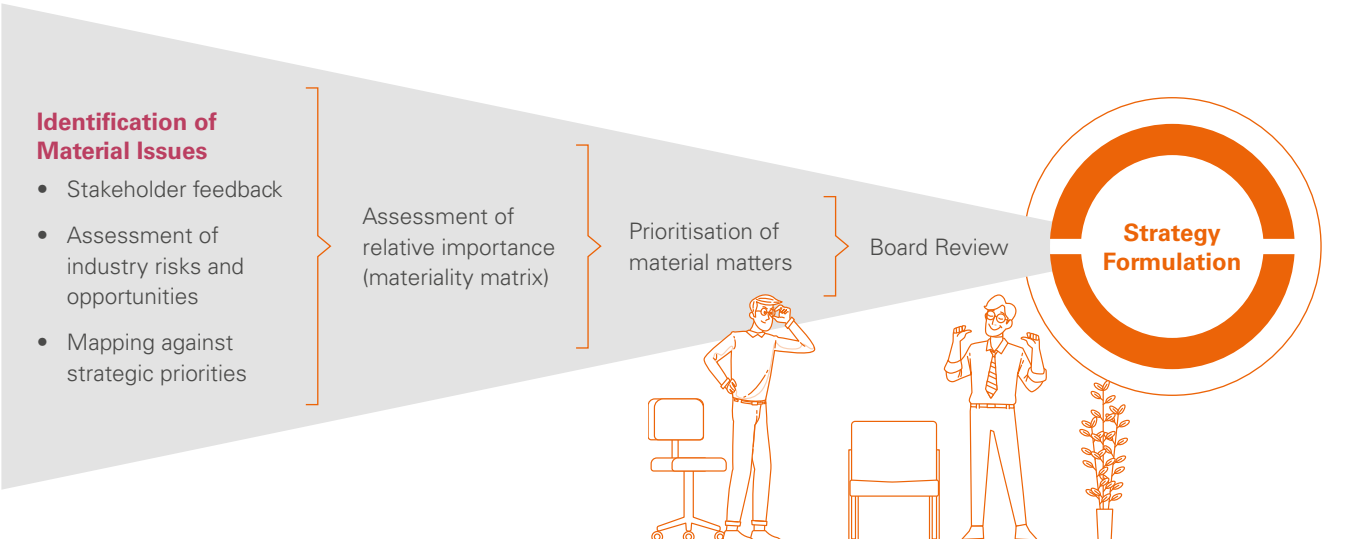
Protecting progressing lifestyles

STEP 1 - Identify Stakeholders	STEP 2 - Engage with Stakeholders	STEP 3 - Identify Material Issues	STEP 4 - Formulate Strategy
 Customers	- Customer satisfaction surveys (Monthly) - Customer Research (As required) - One to one meetings (Monthly and as required) - Welcome calls - Complaint Management (Ongoing) - Corporate Website (Ongoing) - Social Media (Ongoing) - Media advertisements (As required) - Customer get-togethers (Annual)	- Long term promise of protection and wealth accumulation - Service quality and consistency - Promoting island-wide accessibility - Performance reliability - Expanding customer service points	- Leverage technology - Enhanced knowledge of internal staff and third-party service providers, - Regular service standard review - Expanding customer service points - Fair pricing of the products
 Shareholders and Investors	- Annual Report (Annually) - Interim Financial Statements (Quarterly) - Annual and Extraordinary General Meetings (Annually) - Announcements to CSE (As required) - Media releases and press conferences (As required) - Investor relations hotline (Ongoing) - Corporate website (Ongoing) - One-to-one meetings (As required)	- Financial performance - Sustainable growth - Healthy liquidity position - Transparent reporting - Transformation and technological road map	- Regular review and update of corporate governance practices - Implementation of effective performance management systems - Creating a strong leadership pipeline - Continuous investment on digitisation
 Employees	- Employee satisfaction survey (Annually) - Skip level meetings (Ongoing) - Brainstorming sessions with all business units when reviewing medium to long term strategies (Annually) - Corporate communication via emails, intranet, newsletters, etc. (Ongoing) - Management meetings (Quarterly) - Recreation club activities (Ongoing)	- Attractive remuneration - Job security - Personal development and career progression - A sound work environment - Health and Safety	- Implementation of competitive compensation process - Investment on learning and development - Developing conducive work culture - Facilitate employee engagement activities virtually - Work from home modus of operandi
 Suppliers and Business Partners	- On-site visits and meetings (As required) - Formal interactions with reinsurers (Ongoing)	- Forming long-term and reliable partnerships - Contractual performance - Business sourcing continuity	- Maintaining principle discipline - Effective management of risk - Building sustainable relationships
 Community	- Interactions with community representatives and institutes (Ongoing) - Corporate website and social media (Ongoing) - CSR projects (Ongoing) - Press releases (As required) - Public events (As required)	- Demand for multi-pronged community development initiatives - Transparency and engagement measures - Demand for sustainable business practices - Minimising the impact on the environment	- Operate on CSR brand 'Union Manushyathwaya' with the objective of disseminating vital information on Non-communicable diseases. - Partner with national level institutions to implement various CSR projects - Regular monitoring of carbon foot print - Leverage technology to minimise the impact on the environment
 Regulators	- On-site surveillances (As required) - Filing of returns (Periodic) - Directives and circulars (As required) - Press releases (As required)	- Compliance with rules and regulations - Active participation and contributing to the development of industry and regulatory working groups	- Proactive communications with regulatory institutions - Adherence to all the rules and regulations - Active contribution towards developing industry specific standards

Materiality

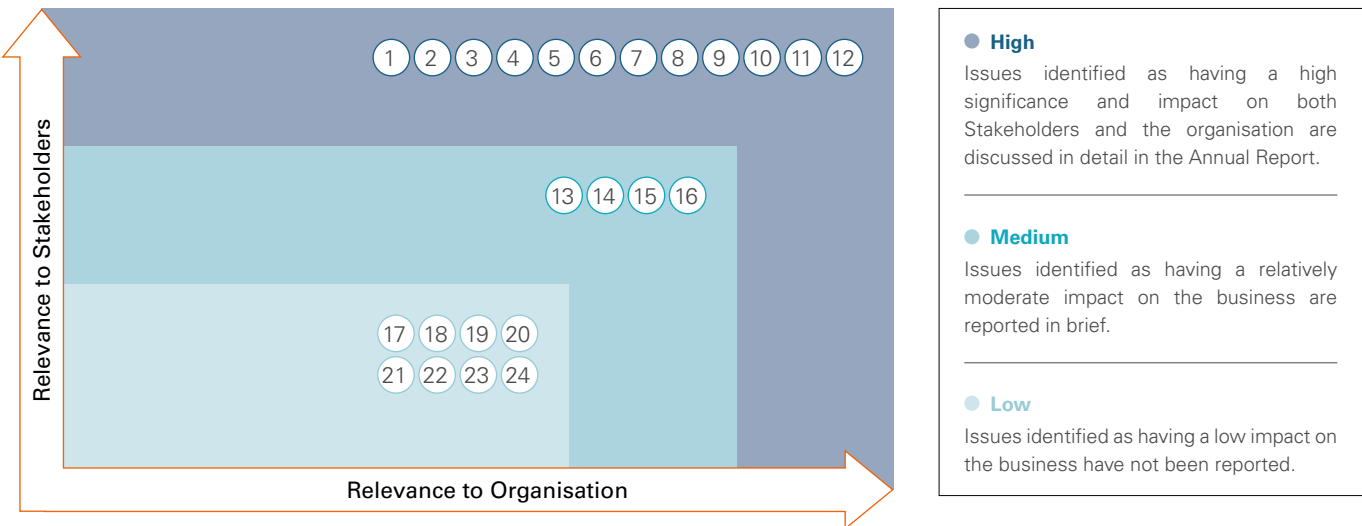
Performance of material issues are reported using disclosures prescribed by the GRI Sustainability Reporting Standards and where possible have been linked to the United Nation’s Sustainable Development Goals (SDGs).

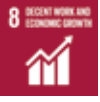
Identifying material matters enables us to focus on what really impacts our value creation process. Material matters are identified through the Stakeholder engagement process and internal analysis and are reviewed and evaluated by Management on an ongoing basis. Our materiality determination process is graphically depicted below.



Materiality Matrix

The following materiality matrix developed through the process described above, maps out key issues based on their relative importance to our Stakeholders and to our business. Performance of material issues is reported using disclosures prescribed by the GRI Sustainability Reporting Standards and where possible have been linked to the United Nation’s Sustainable Development Goals (SDGs).



	Material topic	Why it is material to us	Change in materiality	Relevant GRI standards	Relevant SDG
HIGH IMPACT	1 Economic Performance	Striking a balance between financial performance and business outcomes will further enhance the Company's long-term sustainability and future growth	No change	201	
	2 Market Presence	The requirement to contribute for economic development of the areas of operation given the geographical spread of the Company	No change	202	
	3 Indirect Economic Impacts	The need to consider impact of the Company decisions on the society which occur as a consequence of direct economic performance	No change	203	
	4 Procurement Practices	The need to consider the Company's contribution to local suppliers due to large-scale operations and evaluate on the negative impacts on the supply chain	No change	204	
	5 Employment	Attracting and retaining a competent workforce ensures the quality of our human capital	No change	401	
	6 Labour/Management Relations	The need to maintain positive labour/management relations	No change	402	
	7 Training and Education	The need to upgrade employee skills, performance and continuous career progression	No change	404	
	8 Public Policy	The need to assess the risk associated with corruption, bribery, and undue influence, among others	No change	415	
	9 Customer Health and Safety	The need to address health and safety across the life cycle and adherence to customer health and safety regulations and voluntary codes	Increased	416	
	10 Marketing and Labelling	The need to consider fair and responsible marketing communications, as well as access to information about the products which can help customers to make informed choices	No change	417	
	11 Customer Privacy	The need to consider the events concerning breaches of customer privacy and losses of customer data	No change	418	
	12 Occupational Health and Safety	The need to consider healthy and safe work conditions which involve both prevention of physical and mental harm and promotion of employees' health	Increased	403	
MEDIUM IMPACT	13 Local Communities	The need to consider the differentiated nature of communities as the country being multi religious and multi-racial	No change	413	
	14 Socio-Economic Compliance	The need to consider the Company's overall compliance record	No change	419	
	15 Diversity and Equal Opportunity	The need to promote diversity and equal opportunity at work	No change	405	
	16 Non-Discrimination	The need to avoid discrimination against any person at work on any grounds	No change	406	

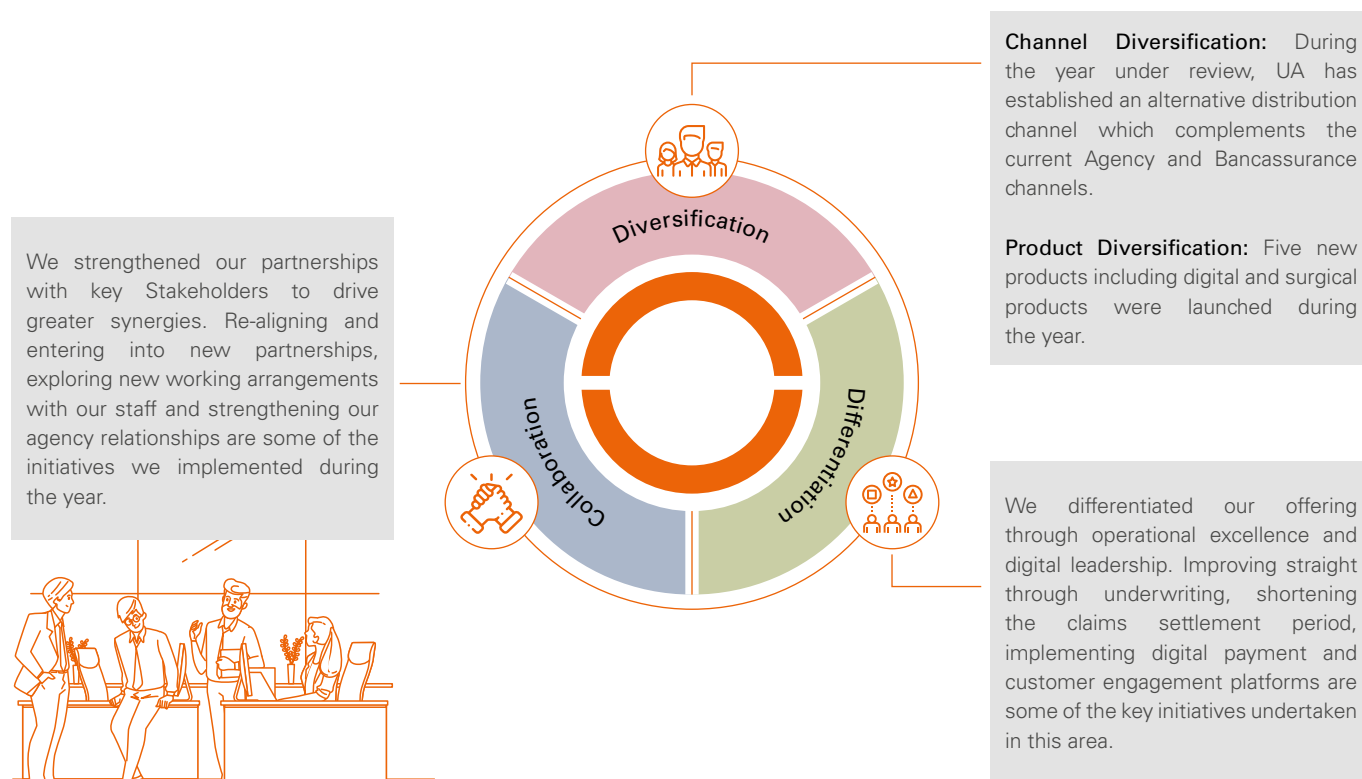
Materiality

	Material topic	Why it is material to us	Change in materiality	Relevant GRI standards	Relevant SDG
LOW IMPACT	17 Anti-corruption	The need to identify the Company's impact related to corruption and methods of mitigation	No change	205	
	18 Energy	The need to evaluate the UA's impact related to energy and how we manage them	No change	302	
	19 Water	The need to understand and communicate water related impacts created by UA	No change	303	
	20 Emissions	The need to evaluate the emission into air created by the Company	No change	305	
	21 Effluent and Waste	The need to consider impact created by the water discharges, treatment and disposal of waste and spills of chemicals, oils, fuels, and other substances	No change	306	
	22 Environmental Compliance	The requirement to consider the organisation's compliance with environmental laws and/or regulations	No change	307	
	23 Security Practices	The requirement to consider conduct of security personal towards third parties and potential risk of excessive behaviour	No change	410	
	24 Supplier Social Assessment	The need to consider impacts created by the Company through the supply chain	No change	414	

Strategy and Resource Allocation

Our strategy is guided by our vision and mission and evolves in response to the challenges and opportunities arising from our operating environment. This year amidst the uncertainty brought about by the COVID-19 pandemic and the need to respond to rapidly evolving operating conditions we adopted a strategy that revolved around diversification, differentiation and collaboration to transform ourselves to meet the changing needs of our customers. Our strategic priorities and how we allocated our resources amongst these priorities are discussed below.

Our Strategy



Resource Allocation

Diversification	Differentiation	Collaboration
Investment in new product development and launches	Invested in digitisation efforts to enhance customer convenience	Investment in new partnerships
Investment in alternate distribution channel	Launched new brand and logo	Payments to advisors, brokers and bancassurance partners
Explored digital distribution channel	Investment in brand building initiatives	Investment in talent development and employee engagement

Our Business Model

INPUTS

Financial Capital



- Shareholders Funds
- Policyholders Funds

Manufactured Capital



- HO Infrastructure
- Branch Network
- Digital Infrastructure

Human Capital



- Employees

Natural Capital



- Water
- Electricity
- Other Resources

Social & Relationship Capital



- Policyholders
- Bancassurance Partners
- Field Staff
- Insurance Brokers
- Reinsurers
- Suppliers

Intellectual Capital



- Brand Value
- Tacit Knowledge
- Information Technology

VALUE CREATION PROCESS



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 > Caring > Innovation > Trust > Ethics and Integrity

Business Enablers



OUTPUTS

Product Segments:

- Protection
- Savings and Investment
- Family Healthcare
- Retirement Plan
- Employee Benefit Schemes
- Group Surgical
- Loan Protection
- Education Plans

795
of employees with
4,884
hours of training

Over 4,900
Business partnerships

7
CSR projects

17,162 Kg
of Solid Waste

3,100 m³
Effluents

OUTCOMES

Shareholders



- Attractive dividends
- Sustained growth in share price.

Customers



- Innovative insurance offerings
- Increased customer convenience

Employees



- Career growth opportunities

Business Partners



- Mutual growth opportunities

Community



- A healthier community

Regulators



- Compliance and support to develop industry

KPI

Contribution to SDG's

Earnings per share: **Rs. 15.62**
Share price degrowth: **8%**
Capital adequacy ratio: **341%**



Lives covered: **250,000+**
Policyholder Dividend Rate: **9%**
New propositions: **5**
One day health claim settlement ratio: **>85%**



GPTW Score: **75%**
New promotions: **28**
Attrition Ratio: **17.47%**



MDRT qualifiers: **172**
On time settlement to suppliers: **100%**
No. of A+ or above rated reinsurer partnerships: **4**
No. of Bancassurance partnerships: **5**



Lives touched through CSR programmes
Individual: **825**
Families: **2,000**
Carbon footprint: **1,062 tCo2e**
Energy saving : **323,889 kWh**



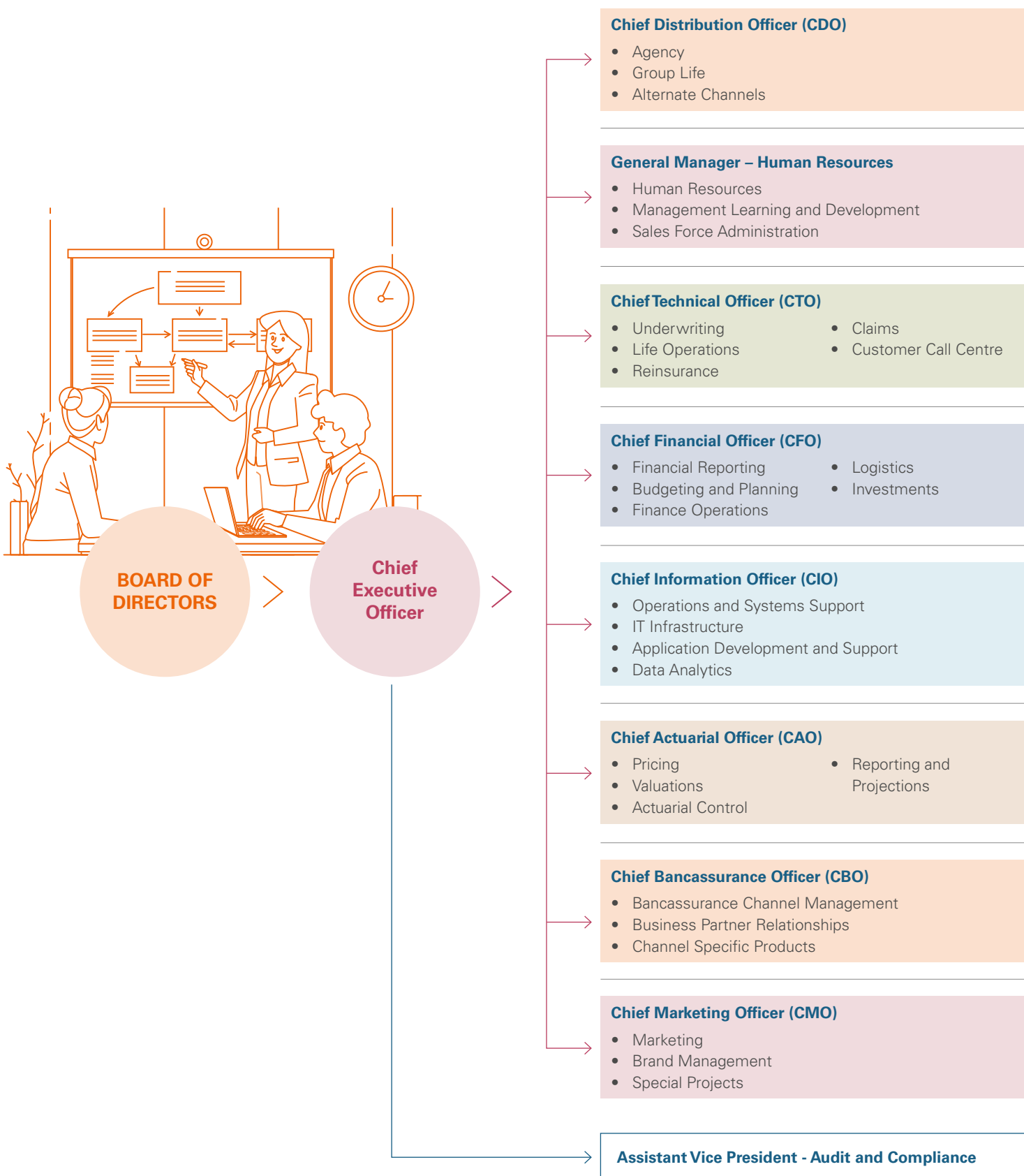
Contribution to industry initiatives



Compliance with regulatory requirements: **100%**

VALUE CREATION FRAMEWORK

Organisational Structure



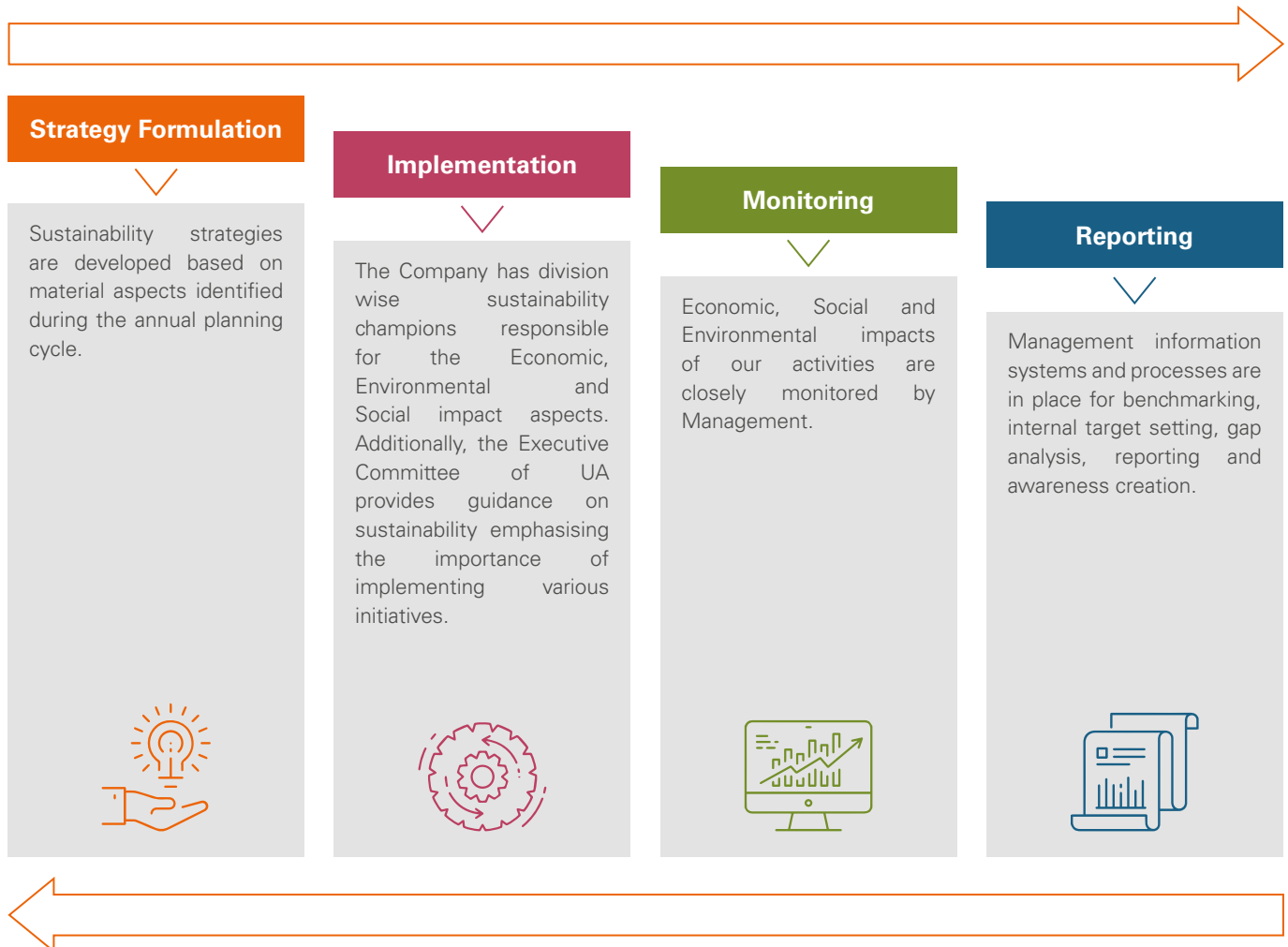
Sustainability

Sustainability Strategies are developed based on material aspects identified during the annual planning cycle.

Sustainability is part of our DNA at Union Assurance. All business strategies are viewed from a sustainability lens, ensuring the social, environmental and economic concerns of our Stakeholders are considered and addressed. Meanwhile a comprehensive sustainability framework and governance system is in place to monitor and report on our Economic, Social and Environmental impacts.

UA's sustainability agenda is aligned with the John Keells group's sustainability strategy as formulated by the Group Sustainability Committee and linked to United Nations Sustainable Development Goals.

UA's Sustainability Management Framework



VALUE CREATION FRAMEWORK

Sustainability

Our Contribution to Sustainability Development Goals

We contribute to several Sustainable Development Goals through our normal course of business. Listed below are some of the measurable outcomes during the year.



OPERATING CONTEXT

Despite the challenging operating environment resulting from the COVID 19 pandemic, the life insurance industry recorded an overall growth of 16% in 2020 driven by expansion in Group life and single premiums by 92% and 51% respectively.

Macro-Economic Environment Global Economy

The global economy is expected to contract by an estimated 4.4% in 2020 due to the widespread social and economic impact of the global pandemic. Global efforts to ramp up testing and roll out vaccines have already commenced while governments around the world have adopted fiscal support and monetary easing to facilitate economic revival. These efforts are expected to support the gradual recovery of the global economy in 2021.

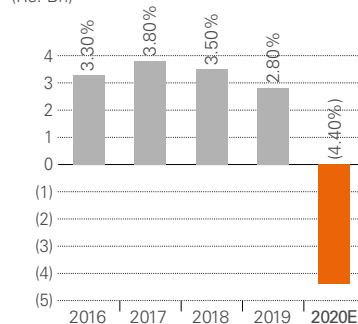
Sri Lankan Economy

The Sri Lankan economy contracted by 5.3% during the first nine months of 2020. The health crisis that worsened from the second quarter of 2020 and subsequent mobility restrictions had a significant toll in the country's economic growth. Both the agriculture and industry sectors were impacted by mobility restrictions and health guidelines put in place to control the pandemic. Despite the immediate impact, the services sector including the financial services sector recorded a moderate growth during the period.

The Government's efforts to introduce fiscal stimulus through tax reductions and targeted subsidies and transfers are expected to contribute to the economy in 2021. The CBSL expects the economy to contract by 3.9% in 2020 while the IMF expects Sri Lanka to contract by 6.70% in 2020 and expand by 3.30% in 2021.

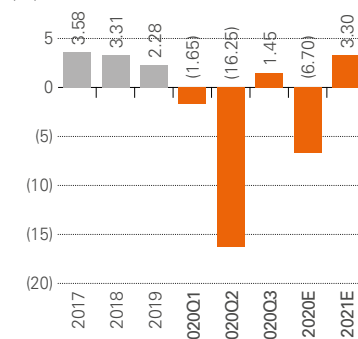
The new-normal post COVID-19, has accelerated the pace of digitisation within the industry requiring insurers to re-model distribution channels and digitise the entire insurance lifecycle.

World Real GDP Growth
(Rs. Bn)



Source: IMF

Economic Growth - Sri Lanka
(%)



Source: IMF

Inflation

Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2013=100) trended downwards and stood at 4.2% at the end of 2020. The NCPI stood at 4.6% YoY significantly lower than 6.2% in 2019.

Interest Rates

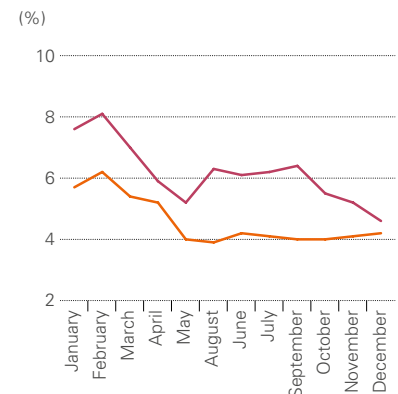
The CBSL relaxed stance on monetary policy to support the revival of the economy during the year. Both deposit and lending rates declined notably, with some interest rates reaching historic lows. Yields of LKR treasury securities declined on average by 280 bps in 2020 with a greater decline seen in the short to medium end of the yield curve. Slow credit growth, a

sluggish economic environment, excess liquidity and investor shifts to safe assets have pushed treasury asset yield down.

Equity Market

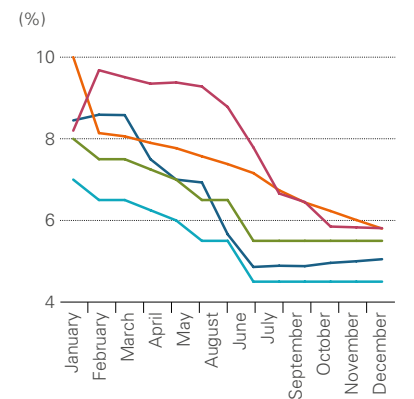
Despite the challenging operating environment, the All-Share Price Index (ASPI) surged by 10.52% in 2020. Trading was halted for a period of 52 days from 20 March to 11 May 2020 due to island wide lock-down and the ASPI was down by 31% on year-to-date basis up to May 2020. The S&PSL20 index declined by 10.18% in 2020 while falling 40% on YTD basis up to May 2020 given the surge in net sales by foreigners who usually invest in stocks that comprise in the S&PSL20 index. Net foreign sale stood at LKR 51,276 Mn, 3.3 times than 2019. However, the overall market was driven by local retail participation.

Inflation



Source: Department of Census and Statistics

Interest Rates

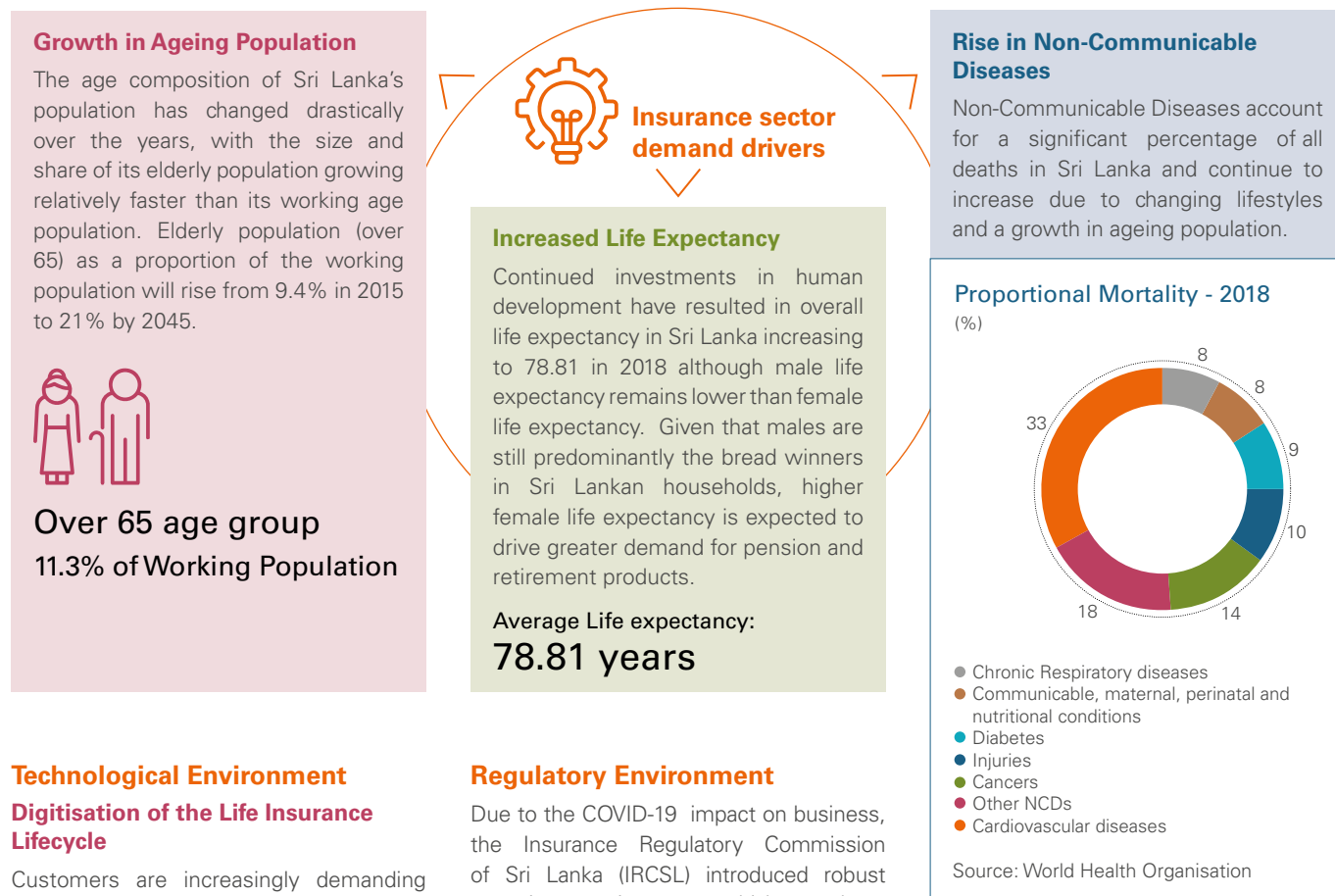


Source: CBSL

OPERATING CONTEXT

Social Environment

An increasing ageing population, rising life expectancy and a significant rise in Non-Communicable Diseases continue to drive demand for insurance products in Sri Lanka.



Technological Environment

Digitisation of the Life Insurance Lifecycle

Customers are increasingly demanding digital solutions that go beyond the point of purchase. The new-normal post COVID-19, has accelerated the pace of digitisation within the industry requiring insurers to re-model distribution channels and digitise the entire insurance lifecycle.

Artificial Intelligence (AI) and Robotics Process Automation (RPA)

The insurance industry has advanced its customer engagement methods with the use of Artificial Intelligence and Robo Advisors. With the use of AI technology insurance companies are able to gather customer data, automate policy servicing and claims management for faster and more personalised customer service thereby improving on customer experience, cost optimisation, operational efficiencies, market competitiveness and newer business models.

Regulatory Environment

Due to the COVID-19 impact on business, the Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced robust reporting requirements which we have complied with in full. The IRCSL also made a special announcement to provide 3 months grace period for premium payments which impacted premium collections in the short term. Meanwhile we continue to make significant progress in terms of key regulatory requirements such as IFRS 17 implementation and maintaining separate ledgers for participating, non-participating, universal life and unit lined product lines.

As an active member of the Insurance Association of Sri Lanka (IASL), we maintain a close dialogue with policymakers and regulators for the betterment of this dynamic industry.

Global Insurance Industry

The global insurance industry was negatively impacted by the sharp economic recession faced global economies due to the COVID-19 pandemic. As global GDP

and income levels continued to decline and unemployment increased, demand for insurance products declined resulting in a steep decline of life and non-life insurance premiums. Swiss Re Institute (Sigma 4/2020 – World insurance riding out the 2020 pandemic storm) estimates that, in 2020 the life premiums in advanced economies will contract by 8% while the premiums of emerging economies will remain flat resulting a 6% contraction of global life premiums.

There will be both short term and medium-term impacts of the pandemic on the life insurance business. Group life businesses, particularly the annuity and mortality products are the mostly affected by the COVID-19 pandemic situation. The low interest environment in many economies around the world affected the growth and

the profitability of both the annuity and non-term life insurance products. Insurers which rely on investment grade long-term investments would be affected most by the low interest rates prevailing in the markets. The adverse economic conditions caused losses through mortgage loan products as well. The lapses of the policies and suspensions of premium payments driven by the economic downturn would have a compounding impact on business in the short term.

Cost reduction strategies, innovations and digitalisation of business processes and work force talent and technology developments were some of the key strategic measures adopted by the insurance industry during 2020 to overcome the challenges in the pandemic environment.

Life Insurance Industry in Sri Lanka

Despite the challenging operating environment resulting from the COVID-19 pandemic, the life insurance industry recorded an overall growth of 16% in 2020 with total Gross Written Premium (GWP) amounting to Rs. 102,995 million (2019: Rs. 88,771 million). The growth in premiums was mainly driven by growth in group life and single premium products which grew by 92% and 51% respectively. During the year, regular new business premiums remained low at 4%.

With the impact of COVID-19 intensifying competition between market players, customer retention (maintaining renewal premium collection) and cost effectiveness have become more critical, forcing insurance companies to seek innovative ways to increase sales and customer satisfaction while keeping costs low and maintaining profitability. This has led to the emergence of alternative

distribution channels, such as online platforms, mobile applications and social media etc., which drive premium growth at lower costs. Meanwhile, strategies such as leveraging digital capabilities to increase premium collection via digital channels and introducing digital products were observed during the year. The lower interest rate trajectory will impact the investment returns of life insurers and limit the investment opportunities leading to contraction in margins in the short-term.

Strategic Responses to Opportunities and Threats

We continue to identify the opportunities and threats arising from the changes taking place in the economic, social, technological and regulatory environment of our industry and adopt strategic responses to these factors. The below table sets out key opportunities and threats and the strategic actions taken during the year.



Opportunities

Opportunity	Impact	Response
Ageing population, increased life expectancy and increase in Non-Communicable Diseases create demand for retirement and health insurance products	Increase in new business premiums	Diversified product portfolio to include innovative retirement products and a surgical product.
Increased requirement for digital capabilities amidst COVID-19 pandemic	Growth in new business premiums and maintaining renewal business	Launched digital products and implemented digital payment channels
Existence of a protection gap in the market	Growth in new business premiums	Product development and channel diversification to capture the new markets
Higher banking penetration	Increased revenue from the bancassurance channel	Optimised existing bancassurance partnerships and explored new bancassurance partnerships to increase revenue

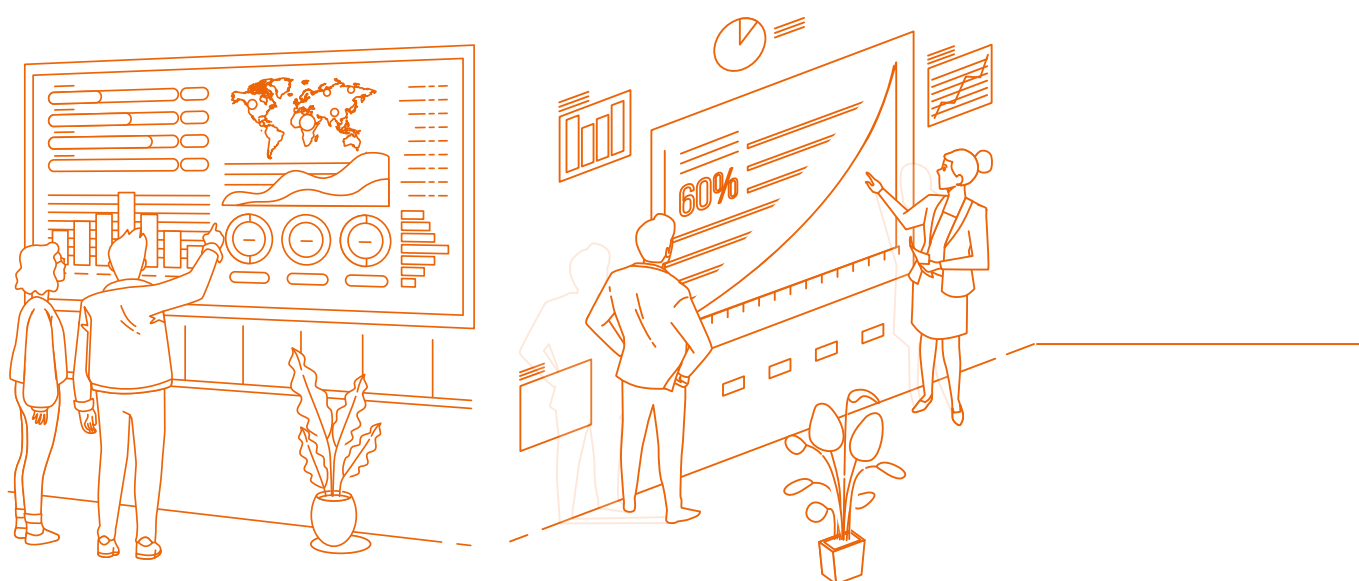


Threats

Threat	Impact	Response
Negative economic growth and impact on key sectors such as tourism, exports and worker remittances due to COVID-19	Business disruptions and negative impact on new business	Focused on key growth sectors of the economy for new business.

OPERATING CONTEXT

Threat	Impact	Response
Low interest rate environment impacted investment opportunities and returns	The decline in treasury securities yield increased UA's reinvestment risk of future business and investment cash flows.	Aligned the asset allocation with investment opportunities and risk appetite to maintain investment return
Negative performance of the equity market until end of the 3rd quarter of 2020.	Increase in realised or unrealised losses above the expectation	Re-balanced the equity portfolio to manage the realised and unrealised losses stemming from equity portfolio
The IRCSL introduced an insurance premium payment relief scheme for policyholders during the first wave.	Short-term impact on premium collection	Engaged with the IRCSL to have a dialogue on the negative impact on policy persistency with longer periods of payment relief
Intense competition between major industry players	Loss of market share	Continued to innovate and build on key points of differentiation.



CAPITAL MANAGEMENT REVIEW

GRI 102-47

Capital Trade Offs

UA continuously analyses how resources have been allocated among competing requirements in order to ensure maximum value to our Stakeholders. Quantifiable trade-offs from our resource allocation decisions during the year are as follows;

	Key Actions to Enhance Capital	Capital Trade-Offs					
		Financial Capital	Manufactured Capital	Human Capital	Natural Capital	Social and Relationship Capital	Intellectual Capital
 Financial Capital	Re-aligning and re-balancing investment portfolio	⬆					
	Liquidity management by spend control Committee	⬆					
 Manufactured Capital	Rs. 77 Mn Invested in physical and digital infrastructure	✓	⬆	⬆	⬆	⬆	⬆
	Strategic branch re-locations	✓	⬆	⬆		⬆	
	Establishment of new branches	✓	⬆	⬆		⬆	
 Human Capital	Introduction of agile work policy and Work from home arrangements	⬆		⬆	⬆	⬆	
	Online skill and talent development programmes			⬆	⬆		⬆
	Virtual employee engagement programmes			⬆	⬆		⬆
 Natural Capital	Adoption of flexible, standardised office partitioning to reduce timber consumption.	✓			⬆		
 Social and relationship capital	Invested Rs. 13 Mn in CSR initiatives in the health and education spaces including COVID-19 relief and awareness efforts	✓				⬆	
 Intellectual Capital	Launch of new brand identity	✓				⬆	⬆
	Expanded our product offering with 5 new products	⬆				⬆	⬆

✓ Decrease

⬆ Increase

FINANCIAL CAPITAL

GRI 103-1, 103-2, 103-3



We continued to enhance our financial capital during the year by aggressively driving top line growth while ensuring prudent financial management.

Our Financial Capital Resources



SHAREHOLDERS' EQUITY

Rs. 15 Bn



LIFE FUND

Rs. 42 Bn



ASSET UNDER MANAGEMENT

Rs. 52 Bn



Future Focus

- Strike a balance between topline growth and profitability
- Cost optimisation
- Optimal asset allocation and sustainable investment portfolio growth
- Maintain a strong capital adequacy ratio



Management Approach

Our Financial Capital which includes the monetary resources provided by our investors enables us to ensure the financial security and stability sought by our policyholders while ensuring attractive returns to our Shareholders. We continue to enhance our Financial Capital through careful financial

management including budgetary controls, liquidity management, profitability management, investment management, planning and performance management, risk management and internal controls.

Link to SDGs



How we created value during the year

- Re-aligned incentive structure to drive premium collection and new business
- Branch restructure to improve customer reach
- Launched MDRT talent pool programme to drive regular new business premium growth
- Optimised existing bancassurance partnerships to drive higher business performance
- Leveraged digital infrastructure to carry out sales, recruitment, client serving processes and achieve operations excellence
- Introduced digital premium collection channels and flexible receipting options to ensure collection of renewal business premiums
- Realigned asset allocation and equity portfolio rebalancing to increase yield and manage risk in low interest rate environment.
- Complied with all reporting standards set by the regulator
- Undertook cost saving initiatives and managed liquidity via a Spend Control Committee



What we achieved during the year

Rs. 13.1 Bn

GWP
(2019 – Rs. 11.6 Bn)

Rs. 3.1 Bn

REGULAR NEW BUSINESS
PREMIUM
(2019 – Rs. 2.7 Bn)

Rs. 5.0 Bn

INVESTMENT INCOME
(2019 – Rs. 4.6 Bn)

Rs. 1.8 Bn

PBT
(2019 – Rs. 1.9 Bn)

341%

CAPITAL ADEQUACY RATIO
(2019 – 362%)



Financial
Performance



Financial
Position



Cashflow



UA Share
Performance

Union Assurance ranks as the fourth largest regular new business producer in the industry and surpasses the Gross Written Premium of Rs. 13 Bn.

Financial Performance

Snapshot of the Income Statement

	2020	2019	Growth %
GWP	13,109	11,648	13
Premium Ceded to the Reinsurers	590	526	12
Cession Ratio	4.5%	4.5%	
Net Investment Income	5,032	4,565	10
Life Fund Investment Yield	10.62%	10.53%	
Net Insurance Claims and Benefits	3,794	3,504	8
Net Claims and Benefits as % of NWP	30%	32%	
Underwriting and Net Acquisition Cost	2,145	1,857	15
Acquisition Cost as % of ANBP	51%	46%	
Net Acquisition Cost Ratio % GWP	16%	16%	
Other Operating, Administrative and Selling Expenses	3,256	3,014	8
Operational Expenses as a % of NWP	26%	27%	
Profit from Operations	1,677	1,804	-7

FINANCIAL CAPITAL

Gross Written Premiums

Gross Written Premium (GWP), which is the total premium paid by policyholders grew by 13% to reach Rs 13.1 Bn during the year. The strong growth in GWP was supported by 15% growth in regular new business premiums resulting from

increase in annual average premium per policy, growth in premium earned via alternate channel and improvement in premium persistency.

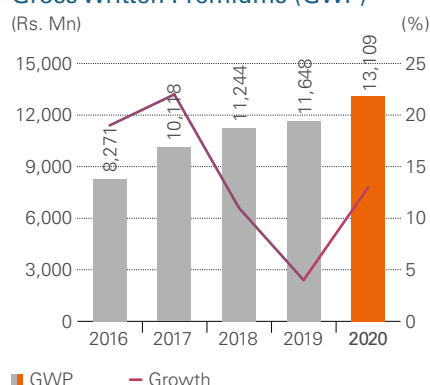
The Company's GWP is categorised as First-Year Premium (FYP), Renewal Premium (RP), Single Premium and Group life premiums

as per industry norm. Union Assurance recorded a 15% growth in regular new business premiums in a landscape in which the industry showed a marginal growth of 4% and was ranked fourth largest regular new business producer in the industry and surpassing the Gross Written Premium of Rs. 13 Bn.

GWP Growth Drivers

Annual Average Premium per Policy (AAPP)	Premium Persistency	Agent Productivity	Active Sales Force
A greater focus on high value cases and the improved quality of the policies underwritten resulted in AAPP increasing by 15% during the year.	The 13 month persistence ratio improved from 81% to 83% during the year due to the launch of digital payment channels and greater use of data analytics to proactively monitor policy lapses	Agent Productivity is measured as number of policies sold by an agent for a month. Agent productivity declined marginally due to the reduction in monthly mode policies and amounted to 1.36 policies per agent.	Active sales force declined to 2,597 from 2,714 due to challenging economic conditions that prevailed during the year.

Gross Written Premiums (GWP)



83% of revenue amounted to Rs. 10.8 Bn in 2020, a 9% growth compared to 2019. The Bancassurance channel showed an impressive growth of 23% and recorded a revenue of Rs. 1.8 Bn during the year. Meanwhile the alternate channel recorded a revenue of Rs. 358 Mn in its first year of operation.

Net Insurance Benefits and Claims paid to Policyholders

Insurance benefits and claims (including claims outstanding) increased by 8% to Rs 3,794 Mn in 2020 mainly on account of higher maturity payouts in accordance with the contractual obligations of the Company. Net claims amounted to 30% of net written premiums in 2020 as compared to 32% of net written premiums in 2019.

Other Operating, Administrative and Selling Expenses

Other operating, administrative and selling expenses increased by 8% to Rs. 3,256 Mn in 2020 and accounted for 26% of total GWP. Despite the additional expenses incurred on account of the brand launch, and strategic branch restructure and rebranding, expense growth was curtailed at 8% due to stringent cost optimising strategies implemented during the year.

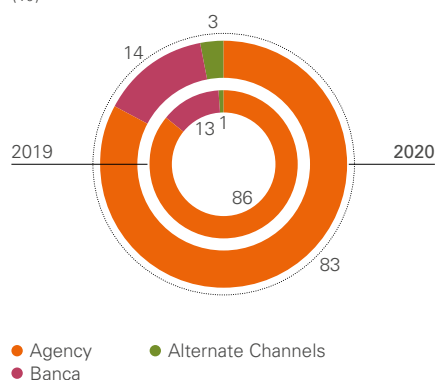
Operating Profits and EBITDA

Operating profits decreased marginally from Rs. 1.8 Bn in 2019 to Rs. 1.7 Bn in 2020. An increase in contract liabilities during the year due to growth in sales coupled with low interest rate environment resulted in this marginal decline in operating profits. Consequently EBITDA witnessed a marginal decrease from Rs. 2,208 Mn in 2019 to Rs. 2,184 Mn in 2020.

Profit Before Tax

The strong growth in GWP combined with stringent cost optimising strategies resulted in the Company posting a PBT of Rs. 1.8 Bn in 2020 compared to Rs. 1.9 Bn in 2019.

Composition of the Channel Wise GWP (%)



Channel Wise Performance

The Company operates in three key channels; Agency, Bancassurance and the recently established Alternate Channel. The Agency channel which accounts for

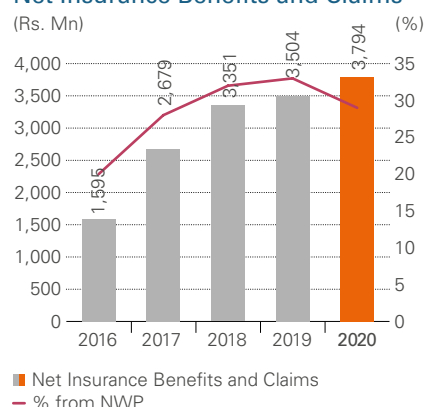
Premium Ceded to Re-insurers

Premium ceded to re-insurers is the premium paid to re-insurers to transfer part of the risk undertaken by the Insurance Company. Re-insurance ceded remained at 4.5% of GWP in 2020 in comparison to 2019.

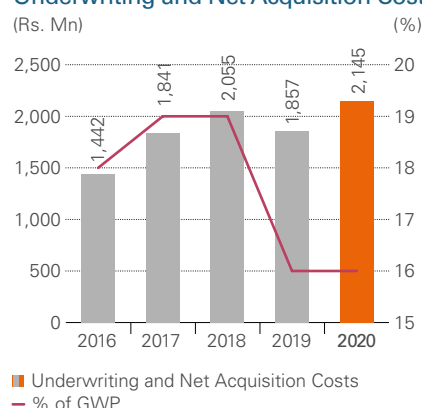
Underwriting and net Acquisition Costs

Underwriting and net acquisition costs increased by 15% to Rs. 2.1 Bn reflecting the growth in business volumes during the year. Underwriting and net acquisition cost remained at 68% of regular new business premiums in 2020 in comparison to 2019.

Net Insurance Benefits and Claims



Underwriting and Net Acquisition Costs



Operating, Administration and Other Expenses



Other Comprehensive Income

Other comprehensive income during the year amounted to Rs. 696 Mn and included gains arising from Available for Sale (AFS) assets and employee benefit liabilities of the Company and its equity accounted investee. The decrease in other comprehensive income as compared to

2019 was due to the absence of revaluation gain from properties since the Company revalues its properties once in two years. Other comprehensive income benefited from a valuation gain of Rs. 696 Mn on AFS due to the decrease in the interest rates of government debt securities.

Investment and Other Income

Investment and other income comprise of income generated from our investment portfolio. Despite the drop in market interest rates, investment and other income recorded a healthy growth of 10% amounting to Rs. 5,032 Mn in 2020 compared to Rs. 4,565 Mn in 2019

supported by re-aligning asset allocation. Financial assets grew by 17% during the year while the investment portfolio generated a yield of 10.62%

Unrealised gains from equities amounting to Rs. 258 Mn resulting from the recovery of equity markets during the last quarter of 2020 and rebalancing of equity portfolio also contributed to the growth in investment and other income. During the year equities giving rise to a loss of Rs. 449 Mn was sold with the purpose of balancing the investment portfolio. Net realised and unrealised losses amounted to Rs. 191 Mn in 2020.

Performance of Investment Portfolio

The Investment Portfolio grew by 17% during the year, amounting to Rs. 52 Bn as at 31.12.2020. Despite the low interest environment and sluggish equity market during most part of the year, Life fund yield was 10.62% due to realigning asset allocation and rebalancing the equity portfolio.

Fixed Income Investments Portfolio

With interest rates declining during the year, UA realigned asset allocation to manage the impact of lower yields. Accordingly, the investment focus was shifted away from government debt securities to corporate debt securities, unit trust, commercial papers and other asset classes with a short to medium term outlook. All assets invested during the year are of investment grade.

16.17%

Fixed Income Growth

Equity Investments Portfolio

The equity allocation of all funds under UA is managed by an external Fund Manager from early 2020. Equity is managed actively and is benchmarked with the S&PSL 20 total return index. During the year the equity portfolio was rebalanced and was invested in potential sectors targeting equities to provide attractive returns in the long term. During the year UA's net investment in equity amounted to Rs. 900 Mn with Rs. 500 Mn fresh cash injected in 2020.

44.4%

Equity portfolio Growth

Unit Linked Investments Portfolio

UA has three unit linked investment funds; Unit Linked Fixed income (FIXD), Unit Linked Managed (MNGD) and Unit Linked Equity fund (EQTY). FIXD invests in a range of fixed income securities in order to provide stable returns through regular current income. MNGD is a balanced fund which invest in fixed income securities and equity. EQTY's objective is to deliver relatively high returns over the long term on a risk adjusted basis through equity investments. The FIXD fund is managed by UA while management of MNGD and EQTY funds have been outsourced to an external Fund Manager.

(15.3%)

Unit Linked Growth

FINANCIAL CAPITAL

Financial Position

Snapshot of the Financial Position

	2020	2019	Growth %
Assets			
Total Assets	62,600	55,249	13
Financial Investments	52,356	44,881	17
Intangible Assets	1,247	1,307	-5
Property Plant and Equipment's	2,469	2,500	-1
Liabilities			
Total Liabilities	47,492	40,586	17
Insurance Contract Liabilities	41,882	35,490	18
Shareholder Funds	15,108	14,663	3

Total Assets

Total assets amounting to Rs. 62.6 Bn as at 31.12.2020 grew by 13% during the year supported by a 17% increase in financial investments.

Financial Investments

Financial investments which account for 84% of total assets and amounted to Rs. 52.3 Bn as at 31.12.2020, consist of a diversified portfolio of financial assets. 57% of our investment portfolio in 2020 comprised of investments in Treasury Bonds, while investments in Debentures accounted for 20% of total financial investments.

Property Plant and Equipment

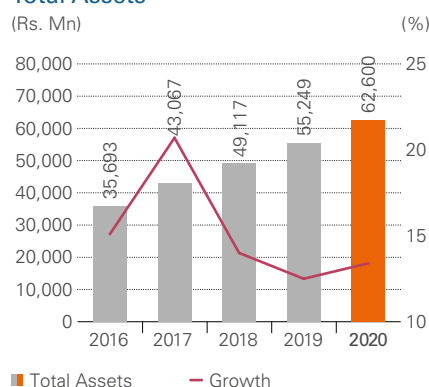
Property plant and equipment which accounted for 4% of total assets amounted to Rs. 2.47 Bn as at 31.12.2020 compared to Rs. 2.5 Bn as at 31.12.2019. The marginal decrease is on account of depreciation of assets.

Intangible Assets

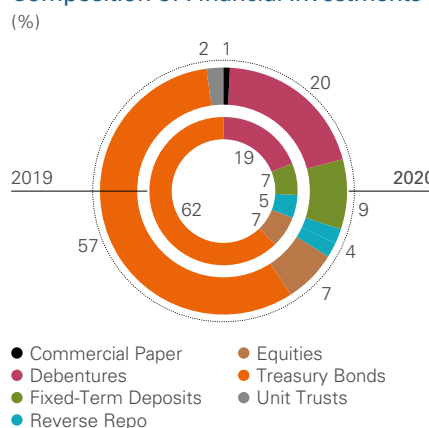
Intangible assets amounted to Rs. 1.2 Bn as at 31.12.2020 compared to Rs. 1.3 Bn as at 31.12.2019. The marginal decline of Rs. 59 Mn is due to the amortisation of the of policy administration system and contractual relationships (Bancassurance distribution rights) in 2020.

Total assets amounting to Rs. 62.6 Bn as at 31.12.2020 grew by 13% during the year supported by a 17% increase in financial investments.

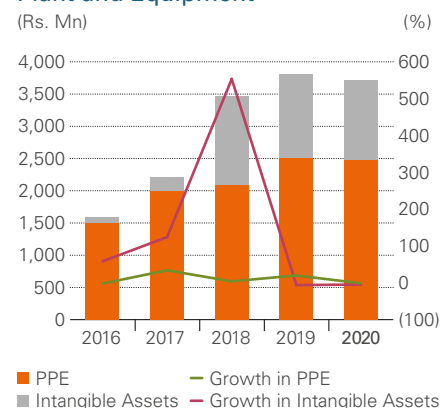
Total Assets



Composition of Financial Investments



Intangible Assets and Property, Plant and Equipment



Total Liabilities

Total liabilities amounted to Rs. 47.5 Bn as at 31.12.2020 compared to Rs. 40.6 Bn as at 31.12.2019. The increase in liabilities during the year was in line with the 18% growth in the life insurance fund which accounts for 88% of total liabilities.

Insurance Contract Liabilities (Life Fund)

Insurance Contract Liabilities is the fund maintained for the long-term insurance business by the Company in accordance with the Regulation of Insurance Industry Act, No. 43 of 2000, (as amended). Life insurance contract liabilities including unit linked grew by 17% to Rs. 43 Bn. This was due to increase in contract liabilities by Rs. 6 Bn

Shareholders' Funds

Shareholders' equity increased by 3% during the year due to net of transfer of other comprehensive income of Rs. 1,616 Mn and dividend payment of Rs. 1,179 Mn in 2020. The solvency position of the Company in terms of Capital Adequacy Ratio and Determination is discussed in under Risk Management Section of the Annual Report.

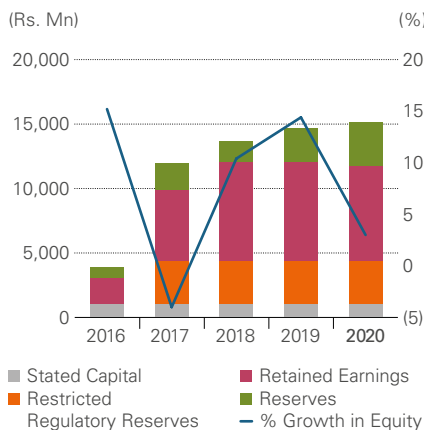
Dividends

As per the IRCSL letter dated 8 June 2020, the Company did not declare dividends in 2020.

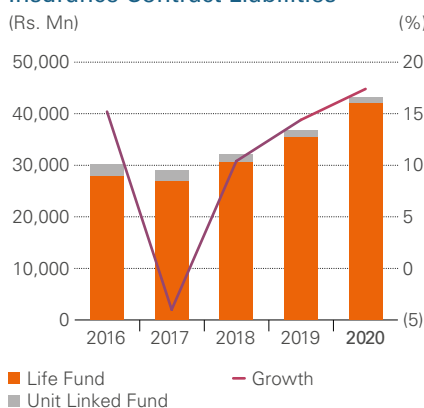
Return on Assets (ROA) and Return on Equity (ROE)

ROA and ROE during the year stood at 2% and 6% respectively compared to 2% and 8% in 2019.

Shareholders' Funds



Insurance Contract Liabilities



Cash Flow

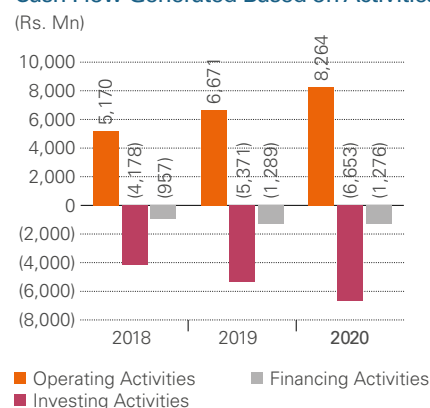
Net cash flows from operating activities grew by 24% to Rs 8,264 Mn as at 31.12.2020 mainly on account of inflows from insurance premium payments. Net cash flow used in investment activities recorded an outflow of Rs. 6,653 Mn compared to the outflow of Rs. 5,371 Mn in 2019 mainly due to the increase in business cash flows during the year. Cash outflow from financing activities was Rs. 1,276 Mn mainly on account of dividend payments made in relation to 2019 and related taxes. Consequently, Net cash increased during the year amounted to Rs. 335 Mn. Cash and cash equivalents grew by 72% to Rs. 799 Mn as at 31.12.2020 compared to Rs. 465 Mn as at 31.12.2019. The significant growth was on account of Rs. 2 Bn GWP collected in December 2020.

During the year several initiatives were implemented to manage liquidity amidst the disruptions caused by COVID-19. Key initiatives among these initiatives was weekly cash flow monitoring and forecasting by the Spend Control Committee, planning expenditure based on forecasted revenue inflows and negotiating deferred payment terms and monthly payment plans with vendors.

During the year we implemented several initiatives to manage liquidity amidst the disruptions caused by COVID-19. Key among these initiatives was weekly cash flow monitoring and forecasting by the Spend Control Committee.

During the year the investment Committee together with the finance, actuarial and investment team closely monitored the maturity profiles of assets and liabilities to manage asset liability mismatches.

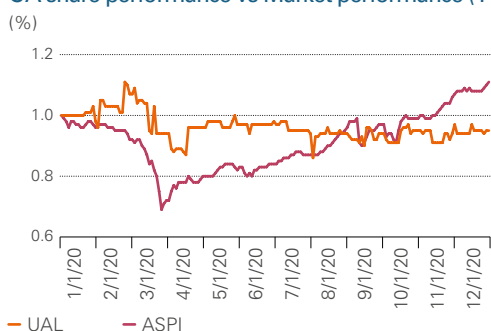
Cash Flow Generated Based on Activities



UA Share Performance

UA is listed on the CSE (UAL.N0000) with a market capitalisation of Rs. 17.9 Bn as at 31.12.2020. The number of shares issued remained unchanged during the year at 58,928,572 shares. Highlights of the UA share performance are depicted below;

UA share performance vs Market performance (YTD)

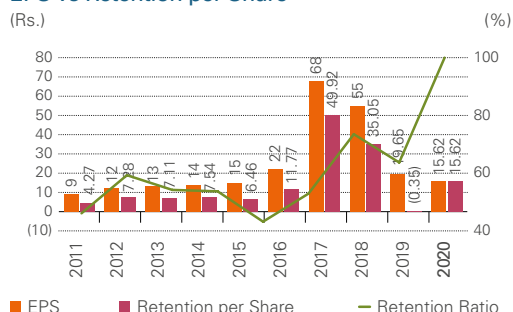


UA's share price declined by 8% in 2020 to close at Rs. 305.00 and traded throughout the year with an average daily volume of 1,473 shares. UA shares traded between a low of Rs. 274.90 and a high of Rs. 355.00. The shares beta against the ASPI stood at 0.34 as of fourth quarter of 2020.

FINANCIAL CAPITAL

Earnings Per Share (EPS)

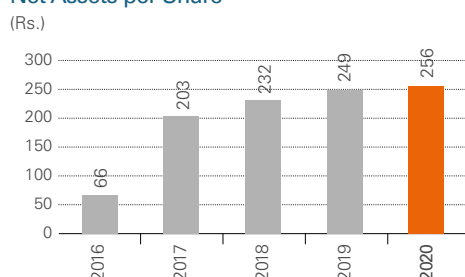
EPS vs Retention per Share



The EPS declined from Rs. 19.65 in 2019 to Rs. 15.62 in 2020 due to lower profits stemming from increase in insurance contract liabilities, low interest rate environment and higher effective tax rate.

Net Assets Per Share (NPS)

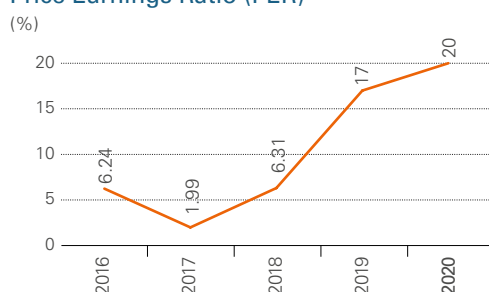
Net Assets per Share



Net assets per share of UA increased by 2.8% to 256 in 2020 compared to 249 in 2019. The increase was on account of increase in AFS reserves.

Price to Earnings Ratio & Price to Book Ratio

Price Earnings Ratio (PER)



UA's PER stood at 19.53x as at 31 December 2020. It was higher than the 16.79x recorded in 2019 mainly due to decline in EPS. The sector and market PE stood at 3.88x and 11.25x respectively.

Price to Book Ratio



The price to book value ratio as at 31 December 2020 was 1.20 times compared to 1.33 times the previous year due to drop in market price. The sector and market price to book value stood at 0.91x and 1.13x respectively.

Trading Statistics

In 2020, 257,632 of UA shares traded during the year in 1,622 trades. The average daily turnover of the UA shares was Rs. 461,067 in 2020 in comparison to Rs. 1,104,435 recorded in the previous year.

	2020	2019
Number of transactions	1,622	2,030
Number of shares traded	257,632	740,153
Value of shares traded	80,686,845	246,289,053
Shares traded as a percentage of total shares in issue	0.44%	1.26%
Market capitalisation (Mns)	17,973	19,446
Percentage of market capitalisation	0.61%	0.68%
Gross dividend (Rs. Mns)	-	1,179

Distribution and Composition of Shareholders

The Company has a diversified base of Shareholders across a wide geographical spread and includes both private and institutional Shareholders. The total number of shares remained at 58,928,572 as of 31st December 2020. UA has 1,409 registered individual Shareholders representing 93.19% of the Shareholders. A majority of the individual Shareholders are residents of Sri Lanka and 93.73% of the Company shareholdings consists institutional shareholding. The top 20 Shareholders hold 96.59% of UA's share capital. The Directors do not hold any shares in their capacity as of 31st December 2020.

Composition of Shareholders

	31-Dec-20				31-Dec-19			
	No of Shareholders	%	No of shares	%	No of Shareholders	%	No of shares	%
Directors & spouses:	-	-	-	-	-	-	-	-
Resident:								
Individuals	1,396	92.33	3,630,761	6.16	1,295	92.11	3,650,008	6.19
Institutions	99	6.55	1,608,066	2.73	94	6.69	1,595,774	2.71
Non-Resident:								
Individuals	13	0.86	66,736	0.11	3	0.21	587,294	1.00
Institutions	3	0.19	587,294	1.00	13	0.92	59,781	0.10
Shareholders holding more than 10%:	1	0.07	53,035,715	90.00	1	0.07	53,035,715	90.00
Total	1,512	100.00	58,928,572	100.00	1,406	100.00	58,928,572	100.00

Distribution of Shareholders

Range of Shareholders	31-Dec-20				31-Dec-19			
	No of Shareholders	%	No of shares	%	No of Shareholders	%	No of shares	%
Less than 1,000	1,134	75.00	259,033	0.44	1,029	73.19	248,152	0.42
1,001 to 10,000	317	20.97	1,019,920	1.73	317	22.55	994,436	1.69
10,001 to 100,000	53	3.51	1,434,860	2.43	52	3.70	1,507,226	2.56
100,001 to 1,000,000	6	0.40	1,779,044	3.02	6	0.43	1,793,043	3.04
Over 1,000,001	2	0.13	54,435,715	92.38	2	0.14	54,385,715	92.29
Total	1,512	100.00	58,928,572	100.00	1,406	100.00	58,928,572	100.00

Public Shareholding

The Company is listed on the Colombo Stock Exchange and the percentage of shares held by the public, the number of public Shareholders and the float adjusted market capitalisation is as given below;

	31-Dec-20	31-Dec-19
Public shareholding (%)	10	10
Public Shareholders	1,511	1,405
Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)	1.80	1.94

FINANCIAL CAPITAL

Directors' Shareholdings

No. of Shares as at	31-Dec-20	31-Dec-19
Mr. Krishan Niraj Jayasekara Balendra - (Chairman)	Nil	Nil
Mr. Suresh Rajendra	Nil	Nil
Mr. Dumith Hemantha Fernando	Nil	Nil
Mr. Stephen Anthony Appleyard	Nil	Nil
Mr. Daminda Prabhath Gamlath [Appointed w.e.f 10.06.2020]	Nil	Nil
Mr. Warnage Malinga De Fonseka Arsakularatne [Appointed w.e.f 14.07. 2020]	Nil	Nil
Mr. Harin Amendra Joseph De Silva Wijeyeratne [Resigned w.e.f 06.09. 2020]	N/A	Nil

CEO's Share Holding

No. of Shares as at	31-Dec-20	31-Dec-19
Mr. Jude Gomes	Nil	Nil

Twenty Largest Shareholders

Name of Shareholder As at	31-Dec-20		31-Dec-19	
	No of shares	%	No of shares	%
John Keells Holdings PLC	53,035,715	90.00	53,035,715	90.00
Mr. S. N. P. Palihena	1,400,000	2.38	1,350,000	2.29
Suktam Holdings (PVT) Ltd	609,000	1.03	609,000	1.03
Citibank Newyork S/A Norges Bank Account 2	580,294	0.98	580,294	0.98
Rubber Investment Trust Limited A/C # 01	199,000	0.34	199,000	0.34
Corporate Holdings (Private) Limited	149,373	0.25	149,373	0.25
Captain D. V. H. Palihena	138,495	0.24	138,495	0.24
People's Leasing & Finance PLC/Mr. L. P. Hapangama	102,882	0.17	116,881	0.20
Mrs. A. Selliah	100,000	0.17	100,000	0.17
People's Leasing & Finance PLC/Mr. L. H. L. M. P Haradasa	78,494	0.13	88,392	0.15
People's Leasing & Finance PLC/Dr. H. S. D. Soysa & Mrs. G.Soyasa	73,135	0.12	83,135	0.14
Mr. J.D. Bandaranayake & Miss. N.Bandaranayake & Dr. (Mrs.) V. Bandaranayake	59,019	0.10	59,019	0.10
Mr. J.D.Bandaranayake & Miss. I.Bandaranayake & Dr. (Mrs.) V. Bandaranayake	59,019	0.10	59,019	0.10
Mr. H. A. D. Ratnapala	56,250	0.10	56,250	0.10
Mr. J. W. Nanayakkara	56,250	0.10	56,250	0.10
People's Merchant Finance PLC/P.T.S. De Silva	55,415	0.09	40,307	0.07
Dr. S. Selliah	50,000	0.08	50,000	0.08
Mr. V. Sharda	44,200	0.08	44,200	0.08
Mr. N. D.Kurukulasuriya	39,000	0.07	39,000	0.07
Dr. T. Senthilverl	34,876	0.06	-	-
Others	2,008,155	3.41	2,074,242	3.52
Total number of shares issued:	58,928,572	100.00	58,928,572	100.00

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	3:01	3,333,333	33,333,333
1999	Bonus	2:01	6,666,667	66,666,667
2002	Bonus	4:01	5,000,000	50,000,000
2007	Bonus	2:01	12,500,000	125,000,000
2011	Share split	1:02	37,500,000	-
2012	Rights @ Rs. 70	7:01	10,714,286	750,000,020
2015	Share repurchase	32:10:00	(26,785,714)	-
2015	Capital re-organisation		-	(125,000,020)
			58,928,572	1,000,000,000

MANUFACTURED CAPITAL



Our forward-thinking investments to physical and digital infrastructure during the past few years enabled us to rapidly transition to a digital operating model and successfully navigate the disruptions caused by the COVID-19 Pandemic.

Our Manufactured Capital Resources



75

BRANCHES ISLANDWIDE



OVER 900

CUSTOMER TOUCH POINTS



DIGITAL INSURANCE
PLATFORM
(CLICKLIFE)



**SELF SERVICE
APP**



Future Focus

- Strategically expand our geographical footprint based on maximum impact locations
- Leverage mobile technology to increase interaction with customers
- Strengthen digital operating model to stay relevant in the post COVID-19 new normal



Management Approach

Our Manufactured Capital consisting of our physical and digital infrastructure are the interfaces through which we connect with our customers. In addition to helping us reach out to a wider customer base, our branches and digital

platforms communicate our brand ethos and spirit. Investments in our physical and digital infrastructure are therefore carefully evaluated to ensure maximum reach, maximum efficiency, and maximum sustainability.



Link to SDGs



We are disrupting the life insurance industry in the country with our breakthrough digitisation efforts.



Our extensive reach provides widespread access to insurance products and services.



How we created value during the year

- Strengthened our digital capabilities including remote working infrastructure and digital client interfaces to ensure minimal disruption during the COVID-19 pandemic.
- Implemented new branch branding initiative
- Strategically evaluated branch network and relocated 8 branches in key cities and townships to maximise visibility and reach.
- Revamped 3 branches to reflect new brand proposition



What we achieved during the year

Rs. 171

REVENUE PER INVESTMENT IN MANUFACTURED CAPITAL

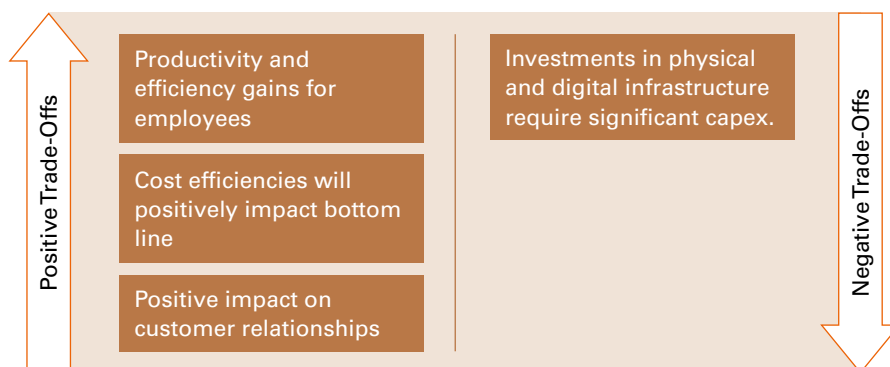
Rs. 65 Mn

BRANCH MAINTENANCE COST

48,847 Sqft

TRAINING SPACE

Capital Trade-Offs



Enhancing Our Geographical Footprint

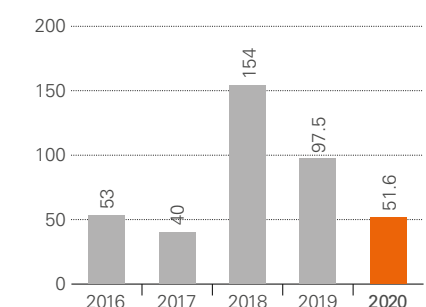
We continue to strategically evaluate our branch network to ensure widest reach and cost optimisation. To this end 8 branches were strategically re-located to high impact locations, while 11 branches with lower footfall were consolidated during the year.

We also continued with our branch revamping programme, upgrading 12 identified branches across the island.

Selected branches and our Head-Office were re-modelled to reflect our new brand proposition and to complement our Digital Agency Model. We are also gradually moving towards greener infrastructure and continue to upgrade branches with more environmentally friendly layouts.

Resource allocation for branches is based on a systematic process that involves ranking branches based on performance matrices and assessing requirements to ensure network cost optimisation.

Investment in Manufactured Capital (Rs. Mn)



02

NEW BRANCHES

08

STRATEGIC RE-LOCATIONS

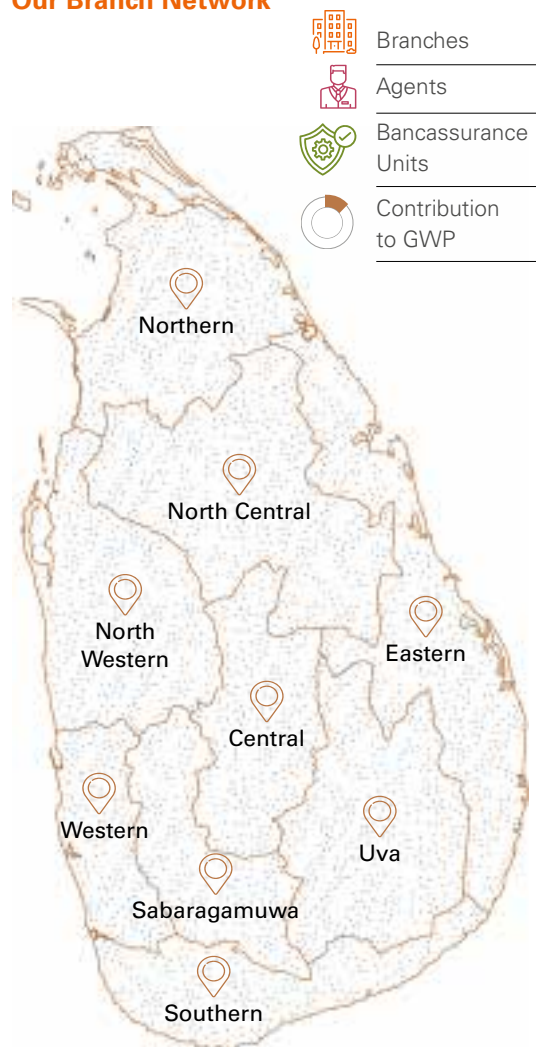
12

NO. OF REFURBISHED BRANCHES

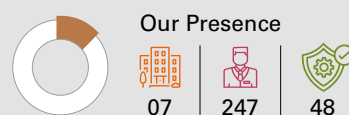
11

NO. OF CONSOLIDATED BRANCHES

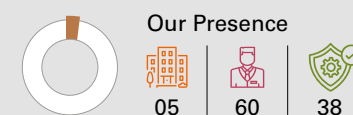
Our Branch Network



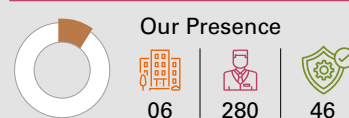
Northern Province



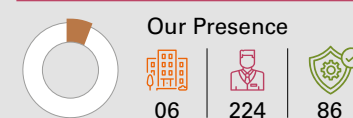
Eastern Province



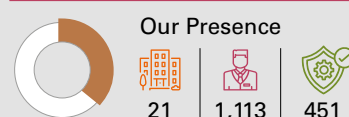
North Central Province



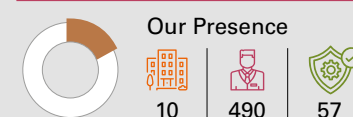
Central Province



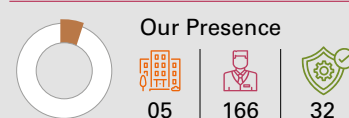
Western Province



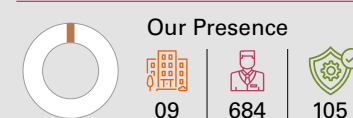
North Western Province



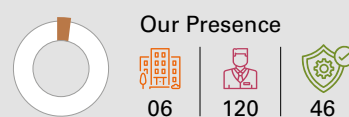
Uva Province



Southern Province



Sabaragamuwa Province



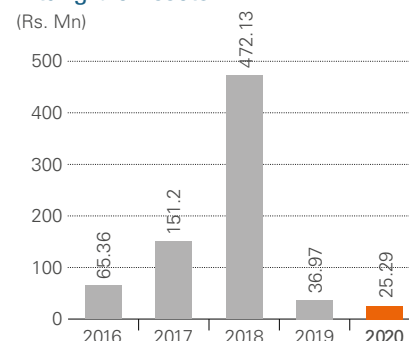
Expanding Our Digital Infrastructure

Having embarked on our digital journey several years ago, we were well prepared to rapidly transition to a digital operating model to ensure uninterrupted services to our customers during the COVID-19 pandemic.

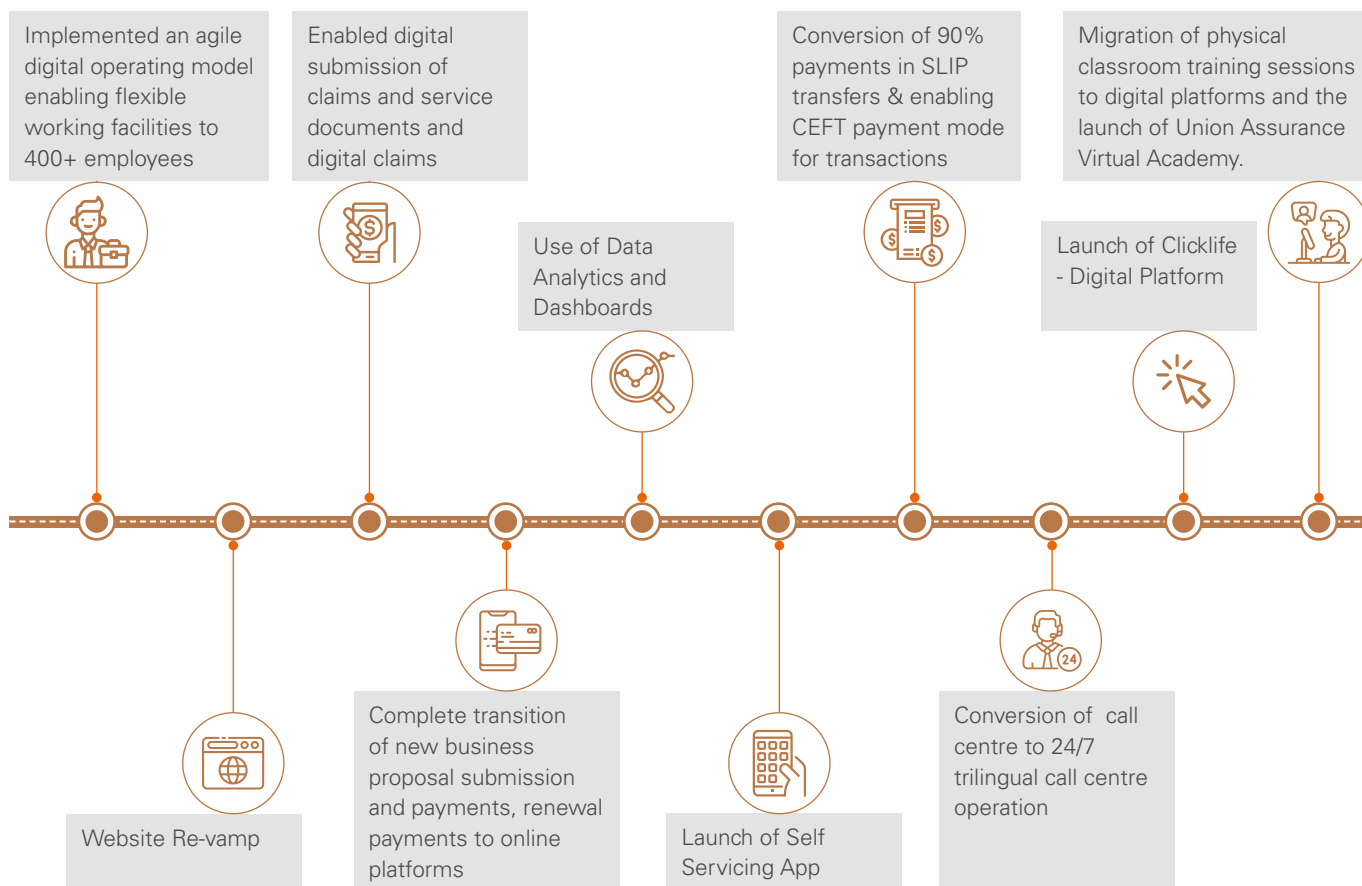
During the year we strengthened our Information Technology and network infrastructure to facilitate remote working and drive greater productivity and efficiency.

We continued to invest in our digital client servicing capabilities with the introduction of Clicklife, a fully digitised end-to-end solution and a Self-servicing App that has digitised the policy follow up process. Key milestones in our digital transformation achieved during the year are listed below; further, plans are in place to implement end-to-end digital communication platform across our branch network.

Intangible Assets



Digital Milestones Achieved in 2020



NATURAL CAPITAL

GRI 103-1, 103-2, 103-3



We remain committed to reducing our Carbon Footprint by adopting sustainable practices that promote responsible consumption of resources and proactive climate action.

Our Natural Capital Resources



ELECTRICITY CONSUMED

5,379 GJ



WATER CONSUMED

17,759 m³



Future Focus

- Invest in solar energy panels to the head office and portable solar panel sets for rented buildings based on the rent period.
- Reduce carbon footprint by 5%.
- Reduce electricity usage in branches by 3%.
- Check and update on green initiatives done by our suppliers and rate them accordingly.



Management Approach

As a responsible Corporate Entity, we are committed to safeguarding the long-term well-being of our employees, customers and communities. We therefore strive to minimise negative externalities whilst ensuring responsible consumption of natural resources by adopting efficient, sustainable and ethical practices across our operations.

We have in place a comprehensive Natural Capital Management framework which involves assessing and reviewing our priorities annually, developing and implementing environmental policies, strategies and processes and monitoring our impacts and outcomes. There were no instances of non-compliance with environmental regulations during the period under review.

GRI 103-1, 103-2, 103-3, 302-1, 302-2, 302-3, 302-4, 302-5



Link to SDGs



How we created value during the year

- Widespread adoption of remote working has reduced employee commute related emissions.
- Adoption of flexible, standardised office partitioning to reduce timber consumption.
- Introduction of “Green branches” that incorporate efficient and sustainable layouts.



What we achieved during the year

464 tCo2e 30% ▼
REDUCTION IN CARBON FOOTPRINT

323,889 kWh
ENERGY SAVING

15,572 Kg
PAPER RECYCLED

17,162 Kg
WASTE RECYCLED

Reviewing Our Priorities

- Air Emissions
- Water Consumption
- Waste Generated
- Material Use
- Energy Consumption



Environmental Management System

- Environmental Policy
- Planning
- Implementation and Operation



Monitoring Our Impact

- Measurement
- Internal Audit and Review

Our Environmental Agenda

Our Environmental Agenda is aimed at adopting best practices in Energy Management, Water Management, Emission Control and Effluent and Waste Management across our value chain. Whilst ensuring that we strictly adhere to all environmental laws, regulations and requirements we also continue to create awareness within and without our organisation through ongoing awareness and knowledge sharing sessions about the importance of protecting our environment.



Energy Management



Water Management



Emission Control



Effluent and Waste Management

Energy Management

Total Energy consumption during the year amounted to 5,379 GJ resulting in an energy cost of Rs. 39 Mn. Total energy consumption declined by almost 18% during the year as a result of employees being encouraged to work from home during the COVID-19 pandemic. This also resulted in a reduction on fuel consumption due to less people commuting to and from work.

NATURAL CAPITAL

GRI 302-1, 302-2, 302-3, 302-4, 302-5, 103-1, 103-2, 103-3, 303-2, 303-3, 103-1, 103-2, 103-3

We continue to focus on enhancing energy efficiency in all aspects of our operations. Branch layouts continued to be improved to maximise space utilisation and use of natural light. Meanwhile energy saving technology such as timer switchers to air-conditioners, LED lighting and master key switches on all Head Office floors have enabled us to bring about greater energy efficiency.



Energy Management

TOTAL ENERGY CONSUMPTION 2020

5,379 GJ

(2019: 6,545 GJ)

ENERGY CONSUMPTION PER RS. 1 MN OF REVENUE

Rs. 0.41

(2019: Rs. 0.56)

TOTAL ENERGY SAVING 2020

323,889 kWh

(2019: 21,667 kWh)

ENERGY CONSUMPTION PER BRANCH

71.72 GJ

(2019: 76.10 GJ)

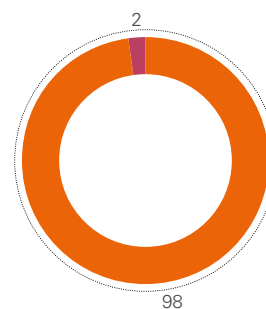
Water Management

We continue to implement water conservation initiatives across our network. In addition to creating employee awareness on the importance of water conservation and providing information on water saving tips, we have installed

water conserving equipment such as sensor taps and vacuum type syphons in our lunchrooms and washrooms. Water recycling is practiced wherever possible and some of our branches have commenced using ground water to reduce the burden on the national lines.

Water Consumption

(%)



- Pipe borne water
- Drinking water from 3rd party vendors



Water Management

TOTAL WATER CONSUMPTION 2020

17,759 m³

(2019: 22,193 m³)

WATER CONSUMPTION PER BRANCH

236.79 m³

(2019: 258.06 m³)

WATER CONSUMPTION PER EMPLOYEE

4.25 m³

(2019: 5.33 m³)

TOTAL WATER SAVING

4,434 m³

(2019: 245 m³)

% OF WATER RECYCLED AND REUSED

0.74%

(2019: 0.59%)

Emission Control

As a service organisation our emissions are primarily Scope 2 emissions on account of electricity consumed and scope 3 emissions on account of employee commutes. Monitoring our emissions is done in collaboration with Carbon Consulting Company (Pvt) Ltd in order to ensure that emissions are monitored on a consistent basis and that they fall within regulatory limits.

Our ongoing energy saving initiatives have enabled us to reduce scope 2 emissions. The work from home option introduced during the lock-down period also has contributed to a reduction of scope 3 emissions arising from employee commutes.



GRI 305-1, 305-2, 305-3, 305-4, 305-5, 103-1, 103-2, 103-3, 306-2, 103-1, 103-2, 103-3



Emission Control

DIRECT (SCOPE 1) GHG EMISSIONS

39.43 tCo2e

(2019: 96.44 tCo2e)

ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

697.04 tCo2e

(2019: 1,084.25 tCo2e)

INDIRECT (SCOPE 3) GHG EMISSIONS

325.60 tCo2e

(2019: 345.58 tCo2e)

TOTAL CARBON FOOTPRINT

1,062.06 tCo2e

(2019: 1,526 tCo2e)

EMISSIONS PER EMPLOYEE

0.25 tCo2e

(2019: 0.36 tCo2e)

% IMPACT INTOTAL EMISSIONS

(30%)

(2019: 7%)

Waste Management

Our waste management initiatives revolve around the 5R concept of Refusing, Reducing, Reusing, Re-purposing and Recycling resources to minimise waste.

These principles are built into all areas of our operation through employee awareness and systems and processes to implement and monitor progress. All e-waste generated is collected and

disposed of by reputed third parties such as Think Green (Pvt) Ltd, Orange Electricals and Ewis Peripherals while non-hazardous waste is segregated systematically and disposed of accordingly.



Waste Management

PAPER CONSUMPTION

15,572 Kg

(2019: 6,097 Kg)

Savings of Paper Waste Management

TREES SAVED (No.)

265

(2019: 104)

OIL (LITRES)

27,329

(2019: 10,700)

ELECTRICITY (kWh)

62,288

(2019: 24,388)



Refuse

An efficient procurement system eliminates unnecessary purchases.



Reduce

Paper consumption is monitored and efforts made to reduce paper wastage.



Re-Use

Movable office partitioning is used for branch relocations.



Re-purpose

Used printer cartridges are recycled and reused in partnership with Ewis Peripherals.



Recycle

In partnership with Orange Electricals, initiated a bulb recycling project where all disposed Fluorescent tube lights are collected and sent for recycling.

Supplier Environmental Assessment

We strive to ensure that all our suppliers follow the same environmental and social standards we do and have incorporated minimal requirements with regards to human rights, fair working conditions, environmental responsibility and business ethics into all our contracts and agreements with suppliers.



Our dedicated team of 795 employees was a key strength during the COVID-19 pandemic, displaying resilience and commitment in the face of unprecedented challenges. In turn, we focused on ensuring our teams' health and safety, and providing them the necessary support to navigate the challenges faced.

Our Human Capital



EMPLOYEES

795



Future Focus

- Develop the UA brand as an attractive employer brand through social media channels
- Develop an employee engagement calendar
- Strengthen exit interview process
- Revamp recruitment processes with defined SLAs
- Implementation of lean management transformation initiative
- Strengthen work life balance initiatives



Management Approach

We are committed to ensuring a level playing field for all our employees and have in place a comprehensive governance framework and robust systems to ensure that we achieve this objective. Our HR strategy is formulated

to achieve both corporate and employee goals and is operationalised through our Human Resource Department. Our overall approach to managing our human capital is illustrated on page 55.



Link to SDGs



How we created value during the year

- Continued with our training initiatives through online platforms, providing a total of 4,884 skills and leadership training hours
- Supported our staff during the pandemic with financial and non-financial assistance programmes including COVID Hotline and Work-from-Home arrangements for all employees.
- On-boarded a total of 296 new employees to the team
- Agile work policy and work from home modus operandi to ensure health and safety of our staff
- Conducted several events such as virtual townhall meetings, virtual annual awards and virtual employee recognition event to strengthen employee engagement



What we achieved during the year

795

NO. OF EMPLOYEES TRAINED

36

NO. OF EMPLOYEES WHO PARTICIPATED IN LEADERSHIP DEVELOPMENT PROGRAMMES

75%

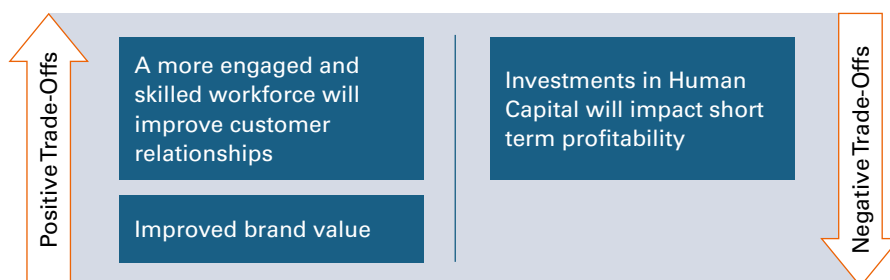
EMPLOYEE SATISFACTION SCORE

Recognised as a Great Place to work for the 8th Consecutive Year

M 52% : F 48%

GENDER PARITY

Capital Trade-Offs



Our recruitment policies ensure an unbiased selection process that ensures fairness to all candidates regardless of their gender, religion, nationality or age.

Human Capital Management Process



HR Inputs

- Comprehensive Governance Structure
- Diverse Employee Base
- Extensive Skills and Knowledge
- Robust HR Systems



HR Strategy

- Develop Knowledge and Skills
- Drive Innovation
- Ensure Employee Health and Safety
- Increase Employee Engagement
- Reduce Attrition



Outputs

- 8 average Training Hours per Employee
- Total Payments to Employees Rs. 1,213 Mn
- 63% Retention

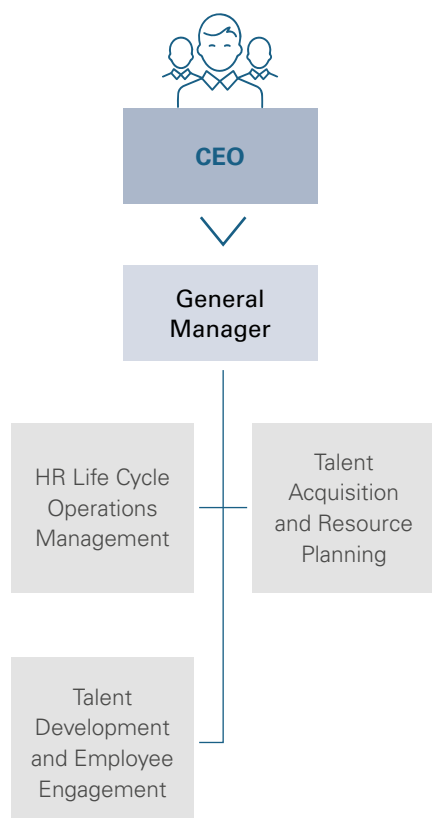


Outcomes

- Competent and Talented Workforce
- Increased Employee satisfaction and Engagement
- Increased Intellectual Capital

Human Capital Governance Structure

The Human Resource Department operates in three verticals as depicted in following diagram. The General Manager HR who heads the overall function reports directly to the CEO.



Our Team



2019			2020	
No.	%		No.	%
By Employment Contract				
567	74	Permanent	578	73
197	26	Fixed Term Contract (FTC)	217	27
Employment by Gender				
370	48	Male	417	52
394	52	Female	378	48
New Hires by Gender				
131	37	Male	134	45
223	63	Female	162	55
Employment By Top Three Regions				
624	82	Western	401	50
30	4	Central	75	9
31	4	Southern	82	10
Employment By Age				
448	58	30 and Below	408	51
287	38	31 - 50	363	46
29	4	Above 50	24	3
354	46	New Recruits	296	37
138	24	Employee Turnover (Excluding FTC)	101	17

Diverse Employee Base

Our team of 795 employees consist of individuals from all parts of the country, span across three generations and bring with them a range of qualifications and experience. 48% of our total workforce is female; a clear indication of our ongoing commitment to maintaining gender diversity. Our agile work policy, flexible working arrangements and attractive employee value proposition continues to attract and retain a younger demographic which is indicative from the high percentage of employees below the age of 30.

Talent Attraction and Retention

Talent acquisition is based on an ongoing assessment of our talent requirements and closely linked to our short-term and long-term business strategies. We strive to ensure the right person in the right job, through a formalised recruitment process that involves aptitude and psychometric testing as well as structured interviews based on a competency framework. Despite the challenges posed by the pandemic, we on-boarded a total of 296 new recruits during the year, by adopting digital recruitment platforms.

Our recruitment policies ensure an unbiased selection process that ensures fairness to all candidates regardless of their gender, religion, nationality or age.

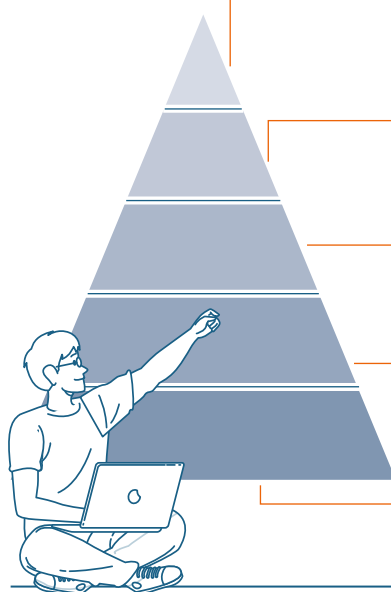
Our employee value proposition enables us to maintain a healthy retention rate. Overall attrition rate was 17.47% while the new hire attrition rate was 14.10% excluding fixed term contract employees.

Talent Development

We adopt a holistic approach to talent development combining knowledge development and leadership development

Our talent management initiatives are aligned with those of the JKH group bringing about greater synergies and alignment with the Group.

programmes with a vigorous performance management system to ensure that our employees are equipped with the skills and competencies to grow with the organisation. Our talent management initiatives are aligned with those of the JKH group bringing about greater synergies and alignment with the Group.

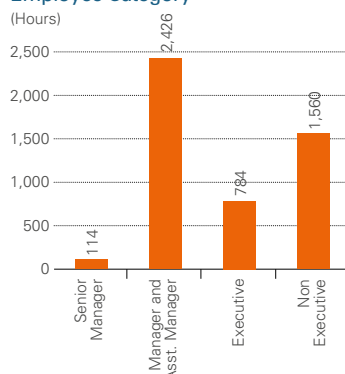


Training

Average No. of Training Hours



Average Training hours by Employee Category



	2019	2020
Total Training Spend (Mn)	12.9	2.2

Knowledge and Skill Development

Over 790 employees were trained during the year through online, in-house and external training programmes with over 4,884 training hours provided online during the lockdown period. We immediately transitioned our training programmes to digital platforms in order to continue with our training agenda amidst the pandemic. The Virtual Academy concept was launched enabling a variety of Online Digital Trainings for Distribution, SSO and Bancassurance Staff with a number of bite-sized learning materials. We strive to achieve the widest possible training coverage and that the training provided is tailor-made to our employee requirements.

Leadership Development

Our Leadership development programmes continued despite the disruptions caused by the COVID-19 pandemic. Customised programmes were conducted through online channels for all levels of staff. Some of the key initiatives conducted during the year are listed below;

Senior Management Team 2020 (SMT)

An identified pool of potential leaders were exposed to diverse business activities as part of a structured development plan.

18 Senior Managers participated in the programme.

HIPO 2020 Programme

The programme is aimed at accelerating the career paths of identified high achievers. 18 Managers and Assistant Managers participated in the programme.

STEP (Striving Towards Excellence Programme): A platform for career acceleration introduced to keep star employees motivated and engaged. A total of 18 high performers were enrolled into the programme.

Toastmasters Club: Union Assurance Toastmasters Club provides employees a platform to improve their communication and leadership skills and bring the corporate community of Union Assurance to the next level.

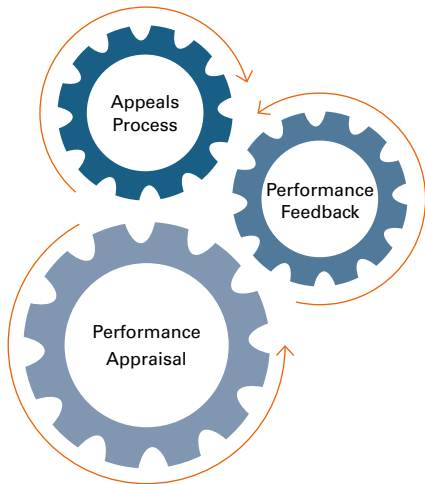
Sales Supporting Staff (SSOs) Development Initiative: A six month programme aimed to groom a team of SSO's with training provided in key areas such as Products, Company, business KPIs, Awards and Digital.

120 SSO's participated in this training.



Performance Management

Performance management at UA is a collaborative effort between employees and managers. A robust performance evaluation process which includes self-assessment against communicated KPIs, independent assessments by cross functional Committees, ongoing feedback on performance and an appeals mechanism ensures that the performance management process is transparent, collaborative and equitable. Performance appraisals are carried out annually for all the employees.



Remuneration and Benefits

Total payments to employees amounted to Rs. 1,213 Mn during the year while total contribution to benefit schemes such as Employee Provident Fund (EPF) and Employee Trust Fund (ETF) amounted to Rs. 93.6 Mn in 2020. Remuneration consists of a fixed pay component and a variable pay component which is linked to performance. Permanent employees are also entitled to a wide range of benefits including EPF and ETF, gratuity benefits, maternity and paternity leave, hospitalisation and medical cover among others.

Rewards and Recognition

We believe in recognising and rewarding our employees throughout the year. A Virtual award ceremony was held for the first time to recognise support service units, functional and cross functional teams for their contribution in driving business objectives and going beyond the call of duty. Meanwhile staff continue to be recognised through multiple platforms such as Service Champions Awards, Employee Recognition (Individual) Awards and Employee Recognition (Team) Awards. Service Recognition Awards were also

Parental Leave

		
378	Employees entitled to parental leave	417
12	Employees who took parental leave	3
9	Employees that returned to work after parental leave ended	3
8	Employees that returned to work after parental leave ended that were still employed 12 months after their return to work	3



440

NO. OF EMPLOYEES RECOGNISED

offered to recognise staff who have served the organisation for 5,10,15, 20, 25 and above years.

Employee Engagement

We encourage employee engagement through open communication channels, team building activities, an unbiased grievance management process and a strong Whistle Blowing Policy.

Employee Engagement At UA



Open Communication

Maintaining constant dialogue with our employees throughout the lock-down period was a key priority; and we leveraged virtual mediums to continue to engage with our employees during this period. "Connect with CEO" sessions and Town Hall meetings continued through online channels while meetings were conducted regularly through MS teams.

Unbiased Grievance Management

Our grievance handling process ensures that employees who are aggrieved by alleged unfair, unjust or inequitable practices can seek redress without prejudice to the complainant. In addition to having documented procedures, we have also implemented an online grievance handling system in order to maintain anonymity. There were no recorded incidents of discrimination, unfair treatment or sexual discrimination during the year.

Whistle Blowing Policy

A comprehensive Whistle Blowing Policy provides a formal procedure for employees to report instances of corruption, illegal activities, or other wrong doing. The Whistle Blowing Policy is reviewed routinely and communicated to all employees to empower any worker to raise issues with the Management, to recognise and resolve issues in a mutually acceptable manner.

Team Building Activities

Although many of our activities were put on hold due to the pandemic, we carried out several online team building activities such as a Christmas carols competition and Avurudu event during the year.

Caring for Our Employees

Ensuring the safety and wellbeing of our employees during the pandemic was one of the key priorities during the year. As a strong advocate of work-life balance and gender parity, we had already implemented a system of flexi hours and working from home options on a need basis. As the COVID-19 pandemic

unfolded we expanded the working from home option to all employees. We also introduced a COVID hotline for staff members to reach out to in the event they needed support. As part of our proactive efforts to minimise the spread of the COVID-19 virus among our staff, the WOP (Work on Premise) e-form was launched to be filled and submitted prior to reporting to UA Head office premises.

Meanwhile we put in place strict health and safety guidelines and implemented social distancing, disinfecting and temperature checking procedures at all our locations. The Company has taken necessary action to distribute daily essentials to affected staff and re-imburse expenses for PCR or Antigen tests if required.

Apart from the COVID-19 specific initiatives, we have in place a comprehensive Employee Health and Safety Policy which provides employees and their dependents medical insurance cover and free access to the My Doctor App. We also ensure that all our locations are accident free spaces with necessary warning signage. There were no significant injuries at the workplace during the year.

Gender Parity

Union Assurance initiated its Diversity & Inclusion agenda in support of the JKH Group gender parity target with a goal to achieve 50% women in the workforce by 2025. The Company established a Committee to coordinate and report on sector initiatives, and communicated non-discrimination and D&I initiatives through the Zero Tolerance awareness campaign and online workshops.

SOCIAL AND RELATIONSHIP CAPITAL

GRI 103-1, 103-2, 103-3



We continued to support our customers, business partners and communities ride the COVID-19 wave by pro-actively anticipating their needs and offering innovative solutions. This has further strengthened and deepened these relationships.

Our Social and Relationship Capital



POLICYHOLDERS

250,000+

AGENCY FORCE

3,384



BANCASSURANCE PARTNERS

5

REINSURANCE PARTNERS

4



NO. OF VENDORS

1,529



Future Focus

- Strengthen digital value proposition to improve customer satisfaction and premium persistency
- Create win-win partnerships with business partners
- Empower communities through CSR activities



Management Approach

Our relationships with our customers, business partners and community are an integral part of our success story as they foster trust and confidence in our brand. We are committed to nurturing

these relationships by creating mutually beneficial partnerships that generate long term value.



Link to SDGs



How we created value during the year

- Strengthened our digital value proposition to improve customer convenience amidst the pandemic
- Expanded our product offering with 5 new products
- Invested Rs. 13 Mn in CSR initiatives in the health and education spaces
- Rs. 4 Mn allocated for COVID-19 Relief and awareness efforts
- Implemented end-to-end automated payment process to ensure prompt payment to business partners
- Negotiated highest non medical limits in industry with reinsurers



What we achieved during the year

Rs. 3.8 Bn

CLAIM PAYMENTS DURING THE YEAR

83%

PREMIUM PERSISTENCY

LIVES TOUCHED THROUGH CSR ACTIVITIES

825

INDIVIDUALS

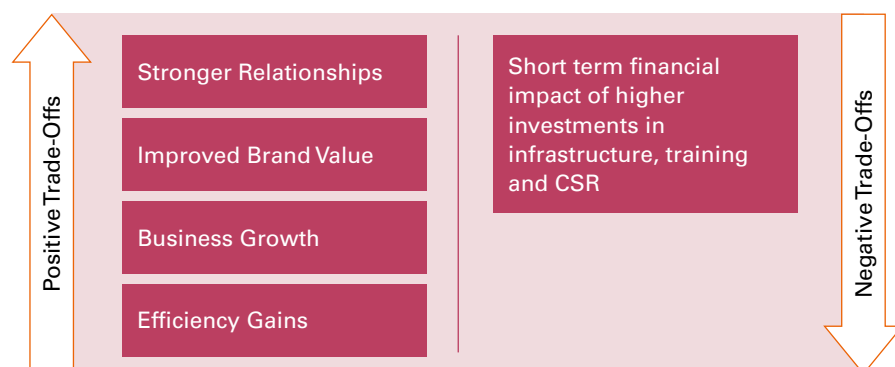
2,000

FAMILIES

172

INDUSTRY LARGEST MDRT TALENT POOL

Capital Trade-Offs



In order to provide customers with quick and easy access to customer support, we established a dedicated tri-lingual 24/7 Customer Service Unit.

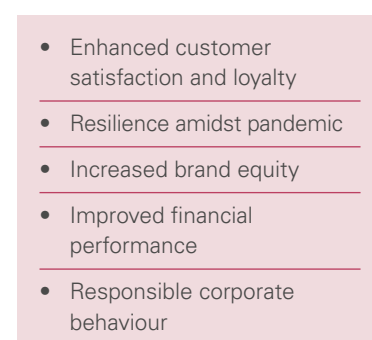
INPUTS



MANAGEMENT FOCUS



OUTCOMES





Customers

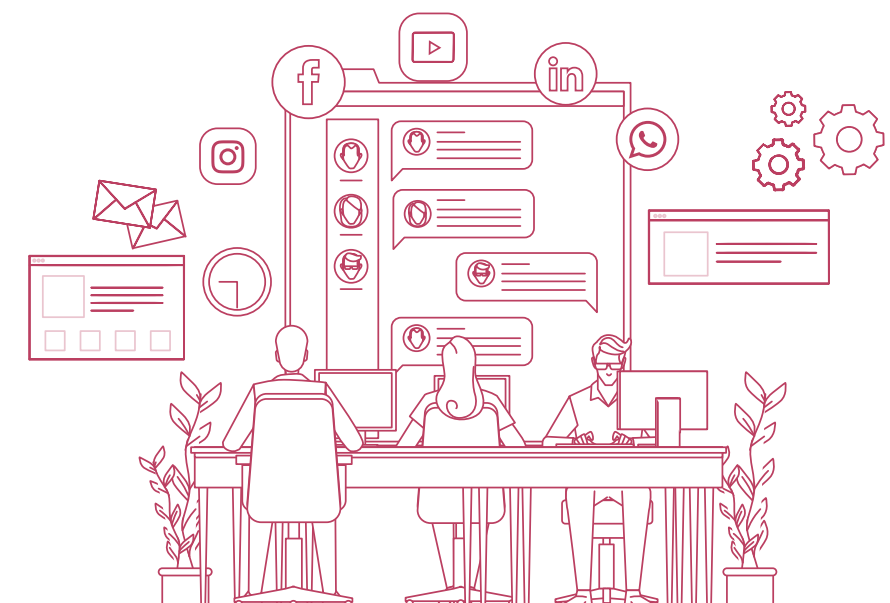
Our customers span the length and breadth of Sri Lanka and consist of over 250,000 individual, corporate and loan customers. We have built a customer value proposition around making relevant products accessible in a convenient manner and strive hard to continue to enhance this value proposition.

Responding to Customer Needs during the Pandemic

Providing our customers safe and convenient ways to fulfill their protection requirements with minimal disruption was our main focus amidst the turmoil caused by the pandemic. We rapidly transitioned to a digital operating model complete with efficient digital payment platforms, an online claim submission system and facilities for online document submission. We also offered a Cashless Claim Facility for hospitalisations during the lockdown period. Meanwhile solutions such as Clicklife and Clicklife App enabled customers to easily carry out transactions from the safety of their homes.

In order to provide customers quick and easy access to customer support, we established a dedicated tri-lingual 24/7 Customer Service Unit. We also enabled a chat box option on our website with two dedicated agents for live chats while leveraging WhatsApp to engage with our customers on a regular basis ensuring customer privacy.

Supporting our customers also involved pro-actively reaching out to them. We implemented a comprehensive customer outreach programme with Zonal and



Regional managers reaching out to our entire customer base to understand their requirements during the lockdown period and offer support with premium payments and renewals.

As part of our efforts to support our customers through the crisis we introduced a free COVID-19 cover for both existing and new customers with a free death cover up to a maximum of Rs. 1 million per policyholder. This was a first in the market. We were also the first life insurance Company to offer hospital cash benefits for quarantine treatments and hospitalisation.

Apart from this we took every precaution to ensure that our premises complied with all safety protocols. Safety precautions such as socially distanced seating, protective separators at counters, regular disinfecting of buildings and temperature checks were implemented at all our locations.

We were the first Life Insurance Company to offer hospital cash benefits for quarantine treatments and hospitalisation.

A New Promise to Our Customers

During the year we embarked on a rebranding initiative aimed at re-positioning ourselves as a new-age, customer-centric, digital life insurer that truly understands our customer's aspirations. The repositioning comes with the understanding that our customers are aspirational, tech savvy and have evolving requirements. Our new purpose is therefore a promise to our customers to offer innovative, relevant products that help fulfil their evolving aspirations in the most convenient and seamless manner.

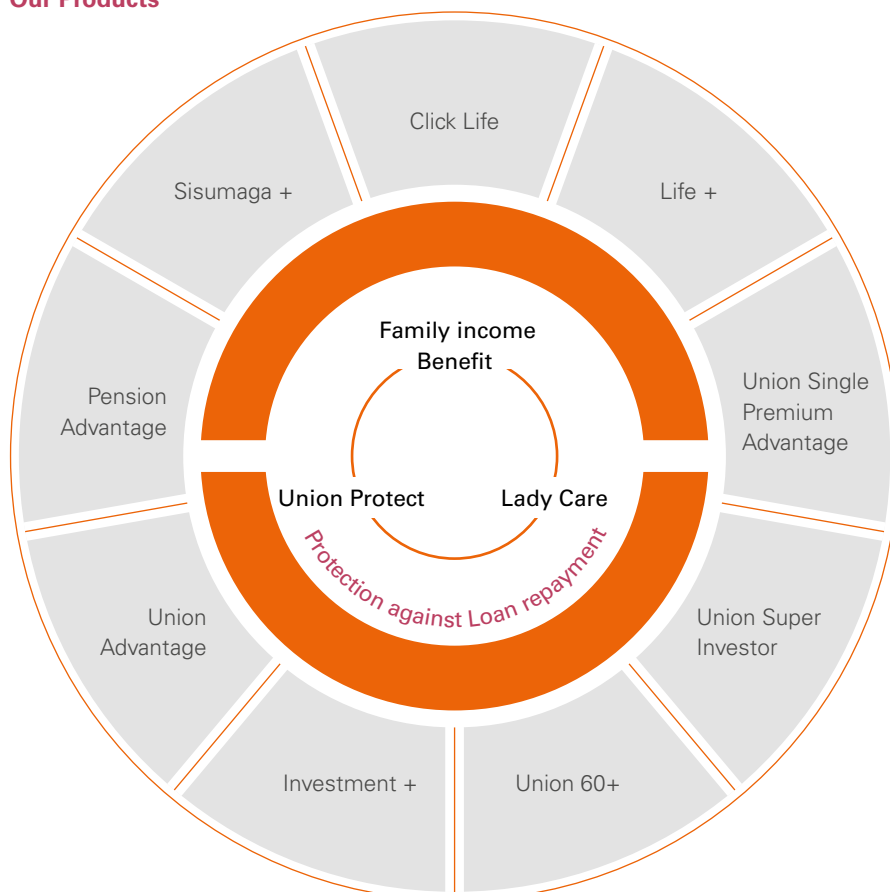
Growing our Portfolio of Products

Our extensive product portfolio aims to meet the evolving needs and aspirations of a new age customer. We continue to review our product portfolio to stay relevant and introduced several innovative products during the year. (Please refer page 70 on Intellectual Capital for list of new products introduced during the year).

	2020	2019
 Corporate website visits	534,084	127,579
 Facebook likes	164,400	161,930
 Instagram followers	1,500	581
 Youtube subscribers	2,280	1,300
 LinkedIn followers	5,524	2,665

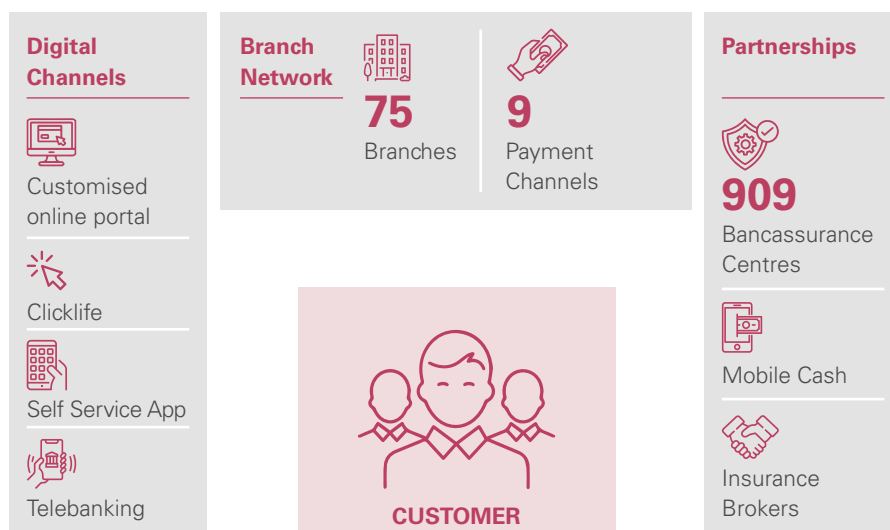
GRI 102-2, 102-6, 103-1, 103-2, 103-3, 416-1, 417-1, 417-2, 417-3

Our Products



Expanding our Customer Touch Points

We continue to expand our customer touch points to ensure greater accessibility and convenience to our customers. We have expanded beyond our own branch network and have tied up with multiple service providers to make available a wide array of payment channels to our customers. Meanwhile with customers increasing moving towards digital channels we continue to strengthen and expand our digital value proposition.



Service Standards

We strive to ensure the highest level of customer satisfaction, by having in place a comprehensive set of service standards for all aspects of our operation. Performance on key service standards is included below.

New Business

100%

100% of underwriting decisions on new Proposals within 2 days

87%

100% of policies dispatched within 7 days

Claims

80%

End-to-end Turn Around Time (TAT) - (>90% - 14 working days)

98%

Claims paid TAT (>95%: 4 working days)

95%

Structured claims processing TAT (100% within same day)

88%

Unstructured claims processing TAT (80% within same day)

Call Center

92%

97% of presented inbound calls handled

81%

96% of inbound calls answered within 20 seconds

8%

Total abandoned calls below 3%

Policyholder Servicing

99%

100% of minor alterations to be completed within a day

99%

100% of revival requests to be completed in 2 days

99%

100% of Major alterations to be completed within 2 days

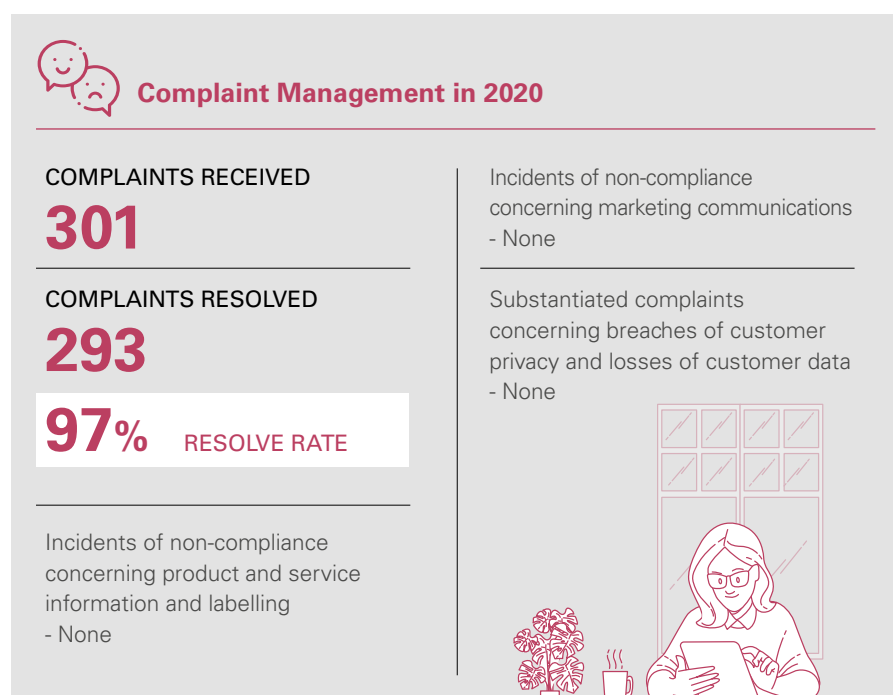
Customer Service Unit

97%

Meeting the needs of walk-in customers within 15 minutes

Complaint Management

Pro-actively identifying and addressing customer complaints is an important aspect of ensuring customer satisfaction. We have in place a fully-fledged Complaint Management System to ensure all complaints are resolved speedily and efficiently. Multiple channels including a dedicated customer service hotline and e-mail are available in addition to customers being able to lodge complaints in writing or verbally at any of our branch locations. Feedback received is uploaded to an online customer feedback system (CFS) and reviewed weekly by the CFS Committee consisting of Senior Management.



Access to Product/Claim Information

Product details are available in an easy to understand manner on our corporate website together with tools for inquiries and feedback. In instances where claims are repudiated 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 Regulatory Commission of Sri Lanka. Additionally, our marketing activities also focuses on the highest level of transparency and professionalism. We adhere to the Group policy on voluntary standards on advertising. We have given due regards to the aspects of customer privacy as our business involves gathering considerable amounts of customer sensitive data. We have implemented several measures to ensure the confidentiality of this data. There have been no instances of non-compliance concerning product information, marketing communications or customer privacy.



Business Partners

Our business partners consist of a wide network of strategic partners and service providers that support our value chain. We continue to derive value from these relationships by fostering sustainable relationships that are based on mutual trust and respect.



Agency Force



Bancassurance Partners



Reinsurance Partners



Vendors



Service Providers



Regulators and Other Member Firms



Value Derived

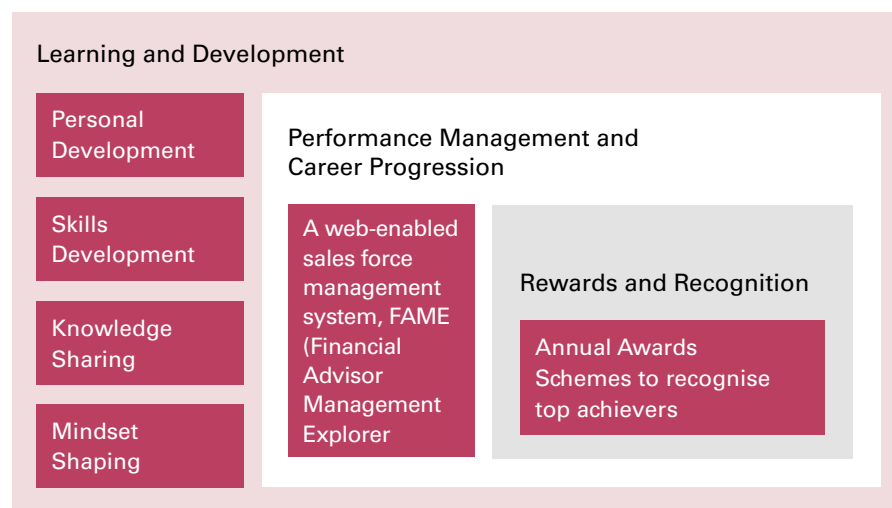
Value to Us	Rs. Mn	Value to our Partners	Rs. Mn
Value derived from the Bancassurance Partnerships	52 MDRTs FYP – 697	Payments to local suppliers	2,801
Value derived from Agency Force	120 MDRT FYP – 838	Payments to foreign suppliers	455
Value derived from Reinsurers	Claims recoveries 302	Premium ceded to reinsurers	589

Relationships with Agency Force

Our Agency Force consisting of 3,384 Insurance Advisors play a critical role in connecting with customers around the country and has been a driving force behind our growth. We continue to strengthen our Agency Force, onboarding 1,405 new agents during the year. A comprehensive remuneration and benefits scheme that includes a web-enabled sales force management system ensures that Agency staff are adequately compensated. Meanwhile, ongoing learning and development and career progression opportunities and recognition schemes ensure that our Agency Force is engaged and motivated.

During the year we introduced a specially designed income bridging scheme to support the earnings and livelihood of our Agency team during the COVID-19 pandemic. Over 1,461 of our agents (43% of Agency Team) were supported through this scheme with a payout of Rs. 44.6 Mn over a two month period.

Value Proposition to the Agency Force



Relationships with Bancassurance Partners

In addition to preferred partnerships with National Trust Bank and Union Bank, we operate open architecture agreements with leading banks in the country including Commercial Bank, Sampath Bank and Seylan Bank PLC. We remain focused on strengthening and expanding our Bancassurance partnerships, as we see this as an important business channel in our next phase of business growth.

Relationships with Reinsurance Partners

Strong relationships with our Reinsurance partners enable us to increase our risk appetite and continue to grow in a volatile market environment. We have partnered with some of the largest names in re-insurance industry and continue develop these relationships to drive further synergies. We engage with our re-insurance partners on a regular basis by exchanging accurate and timely information which has enabled us to maintain a balanced portfolio with diversified risk and higher profitability. Our skilled underwriting team ensures that policies are underwritten in accordance with globally accepted underwriting rules in order to deliver a balanced portfolio to our reinsurance partners.

Recruitment	Learning and Development	Defined Career Paths	Performance Management	Rewards and Recognition
A total of 1,225 new recruits were onboarded through the "Come, be a Champion of Life" campaign conducted during the year.	During the year the following key training initiatives were carried out. - IRCSL Licensing training and Induction training - Leadership grooming sessions Team Leader Induction, Leader Par Excellence, LEAD and Agency Management course (AMC) - Special motivational training programmes - A series of Digital Selling Trainings such as Digital Prospecting, selling through Digital Platforms, Reaching Customers Digitally and Digital Sales Approach - Focus group trainings for High Performers and MDRT Dream Teams. - Low performer grooming sessions and Special personal grooming sessions have been conducted.	A framework has additionally been actualised empowering sales force to follow their profession way and focus on the following degree of accomplishment which is by and large dependent on accomplishing business volumes and taking an interest in important preparing programs.	Performance is monitored via a web-enabled sales force management system ensuring the transparency of our field staff.	A comprehensive reward and recognition structure including defined benefits, Infinity Club for top performers, Top of the Table MDRT Club, Court of the Table MDRT Club and MDRT Club, annual award criteria and foreign tour competitions were introduced in 2020.

SOCIAL AND RELATIONSHIP CAPITAL

GRI 102-9, 103-1, 103-2, 103-3, 413-1, 203-2

Reinsurer	Financial Strength rating	Credit Rating	Rating Agency
Munich RE	AA-	AA-	Standard & Poor's
Hannover re	AA-	AA-	
PartnerRe	A+	A+	
RGA	AA-	AA-	

Relationships with Vendors and Service Providers

We engage with over 1,520 vendors and service providers who provide a range of products and services including IT infrastructure, consultancy and advisory services, office equipment, utilities among others. Stringent selection criteria and a formalised selection process ensures that procurement is unbiased and as per specified guidelines. All vendors and service providers are screened for environmental and social compliance

prior to registration. Supplier engagement is an ongoing process which involves annual evaluation, knowledge sharing and capacity building

How we ensure strong supplier relationships

Fair and unbiased selection	✓
Timely settlement of payments	✓
Regular Engagement	✓
Equitable Dispute resolution mechanism	✓



Community

CSR activities at Union Assurance are carried out under 'Union Manushyathwaya', a CSR platform launched in 2015 with the vision of creating a knowledgeable,

healthier and better tomorrow. Initiatives under Union Manushyathwaya are driven by a dedicated CSR Committee comprising of senior cross functional staff members. A streamlined process with assigned responsibilities is in place to ensure the effective implementation of CSR initiatives.

During the last five years, our CSR focus was primarily on creating public awareness around three diseases - Thalassemia, Diabetes and Dengue. Accordingly, we worked closely with the Ministry of Health, leveraging our networks in the health and insurance sectors to be able to have a notable impact in this area.

Impact of Our Health Campaigns

Thalassemia awareness

Programmes Conducted

- Thalassemia awareness and Child Management Skills (For Parents)
- Thalassemia awareness and successful Life Programmes (For Students)
- Thalassemia awareness and Child Management Skills (For Teachers)
- Thalassemia awareness and Child Management Skills (Common Groups)
- Blood Screening Programs

Diabetes Awareness

Programmes Conducted

- Blood Screening Programmes
- All island Activation programmes
- Island wide Leaflet distribute on programmes
- One spoon program

Dengue Awareness

Programmes Conducted

- House to house visits
- Shramadana Campaigns
- Leaflet Distribution
- School Programs
- Sticker Campaigns

Expanding Our CSR Focus

During the year, we re-looked at our CSR agenda in order to re-align it with our new purpose of meeting the aspirations of a new age society. Accordingly, we have expanded our CSR focus to include education and environment as key areas for future CSR interventions.



Distribution of dry rations



Awarding Sisumaga+ scholarships

GRI 102-13, 203-2, 103-1, 103-2, 103-3, 203-1

Educational support to 170 children from SOS Children's villages in Mahiyanganaya and Nuwara Eliya.

Offered Sisumaga+ scholarships to 5 underprivileged students of the Ceylon School for the Deaf & Blind.



Continuation of Diabetes Awareness Campaign in collaboration with Ministry of Health.

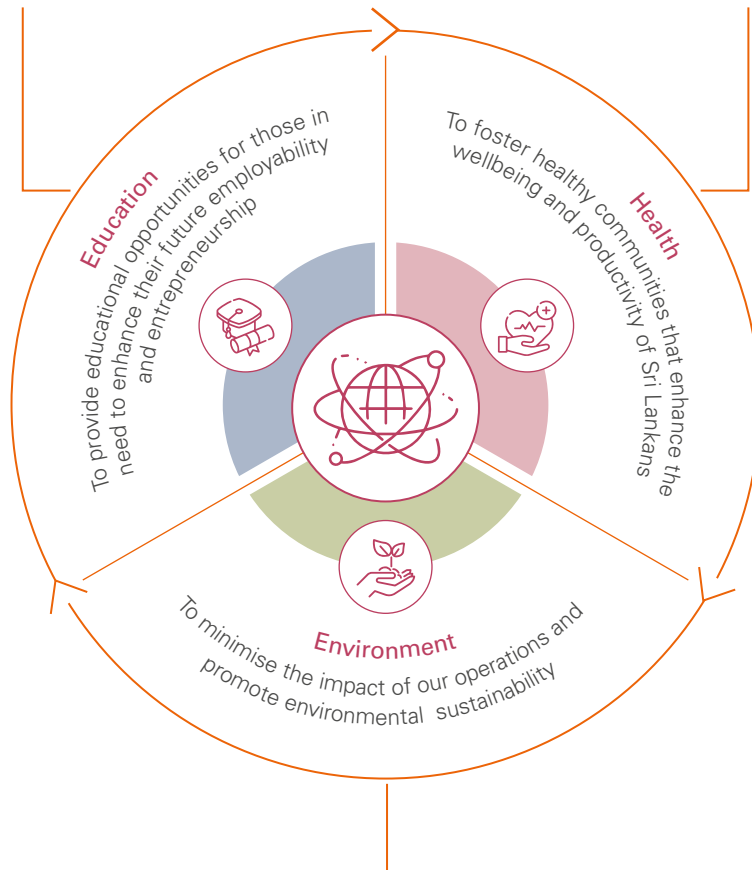
COVID-19 Relief

Co-branded a COVID-19 awareness campaign with the Ministry of Health.

Through an employee funded project provided essential food items to 2,000 affected by the lockdown.

Collaborated with the GMOA to distribute 650 packages of dry rations to deserving orphanages in Sri Lanka.

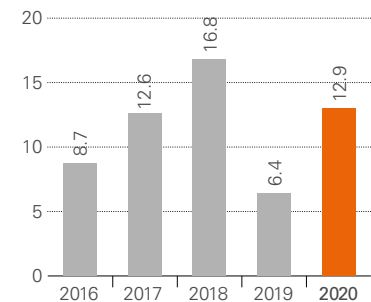
Tied up with o-Doc to provide telemedicine services and pharmacy delivery during the lockdown.



Refer Natural Capital from pages 50 to 53

Total CSR Spend

(Rs. Mn)



Relationships Maintained by the Regulator and Other Member Companies

We actively participate in the following public institutions and chambers to assist in developing policies for the interest of the industry;

- Insurance Regulatory Commission of Sri Lanka
- Insurance Association of Sri Lanka
- The Ceylon Chamber of Commerce.
- Employers Federation of Ceylon
- LIMRA (Life Insurance and Market Research Association)

INTELLECTUAL CAPITAL



Our ability to rapidly adapt and respond to the unprecedented challenges brought about by the COVID-19 pandemic was largely due to the robustness of our systems and processes, the innovative spirit of our people and the strength of our Brand.

Our Intellectual Capital Resources



DIGITAL INSURANCE PLATFORMS



BRAND RELAUNCH



COLLECTIVE KNOWLEDGE OF OVER

570 Employees



Future Focus

- Drive digital transformation in all aspects of our operation by continuing to invest in cutting edge technology.
- Nurture a culture of innovation through training and employee empowerment.
- Continue to strengthen our brand equity



Management Approach

We consider our Intellectual Capital consisting of our brand equity, systems and processes, innovative products and collective knowledge as the building blocks of new our growth trajectory. We therefore strive hard to nurture the

different elements of our Intellectual Capital to sustain our competitive advantage and move forward.

Link to SDGs



How we created value during the year

- Rapidly transitioned to a digital operating model which included remote working for employees and Digital Insurance Platforms for customers.
- Relunched our Brand to be attractive to a new generation of customers.
- Introduced innovative products to suit emerging requirements of consumers
- Continued focus on skill upliftment, knowledge sharing and mentoring through online channels



What we achieved during the year

STEADY BUSINESS CONTINUITY AMIDST THE PANDEMIC

5

NO. OF NEW PRODUCTS LAUNCHED

100%

GROWTH IN DIGITAL PAYMENTS



Robust Systems and Processes



Collective Knowledge of Employees



Undisruptive Business Continuity



Innovative Insurance Solutions



Brand

Robust Systems and Processes

Our robust systems and processes enabled us to rapidly activate our Business Continuity Plan in the wake of the COVID-19 pandemic. High quality IT infrastructure supported the immediate roll-out of remote working arrangements for our entire workforce while flexible systems and processes enabled us to continue to carry on business as usual with minimal disruptions to customers and employees.

The post COVID-19 new normal is reshaping the way we do business, requiring more digitisation of all aspects of our operation. In response, we continued to invest in our digital infrastructure during the year, further enhancing our digital value proposition. We invested in our digital servicing capabilities with the launch of a Digital Insurance Platform, Insurance Self Care App and Bionic Agency and Omni Channel Model.

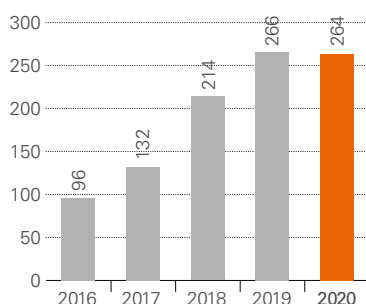
Capital Trade-Offs



INTELLECTUAL CAPITAL

Total Investment in Digital Infrastructure Development

(Rs. Mn)



With cyber security becoming a priority as a result of the increased volume of online and digital transactions, we continued to invest in our Network Security Systems during the year. Zero Trust Network Access and Secure Web Gateway technology was implemented to ensure data protection and further secure remote working infrastructure while branch network infrastructure was also upgraded with improved bandwidth and secure connectivity. Meanwhile we obtained recertification of ISO 27001, one of the highest standards for Information Security Management systems.

We are also increasingly using advanced analytics to predict customer behaviour and improve efficiencies. During the year we focused on enhancing predictive analytics models to improve customer retention and operational efficiencies by leveraging the state-of-the-art Datalake platform.

Collective Knowledge of Employees

We strive to ensure that the collective knowledge and experience of our employees is nurtured, disseminated and retained within the organisation. Knowledge sharing initiatives and mentoring programmes continued online amidst the disruptions caused by the pandemic, a reflection of our unwavering commitment to skill upliftment of our people. We also encourage our people to think out of the box; giving them multiple opportunities and platforms to test and execute new ideas.



Nurturing our Collective Knowledge

18

NO. OF MENTORING PROGRAMMES IN 2020

5

ONLINE KNOWLEDGE SHARING SESSIONS IN 2020

Undisruptive Business Continuity

Company's Business Continuity Plan (BCP) was activated immediately after the COVID-19 outbreak and was highly successfully throughout the year. The BCP continued throughout the year with all our employees were equipped with

remote working technology and customer touch points were digitalised which helped mitigate any Business Continuity risks and continue business as usual.

Innovative Insurance Solutions

The new-normal post COVID-19 has further emphasised the need to think out of the box and find innovative solutions to meet our customers' evolving needs. Our focus during the year was to ensure uninterrupted, convenient access to insurance products despite the multitude of challenges during the year. To this end several innovative platforms such as the Insurance Self-Care App and the Digital Insurance Platform (Clicklife) were introduced during the year providing customers the unprecedented experience of obtaining protection in just a few clicks. We also continued with our product development activities and introduced five new products to the market during the year.

Sisumaga +	Investment + (Relaunch)	Click Life	Life +	Surgical Product
A protection-based education plan with customisable benefits	Investment opportunity and life cover with guaranteed total return at the end of the policy term	Simple and responsible way to provide protection to the loved ones with an instant policy activation	A plan that combines protection and higher returns on Investment	A corporate health re-imbursement product

Brand Rebranding Initiative

During the year we embarked on a rebranding initiative aimed at re-positioning ourselves as a new-age, customer-centric, digital life insurer that truly understands our customers aspirations.

Our new identity in the year 2020 will pave the path for us to fulfill the Sri Lankan Dream of a better life. Union Assurance's new purpose is built on 3 main pillars: protecting Relationships; protecting growing Ambitions and protecting progressing Lifestyles. Our new mission is to reflect that the people can dream bigger if they plan better, further it reflects our



commitment to changing and evolving to suit emerging requirements of consumers whilst sustaining our reputation of being a trusted insurer. The new logo unveiled as part of this rebranding exercise depicts the circle of life while the new tag line "Your Life, Our Strength" reflects the symbiotic relationship we share with our customers.



Recognition

We continue to be recognised for our contribution to the Insurance sector in Sri Lanka and were proud recipients of several awards and accolades during the year. Key awards received during the year are listed below.



LMD's Inaugural Most Awarded Ranking

Union Assurance was adjudged Insurance Sector winner in the inaugural ranking of "LMD's Most Awarded".



CMA Excellence in Integrated Reporting 2020

Our 2019 Annual Report was ranked among top 20 Annual Reports for the year.



CEO of the Year 2020

Mr Jude Gomes was selected as the CEO of the year by the CEO monthly.



Celent Model Insurer Award

'Project Electric' launched to transform our legacy system to a new future proof platform was recognised by Global Research and advisory firm Celent.



Chairman's Award for Disruptive Innovation

Union Assurance won the Group Chairman's Award for disruptive innovation for the DTA system.



Three Awards at Insurance Asia Award 2020

Union Assurance won awards for Domestic Life Insurer of the Year, New Insurance Product of the Year, and Digital Insurance Initiative of the Year. We were the only Sri Lankan Life insurer to be recognised at the prestigious awards.



Million Dollar Round Table Achievers in Life Insurance Industry

Union Assurance made history with an all new record of 172 Million Dollar Round Table qualifiers to achieve No. 1 position in Sri Lanka.



Sri Lanka Leadership Awards 2020

Union Assurance was awarded Best Brand, Sustainable Marketing Excellence and the Best Employer Brand at the CMO Global/CMO Asia and the World HRD Congress.



Great Place to Work

Union Assurance was awarded with the "great place to work" title for the 8th consecutive time.

OUTLOOK

We remain optimistic of our prospects for 2021, given the gradual recovery of the global and local economy and remain committed to our strategic priorities of collaboration, diversification and differentiation to achieve further growth.

Overall Outlook



Global Economy

The global roll out of the vaccination programme and efforts by individual governments to provide fiscal stimulus are expected to support the global recovery with the IMF estimating a global growth of 5.5% in 2021. Global trade too is expected to recover and grow by 8% while service trade will recover at a slower pace due to subdued tourism and business travel. The pace of the recovery however is likely to vary across countries depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis. The IMF projects the advanced economies to grow by 4.3% while emerging and developing economies are expected to grow by 6.3% in 2021. Data released so far indicated stronger than projected momentum across regions, however a surge in virus due to new variants, continuation of lockdown in countries and slower than anticipated progress in medical interventions can impact global growth.



Sri Lankan Economy

Sri Lanka's macro variables look positive for 2021 with the Government focusing on monetary and fiscal policies that promote growth and normalisation. Single digit inflation, decade low lending and rising consumer demand will promote consumption and growth in the economy. As mobility restrictions imposed to curb the spread of the pandemic are gradually lifted, the exports and tourism sector is also expected to recover. Meanwhile greater political stability is also a positive sign. Increased debt repayments, pressure on reserves and the emergence of new variants of the virus however could potentially dampen the recovery efforts. We however remain optimistic of a gradual economic recovery towards the latter half of 2021.



Global Life Insurance Industry

Global life premium growth is expected to rebound in 2021 after the sharp contraction in 2020. 'swissre sigma 7/2020' report estimates a 3% growth in 2021 spurred on by the expected global economic recovery, heightened awareness of importance of risk protection covers and rapid transition to digital distribution channels. If interest rates continue to decline however this may lead to asset-liability mismatch, threatening the solvency position of life insurers, particularly those with higher exposure to annuities and contracts with guarantees. The low interest environment is also shifting focus from saving -type products to risk protection solutions. This trend is expected to continue in 2021. Meanwhile COVID-19 is also expected to increase mortality risk while reducing income levels contributing to a higher mortality protection gap. This is expected to drive demand for mortality protection.



Overall Outlook



Sri Lankan Life Insurance Industry

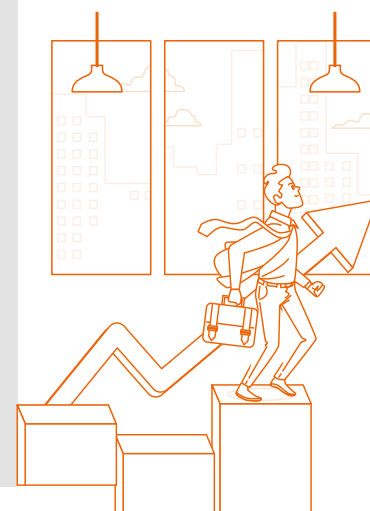
A gradual economic recovery and relatively lower life insurance penetration levels are expected to positively impact insurance sector growth in 2021. Single premiums and group life premiums will drive industry growth in 2021 given the wider protection gap in these segments while recovery of the economy will drive further growth in regular new business. We expect the low interest environment to persist through much of 2021 which is likely to negatively impact investment opportunities and returns. The consequent impact on margins is likely to impact insurance companies across the board. In terms of products, we expect insurance players to focus more on the health and protection segments with less focus on investment products. Insurers will continue to leverage the bancassurance channel given the high level of banking penetration in the country. Meanwhile digitisation of the insurance industry will continue in the face of the new normal post COVID-19.



Way Forward for Union Assurance

We remain optimistic of our prospects for 2021, given the gradual recovery of the global and local economy and remain committed to our strategic priorities of collaboration, diversification and differentiation to achieve further growth. We will continue to expand our product portfolio to cater to the evolving needs of customers while expanding our distribution channels to gain wider reach. We will continue to explore channel diversification while optimising bancassurance partnerships to this end.

Digitisation is rapidly transforming the insurance landscape in Sri Lanka and we will continue to be a catalyst in this revolution through ongoing innovation and investments. A clear digital road map that focuses on enhancing customer convenience, achieving operational excellence and improving distribution capabilities will enable us to achieve this. With interest rates expected to remain low, we will continue to focus on optimal asset allocation to maximise return while managing risks. Our new identity paves the way to attract a whole new generation of customers and we will continue to build our market presence in 2021. Meanwhile we will continue to focus on improving our employee value proposition, to drive further value for our employees.





VALUING ASPIRATIONS

STEWARDSHIP

76	Board of Directors
78	Executive Committee
80	The Chairman's Statement on Corporate Governance
81	Corporate Governance Commentary
112	Enterprise Risk Management

CORPORATE GOVERNANCE

Board of Directors

Good governance and responsible leadership have ensured that our Company goals are met, as we grow and expand our reach.

Krishan Balendra

Chairman/Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub-Committees:

Member of Nominations Committee and Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience:

Krishan is a former Chairman of Nations Trust Bank PLC and the Colombo Stock Exchange. He started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He holds a degree in Law (LLB) from the University of London and an MBA from INSEAD.

Other Current Appointments:

Listed Companies: He is the Chairman of John Keells Holdings PLC and Chairman of many listed companies in the John Keells Group.

Others: He is a Director of the Ceylon Chamber of Commerce and he is also the Hon. Consul General of the Republic of Poland in Sri Lanka. He is the Chairman of many unlisted companies in the John Keells Group.

Suresh Rajendra

Non-Executive Director

(Member of the Board since 16 August 2011)

Board Sub-Committees:

Member of Board Audit and Compliance Committee.

Skills and Experience:

Suresh has over 30 years of experience in the fields of finance, property development & real estate management, travel & 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 and Services in Sydney, Australia, and Director/General Manager of Aitken Spence Hotel Managements (Pvt) Ltd, Sri Lanka. He is a Fellow member of the Chartered Institute of Management Accountants, UK.

Other Current Appointments:

Listed Companies: He is a member of the Group Executive Committee and President of the Leisure Group of the John Keells Group. He also serves as Director of Asian Hotels & Properties PLC, Trans Asia Hotels PLC, and John Keells Hotels PLC.

Others: He serves as a Director in many unlisted companies of the John Keells Group. He also serves as the Chairman of the Condominium Developers Association of Sri Lanka.

Dumith Fernando

Independent Non-Executive Director

(Member of the Board since 03 August 2018)

Board Sub-Committees:

Member of Board Audit and Compliance Committee.

Skills and Experience:

Dumith holds a BA in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School. He has twenty-five years of experience in international and Sri Lankan capital markets, having spent much of his career in global financial centers New York and Hong Kong with global banking firms JPMorgan Chase and Credit Suisse. There he held various roles across Equities, Investment Banking, Private Equity, and Corporate Strategy. Prior to his return to Sri Lanka in 2013, he was the Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific – a US\$2.5 billion revenue business across 12 countries - and a member of that firm's Global Leadership Council.

Other Current Appointments:

Listed Companies: Dumith is an Independent Director of Singer (Sri Lanka) PLC.

Others: Dumith currently serves as the Chairman of the Colombo Stock Exchange (CSE). He is also the Chairman of Asia Securities Holdings (Pvt) Ltd, a leading independent Investment Bank in Sri Lanka which offers Investment Banking, Wealth Management, Stock Brokerage, and Research services to international and domestic institutions, corporates, and high net worth individuals. He is a member of the Financial System Stability Consultative Committee (FSSCC) of the Central Bank of Sri Lanka, and the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.

Daminda Gamlath

Non-Executive Director

(Member of the Board since 10 June 2020)

Board Sub-Committees:

None

Skills and Experience: Daminda holds a B.Sc. in Engineering from the University of Moratuwa and an MBA from the University of Colombo. His areas of specialisations are financial accounting, management accounting, business analysis, sales, marketing and general management. He is a passed finalist of CIMA, UK. Daminda is currently serving as President of the Consumer Foods Industry Group of John Keells. He was also attached to John Keells Computer Services (Pvt) Ltd and the IT Industry Group at John Keells. Prior to joining the Group, he was with Hayleys Electronics Ltd and Hayleys Industrial Solutions (Pvt) Ltd.

Other Current Appointments:

Listed Companies: Daminda is a Director of Ceylon Cold Stores PLC and Keells Food Products PLC.

Others: He serves as a Director in many unlisted companies of the John Keells Group.

Stephen Anthony Appleyard

Independent Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub-Committees:

None

Skills and Experience: Stephen has over 25 years of experience in the life insurance industry across Europe, US, and Asia. He has been a Country Manager/CEO at AIA (Indonesia), Allianz (Ayudhya Allianz C.P. Thailand), and SCB Life (Thailand), as well Regional CEO at AIA (Hong Kong) and is currently the Head of Distribution for AXA Asia (Life and Non-Life Insurance). He has served as a Consultant to Direct Money (Vietnam) on telco-assurance start-up and as an Advisor to many Fintech companies. He has deep experience in strategy, distribution, marketing, finance, and operational transformation. He holds a Bachelor of Science from Sheffield Hallam University and an MBA from the University of Manchester.

Other Current Appointments:

Listed Companies: He is currently the Head of Distribution AXA Asia Markets (Life and Non-Life Insurance).

Others: None

Malinga Arakularatne

Independent Non-Executive Director

(Member of the Board since 14 July 2020)

Board Sub-Committees:

Chairman of Board Audit and Compliance Committee.

Skills and Experience: Malinga has 24 years of experience in investment management, corporate finance, business strategy, and general management. He has held several roles during his 16 years tenure at the Hemas Group, including Managing Director (Leisure Travel & Aviation Group) and Group CFO. He has served on the Boards of Hemas Holdings PLC and Serendib Hotels Group.

Malinga is a CFA Charter Holder and a past President of CFA Sri Lanka. He is also a Fellow Member of the Chartered Institute of Management Accountants, UK, and a past Board member of the CIMA

Sri Lanka division. He holds a BSc in Computer Science & Engineering from the University of Moratuwa, an MSc in Investment Management from Cass Business School, and an Executive MBA from INSEAD.

Other Current Appointments:

Listed Companies: None

Others: He is a Director of Airserve Aviation Lanka (Pvt) Ltd, Discover the World Marketing (Pvt) Ltd, Diethlem Travel Lanka (Pvt) Ltd, Acorn Ventures (Pvt) Ltd, Acorn Air Services (Pvt) Ltd, Acorn Aviation (Pvt) Ltd, Acorn Travels (Pvt) Ltd, Acorn Partners (Pvt) Ltd, Aviation Services (Pvt) Ltd, LTU Asia Aviation Services Company Ltd, Discover the World (Thailand) Co Ltd and Asian Elite Holidays (Pvt) Ltd.

CORPORATE GOVERNANCE

Executive Committee

Jude Gomes

Chief Executive Officer

Jude joined Union Assurance on 01 December 2019.

He has over 28 years of experience in financial services working across key Asian markets. Previously, he was heading Manulife China Bank Life Assurance Co. Philippines as CEO and President. Jude has been with Manulife Group since 2012, pioneering Bancassurance in Vietnam as Vice President and Head of Partnership Distribution.

He was founder member of Canara HSBC OBC Life Insurance Co. as Senior Vice President and Head of Channel and was subsequently seconded to Hong Kong at HSBC Insurance (Asia-Pacific) Regional Business Development, working across APAC markets.

Jude was among the pioneers at India's first privatised life insurer, HDFC Standard Life, and also led wealth management for Centurion Bank of Punjab. He is a recipient of Manulife's Global Star of Excellence Award in 2013 and 2015 and Standard Chartered Bank's Regional Award in 1999. Jude was also awarded the title 'CEO of the Year' in 2020 by CEO monthly magazine, United Kingdom.

Jude holds a Bachelor of Commerce (Hons) from the University of Calcutta and a Masters Diploma in Business Administration, specialising in Marketing Management from the Symbiosis Institute of Management Studies, Pune. He is a Licentiate in Insurance (III), and is a Certified Associate of the Indian Institute of Bankers (CAIIB-1), Mumbai.

Suresh Muttiah

General Manager; Human Resources

Suresh joined Union Assurance in May 2016.

Prior to joining Union Assurance, he has been with the John Keells Group for 5 years serving in the capacity of Vice President - Human Resources, Retail Sector. Suresh has more than 18 years' experience in HR management and Operations, having worked in leadership positions at Dialog Axiata PLC, Carsons Cumberbatch PLC, and Lion Brewery PLC.

Suresh holds a professional qualification in Human Resource Management (CIPM Sri Lanka), a Post Graduate Diploma and MBA from the University of Southern Queensland - Australia. He is a member of SHRM (USA), IPMA - HR (USA), and The Association of HR Professionals - AHRP (Sri Lanka).

Harsha Senanayake

Chief Information Officer

Harsha joined Union Assurance in October 2016.

He has been with the John Keells Group for more than 15 years where he has gained experience in IT and management. During his tenure at JKH, he was instrumental in the implementation of SAP and also promoting it as an ERP solution to many leading organisations in Sri Lanka. He also plays a key role in the Group's digitisation initiatives and in driving technology innovation to all areas of business.

In addition to his current role at Union Assurance, he also oversees the IT function of John Keells Stockbrokers and assumed responsibilities as Head of Business Systems, Financial Services Sector in October 2020.

Harsha holds a BSc in Computer Science from the London Metropolitan University and a Post Graduate Diploma in Information Systems Management from the University of Colombo.

Asha Perera

Chief Financial Officer

Asha joined Union Assurance in September 2018.

Prior to joining the John Keells Group in 2005, she held multiple operational and financial responsibilities in the apparel industry. Asha also serves as a Vice President of John Keells Holdings PLC with multi-sectoral experience in information technology, leisure, and plantation services with an overall tenure of 15 years and 24 years of professional experience respectively.

Asha holds a Master of Business Administration (MBA) from the Post Graduate Institute of Management (PIMA), BSc Management (Human Resource Management) from the University of Sri Jayawardenepura - Sri Lanka and is an Associate Member of the Chartered Institute of Management Accountants, UK.

Senath Jayatilake

Chief Distribution Officer

Senath joined Union Assurance in November 2019.

Prior to joining Union Assurance, he served as the Chief Executive Officer, John Keells Logistics (Pvt) Limited. He is also a Vice President of the John Keells Group and accounts for over 13 years of experience in business development operations management, sales and marketing, financial analysis, and strategy.

Senath holds a BA (Hons) in Finance and Accounting from the University of Nottingham (UK), an Associate membership from the Chartered Institute of Management Accountants, UK, and an MBA from the University of Sri Jayawardenepura.

Rumesh Modarage**Chief Technical Officer**

Rumesh joined Union Assurance in December 2019.

Prior to joining Union Assurance, he served as Senior Manager at Softlogic Life Insurance PLC and counts over 10 years of experience in the fields of Insurance Finance, Life Operations, and Alternate sales.

Rumesh holds a Master's in Business Administration (MBA) from the Postgraduate Institute of Management (PIM) – the University of Sri Jayawardenepura, an Associate Member of Chartered Institute of Management Accountants UK – CIMA and he is also a Fellow Member of Chartered Insurance Institute UK (FCII) and a Chartered Insurer.

Lucille Diaz**Chief Marketing Officer**

Lucille joined Union Assurance in July 2020.

Prior to joining Union Assurance, Lucille held the position of Manager – Communications at Cinnamon Hotels & Resorts. She counts over 15 years of experience in the fields of advertising, wellness, and hospitality.

Lucille holds a Master's in Business Administration (MBA) specialised in Project Management from the Cardiff Metropolitan University, a Diploma in Chartered Global Management Accountant from Chartered Institute of Management Accountants, and a Post Graduate Diploma in Marketing from Sri Lanka Institute of Marketing.

Bimanee Meepagala**Chief Bancassurance Officer**

Bimanee joined Union Assurance in August 2020.

Prior to joining Union Assurance, she served as a Vice President at NDB Wealth Management Limited; the largest private sector fund management Company in Sri Lanka. She oversaw institutional and retail funds including insurance and pension funds in both fixed income and equity markets. She also serves as a lecturer and a resource person for market awareness and educational sessions organised by the Securities and Exchange Commission (SEC) of Sri Lanka. Bimanee counts over 15 years of experience in capital markets.

Bimanee holds a Master of Arts in Financial Economics (MAFE) from the University of Colombo and a Bachelor of Arts Degree from the same University. She is also a Fellow Member of the Chartered Institute of Management Accountants (UK) FCMA, and a member of Chartered Global Management Accountant (CGMA).

Nalin Subasinghe**Chief Actuarial Officer**

Nalin joined Union Assurance in August 2020.

Prior to joining Union Assurance, he was at Sri Lanka Insurance Corporation Limited as its Deputy General Manager - Actuarial and Risk Management Services. He counts extensive actuarial, investment administration, and overall insurance business experience with more than 16 years of service in the insurance field. Apart from his core responsibility in actuarial and risk management, he also acted as the Head of Investments at Sri Lanka Insurance Corporation Limited for a one-year period where he managed more than Rs. 150 billion worth of investment asset portfolio. He was also the nominee Director of Sri Lanka Insurance Corporation Limited to Capital Allianz Investment Limited and Ceylon Asset Management Limited where he acted as the Chairman of the latter. Currently, Nalin serves as the Chairman of the actuarial Sub-Committee of the Insurance Association of Sri Lanka.

Nalin holds a Master of Science Degree in Actuarial Management from Heriot-Watt University, UK, and a Bachelor of Science (Hons) Degree in Finance, Business & Computational Mathematics from the University of Colombo. Currently, he is reading for fellowship from the Institute and Faculty of Actuaries, UK.

CORPORATE GOVERNANCE

The Chairman's Statement on Corporate Governance

Dear Stakeholder,

On behalf of the Board of Union Assurance PLC (UA), I am pleased to present our Corporate Governance Statement for the financial year ended 31st December 2020. At UA, we believe good corporate governance is key to maintaining the trust that our investors and customers have placed in us. At UA, we recognise that sound corporate governance practices provide a strong foundation for ensuring sustainable growth and trusted relationships. This Report explains and demonstrates the framework and activities carried out during the year to ensure the highest standards of corporate governance and compliance within UA.

Governance Attitude

The highest standards of transparency, reliability and ethical business conduct are well established guiding principles within the Company and are articulated in a comprehensive policy framework and a Code of Conduct which is communicated to and understood by all employees. In addition to legal requirements, the Company's policy framework embraces international best practices and complies with voluntary frameworks, providing a solid foundation for performance as well as effectively managing risks arising from economic, social and environmental impacts. Formal governance structures serve to ensure judicious empowerment and create an appropriate balance of authority and responsibility within the organisation.

Governance Structure and Leadership

The Company operates within a clearly defined governance structure enabling the Board to provide strategic guidance and risk oversight whilst adhering to regulatory requirements. The structure also provides for delegation of authority while retaining effective control. The Board delegates authority to the relevant Board Sub-Committees and the Executive Committee of UA with clearly defined mandates and authority levels whilst maintaining its accountability.

We are mindful that it is important for the Board to be composed of personnel that are best placed to provide guidance on UA's strategic direction with a diverse range of skills and experiences which collectively are both complementary and directly relevant to the Company strategy. Therefore, an appraisal of the Board's performance is conducted annually.

We also work closely with all relevant regulators to ensure that our internal governance standards meet their increasing expectations.

Culture and Ethics

Our culture is shaped by the Code of Conduct and Ethics which articulates the standards of conduct expected of Directors and Employees. The Code is reviewed and updated from time to time to ensure it is fit for purpose in a rapidly evolving business environment.

Accountability and Risk

Setting a robust system of internal controls and risk management processes is a key responsibility of the Board and we are assisted in this by the Board Audit and Compliance Committee (BACC). The BACC plays an important role in monitoring the Company's risk and assurance systems and regularly reviewing the efficiency and effectiveness of internal controls.

An Audit, Risk and Compliance division was established during the year to oversee Internal Audit, Risk Management, Legal and Compliance functions, to further strengthen the control environment and governance of the Company. The Middle Office of the investment division which was established in the previous year was also assigned under this division.

Engagement with Stakeholders

The feedback obtained from our robust Stakeholder engagement mechanisms form a key input in strategy formulation, ensuring that the Company's growth is responsible and sustainable. Our Stakeholder engagement mechanisms are structured and comprehensive, providing

valuable insights into Stakeholder concerns and enabling us to provide appropriate responses while balancing multiple interests.

Future Direction

The Board's priorities for 2021 remain consistent with last year's priorities. We will continue to monitor progress against our strategy to ensure that we 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.

Statement of Declaration

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 by the Institute of Chartered Accountants of Sri Lanka.



Krishan Balendra
Chairman

25 February 2021

Corporate Governance Commentary

Key Corporate Governance Highlights for the Year 2020

- The Board Supervisory Committee (BSC), which was formed in 2019 to assist the Management during the leadership transition of the Company, was dissolved in January 2020. However, the Corporate Senior Management Meeting (CSMT) chaired by Suresh Rajendra (Sector Head/Non-Executive Director) was formed with similar terms of reference of the BSC.
- At the beginning of the year, the Business Continuity Plan (BCP) was further strengthened in line with the ISO 22301 standard and the Disaster Recovery Institute International's Guidelines to ensure that our Company is well prepared to respond to any unforeseen events. The BCP team of the Company monitored the impact of COVID-19 from mid-January 2020 and towards end January, the team recommended the organisation to be ready for a "Working from Home" configuration. The BCP was activated progressively with the outbreak of the COVID-19 pandemic in Sri Lanka and was successful in operating under the guidelines throughout the year.
- In March 2020, to reflect the vision of the new leadership and to adapt to evolving needs of our customers, Union Assurance's brand was re-launched staying true to the core values of the Company and to move forward with new changes in the industry and the country.
- To further strengthen the governance framework and control environment of the Company, a separate Audit, Risk and Compliance division within UA was established to oversee the areas of Internal Audit, Compliance, Legal, Risk Management and Investment Middle Office functions.
- Several initiatives were taken to improve the monitoring of the internal bottom-up compliance process and reporting of the Company, where additional monitoring mechanisms have been implemented by the Audit, Risk and Compliance division. Further, enhanced monitoring of controls related to Anti Money Laundering (AML) requirements by the Regulators.
- New initiatives were taken during the year to strengthen the cyber security resilience of the Company and ensure data protection, which assures security of information assets.
- The Internal Audit scope of the Company was enhanced with more emphasis on process and fraud risk based Internal Auditing, using enhanced IT application control testing combined with data analytics for Internal Audits.

Highlights of the 33rd Annual General Meeting Held on 26 June 2020

- Mr. Suresh Rajendra who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. Harin Amendra Joseph De Silva Wijeyeratne who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Re-appointment of Auditors Messrs. KPMG, Chartered Accountants, as the External Auditors of the Company.



Compliance by the Company with Mandatory and Voluntary Codes of Governance

Requirement	Adoption	Status	Page Reference
Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL). Section 96 (A) of the regulation of Insurance Industry Act No. 43 of 2000	Mandatory	Complied	106
Statement of Compliance under Rule 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure	Mandatory	Complied	106 to 107
Statement of Compliance under section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)	Mandatory	Complied	107 to 108
Code of Best Practice on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory	Complied	109
Content of the Annual Report as per section 168 of the Companies Act No. 7 of 2007	Mandatory	Complied	109
Code of best practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied	110
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	Complied	Online

How We Govern

Corporate Governance at UA promotes the long-term interest of Stakeholders, strengthens Board and Management accountability, fosters/reinforces and raises public trust in the organisation, further supported and strengthened by the John Keells Group reporting and governance structures. UA's robust governance framework and sound principles have proven to be a solid foundation in driving sustainable value.

Our Integrated Governance Framework

The Board has set in place a governance framework and structure appropriate to the Company's size, nature, complexity and risk profile. These are reviewed when necessary, to adapt to internal

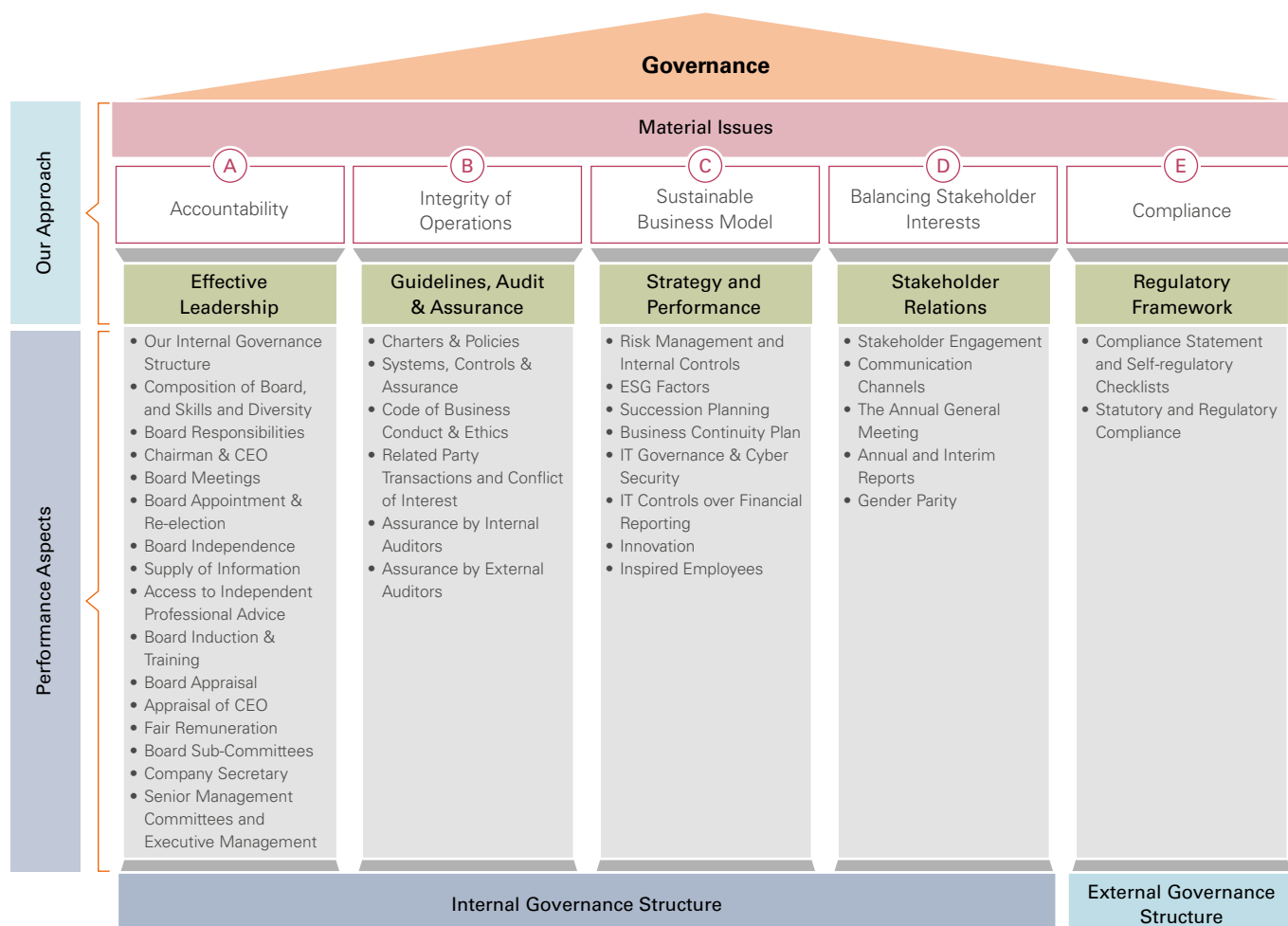
developments and reflect best practices. The framework is built on the core principles of transparency, accountability and ethical conduct which are essential for the creation, enhancement and maintenance of a sustainable business model.

Internal Governance Structure

The structure in place focuses on the responsibility of the Board of Directors, Board Sub-Committees and Senior Management and the Committees of the Company who formulate, execute and monitor the Company's business objectives.

It further endorses the operating structure of the organisation, assignment of responsibilities and authority levels, set up of reporting lines and information to be conveyed as well as the deployment of systems of internal control, including risk controls, compliance and Internal Audit. Summary of the elements of the internal and external governance structures are highlighted in the Company's Corporate Governance model.

Our Integrated Governance Model and the Pillars of Corporate Governance



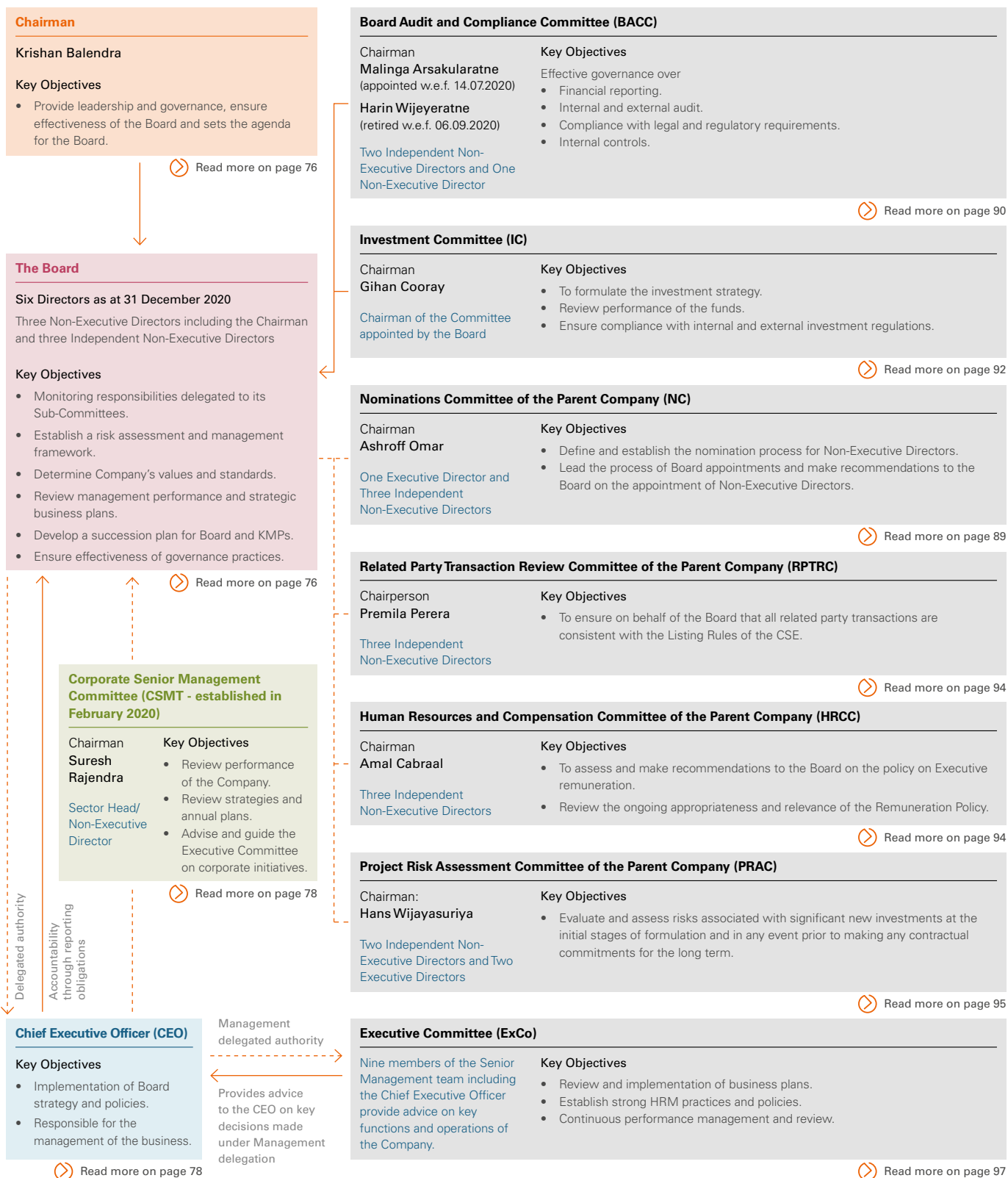
(A) Accountability

1.0 Effective Leadership

The Board of Union Assurance PLC appointed by the Shareholders, has ultimate responsibility and accountability for the performance of the Company and its state of affairs. The Board seeks to provide effective leadership in driving

sustainable value while balancing the interests of all Stakeholders. The Board determines strategic direction of the Company, manages risk and sets in place a sound governance framework. Certain responsibilities have been delegated to Board Sub-Committees and Executive Management of UA.

The Nominations Committee, Human Resources and Compensation Committee, Related Party Transaction Review Committee and Project Risk Assessment Committee of John Keells Holdings PLC being the parent Company of UA ("Parent Company") serves as Sub-Committees for the Board of UA.



CORPORATE GOVERNANCE

1.1 Our Internal Governance Structure

The Company operates with a Two-Tier governance structure, namely the Board of Directors comprising of Non-Executive Directors and the Executive Management Committees (ExCo) headed by the CEO. This distinguishes clearly between the Supervisory body and the Management whilst segregating responsibilities between the Chairman and CEO.

1.2 Board Composition, Skills and Diversity

The Board of Union Assurance consists of six Directors as at 31 December 2020. The Board is diverse in its experience, expertise and age, contributing varied perspectives to boardroom deliberations and exercising independent judgement to bear on all matters. Brief profiles of the current Board members are given on page 76 of this report. The following diagram illustrates the key skills, experience and personal attributes of the Directors of UA.

Board composition as at 31 December 2020

1 

Chairman (Non-Independent Non-Executive Director)

2 

Non-Independent Non-Executive Directors

3 

Independent Non-Executive Directors

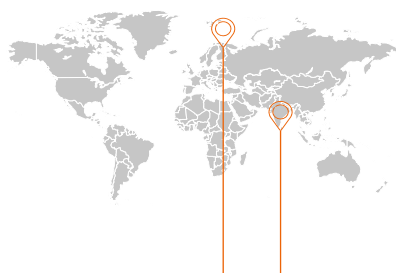
All Directors are Non-Executive Directors and three of the six Directors are Independent Directors, ensuring a healthy Board balance and greater independent judgement.

3/6



Independent Non-Executive Directors

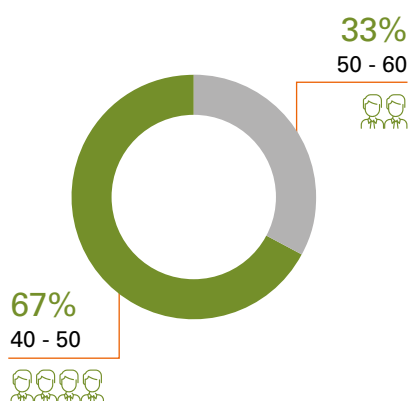
Nationality



01 Director

05 Directors

Board's Diversity - Age



Overall Experience



03

Over 25 years



03

15 to 25 years

1.3 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement and creates value to all Stakeholders.

Board's key responsibilities include:

Strategy and Business

- Providing strategic direction and guidance to the Company.
- Reviewing and approving annual and long-term business plans.
- Monitoring performance and achievement of targets by tracking progress against set KPIs.
- Reviewing Top Management succession planning.

Risk and Governance

- Ensuring operations are carried out within the scope of the Enterprise Risk Management framework.
- Monitoring systems of governance and compliance.
- Appointing the CEO and reviewing the performance of the CEO, the Board and its Sub-Committees.
- Reviewing and approving required amendments to delegation of authority.
- Review of objectives and Key Performance Indicators of the CEO and Senior Management, whilst ensuring that they possess the skills, experience and knowledge to implement strategies.
- Review HR policies and procedures.

Stakeholder Engagement

- Ensuring all Stakeholder interests and perspectives are considered for corporate decisions.

Financial and Capital

- Approving the issue of equity/debt securities.
- Approval of financial policies and certain actions outside the remit of the Investment Committee.
- Approval of Company's Financial Statements.
- Recommending/declaring dividends.
- Ensure sound systems of internal controls, risk management and integrity of the financial information.

1.4 Chairman & Chief Executive Officer

The roles and responsibilities of the Chairman and Chief Executive Officer are segregated, ensuring an appropriate balance of power and authority.

Chairman	Chief Executive Officer (CEO)
Role	Role
Critical to preserving good Corporate Governance, the Chairman provides leadership to the Board, preserving order and facilitating the discharge of duties.	Provides executive leadership and expertise in the implementation of plans and achievement of strategic objectives. The CEO is held accountable to the Board for the performance of the Company.
Responsibilities	Responsibilities
- Ensuring the effective participation of all Directors at meetings. - Maintaining open lines of communication with Key Management Personnel. - Ensure constructive working relations between the Executive and Non-Executive Directors. - Ensure, with the assistance of the Board Secretary that, - Board procedures are followed. - Information is disseminated in a timely manner to the Board.	- Execute strategies and policies of the Board. - Ensure efficient management of business. - Ensure the operating model is aligned with short and long-term strategies of the Company. - Succession planning of Senior Management.

1.5 Board Meetings

The UA Board is well engaged and dedicates adequate time and effort to Company matters. Board meetings are usually held once in every two months, unless business exigencies demand the convening of additional meetings. During the year 2020, the Board met on six (6) occasions.

The Board agenda is prepared by the Company Secretary and reviewed and approved by the Chairman, where necessary, in consultation with the CEO and members of the Board. The agenda and Board papers are generally sent seven (7) days prior to the meeting, allowing sufficient time to review the same.

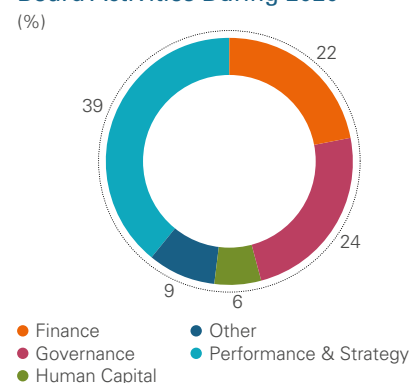
The attendance of Board meetings in 2020 is given below.

Name of Director	Date of Appointment to the Board	Eligibility	Attendance
Non-Executive Directors			
Krishan Balendra	01.01.2019	6	6
Suresh Rajendra	16.08.2011	6	6
Daminda Gamlath	10.06.2020	3	3
Independent Non-Executive Directors			
Harin De Silva Wijeyeratne (resigned w.e.f. 06.09.2020)	07.09.2011	4	4
Dumith Fernando	03.08.2018	6	6
Stephen Appleyard	01.01.2019	6	4
Malinga Arsakularatne	14.07.2020	3	3

Regular items on the Board agenda

- Feedback on key matters from Board Sub-Committee Chairmen.
- The Chief Executive's brief on the long-term business plan, strategies adopted, its implementation and other business developments.
- Progress relating to strategic Bancassurance Partnerships both existing and potential.
- Details pertaining to brand and market research.
- Progress relating to Corporate Social Responsibility and Sustainability.
- Approval of Quarterly and Annual Financial Statements.
- Review of Company risk register.
- IT and Digital Road Map.

Board Activities During 2020 (%)

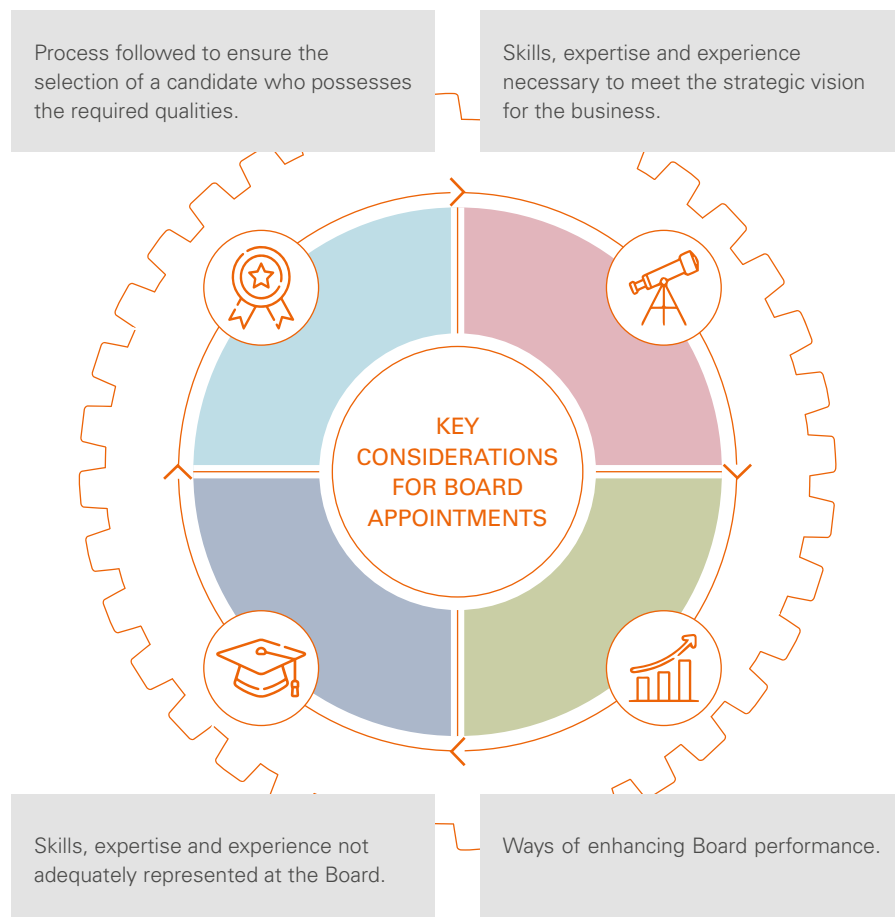


CORPORATE GOVERNANCE

1.6 Board Appointments and Re-election

Board appointments follow a structured and formal process within the purview of the Nominations Committee. Terms of Reference of the Nominations Committee and the Committee Report can be found on page 89.

Key Considerations for Board Appointments



The details of new Directors are disclosed to the Shareholders at the time of their appointment by way of announcement through the CSE as well as in the Annual Report. The Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

Re-election

In accordance with the Articles of Association of the Company, one third of the Directors retire from office at each Annual General Meeting (AGM). The Directors except the Chairman to retire, shall be those who being subject to retirement by rotation, have been the longest in office since their last election or appointment of a retiring Director would be eligible for re-election by the Shareholders. Any Director who has been appointed to the Board during the year, holds office until the next AGM, and is eligible for re-election by the Shareholders.



Appointments

Mr. Daminda Prabath Gamlath
w.e.f. 10 June 2020.

Mr. Malinga Arsakularatne
w.e.f. 14 July 2020.



Retirements

Mr. Harin De Silva Wijeyeratne
w.e.f. 06.09.2020.



Re-Election

Mr. D. H. Fernando will offer himself for re-election at the AGM to be held on 31 March 2021 in terms of Article 84 of the Articles of Association of the Company.

Mr. W. M. Arsakularatne and Mr. D. P. Gamlath will offer themselves for re-election at the AGM to be held on 31 March 2021 in terms of Article 90 of the Articles of Association of the Company.



Resignations

None

1.7 Board Independence

All Directors are Non-Executive, Independent of Management of the Company and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect which are evaluated to ensure compliance with criteria for determining independence in line with regulatory requirements.

Compliance of Independent Non-Executive Directors in terms of their interest in business is as follows;

Director	Employment in the Company	Material Business Relationship	Close Family Member is a Director or CEO	Carrying not Less than 10% of Voting Rights	Continuously Served for more than Nine Years	Business Connection	Director/ Shareholder in another Entity
	(A)	(B)	(C)	(D)	(E)	(F)	(G) and (H)
Malinga Arakularatne	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Dumith Fernando	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Stephen Appleyard	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 any 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 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 have a significant shareholding.

(H) Does not have any material business relationship or a significant shareholding in another Company in which majority of the other Directors are employed/Directors have a significant shareholding.

Directorship Details of the Board Members

The following table illustrates the total number of Board seats held in other listed and unlisted companies by each Director.

Name of Director	Total Number of Directorships	No of Board seats held in Listed Companies		No of Board Seats Held in Unlisted Companies
		Executive Capacity	Non-Executive Capacity	
Krishan Balendra (Chairman)	19	1	7	11
Dumith Fernando	18	-	1	17
Stephen Appleyard	-	-	-	-
Suresh Rajendra	18	1	2	15
Malinga Arakularatne	15	-	-	15
Daminda Gamlath	19	1	1	17

1.8 Supply of Information

The Board pack is circulated at least 7 days in advance and provides comprehensive qualitative and quantitative information on issues to be raised at the meeting, ensuring robust discussion, informed deliberation and effective decision making.

The Chairman ensures that all Directors are briefed on the same by requiring the presence of members of the Senior Management of the Company when necessary. Directors have independent access to the Senior Management and unrestricted access to organisation information and resources to discharge their duties. They may seek independent professional advice, coordinated through the Company Secretary, at the Company's expense. The Senior Management regularly makes presentations and keeps the Board abreast of important matters including strategy, regulatory updates, risk management, etc.

1.9 Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen the decision making, the Board is encouraged to seek independent professional advice, in furtherance of their duties, at the Company's expense. This is coordinated through the Company Secretary, as and when requested.

CORPORATE GOVERNANCE

1.10 Board Induction and Training

Directors undergo a comprehensive induction on appointment, where they are apprised, inter-alia, of the Company values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational strategies of the Company. Additionally, they are provided with the opportunity to meet with Key Management Personnel, External and Internal Auditors and visit key areas of operations, to obtain a greater understanding of the business.

The Board of Directors recognises the need for continuous training, expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors.

1.11 Board Appraisal

The annual appraisal to assess the effectiveness of the Board was carried out in November 2020 using a questionnaire covering the operations of the Board and each of its principal Committees. The findings were tabled and discussed at the Board meeting held on 27 January 2021.

1.12 Appraisal of the Chief Executive Officer (CEO)

The Board discusses and sets financial and non-financial targets at the beginning of each financial year to be achieved during the year by the CEO, aligned to the short, medium and long-term objectives of UA. Performance is reviewed at the end of the year against the backdrop of the operating environment, and remuneration revised based on performance.

1.13 Fair Remuneration

The Company has established a formal and transparent procedure for the determination of remuneration of individual Directors. No Director is involved in deciding his or her own remuneration. Accordingly, the Human Resources and Compensation Committee comprised solely of Independent Non-Executive Directors of the Parent Company, John Keells Holdings PLC, functions as the Remuneration Committee of the Company as permitted by the Listing Rules of the CSE.

Due care is taken to ensure that the 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 Non-Executive Director fee was reviewed and

no changes were made during the year 2020. However, there was a temporary fee reduction effected during the year in lieu of the COVID-19 pandemic.

The break-up of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration in Note 22 of the Annual Report.

1.14 Board Sub-Committees as at 31 December 2020

The Board has delegated some of its functions to Board Sub-Committees, while retaining decision rights. Members of these Sub-Committees are able to focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise. Recommendations of these Committees are addressed directly to the Board and minutes of meetings are tabled and discussed at the main Board meetings.

The Board Sub Committees are as follows;

1. Board Audit and Compliance Committee (BACC)
2. Investment Committee (IC)
3. Nominations Committee (NC)
4. Human Resources and Compensation Committee (HRCC)
5. Related Party Transaction Review Committee (RPTRC)
6. Project Risk Assessment Committee (PRAC)

Board Sub Committees comprised predominantly of Independent Non-Executive Directors.

Board Committee	Areas of Oversight	Composition	Further Information	No of Meetings during 2020
Board Audit and Compliance Committee (BACC)	- Financial reporting - Internal controls - Internal & External Audits	Two Independent Non-Executive Directors and One Non-Executive Director.	Report of the BACC on page 90	6
Investment Committee (IC)	- Review of Investment Policies - Manage risk exposure - Review investments - Review performance	Deputy Chairman/Group Finance Director of John Keells Holdings PLC, CEO, CFO, Chief Actuarial Officer and Head of Investments.	Report of the IC on page 92	11
Nominations Committee (NC)	- Appointment of Key Management Personnel - Succession planning - Effectiveness of the Board and its Committees	John Keells Holdings PLC's (Parent Company) NC acts as the NC of UA.	Report of the NC on page 89	3

Board Committee	Areas of Oversight	Composition	Further Information	No of Meetings during 2020
Related Party Transaction Review Committee (RPTRC)	Disclosure and review of Related Party Transactions	John Keells Holdings PLC's RPTRC acts as the RPTRC of UA.	Report of the RPTRC on page 94	4
Human Resources and Compensation Committee (HRCC)	- Review remuneration policy - Succession planning of Key Management Personnel - Review and recommend performance-based payment plans	John Keells Holdings PLC HRCC acts as the HRCC of UA.	Report of the HRCC on page 94	1
Project Risk Assessment Committee (PRAC)	- Review and assess large scale investments and projects - Evaluate project risks	John Keells Holdings PLC's PRAC acts as the PRAC of UA.	Report of the PRAC on page 95	-

Report of the Board Nominations Committee (NC)

Terms of Reference

Define and establish the nomination process for Non-Executive Directors (NEDs), lead the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.

- Assess skills required on the Board, given the needs of the business.
- Periodically assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for appointments and identify and recommend suitable candidates for appointments to the Board.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to the Board, Non-Executive Directors receive a formal letter of appointment specifying clearly the expectations in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of Chairperson and Executive Directors is a collective decision by the Board.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2020:

- Ashroff Omar (Chairman)**
Independent Non-Executive Director of John Keells Holdings PLC
- Krishan Balendra**
Executive Director/Chairman and CEO of John Keells Holdings PLC
- Premila Perera**
Independent Non-Executive Director of John Keells Holdings PLC
- Hans Wijayasuriya**
Independent Non-Executive Director of John Keells Holdings PLC

Meetings

Three (3) meetings were held during the year 2020.

Name	Eligibility to attend/Attended
Ashroff Omar	3/3
Krishan Balendra	3/3
Premila Perera	3/3
Hans Wijayasuriya	3/3

The self-review of the mandate of the Committee reaffirmed that it exists to:

- To recommend to the Board the process of selecting the Chairman and Deputy Chairman.
- To identify suitable persons who could be considered for appointment to the Board of the Parent Company, JKH PLC and other Listed Companies in the Group, as Non-Executive Directors.
- Make recommendation on matters referred to it by the Board.

CORPORATE GOVERNANCE

Report of the Board Audit and Compliance Committee (BACC)

Terms of Reference

The Board approved Committee Charter clearly defines the Terms of Reference (TOR) of the BACC and regulates its composition, role and responsibilities.

The role of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities.

Key responsibilities include:

- Ensuring the integrity of the Financial Statements of the Company and that a sound financial reporting system is in place 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, Companies Act, Listing Rules of CSE and other financial reporting related regulations and requirements.
- Monitoring and review of the adequacy and effectiveness of the Company's internal control system and risk management function.
- Reviewing the Company's compliance with relevant legal and regulatory requirements.
- Exercising independent oversight of the Company's assurance functions including External and Internal Audit. Ensuring the independence, and effectiveness of both the Internal and External Audit functions.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

Authority of the BACC

The Committee is empowered to carry out any investigations it deems necessary and has unrestricted access to records, data, reports and to Management and staff, to obtain relevant information considered necessary in the discharge of duties and responsibilities.

The Committee may seek external professional advice as and when required.

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.

Key focus areas during the year were as follows:

Financial Reporting

- Reviewed the Company's financial reporting process to ensure Financial Statements are prepared in compliance with relevant laws and regulations,
- Assessed the adequacy of the internal controls and procedures to obtain reasonable assurance that the financial reporting system is effective in providing reliable and timely information.

and reflect a true and fair view on the financial position and performance of the Company.

- Reviewed and recommended to the Board for approval, the Annual and the Quarterly Financial Statements, prior to their release taking the following areas into account in particular:
 - (i) major judgemental areas.
 - (ii) changes in accounting policies and practices, if any.
 - (iii) significant adjustments arising from the External Audit.
 - (iv) the validity of the going concern assumption, and
 - (v) compliance with regulatory provisions including the Sri Lanka Financial Reporting Standards, Companies Act, Insurance Industry Act and amendments thereto, and other legal requirements.

Composition of the Committee as at 31st December 2020

Malinga Arsakularatne (Chairman)
Independent Non-Executive Director
Appointed w.e.f. 14.07.2020

Dumith Fernando
Independent Non-Executive Director
Appointed w.e.f. 03.08.2018

Suresh Rajendra
Non-Executive Director
Appointed w.e.f. 26.09.2011

Regular Attendees by Invitation

Jude Gomes
Chief Executive Officer

Asha Perera
Chief Financial Officer

Rehan Ismail
Assistant Vice President - Audit & Compliance

Hisham Nazeem
Head of Group Business Process Review
- John Keells Holdings PLC

Other Invitees

Other Members of the Executive Committee of the Company
External and Internal Auditors

Secretary to the BACC

Sherin Cader - Executive Vice President/
Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC

BACC Meetings

Six (6) meetings were held during the year, attended by the regular invitees, Executive Committee of the Company and attendance by External and Internal Auditors on a need basis. Proceedings of BACC meetings are regularly reported to the Board.

Name	Eligibility to attend/ Attended
Malinga Arsakularatne	2/2
Dumith Fernando	6/5
Suresh Rajendra	6/6
Harin De Silva Wijeyeratne (Resigned w.e.f. 06.09.2020)	5/5

Internal Controls and Risk Management

- Continued to assess the adequacy and effectiveness of the internal control system. Satisfied itself that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Company's assets are safeguarded.
- Reviewed the processes for identification, recording, evaluation and management of all significant risks throughout the Company. Reviewed the organisational risk register presented by the Management on a quarterly basis illustrating the foreseeable risks the Company faces, likelihood and possible impact to the business and action taken to mitigate such risks.
- Further evaluated effectiveness of the Company's internal controls and risk management processes through information and reports furnished by the External Auditors, Internal Auditors and the Audit, Risk and Compliance division of the Company.
- Requested Management to provide reports on controls in specific focus functions, on a need basis.
- Establishing a separate 'Audit, Risk and Compliance division' with an independent Compliance Officer to bring in enhanced focus to internal controls, risk and compliance functions.

Internal Audit

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 are adequately resourced to conduct audits.

- Monitored and reviewed the scope, extent and effectiveness of the Internal Audit function. Reviewed the Annual audit plan for the year, prepared on a risk-based planning methodology. Evaluated the adequacy and frequency of coverage, assessed progress made and reviewed follow up on findings. The scope was designed based on a fraud deterrent framework which was implemented across the JKH group by the Group Business Process Review (GBPR).

- Reviewed 58 Internal Audit reports covering operations of 54 Branch locations and several Head Office functions including underwriting, claims, reinsurance, finance, human resources, sales force administration, investments and information technology.
- Ensured the Internal Audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.
- Reviewed and monitored Management's responsiveness to the significant audit findings and recommendations of the Internal Auditors.
- A post 'Go-Live' Audit was conducted on the policy administration system which was implemented in August 2018, to ensure the expected deliverables were met.
- Met the Internal Auditors without the presence of Key Management Personnel during the year.

Independence and Objectivity of the External Auditors

The Committee has policies in place aimed at safeguarding and supporting the independence and objectivity of the External Auditors. 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. The work is assigned in a manner to prevent a conflict of interest for the External Auditor.

- Assisted the Board in engaging External Auditors for audit and non-audit services, in compliance with regulatory provisions.
- Discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors prior to commencement of the Annual Statutory Audit.
- Reviewed the audit and non-audit work assigned during the year and monitored the independence, objectivity and effectiveness of the External Auditor.
- Reviewed audit findings, management letters and management responses.

Messrs. KPMG have been functioning as the External Auditor from 1988. The last Engagement Partner rotation was carried out in the year 2020 with the KPMG Engagement Partner having completed six years. The BACC has policies in place aimed at safeguarding and supporting the independence and objectivity of the External Auditor. The Committee reviewed the audit and non-audit work that is assigned to Messrs. KPMG, to ensure that provision of such services does not impair their independence.

External Auditors, Messrs. KPMG, have made a declaration as required by the Companies Act, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance 2017 issued jointly by CA Sri Lanka and the SEC of Sri Lanka.

Oversight on Regulatory Compliance

The Committee with the assistance of the Internal Auditors, External Auditors, and the Audit, Risk and Compliance division of the Company, closely scrutinises compliance with mandatory statutory requirements and the systems and procedures in place to ensure compliance with such requirements.

Report of External Actuary

Written representations were received from the independent external Actuary, summarising the observations and comments with regard to the work they performed. The Committee met the independent external Actuary without the presence of Key Management Personnel during the year.

Ethics and Good Governance

The Committee continuously emphasises the importance of upholding ethical values by all staff members. The highest standards of Corporate Governance and adherence to the Company's Code of Ethics are ensured. The Code of Ethics and Whistle-Blowers Charter ensures all members of staff are encouraged to resort to Whistle-Blowing, if they suspect wrong doings or other improprieties.

CORPORATE GOVERNANCE

Report of the Board Audit and Compliance Committee (BACC)

All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blowers Charter guarantees maintenance of strict confidentiality of the identity of Whistle-Blowers. The Committee reviewed and revised the Whistle-Blowing policy during the year.

Evaluation of the Committee

A self-evaluation exercise is conducted annually with input by each member of the Committee and in addition by the External and Internal Auditors, CEO, CFO and the Secretary of the Committee. The outcome of the evaluation was presented to the Board and was determined that the Committee was effective.

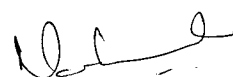
Re-Appointment of the External Auditors

The Committee has recommended to the Board that Messrs. KPMG be re-appointed as auditors for the financial year ending 31 December 2021, subject to approval by the Shareholders at the next Annual General Meeting. The Committee recommends the fees payable to the auditors for approval by the Board.

Conclusion

The Committee is satisfied that internal controls have been operating as designed and the Company's assets have been adequately safeguarded during the period under review.

The Committee 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.



Malinga Arsakularatne
Chairman
Board Audit and Compliance Committee

25 February 2021

Report of the Investment Committee (IC)

Terms of Reference

The Committee is guided by the Board approved Investment Policy Statements (IPS). 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. Within this framework, the Committee performs the following duties.

- Advice on the formulation of the investment strategy
- Review and develop broad investment policies and guidelines for implementation
- Provide guidance on the asset allocation of the investment funds
- Review Funds and External Fund Manager performance
- Manage risk exposure
- Ensure compliance with internal investment policies and procedures, and external investment regulations

During the year, the Committee reviewed and updated the investment policies and procedures to reflect changes to applicable regulatory requirements and market conditions.

Composition

The Chairman of the Committee, Gihan Cooray has extensive knowledge and experience in the field of Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology. He is the Deputy Chairman/Group Finance Director of John Keells Holdings PLC and Chairman of Nations Trust Bank PLC. He serves as a Committee Member of the Ceylon Chamber of Commerce.

The Committee solicits the services of economists and other experts in related fields to aid in the decision making process.

Composition of the Committee

Gihan Cooray - (Chairman)

Executive Director/Deputy Chairman/Group Finance Director - John Keells Holdings PLC

Jude Gomes

Chief Executive Officer

Asha Perera

Chief Financial Officer

Nalin Subasinghe

Chief Actuarial Officer

Angelo Keil

Head of Investment

Regular Attendees by Invitation

Sherin Cader

Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC

Aruni Fernando

Manager Middle Office

Independent Professional in the fields of economics, risk and investment management.

External outsourced Equity Fund Manager

Meetings

Name	Eligibility to attend/Attended
Gihan Cooray	11/11
Jude Gomes	11/11
Asha Perera	11/11
Nalin Subasinghe	5/5
Nimesha Liyanage*	5/5

* resigned w.e.f. 03.08.2020

11 meetings were held during the year. The minutes of the Committee meetings are presented to the Board of Directors along with a detailed list of investments and their performance during the period.

Summary of Activities

Strategic Planning

- Obtained independent expert 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. Assigned probabilities for different macro-economic scenarios in assessment of risk and forecasting.
- Reviewed budgeted investment income and profit plan for the life fund and advised investment strategies considering the maturity profiles and risk tolerance of the respective funds.
- Reviewed and provided guidance on the interim dividend rate for Universal Life products having estimated the Universal Life Fund yield and market environment.

Policies and Guidelines

- Updated investment policies and procedures to reflect changes to regulatory requirements, market conditions and risk return profile. The investment policies were updated to widen the scope which allowed the Asset Manager to invest in new asset classes to improve returns when market interest rates continued to decline.

Asset Allocation

- Adopted an active Asset Management approach with a medium to long term perspective. Ensured all cash flows were invested efficiently, following assessment of expected yield curve movements.
- Evaluated new asset classes to optimise returns when market interest rates declined and relooked at the strategic asset allocation to optimise returns.

Performance Review

- Reviewed the performance of each fund against benchmarks and targets, including returns, duration of assets, return from equity investments, maturity analysis of fixed income securities, exposure limits and Unit Linked investment returns.
- Conducted monthly and annual performance reviews of the External Fund Manager.

Compliance

- Life fund was segregated into Par, Non-Par and Universal Life in 2019 and is currently managed independently

by considering the cash flows and the nature of liabilities of each fund.

- Regularly reviewed compliance with internal and external investment regulations, including IRCSL regulations and guidelines related to solvency and approved assets.

The following core principles of asset management continued to be adopted during the year:

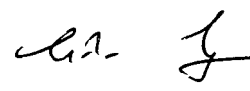
1. An effective and efficient Governance structure
 - UA's investment function is driven by a Board appointed Investment Committee which comprises of the Deputy Chairman/Group Finance Director of John Keells Holdings PLC, as the Chairman of the Committee, members of the Senior Management team and Fund Management Specialists.
 - Solicited external expertise to advice on the economic climate and any other specialised areas.
 - Reviewed investment performance on a monthly basis, appraised investment proposals submitted by the Management and set the investment strategy.
2. Develop an investment strategy and implement policies and procedures to execute the strategy at the operational level.
 - Documented Investment Policies for each of the Funds.
 - Adopted suitable investment strategies, considering the prevailing economic environment and uncertainties.
3. UA has an in-house investment division 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 to manage its investment portfolios. The Committee is provided with information on a monthly basis. The valuations of investments are carried out automatically by the system and manual processes minimised to increase accuracy and integrity.
 - A rigorous appraisal on market conditions and Issuer's performance is conducted in the selection of investments, in addition to considering

reports from rating agencies. The Company strictly complies with regulatory requirements on Related Party Transactions. All transactions are entered into on an arm's length basis and follows guidelines set by the Parent Company's Related Party Transactions Review Committee.

- Implemented an online system that linked with the Custodian. The Front Office uses this system to instruct the Custodian. This created a paperless mechanism when dealing with the Custodian and this facilitated work from home for the Investment Front Office staff during the intermittent lockdown and travel restrictions due to the ongoing Pandemic.
4. Establish internal control mechanisms specifically with respect to investment activities.
 - Processes were streamlined to ensure the integrity of the investment activities. Front Office, Middle Office and Back Office segregation was established and signatories and system controls structured to ensure proper work flow segregation.
 - Strictly enforced Authority and dealing limits via the Manual of Financial Authority (MOFA).
 5. The Middle Office function
 - The Middle Office makes sure the Front Office complies with all internal limits and external regulatory requirements. Valuation of securities is carried out by the Middle Office and reported to the Investment Committee monthly. The Middle Office function is assigned under the Audit, Risk & Compliance division of the Company.

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.



Gihan Cooray
Chairman
Investment Committee

25 February 2021

CORPORATE GOVERNANCE

Report of the Related Party Transactions Review Committee (RPTRC)

As the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC) has permitted the Related Party Transactions Review Committee of the Parent Company, to represent the listed Companies in the JKH Group, of which UA is a member.

Objective

To exercise oversight on behalf of the Board of UA in complying with the Code on Related Party Transactions (RPTs) issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by CA Sri Lanka and the CSE.

Functions

The Committee primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring:

- compliance with the Code;
- protection of Shareholder interests; and
- maintenance of fairness and transparency.

The Committee reviewed and pre-approved all proposed non recurrent RPT's of the Company.

Further recurrent RPTs were reviewed annually by the Committee.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2020:

- **Premila Perera (Chairperson)**
Independent Non-Executive Director of John Keells Holdings PLC
Appointed w.e.f 24.07.2014
- **Amal Cabraal**
Independent Non-Executive Director of John Keells Holdings PLC
Appointed w.e.f. 01.04.2014
- **Nihal Fonseka**
Independent Non-Executive Director of John Keells Holdings PLC
Appointed w.e.f. 01.04.2014

Regular Attendees by Invitation

- **Krishan Balendra****
Executive Director/Chairman and CEO of John Keells Holdings PLC
- **Gihan Cooray**
Executive Director/Deputy Chairman/ Group Finance Director of John Keells Holdings PLC
- **Mohan Thanthirige**
Group Financial Controller of John Keells Holdings PLC

Secretary to the Committee

- **Hisham Nazeem**
Head of Group Business Process Review of John Keells Holdings PLC

Meetings

Four (4) meetings were held during the year 2020.

Name	Eligibility to attend/Attended
Premila Perera	4/4
Amal Cabraal	4/4
Nihal Fonseka	4/4

**Composition of the Related Party Transactions Review Committee was reconstituted at the Board Meeting of John Keells Holdings PLC held on 31 March 2020, following which Mr. K. Balendra was released from his role in the Committee. Mr. Balendra will attend meetings, as required, by invitation.

Conclusion

The activities and views of the Committee are communicated to the Board of Directors quarterly through verbal briefings and by tabling the minutes of the Committee meetings.

Report of the Human Resources and Compensation Committee (HRCC)

Terms of Reference

- Review and recommend overall remuneration philosophy, strategy, policies and practice, and performance-based pay plans for the Group.
- Determine and agree with the Board a framework for remuneration of Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of Key Management Personnel.
- Determining compensation of Non-Executive Directors will not be under the scope of this Committee.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2020:

- **Amal Cabraal (Chairman)**
Independent Non-Executive Director of John Keells Holdings PLC
- **Ashroff Omar**
Independent Non-Executive Director of John Keells Holdings PLC
- **Hans Wijayasuriya**
Independent Non-Executive Director of John Keells Holdings PLC

Regular Attendees by Invitation

- **Krishan Balendra**
Executive Director/Chairman/CEO of John Keells Holdings PLC (unless Chairman/CEO or Executive Director remuneration is under discussion)
- **Gihan Cooray**
Executive Director/Deputy Chairman/ Group Finance Director of John Keells Holdings PLC (unless Executive Director Remuneration is under discussion)

One (1) meeting was held during the year 2020.

Name	Eligibility to attend/Attended
Ashroff Omar	1/1
Amal Cabraal	1/1
Hans Wijayasuriya	1/1

Report of the Project Risk Assessment Committee (PRAC)

The Committee was established in July 2018 with the following objectives:

Purpose

- Identify, review and assess risks associated with large-scale investments and the mitigatory plans thereto.
- Ensure Stakeholder interests are aligned, as applicable, in making investment decisions.
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director.
- Recommend to the Board the necessary action required to mitigate risks that are identified in the course of evaluating a project, to ensure that those risks are captured for monitoring and mitigation.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2020:

- **Hans Wijayasuriya (Chairman)**
Independent Non-Executive Director of John Keells Holdings PLC
- **Premila Perera**
Independent Non-Executive Director of John Keells Holdings PLC
- **Krishan Balendra**
Executive Director/Chairman and CEO of John Keells Holdings PLC
- **Gihan Cooray**
Executive Director/Deputy Chairman/ Group Finance Director of John Keells Holdings PLC

The mandate requires the Committee to comprise a minimum of four Directors, including two Non-Executive Directors, the Group Chairman and the Group Finance Director.

The Committee Chairman must be a Non-Executive Director.

Meetings

As per the Mandate, the Committee convenes only when there is a need to transact in business.

No meeting was held during the year 2020.

CORPORATE GOVERNANCE

Directors' Statement on Internal Controls

The following statement fulfils the requirement to publish the Directors' statement on Internal Controls as per the Code of Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

The Board of Directors is responsible for the adequacy and effectiveness of the Internal Controls System of the Company. It is designed to manage the Company's key risk areas within an acceptable risk profile. The Board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Company, and this process includes enhancing the system of Internal Controls as required based on the changes to the operating environment and/or regulatory guidelines.

The Board has structured an Enterprise Risk Management (ERM) process to identify the key risks impacting the business and mitigating actions by the 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 (PwC), as independent Internal Auditors to ensure the effectiveness of the Internal Control Systems and several processes have been improved during the year as a result of these audit engagements. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable Internal Controls to mitigate and control such risks.

The Board has implemented the following actions 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 governance.
- Maintained an effective Board Audit and Compliance Committee (BACC) and an independent Internal Auditor to review and report on the Internal Control Environment of the Company.

- The minutes of the BACC meetings are tabled at regular Board meetings. The BACC reviews and approves the Internal Audit plan for the year and the plan is structured on a matrix based on key risk areas and delivery dates. The report of the BACC provided on page 90 of the Annual Report provides details of the oversight responsibilities of the BACC performed to assist the Board.
- The Internal Auditors conducted regular reviews to ensure the effective design and implementation of Internal Controls. The reports are discussed and reviewed by the BACC and improvements to the processes have been implemented where required.
- An Audit, Risk and Compliance division was established during the year to oversee Internal Audit, Risk Management, Legal, Investment Middle Office and Compliance functions. The Head of the division functionally reports to the Board Audit and Compliance Committee with administrative reporting to the CEO. This key initiative was undertaken to strengthen the control environment of the Company and for improved governance.
- On Information Technology (IT) controls, the Board has initiated and maintained multiple mechanisms; IT system audits were carried out to ensure the integrity of financial information, data security and adequate access controls are in place with regards to processing of data. In addition to the year-end system review, the External Auditors performed a follow up on all critical IT applications/systems reviewed during the previous year.
- The Company continued to implement a bottom-up Enterprise Risk Management (ERM) process and is an ongoing process for identifying, evaluating and managing the risks faced by the Company. A summary of the key risks is updated in a risk register and reported to the BACC on a Quarterly basis. Quarterly updates also include new risks, mitigating actions and changes of risk status of previously identified risks. The process continued to be effective during the year under review.
- Policies/Charters are developed covering all functional areas of the Company and these are approved by the Board

or Board approved Committees. Such policies and Charters are reviewed and approved periodically.

- Business Continuity Plan was tested during the year under review and the BCP was updated with the support of an external consultant in the changing operating environment. The BCP was activated progressively with the objective of being ahead of the COVID-19 pandemic and was successful in implementing same throughout the year.
- BACC continued to monitor the progress of the bottom-up compliance sign off process which strengthened the control environment and provides comfort to Senior Management and Board that staff at all functions are aware and conduct business transactions as per laid down rules and procedures. This process is also verified by auditors as part of the scope of the Internal Audits.

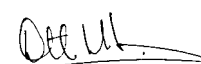
Conclusion

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 Companies 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.



Krishan Balendra
Chairman



Dumith Fernando
Director



Malinga Arsakularatne
Chairman
Board Audit and Compliance Committee

25 February 2021

1.15 Corporate Senior Management Committee (CSMT)

The Board Supervisory Committee (BSC) established during 2019 to assist the Board of Directors (as a Board Sub-Committee) during the period of leadership transition of the Company, was dissolved in January 2020 and the Corporate Senior Management Committee (CSMT) was formed with similar terms of reference under the BSC.

The CSMT Committee is chaired by Suresh Rajendra, Sector Head/Non-Executive Director, and this Committee further ensures a well devolved Executive Committee structure.

Key focus areas include;

- Review strategies and annual plans prior to recommendation to the Board for approval.
- Review performance of the Company and its business lines to ensure Management is focused towards achievement of plans approved and objectives set by the Board.
- Evaluate capital and other expenditure which are not of a day-to-day operational nature.
- Advise and guide the CEO and ExCo on corporate initiatives including IT systems, products, and distribution channels, etc.
- Review, advise and make recommendations on policy papers, business plans and proposals impacting the operations.



1.16 Executive Committee (ExCo)

Key focus areas include;

- Strategic, competitor and market analysis.
- Strategy implementation and progress review.
- Measure and manage corporate performance and benchmarking.
- Review of business units, key initiatives and industry developments.
- Business development and project risk management.
- Review of operations of functional departments.

Chief Executive Officer

Chief Distribution Officer (CDO)

- Agency
- Group Life
- Alternate Channels

General Manager – Human Resources

- Human Resources
- Management Learning and Development
- Sales Force Administration

Chief Technical Officer (CTO)

- Underwriting
- Life Operations
- Reinsurance
- Claims
- Customer Call Centre

Chief Financial Officer (CFO)

- Financial Reporting
- Budgeting and Planning
- Finance Operations
- Logistics
- Investments

Chief Information Officer (CIO)

- Operations and Systems Support
- IT Infrastructure
- Application Development and Support
- Data Analytics

Chief Actuarial Officer (CAO)

- Pricing
- Valuations
- Actuarial Control
- Reporting and Projections

Chief Bancassurance Officer (CBO)

- Bancassurance Channel Management
- Business Partner Relationships
- Channel Specific Products

Chief Marketing Officer (CMO)

- Marketing
- Brand Management
- Special Projects

CORPORATE GOVERNANCE

Led by the CEO, the ExCo drives corporate strategy and operationalises Company policies. They are responsible for the day-to-day operational management of the business.

In addition, the following specific Committees comprising of Senior Management personnel have been set up to manage operations of the Company in an efficient, transparent and effective manner:

Resource Management Committee	Objectives & Functions	Composition
Capital Expenditure (CAPEX) Committee	Review and rationalise CAPEX (excluding IT-related expenses)	CEO (Chair) CFO GM - HR CTO The relevant Division Head where the CAPEX is required (without voting rights)
IT Steering Committee	Review and rationalise IT-related capital and revenue expenditure in order to: - 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	CIO (Chair) All Senior Managers and Managers of the IT division
Supplies Committee	- Transparent supplier registration - Optimise purchases and ensure quality, reliability and Value For Money (VFM)	CFO (Chair) CDO GM - HR AGM - Logistics
Staff Committee	Review cadre increases in line with expected volume growth and required service standards. Recommend promotions based on an annual performance appraisal process and review any organisational requirements outside this cycle	GM - HR (Chair) All other divisional heads
Salvage Committee	Transparent salvage process	CFO (Chair) CDO CIO AGM- Logistics
Complimentary Items Committee	- Complimentary items meet expected quality and compliance with brand criteria - Ensure procurement as per Company policies and procedures	CTO CFO CDO AGM - Logistics
Spend Control Steering Committee (SCS)	Purpose of the Committee is to manage and monitor expenditure and cashflows, to ensure effective and efficient utilisation of funds	CEO (Chair) CAO CFO Head of Finance Head of Investment

1.17 Company Secretary

All Directors have access to the advice and services of the Company Secretary; Keells Consultants (Private) Limited.

The Shareholders may contact the Company Secretary, Keells Consultants (Private) Limited on 011-2306245 at any time, for any Company related information requirements.

Key responsibilities include:

- Guiding the Board and individual Directors in the proper discharge of their duties and responsibilities.
- Acting as a central source of guidance on matters of ethics and governance.
- Ensuring Board compliance with relevant rules and regulations.
- Keeping and maintaining minutes, registers and similar records of the Company.
- Induction of new Directors.
- Assisting the Chairman and Chief Executive Officer in determining the Annual Board plan.
- Making necessary disclosures on Related Party Transactions required by laws and regulations.
- Acting as a channel of communication with Shareholders to ensure a strong relationship with Shareholders.

- IT security
- Prevention of Money Laundering and Terrorist Financing
- Anti-corruption

2.2 Systems, Controls & Assurance

Corporate Management with the guidance of the BACC, the Audit, Risk and Compliance division and through Internal Audits, periodically reviews the adequacy of internal controls for process optimisation and efficacy. During the year, the internal assurance process was reviewed and further strengthened. The key areas of process controls at UA, include the following:

- i. Compliance assurance
- ii. Employee participation in assurance
- iii. Financial Resource Management
- iv. Fraud Risk Assessment and Internal Audits
- v. IT Governance - refer page 102

(B) Integrity of Operations

2.0 Guideline, Audit and Assurance

Stakeholders rely on the integrity of underlying operations for the presentation of credible information to make decisions. At UA, Audit and Assurance practices and activities are monitored by the Board Audit & Compliance Committee supported by the Audit, Risk and Compliance division of UA, ensuring the integrity of operations. These include compliance with laws and regulations (explained under External Governance Structure – page 105) adoption of appropriate internal policies, implementation of systems of internal control, adherence to a Code of Conduct, management of conflicts of interest, Internal Audit checks and restrictive assurance by Independent External Auditors.

2.1 Charters and Policies

Combined with laws and regulations, our internally formulated charters and policies define how we operate.

The Union Assurance Policy Framework includes the following:

- Recruitment and selection
- Financial integrity and financial authority levels
- Outside employment
- Confidentiality of information
- Use of Company property including computers
- Harassment and non-discrimination in the workplace
- Environmental, Health and Safety at work
- Fraud
- Media

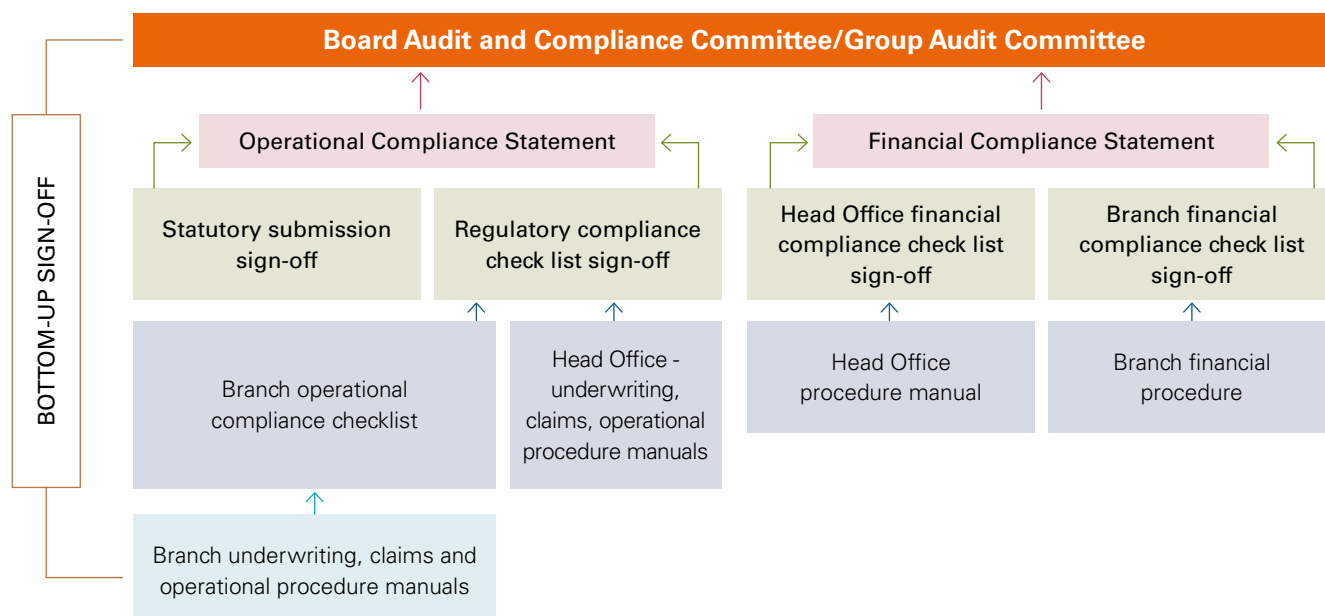
i. Compliance Assurance

Compliance Assurance is derived through a bottom-up sign-off process. Sign off checklists are based on internal policies and procedure manuals covering financial controls, regulatory compliance and operational compliance.

The financial and operational compliance statements are signed off and submitted to the BACC on a quarterly basis, and consequently reported to the JKH Group Audit and Compliance Committee. Regulatory sign-off is maintained on a monthly basis.

The Audit, Risk and Compliance division closely oversees the bottom up compliance process of the Company and reports on the same to the BACC. Further, the bottom up compliance process was improved by enhancing the content of the bottom up compliance checklists and by automation of compliance submissions.

CORPORATE GOVERNANCE



ii. Employee Participation in Assurance

While an Open Door Policy is maintained, formal channels such as exit interviews, employee surveys and a Whistle Blower Policy provide opportunity to employees to report in good faith any genuine suspicions of wrong doing or other improprieties. The policies and practices provide for anonymity and protection of the reporting employee.

iii. Financial Resource Management

The Board has delegated certain Financial Authority to the CEO and Divisional Heads through a comprehensively documented Manual of Financial Authority (MOFA).

Manual of Financial Authority (MOFA)

The MOFA indicates clearly the authority and responsibilities of employees who enter into financial transactions and commitments on behalf of the Company, including persons responsible for recommendation, approval and payment. MOFA is updated periodically in line with the changes in organisation structure and operating environment.

iv. Fraud Risk Assessment and Internal Audits

The Company has set up a Committee to manage customer complaints channelled through the Customer Feedback System.

These include premium misappropriation complaints, wrong selling, etc. A well-structured process has been set up to handle these as well as detect fraud risks related to customer premiums. A summary of all complaints and the resolution status is reported to the BACC each quarter.

The susceptibility of business processes to misappropriation and fraud is reviewed as part of the Internal Audit scope. The External Auditors too 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.

v. IT Governance

IT Governance is a subset discipline of Corporate Governance, focused on Information Technology (IT) and its performance and risk management. It involves everyone across the organisation and plays a key role in maintaining a sustainable business model. For more details, please refer page 102, IT Governance and Cyber Security.



2.3 Code of Business Conduct & Ethics

The Board continuously emphasises on the importance of upholding ethical values by all staff members. Our comprehensive Code of Business Conduct and Ethics applies to all Directors, Employees and Sales Agents which is published on the Intranet to create greater awareness and ensure strict compliance.

2.4 Related Party Transactions and Conflicts of Interest

All Directors act in the best interests of the Company, avoiding any kind of conflicts of interest. Directors declare their business interests at appointment, at the beginning of every financial year and in Quarterly Financial Statements. Details are maintained in a Register by the Company Secretary and tabled at the following Board meeting. The Register is available for inspection in terms of the Companies Act.

If a Director has a conflicts of interest in a matter to be considered by the Board, and which the Board has determined to be material, such matters are disclosed and discussed at Board meetings where Independent Non-Executive Directors who have no material interest in the transaction, are present. Such potential conflicts are subsequently reviewed by the Group Related Party Transactions Review Committee to ensure the integrity of the Board's independence and that no Related Party benefits from favourable treatment.

On the basis that the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC) has permitted the Related Party Transactions Review Committee of the Parent Company, to represent the listed Companies in the JKH Group of which, Union Assurance PLC is a member. The Related Party Transactions Review Committee report is given on page 94.

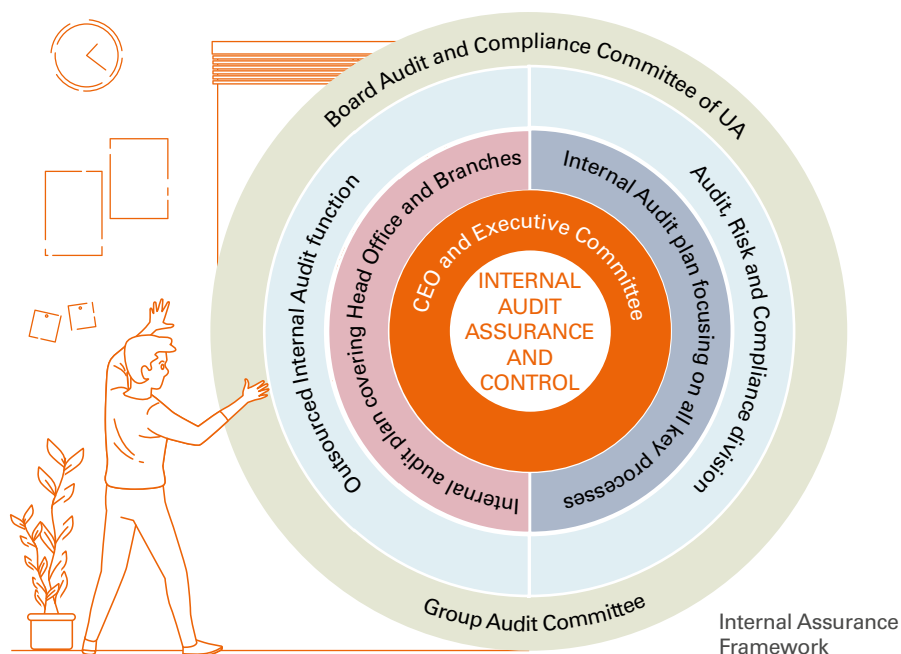
2.5 Assurance by the Internal Auditors

The Internal Audit function of the Company has been outsourced to Messers. PricewaterhouseCoopers. There are clear processes for monitoring and following up

on corrective actions for control weaknesses or failures reported. These audit findings together with the Management responses are reviewed by the BACC and the Board. The reports are provided to the Group Finance Director and reviewed by the Group Audit Committee as well.

2.6 Assurance by the External Auditors

Messers. KPMG, the Company's External Auditors performed an interim process 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 Statements are effective. This audit covered IT security and data assurance as well. The Board of Directors and Management do not have any relationship with KPMG, apart from their engagement as the Independent External Auditor of the Company.



(C) Sustainable Business Model

3.0 Strategy and Performance

UA's continued success is underpinned by its unique business model characterised by factors including a passion for innovation, a robust risk management system and inspired employees that actively exploits business opportunities while avoiding related threats. The Company integrates economic, social and environmental performance in creating Stakeholder value.

3.1 Risk Management & Internal Control

The Board is responsible to safeguard Shareholder investments and assets of the Company and therefore formulates and implements appropriate Risk Management Processes and Internal Control Systems.

The Board determines the risk appetite of the Company and has set in place a comprehensive risk identification, measurement and mitigation system. The system has been revamped from a top-down approach to a bottom-up approach. A detailed overview of the process is outlined on pages 112 to 121 of this report under the Enterprise Risk Management section.

Through the BACC, the Board continued to assess the adequacy and effectiveness of the Internal Control System and is satisfied adequate controls and procedures are in place to provide reasonable assurance to the effect the Company's assets are safeguarded. Refer pages 90 to 92 for the BACC report.

CORPORATE GOVERNANCE

3.2 Environment, Social and Governance Factors (ESG)

Environmental, Social and Governance are the central factors that set out the standard for operations at UA. We constantly measure and monitor the changes in our operating environment which will have an impact on the ESG factors to ensure they are properly managed. ESG factors are explained in detail under Capital Management Review. Refer pages 35 to 73.

3.3 Succession Planning

The Company's structured succession planning process forms part of the Annual Performance Appraisal cycle. A grid for critical positions marks the readiness of the second in command to take over within 1 year, 2 years and >3 years. Training plans for identified skills gaps are designed based on this grid and addressed by providing the required people management, technical and/or soft skills training and development. The succession plan was updated once during the year and a position was filled internally during the year.

3.4 Business Continuity Planning

The Business Continuity Plan (BCP) is an essential element of UA's response planning. It sets out how the business will be resilient in the face of extreme events, how it will operate following an incident and how it expects to return to 'business as usual' in the quickest possible time. The BCP was further enhanced in line with the ISO 22301 standard and the Disaster Recovery Institute International's Guidelines to ensure that our Company is well prepared to respond to any unforeseen disaster situation, minimising any potential economic, social, and environmental impact. With the COVID-19 outbreak, the BCP was activated and continued with all our employees being equipped with a remote working operating model and customer touch points were digitalised which helped mitigate any Business Continuity risks and continue business operations as usual.

During the year, UA carried out a hindsight review to learn from the actual responses the organisation has engaged in, and to understand the actual capabilities and improvements that are required. Further Union Assurance carried out a simulated DR drill remotely covering key processes, whilst adhering to the health guidelines issued by the Government.

3.5 IT Governance and Cyber Security

IT Governance plays a critical role in creating a sustainable business model by assuring integrity, confidentiality and continuity of information management within the Company. The core areas of IT governance at UA are as follows;



Alignment with 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, and 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 & 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.

Cyber Security

Within our IT Governance, managing Cyber Security Risk is of significant importance given the pervasive and ever-expanding threat of Cybercrime.

The Board places significant emphasis on ensuring that UA's soft and hard infrastructure is adequate to counter any potential breach. Data protection and Cyber Security are regularly addressed during the BACC.

UA is amongst the few Banking, Financial Services and Insurance Companies with ISO 27001:2013 certification in Sri Lanka, which assures security of information assets i.e., business information, customer data, financial information, intellectual property, employee details and information entrusted by third parties. Given the escalation in Cyber Risk, UA has established a Cyber Security policy in line with the JKH Group and has implemented IBM's managed Security Operations Center (SOC) and security intelligence platform to further strengthen Cyber Resilience. Other initiatives also included the data classification and rights management initiatives for data and two factor authentication for employee accounts as an extra layer of security that requires not only a user name and password but also input based on a device the employee has on them.

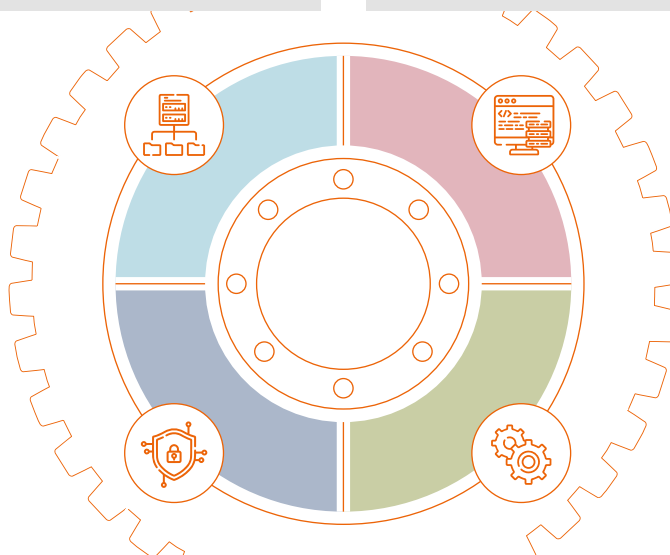
During the year, UA has further strengthened Cyber Security and remote working infrastructure by implementing a state-of-the-art, Zero Trust platform encompassing secure web gateway, Advanced Threat Protection, Data Leak Prevention and Zero Trust Network access to protect corporate data from unauthorised access.

3.6 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;

Data centre operation controls such as job setup and scheduling, operator actions and data backup and recovery procedures.

System software controls over the effective acquisition, implementation and maintenance of system software, security software and utility software.



Access security controls that prevent inappropriate and unauthorised use of the system.

'System Development Life Cycle' document defines processes that should be followed in application system development. 'Software Change Management' document defines change processes.

3.7 Innovation

Operating in a business landscape characterised by digital technology that shapes customer experiences, challenging market conditions and increasing regulations. UA continues to adapt and innovate to remain ahead of competition. Please refer page 70 Intellectual Capital, for corporate initiatives on driving innovation.

3.8 Inspired Employees

Our employees play a vital role in achieving the goals, objectives and long term strategies of the business. Pages 54 to 59 Human Capital on Capital Management Review describes UA's systems and practices that inspire our employees to reach greater heights.

(D) Balancing Stakeholder Interests

4.0 Stakeholder Relations

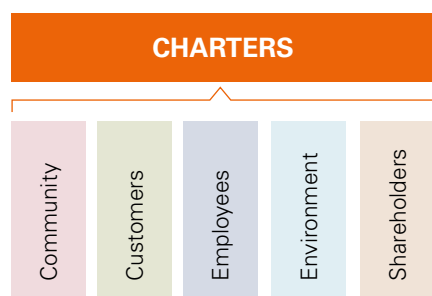
UA's governance framework ensures that the Company pursues its strategic goals while balancing Stakeholder interests.

4.1 Stakeholder Engagement

The Company has robust procedures in place to engage with various Stakeholders. Adoption of charters for key Stakeholders addresses the apparent conflicts between various Stakeholder groups.

Feedback obtained from Stakeholder engagement mechanisms form a key input in strategy formulation, ensuring that the Company's growth is responsible and sustainable. Our Stakeholder engagement mechanisms are well structured and comprehensive, providing valuable insights into Stakeholder concerns and enabling us to provide appropriate responses while balancing multiple interests.

CORPORATE GOVERNANCE



4.2 Communication Channels

Employee Communications

UA adopts a number of effective communications channels to ensure every Employee is aware of its strategic direction, policies and procedures, high standards expected, and the corporate values each must display in their day-to-day interactions with external and internal customers.

Townhall sessions	UA Portal	Coffee with CEO/ Connect with CEO/ Direct to CEO
Management meetings/CMT meetings/SMT meetings	Employee Surveys including 360 Surveys/GPTW surveys	
Employee Feedback forms	UA Corporate communication	

Shareholder Communications

UA used the following channels to disseminate timely information during the year;

- Shareholder meetings including the Annual General Meeting (AGM)
- Integrated Annual Report
- Financial and other notices as and when required through the Colombo Stock Exchange
- Corporate website - www.unionassurance.com
- Press notices

Shareholders may also contact;

- Chief Executive Officer, Union Assurance Centre, 20, St. Michael's Road, Colombo 3, Sri Lanka.
- The Chairman, Union Assurance PLC, 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
- Investor relations Hotline on 011-2990314 or email to investorrelations@unionassurance.com

4.3 The Annual General Meeting (AGM)

The Board uses the AGM to communicate with Shareholders and encourages their participation. The AGM provides a forum for the Board to inform the Shareholders of the Company's business and how it has performed during the year. Investors have an opportunity to ask questions from the Directors and to use their votes responsibly. Notice of meeting and related documents are circulated 15 working days prior to the AGM. The Chairman ensures that the Chairman of the Board Audit and Compliance Committee, Directors, Senior Management and representatives of the External Auditors are available to answer questions at the AGM, if required.

SHAREHOLDER VOTING-All Shareholders are encouraged to participate at general meetings and cast their votes. Each matter is proposed as a separate resolution at the AGM. Proxy forms are sent with the Annual Report to Shareholders who are unable to be physically present at the AGM to cast their vote.

4.4 Annual and Interim Reports

These reports contain sufficient information for investors and other Stakeholders to carry out their own analysis and make informed judgements regarding the performance and position of the Company. The Board of Directors take reasonable steps in ensuring that all Financial Statements are prepared in accordance with the Sri Lanka Accounting

Standards (SLFRSs/LKASs) issued by CA Sri Lanka and the requirements of the CSE and other applicable authorities. Information contained in the Financial Statements of this Annual Report are supplemented by a detailed discussion and analysis which explains to Stakeholders the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and is likely to influence future results.

4.5 Gender Parity

UA appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. The Company has adopted policies that ensure equal opportunity, a safe workplace and has implemented practices that support female employees to fulfill their career aspirations. The success of these initiatives is demonstrated in the increase in female representation to 48% of the workforce. Please refer the HR Capital report on page 59 for policies, practices and gender representative data. Furthermore, female representation on the Executive Committee stands at 33%.

Our HR policies and processes seek to provide equal opportunity and a safe environment, in the workplace;

- Non-Discrimination Policy
- Equality and Diversity Policy
- Grievance Management Processes
- Code of Conduct & Ethics
- Anti-Harassment Policy
- Whistle Blowing Policy

External Governance Structure

External mechanisms are often imposed on the Company by external Stakeholders in the forms of relevant laws, contracts, regulatory guidelines or best practices. The Company is governed by mandatory rules and regulations and voluntary adoption of codes of best practice.

(E) Compliance

5.0 Regulatory Framework

The Company is compliant with all relevant statutory and regulatory requirements. UA has checks and controls in place to ensure it complies with all laws, rules and regulations that govern the Company.

5.1 Compliance Framework and Self-Regulation Checklists

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 deviations detected are reported to the BACC with the quarterly compliance sign-off. Similarly, a regulatory compliance checklist is signed off on a quarterly basis by the respective head of department.

5.2 Statutory and Regulatory Compliance

Requirement	Compliance
As required by the IRCSL, the Company submits compliance Certificate (A) and (B) to IRCSL on a quarterly basis signed off by the Chief Executive Officer (in his capacity as the Company's Principal Officer (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 (RII) Act No.43 of 2000, rules, regulations, determinations, directions issued by IRCSL; Complied with all orders made by the Ministry of Finance and Planning under the RII Act, No.43 of 2000, - Complied with terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000, - Complied with conditions pertaining to co-insurance issued by IRCSL and complied with all applicable circulars issued by IRCSL Compliance Certificate B - Certifies that the Company has; - Complied with all applicable 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 IRCSL.
Compliance with Regulations governing Investments	The Life fund is adequately backed by 'approved investments' as per Section 25 (1) of the RII Act and subsequent determinations.
Ability to Meet Policyholder Obligations	An Insurance Company's ability to meet its obligations to policyholders is measured by the Capital Adequacy Ratio (CAR). CAR reflects UA's Total Available Capital (TAC) as against Risk Capital required at a particular date. The CAR as of 31st December 2020 is 341 % and the minimum regulatory requirement is 120%.
Actuarial Valuation of Insurance Liabilities	Life Insurance liabilities have been validated by an independent External Actuary in accordance with the RII Act. Refer Actuarial Report on page 131.
Re-Insurance Arrangements	The IRCSL has stipulated that Insurance Companies must enter into reinsurance arrangements with companies which at a minimum having a rating of BBB. As per details on page 116 all of our re-insurance arrangements are with companies that have been assigned at the minimum an 'A+' rating by international rating agencies.
Capital Structure	As at 31 December 2020 the Company's stated capital of Rs. 1,000 Mn, exceeds the minimum share capital requirement set by the IRCSL for a Life Insurance Company of Rs. 500 Mn.

CORPORATE GOVERNANCE

Compliance Summary

CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS ISSUED BY INSURANCE REGULATORY COMMISSION OF SRI LANKA (IRCSL). SECTION 96 (A) OF THE REGULATION OF INSURANCE INDUSTRY ACT NO 43 OF 2000

	Requirement	Complied	Reference	Pages
i	A. Recommended to adhere to the Code of Best Practice on Corporate Governance, 2017 (the Code), issued by the Institute of Chartered Accountants of Sri Lanka,	Yes	Corporate Governance Report	110 to 111
ii	B.1. The Board must comprise a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka	Yes	Board of Directors	76 to 77
iii	2. (a) The total period of service of a Director other than an Executive Director, shall not exceed nine years (except major Shareholder Director and Technical Director), and such period in office shall be inclusive of the total period of service served by such Director up to 01 July 2019	Yes	Board of Directors	76 to 77
iv	(b) A Director who has completed nine years as at 01 July 2019, or who completes such term at any time prior to 30 June 2021, may continue for a further maximum period of 2 years commencing 01 July 2019	N/A	N/A	N/A
v	3. (a) the age of a person who serves as Director shall not exceed 70 years	Yes	Corporate Governance Report	84
vi	(b) (i) A Director who is over 75 years of age as at 01 July 2019, such Director may continue to serve as a Director for a further period that shall not extend beyond 30 June 2021, and shall be deemed to have vacated office on 30 June 2021	N/A	N/A	N/A
vii	(ii) A Director who is between 71 to 75 years of age as at 01 July 2019, such Director may continue to serve as a Director for a further period that shall not extend beyond 30 June 2022, and shall be deemed to have vacated office on 30 June 2022	N/A	N/A	N/A
viii	(iii) A Director who would reach the age of 70 years by 01 July 2019, such Director may continue to serve as a Director for a further period that shall not extend beyond 30 June 2023, and shall be deemed to have vacated office on 30 June 2023	N/A	N/A	N/A
ix	4. The Board must adhere to Section 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance.	Yes	Corporate Governance Report	107 to 108
x	5. A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies/entities/institution, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995	Yes	Corporate Governance Report	87

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURE

	Requirement	Complied	Reference	Pages
(i)	Names of persons who during the financial year were Directors of the entity	Yes	Board of Directors	76 to 77
(ii)	Principle activities of the entity and its subsidiaries during the year and any changes therein	Yes	Notes to the Financial Statements - Note 1	145
(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	Yes	Finance Capital	44
(iv)	Public holding percentage	Yes	Finance Capital	43
(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	Yes	Finance Capital	44

Requirement	Complied	Reference	Pages
(vi) Information pertaining to material foreseeable risk factors of the entity	Yes	Enterprise Risk Management	112 to 121
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Human Capital	54 to 59
(viii) Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Yes	Notes to the Financial Statements - Note 28	190 to 194
(ix) Number of shares representing the entity's stated capital	Yes	Notes to the Financial Statements - Note 38	214
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	Yes	Finance Capital	43 to 44
(xi) List of ratios and market price information	Yes	Finance Capital	41 to 42
(xii) Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at end of the year	Yes	Notes to the Financial Statements - Note 28	190 to 194
(xiii) Detail of fund raised either through a public issue, Rights Issue, and private placement during the year	N/A	N/A	N/A
(xiv) Employee Share Option Schemes and Employee Share Purchase Scheme	Yes	Notes to the Financial Statements - Note 42	216 to 218
(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 Listing Rule.	Yes	Corporate Governance Section	76, 94 and 90
(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	Yes	Notes to the Financial Statements - Note 50	227 to 230

STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE CONTINUING LISTING REQUIREMENTS OF THE COLOMBO STOCK EXCHANGE (CSE)

Requirement	Complied	Reference	Pages
7.10 COMPLIANCE WITH CORPORATE GOVERNANCE RULES			
7.10.1 Non-Executive Directors (NED)			
(a) The Board of Directors of a Listed Entity shall include at least, - two NEDs; or - such number of NEDs equivalent to one-third of the total number of Directors, whichever is higher.	Yes	Board Composition	84
(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	Yes	Board Composition	84
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	N/A	N/A	N/A
7.10.2 Independent Directors			
(a) Two or one-third of NEDs, whichever is higher, should be independent.	Yes	Board Composition	84
(b) The Board shall require each NED to submit signed declaration of independence/non-independence annually	Yes	Corporate Governance Report	87
7.10.3 Disclosures Relating to Directors			
(a) Names of Independent Directors should be disclosed in the Annual Report	Yes	Board of Directors	77

CORPORATE GOVERNANCE

Requirement	Complied	Reference	Pages
(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	N/A	N/A
(c) A brief resume of each Director should be published in the annual report including the areas of expertise	Yes	Board of Directors	76 to 77
(d) A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Yes	Board of Directors	77
7.10.4 Criteria for Defining Independence			
(a to h) Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance	86 to 87
7.10.5 Human Resources and Compensation Committee (HRCC)			
A Listed Entity shall have a HRCC	Yes	HRCC Report	94
(a) The remuneration Committee shall comprise of NEDs a majority of whom shall be independent	Yes	HRCC Report	95
(b) Functions of the HRCC shall be to recommend the remuneration of the CEO and the Executive Directors	Yes	HRCC Report	94
(c) The Annual Report shall set out: The names of the Directors that comprise the HRCC.	Yes	HRCC Report	95
A Statement of Remuneration Policy. Aggregate remuneration paid to Executive and Non-Executive Directors.		Notes to the Financial Statements - Note 22	181
7.10.6 (A) Composition and role of the Audit Committee			
7.10.6 A listed Company shall have an Audit Committee	Yes	BACC Report	90
(a) The Audit Committee shall comprise Non-Executive Directors a majority of whom shall be independent	Yes	BACC Report	90
The Chairman or one member of the Committee should be a member of a recognised professional accounting body		Board of Directors	77
7.10.6 (B) Audit Committee - Functions			
(b) The functions of the Audit Committee shall include;	Yes	BACC Report	90 to 92
Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards,			
Overseeing the compliance with financial reporting and information requirements as per laws and regulations,			
Overseeing the process to ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards,			
Assessing of the independence and performance of the External auditors, and			
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.			
(c) The Annual Report shall set out; the names of the Directors who comprise the Audit Committee	Yes	BACC Report	90 to 92
The Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination.			
A report by the Audit Committee setting-out the manner of compliance of the functions set out in above, during the period to which the annual report relates.			

STATEMENT OF COMPLIANCE UNDER CODE OF BEST PRACTICE ON RELATED PARTY TRANSACTIONS (2013) ADVOCATED BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA (SEC)

Requirement	Complied	Reference	Pages
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements - Note 50	227
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	94
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Corporate Governance Report	101

CONTENT OF THE ANNUAL REPORT AS PER SECTION 168 OF THE COMPANIES ACT NO. 7 OF 2007

Rule	Complied	Reference	Pages
168 (1) (a) The nature of the business together with any change thereof	Yes	Notes to the Financial Statements - Note 1	145
168 (1) (b) Signed Financial Statements of the Company	Yes	Financial statements	138 to 231
168 (1) (c) Auditors' Report on Financial Statements	Yes	Independent Auditors' Report	133 to 136
168 (1) (d) Accounting policies and any changes therein	Yes	Notes to the Financial Statements	145 to 231
168 (1) (e) Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the affairs of the Company	127
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements - Note 22	181
168 (1) (g) Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the affairs of the Company	128
168 (1) (h) Information on Directorate of the Company at the end of the accounting period	Yes	Board of Directors	76 to 77
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements - Note 22	181
168 (1) (j) Auditors' relationship or any interest with the Company	Yes	BACC Report	91
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the affairs of the Company	125 to 129

CORPORATE GOVERNANCE

CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE (2017) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA)

Code ref	Requirement	Complied	Reference	Pages
A. DIRECTORS				
A.1	Effective Board	Yes	Corporate Governance Report	83 to 84
A.1.1	Regular meetings	Yes	Corporate Governance Report	85
A.1.2	Role and responsibilities of the Board	Yes	Corporate Governance Report	84
A.1.3	Act in accordance with laws of the country. Obtain professional advice, when required.	Yes	Corporate Governance Report	87
A.1.4	Access to advice and services of Company Secretary	Yes	Corporate Governance Report	99
A.1.5	Independent judgement	Yes	Corporate Governance Report	87
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Corporate Governance Report	85
A.1.7	One-third of the Directors can call for a resolution	Yes	Corporate Governance Report	86
A.1.8	Board induction and training	Yes	Corporate Governance Report	86
A.2	Division of responsibilities between Chairman and CEO	Yes	Corporate Governance Report	85
A.3	Chairman's role in preserving good Corporate Governance	Yes	Corporate Governance Report	85
A.4	Availability of financial acumen	Yes	Corporate Governance Report	84
A.5	Board balance	Yes	Corporate Governance Report	84
A.6	Supply of timely information	Yes	Corporate Governance Report	87
A.7	Appointments to the Board	Yes	Corporate Governance Report	86
A.8	Re-election	Yes	Corporate Governance Report	86
A.9	Appraisal of Board performance	Yes	Corporate Governance Report	88
A.10	Disclosure of information in respect of Directors	Yes	Board of Directors Corporate Governance Report	76 to 77 84
A.11	Appraisal of the Chief Executive Officer (CEO)	Yes	Corporate Governance Report	88
B.				
B.1	Remuneration procedure	Yes	HRCC Report	94
B.2	The level and make up of remuneration	Yes	Corporate Governance Report Notes to the Financial Statements - Note 22	88 181
B.3	Disclosure of remuneration	Yes	Notes to the Financial Statements - Note 22	181
C.				
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	Yes	Notice of Meeting Proxy Form	260 261
C.2	Communication with Shareholders	Yes	Corporate Governance	103
C.3	Major and material transactions	Yes	During the year, there were no major or material transactions, that required disclosure. Notes to the Financial Statements - Note 50	 227 to 231

Code ref	Requirement	Complied	Reference	Pages
D.				
D.1	Financial and Business Reporting	Yes		
	Management Discussion and Analysis			20 to 73
	Annual Report of the Board of Directors			125 to 129
	Statement of Compliance			105 to 111
	Statement of Directors' Responsibility			132
	Statement of Going Concern of the Company is set out in the Statement of Directors' Responsibility			146
	Directors' Statement on Internal Control over Financial Reporting			96
	Independent Auditors' Report			133 to 136
	Managing Director's and Chief Financial Officer's Statement of Responsibility			130
	Related Party Transactions disclosure of the Statement of Compliance, Note 50 in the Financial Statements			227 to 230
	Process in place is described in the Report of the Related Party Transaction Review Committee			94
D.2	Risk Management and Internal Control	Yes	Enterprise Risk Management	112 to 121
			BACC Report	90 to 92
			Directors Report on Internal Controls	96
D.3	Audit Committee	Yes	BACC Report	90 to 92
D.4	Related Party Transaction Review Committee	Yes	RPTRC Report	94
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Report	104
D.6	Corporate Governance Disclosure	Yes	Corporate Governance Report	80 to 105
E. INSTITUTIONAL INVESTORS				
E.1	Shareholder Voting	Yes	Corporate Governance Report	104
E.2	Evaluation of Governance Disclosure	Yes	Stakeholders Relationship	121
	Institutional investors are kept apprised of the Company's governance practices through the Annual Report and new initiatives are highlighted at regular meetings to ensure that due weight-age is given to good Corporate Governance			
F.				
F.1	Investing/Divesting decisions	Yes	Stakeholder Engagement Communication	20 to 21
F.2	Shareholder voting	Yes	Corporate Governance Report	104
G.				
G	Internet of things and Cyber Security	Yes	Corporate Governance Report	102 to 103
H.				
H.1	Environment, Social and Governance (ESG) reporting	Yes	Management Discussion and Analysis	20 to 73
			Corporate Governance Report	102
			Materiality	22 to 24

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) is fundamental to our strategy and how we do business. UA has a sound Risk Management Framework that ensures risks are managed in a consistent way across the Company with appropriate oversight and accountability.

Risk Management Highlights 2020

- Establishing a separate Audit, Risk & Compliance division to bring in enhanced focus to internal controls, risk and compliance functions
- Updates to the Company Risk Register to accommodate changes in the operating environment
- Maintenance of ISO 27001:2013 certification
- Enhanced the Business Continuity Plan to accommodate the changes in the operating environment and respond to any unforeseen events
- Strategic partnership with an External Fund Manager to manage the equity portfolio of the Company

Risk Policy

UA's Risk Policy specifies the Company's risk tolerance, risk limits and authorities, reporting requirements, procedures to approve any exceptions & procedures for referring risk issues to the Board Audit and Compliance Committee (BACC) and the Board of Directors.

Risk Culture

UA promotes a strong Risk Culture, encourages risk awareness and understanding of controls by way of clear communication and training. Every employee is responsible for managing risks in his/her working environment and is accountable for the implementation and oversight of risk policies.

Risk Management & Internal Control

The Board considers Risk Management and Internal Controls as integral to the Management of UA and its business processes. The Board has overall responsibility for the Company's Risk Management and Internal Controls, in particular for their adequacy and integrity. UA's Internal Control System increases the reliability of its financial reporting, makes operations more effective, and aims to ensure legal and regulatory compliance. Management, as the first line of defence, is responsible for identifying, evaluating and addressing significant risks, and designing, implementing and maintaining mitigating strategies and internal controls.



Vision

To enhance the value of UA by embedding disciplined risk management culture, ensuring risk-reward trade-offs are transparent, understood and risks taken are appropriately rewarded.

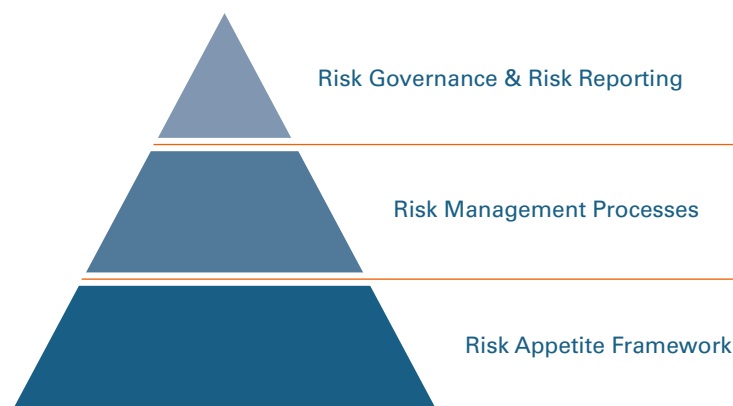


Objectives

- Protect the capital base by continuous monitoring to ensure that risks are not taken beyond the Company's risk tolerance levels
- Transferring, minimising and mitigating risks
- Enhance value creation, contributing to an optimal risk-return profile by providing the basis for efficient capital deployment
- Support decision making process by providing consistent, reliable and timely risk information
- Protect UA's reputation and brand by promoting a sound culture of risk awareness and informed risk taking
- Integrating risk management with strategy development

Enterprise Risk Management Framework

Our ERM framework is underpinned by a strong risk management culture and control environment. Rigorous and consistent risk management is embedded across the Company through our systems of governance, risk management processes and risk appetite framework. We have managed our risk within our approved risk appetite and the Company is well capitalised and able to handle current and emerging stress scenarios.



Risk Governance and Risk Reporting

The Board and its Sub-Committees

The Board has ultimate responsibility for the risk management framework, including approval of strategy and setting risk appetite. Responsibility to design, implement and monitor the risk management plan has been delegated to the CEO supported by Senior Management, and is annually evaluated.

The Board reviews the risk register reports quarterly and receives additional updates where required.

1st line of Defence

Business Line Management

Primary Risk and Control Responsibility

- Promotes risk culture
- Complies with risk appetite
- Owner of risk management processes
- Responsible for day-to-day risk management within risk tolerances as per delegated authority
- Development, periodic review, updating and reporting of departmental risk registers



2nd line of Defence

CEO + Corporate Management Team

Oversight

- Develops policies and standards
- Sets roles and responsibilities
- Develops risk management processes and controls
- Monitors and reports on risk
- Guided by the BACC and Board



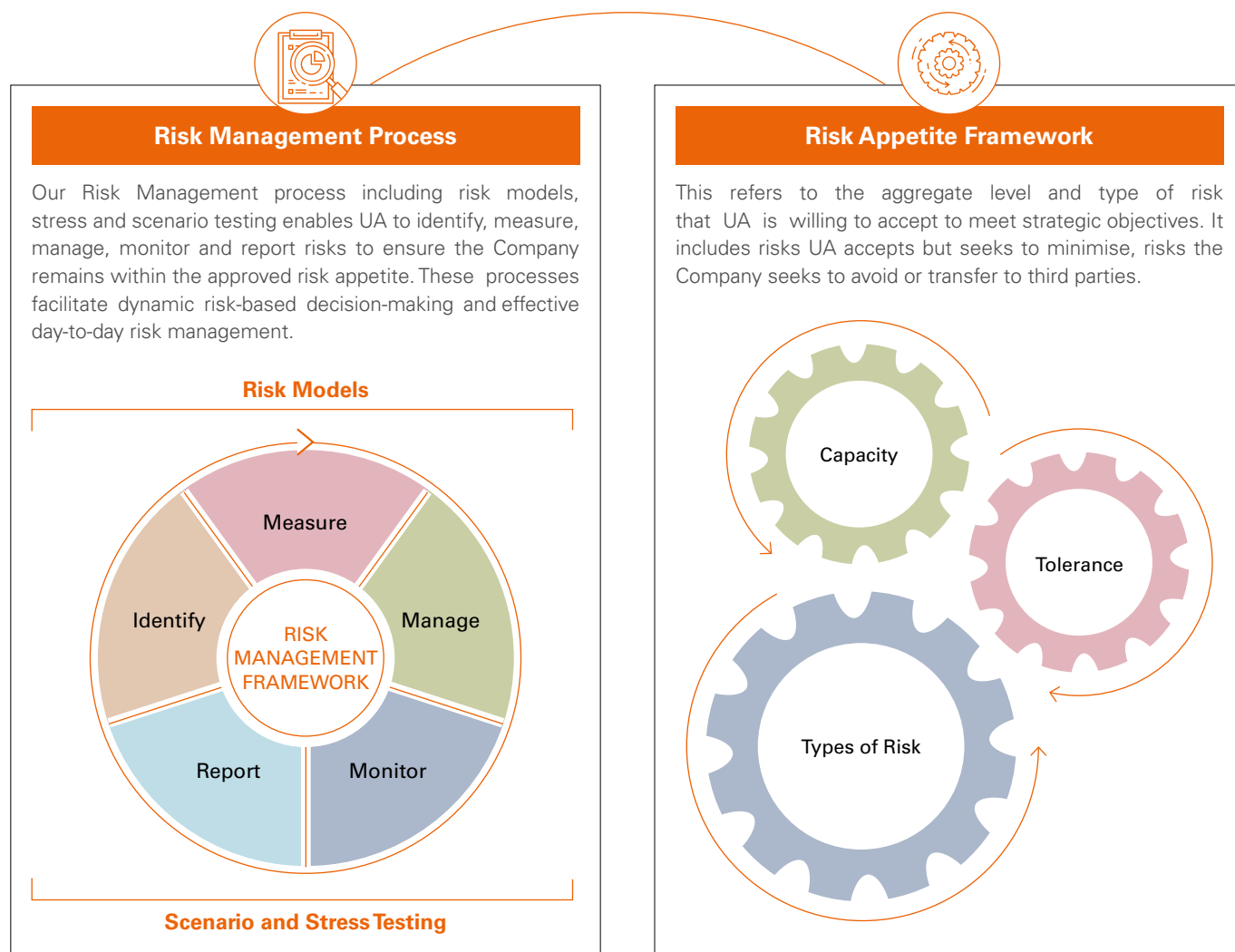
3rd line of Defence

Internal and External Audits

Independent Assurance

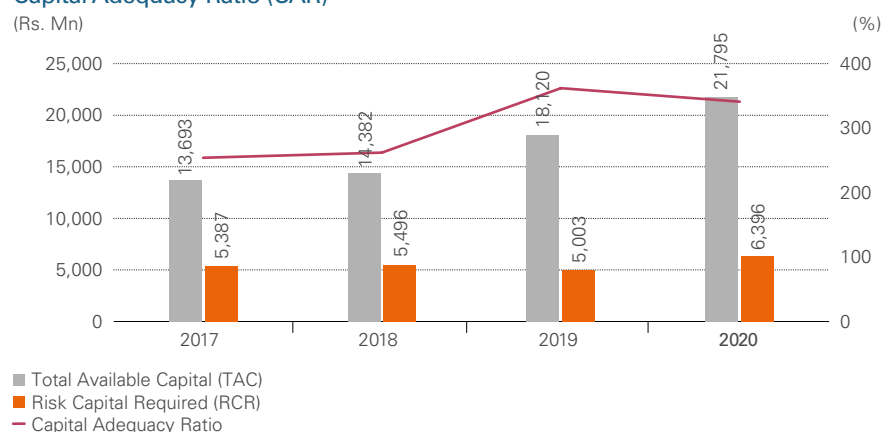
- Provides independent and objective challenge to the levels of assurance provided by business operations and oversight
- Validates processes in the risk management framework
- External Audit gives assurance on the Financial Statements





Key Risk Indicators

Capital Adequacy Ratio (CAR)



341%

CAPITAL ADEQUACY RATIO

The CAR under the Risk Based Capital Regime measures adequacy of the Total Available Capital (TAC) against the Risk Capital Required (RCR). As per regulations, the minimum CAR should be consistently maintained in excess of 120%, with a significant margin (that is above 160%), to avoid any regulatory interventions. In addition, the Insurance Regulatory Commission of Sri Lanka (IRCSL), stipulates a minimum Total Available Capital of Rs. 500 Mn. UA maintained a healthy CAR in excess of 120%, with a significant margin on a consistent basis.

The table below shows the estimated impact on the Company's CAR, if one percentage point increase/decrease in the yield curve occurs. The sensitivities are considered as separate scenarios.

In addition to the sensitivities shown below, the Company also evaluates certain stress scenarios on the CAR. The scenarios are defined as events that have a very low probability of occurring but that could, if realised, negatively affect the CAR.

Objectives	Base case Rs. '000	One percent point increase in yield curve	One percent point decrease in yield curve
Total Available Capital (TAC)	21,795,969	22,703,112	20,836,271
Formula Risk-based Capital Required (FRCR)	6,396,436	6,814,824	6,009,852
Surrender Value Capital Charge (SVCC)	20,587	19,697	21,534
Risk Based Capital requirement (RCR)	6,396,436	6,814,824	6,009,852
Risk-based Capital Adequacy Ratio (CAR)	341%	333%	347%

Determination 1

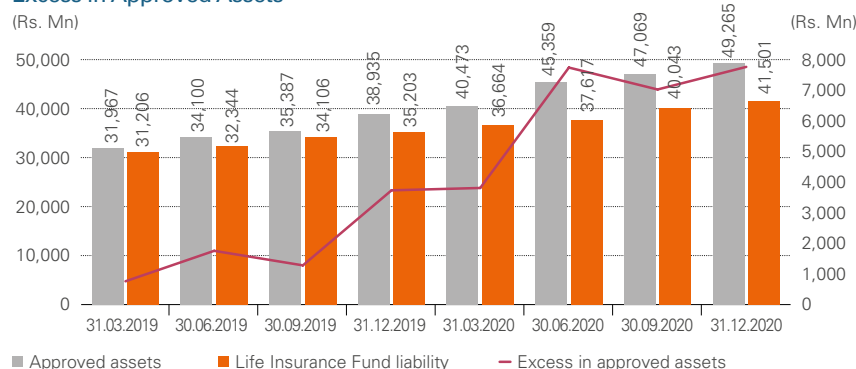
Excess in Admissible Assets

Every insurer carrying on a long-term insurance business shall invest the balance assets of the long-term Insurance fund (referred to in Section 38 of the Regulation of Insurance Industry Act, No 43 of 2000 and also known as Insurance Provision Life), in

certain types of investments (Admissible assets), subject to limitations stipulated therein: the admissible assets have higher credit profiles which ensure that the Life Fund is secured.

As indicated in the below graphs UA has maintained a significant excess in approved assets over the quarters.

Excess in Approved Assets



Risk Capital Required by Risk Type (Risk Based Capital)

The chart below shows UA's Risk Capital required by type of risk as of 31 December 2020 and 31 December 2019 respectively. As of 31 December 2020, the largest proportion of UA Risk Capital requirement arose from market risk which comprised 55% of the total. Liability risk was the second largest, comprising 19%.

Risk Capital Required by Type of Risk (%)



Risk Landscape

Insurance Risk

- Liability/Life Insurance Risk
- Natural Catastrophe Risk
- Concentration Risk
- Underwriting Risk
- Re-insurance Risk

Asset Liability Management/Market/Credit Risk

- Credit Risk
- Market Risk
- Liquidity Risk

Operational Risk

- Core Operational Risk
- Third Party Supplier Risk
- Data Security Risk
- Fraud Risk

Business & Strategic Risk

- Strategic Risk
- Governance
- Reputational Risk

ENTERPRISE RISK MANAGEMENT

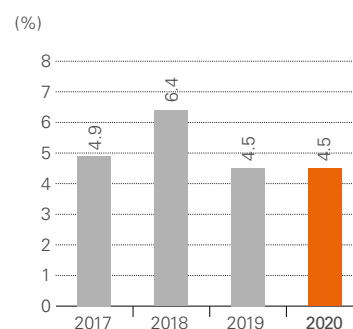
Key Risk Summary

Key Risk	Mitigants to Risk
Insurance Risk	
Liability/Life Insurance Risk Inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities. Exposure is transferred to UA through the underwriting process.	- Establishing limits for underwriting authority - Requiring specific approvals for transactions above established limits or new products - Using a variety of reserving and modelling methods - Ceding insurance risk through external proportional or non-proportional reinsurance treaties and facultative single-risk placements
Natural Catastrophe Risk Impact from natural catastrophes such as spread of contagious diseases.	Retention of sufficient excess of loss limits per annum and per event. Introduced a free COVID-19 cover for both existing and new customers with a free death cover up to a maximum of Rs. 1 million per policyholder.
Concentration Risk Risk of exposure to increased losses arising from inadequately diversified portfolios of assets or obligations.	Concentration risk is managed by maintaining a diversified portfolio of assets.
	Corporate Debt Securities (%) - Banking, Finance and Insurance - Telecommunications - Diversified Holdings Quoted Equity (%) - Banks - Capital Goods - Food, Beverage & Tobacco - Consumer Durables & Apparel - Food & Staples Retailing - Telecommunication Services - Consumer Services 97% of UA corporate debt securities represent investments in the Banking sector. This is mainly due to credit quality and stability in the sector. 40% of UA quoted equities represent the Banking sector. UA predominantly invested in equities of the Banking sector considering credit risk and stability.
Underwriting Risk Risk of insured losses being higher than expectations.	- In measuring loss provisions, the Company follows a cautious approach and assesses uncertainties conservatively. In every quarter, we also compare notified losses with our loss expectancy, in order to sustain an adequate level of reserves. - Sound underwriting standards and grids considering re-insurance standards.
Re-Insurance Risk Inability for UA to obtain insurance from the reinsurer at the right time and at an appropriate cost.	We select reinsurers with an 'A+' or above Credit Rating from international rating agencies.

Reinsurer	Financial Strength rating	Credit Rating	Rating Agency
Munich RE	AA-	AA-	Standard & Poor's
Hannover re	AA-	AA-	
PartnerRe	A+	A+	
RGA	AA-	AA-	

The cession rate

The cession rate for reinsurers was 4.5% 31 December 2020



Key Risk	Mitigants to Risk
Asset Liability Management/Market/Credit Risk	
Credit Risk Loss or potential loss from counterparties failing to fulfill their financial obligations	- Sources of credit risks are assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories of credit risks. - Use of ratings assigned by external rating agencies to assess counterparty credit worthiness. - Active use of collateral to support credit risk. - Prudent Credit Policy which limits investments to high grade corporate credit in line with the Investment policy and above regulatory minimum criteria. - We enter into Reinsurance Arrangements with financially stable reinsurers whose security ratings are either on par or better than the minimum ratings stipulated by the IRCSL.

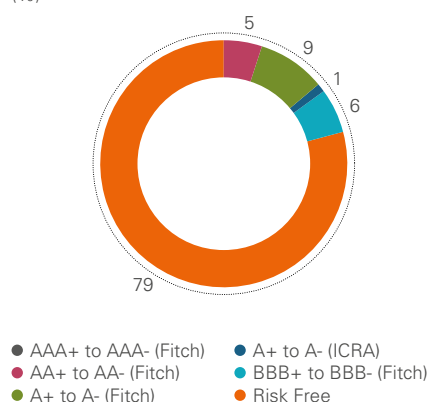
- Investment Portfolio
- Reinsurance Assets
- Receivables

Credit Risk Concentration

There is no unapproved material exposure in excess of the Company's limits for counterparty aggregation as of year-end.

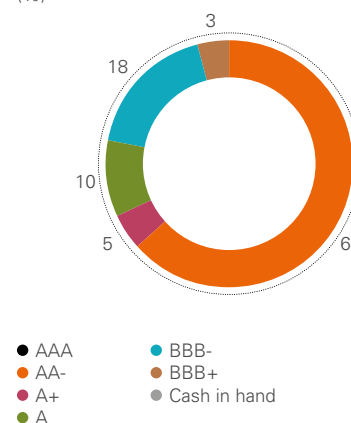
Investment Portfolio

(%)



Cash & Bank

(%)



79% of the investment portfolio of UA is on risk free securities

Policyholders Loans

Age Analysis	31.12.2020 Rs. Mn	31.12.2019 Rs. Mn
Past due but not impaired	1,382	935
61- 90 days	104	140
91-180 days	129	132
181 days +	178	348
Total - Maximum exposure to credit risk	1,793	1,556

Premium Receivable

Age Analysis	31.12.2020 Rs. Mn	31.12.2019 Rs. Mn
0-30 days	377	344
Over 30 days	Nil	Nil
Total - Maximum exposure to credit risk	377	344

ENTERPRISE RISK MANAGEMENT

Key Risk	Mitigants to Risk								
Market Risk Risk associated with UA's financial position where the value or cash flow depends on financial markets. Risk factors include: - Equity market prices - price fluctuations on equity securities may affect the Company's liquidity, reported income, surplus and regulatory capital position. - Property market prices. - Interest rates - risk of loss resulting from changes in interest rates, including changes in the shape of yield curves; of instruments such as debt securities, reserves for insurance contracts, employee benefit plans, loans and receivables.	- Market risk is managed on an economic total balance sheet basis of assets relative to liabilities, to achieve maximum risk-adjusted excess return on assets while considering UA's risk tolerance and local regulatory constraints. - Setting limits on concentration in investments in single issuers and certain asset classes. - Monitoring and review by the Investment Committee of the Company's strategic asset allocation, tactical boundaries and Company asset/liability exposure. Please refer Investment Committee report on page 92 for further information. - Actively managing the equity portfolio to ensure realised gains are capitalised and to protect the equity base from any possible mark to market losses. Further, the Company has partnered with an external outsourced Equity Fund Manager to manage the equity portfolio of the Company. - Monitoring interest rate risk on a monthly basis by analysing the movement in the interest rate-sensitive asset duration, allocation to interest rate-sensitive assets, sensitivity of interest rate movements on the solvency margin, leverage derivatives such as forward interest rate bookings to mitigate interest rate risk. - Managing credit spread risk, which describes the sensitivity of the values of assets and liabilities due to changes in the level or the volatility of credit spreads over the risk-free interest rate yield curves. Movements of credit spreads are driven by expected probability of defaults, expected losses in cases of defaults of issuers, the uncertainty of default probabilities and losses, as well as actual defaults of issuers. - Evaluating alternative investment opportunities Corporate Debt Securities (%) <table border="1"> <caption>Corporate Debt Securities Distribution (%)</caption> <thead> <tr> <th>Sector</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>Banking, Finance and Insurance</td> <td>97</td> </tr> <tr> <td>Telecommunications</td> <td>1</td> </tr> <tr> <td>Diversified Holdings</td> <td>2</td> </tr> </tbody> </table> Investments in the banking, finance and insurance industry are significant due to better credit quality and stability.	Sector	Percentage (%)	Banking, Finance and Insurance	97	Telecommunications	1	Diversified Holdings	2
Sector	Percentage (%)								
Banking, Finance and Insurance	97								
Telecommunications	1								
Diversified Holdings	2								

Key Risk	Mitigants to Risk
Liquidity Risk Risk occurs when the Company, though solvent, either does not have sufficient financial resources available to meet its obligations as they fall due or can secure them only at excessive cost.	- Regular forecasting of detailed liquidity requirements based on business' input. - Maintaining sufficient cash and cash equivalents and high-quality liquid investment portfolios as part of UA's liquidity management, to meet outflows under expected and stressed conditions. - Monitoring the investment portfolio to maintain an appropriate level of liquidity by placing limits on assets not readily realisable.
UA maturity profile of investments is given on page 160 of this report.	
Operational Risk Core Operational Risk Risk of loss resulting from inadequate or failed internal processes, personnel related issues, systems or from external events such as outsourcing, natural catastrophes, legislation, or fraud.	- Comprehensive framework in place with a common approach to identify, assess, quantify, mitigate, monitor and report operational risks. Within this framework, the Company: - Documents and reviews loss events exceeding a threshold determined by UA's Risk Policy. Remedial action is taken to avoid recurrence of such loss events. - Conducts risk assessments where operational risks above a certain threshold identified from internal control assessments, audit findings and loss events are documented and tracked.

IMPACT OF COVID 19

Pandemic risk was a critical aspect considered under the ERM framework of the Company and the Company used the opportunity to build resilience upfront and plan contingency actions for crisis scenarios. The impact arising out of a crisis of such nature has always been a core consideration for business continuity and financial resilience.

Arising out of the Pre-COVID 19 scenario analysis, the Business Continuity Plan (BCP) of the Company was enhanced prior to the full impact of the Pandemic. Further, the Work From Home (WFH) arrangements have been in place for certain operations as part of the regular contingency planning.

With the outbreak, the Company implemented the Agile Work Policy and WFH modus operandi for all operations and was successful in implementing same throughout the year alongside stringent health and safety and sanitisation protocols as per Government guidelines at all premises, ensuring Stakeholder health and safety.

Some of the key initiatives taken included;

- Conversion of normal office hours Call Center into a 24/7 Call Center, facilitating the customer requirements.
- Launched 'Clicklife', a digital product
- Launched 'Clicklife App', an end-to-end digital customer self servicing solution
- Launched the 'Union Digital Academy', migrating the physical classroom training sessions to a digital platform
- Enhancing digital capabilities, enabling employees to WFH
- Leveraging digital and virtual platforms to engage, develop and motivate our employees
- Optimised asset allocation and rebalanced our equity portfolio to manage the impact



ENTERPRISE RISK MANAGEMENT

Key Risk	Mitigants to Risk
3rd Party Supplier Risk	UA regularly assesses the risk associated with strategic suppliers to verify that suppliers remain financially viable and able to deliver services and that the Company is not exposed to geographic and supplier concentration risk.
Data Security Risk Cyber risks and threats to data security.	• Protection of data held with business partners through contractual arrangements and controls built into 'cloud governance' procedures, in compliance with regulatory requirements and UA's Information Security Policies. • Establishment of a Cyber Security Policy in line with the JKH Group policy. • Implementation of IBM's managed Security Operations Centre (SOC) and security intelligence platforms. • Periodic vulnerability assessments/penetration testing for internal network segment. • With the implementation of WFH due to the ongoing Pandemic, the Company conducted extensive user awareness to address social engineering on an ongoing basis. Further, risk mitigation initiatives included data classification and rights management and two-factor authentication for employee accounts as an extra layer of security.
Fraud Risk When a claimant attempts to obtain a benefit or advantage they are not entitled to.	• Preventing, detecting and responding to fraud is embedded in UA's business. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. • Forestpin, an analytical and risk alert tool is used to identify outliers in a timely manner.
Strategic Risk	
Reputational Risk Risk that negative publicity regarding Company's business practices will lead to a loss of confidence amongst Stakeholders.	Complying with applicable laws and regulations, and by following the core values, principles and code of conduct of the Company, which promotes integrity and good business practices.
Governance Risk Risk of not adhering to the Company's governance framework and this results in negative impact to progress and achievements of the Company.	A robust governance structure and a mechanism is in place to ensure good governance. Please refer Corporate Governance report on pages 76 to 111 for further information.

Key Risk	Mitigants to Risk
Strategic Risk Risk that UA is unable to achieve its strategic targets which arise from • Inadequate assessment of strategic plans • Ineffective implementation of strategic plans, and • Unexpected changes to assumptions underlying strategic plans	UA defines strategy as the long term plan of action designed to allow the Company to achieve its goals and aspirations. The Company works to reduce unintended risks of strategic business decisions through its risk assessment processes and tools. In the year 2020, the Executive Committee assessed the key strategic risk scenarios, looking at the year and beyond. UA assessed risks in executing the Company's transformation programmes for Agency, Bancassurance and Operations, delivering on its customer strategy, information security and cyber risks. We have put mitigating actions in place to adequately manage and carry out the Company's transformation; to meet the challenge of evolving customer needs and changes in the distribution model affected by digitalisation; and to strengthen UA's ability to handle and protect data and information in anticipation of a rapidly evolving external environment.



VALUING RELATIONSHIPS

FINANCIAL STATEMENTS

125	Annual Report of the Board of Directors on the Affairs of the Company
130	Chief Executive Officer's and Chief Financial Officer's Responsibility Statement
131	Actuary's Report
132	Statement of Directors' Responsibility
133	Independent Auditors' Report
137	Table of Contents
138	Income Statement
139	Statement of Profit or Loss and Other Comprehensive Income
140	Statement of Financial Position
141	Statement of Changes in Equity
143	Statement of Cash Flows
145	Notes to the Financial Statements

FINANCIAL CALENDAR

	2020	2021
34 Annual General Meeting to be held on	N/A	31-Mar-21
33 Annual General Meeting held on	31-Mar-20	N/A
The first and final dividends for the year 2019 paid on	19-Mar-20	N/A
Audited financial statements of proceeding year authorized on	28-Feb-20	25-Feb-21
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-20	14-May-21
Interim results for the three months ended 30 June (Unaudited)	11-Aug-20	13-Aug-21
Interim results for the three months ended 30 September (Unaudited)	12-Nov-20	15-Nov-21
Interim results for the three months ended 31 December (Unaudited)	25-Feb-21	28-Feb-22

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 31st December 2020.

Principal Activities

The principal activity of the Company, which is 'Life Insurance', remained unchanged during the financial year. 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 8 of this report. In achieving its vision and mission, the Company has ensured that all Directors and employees conduct their activities in compliance 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 No 07 of 2007 ('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 2020 was Rs. 13,109 million (2019 – Rs. 11,648 million).

Financial Results and Appropriations

The net profit after tax of the Company was Rs. 921 million for the year (2019 - Rs.1,158 million).

A synopsis of the performance is presented below;

For the year ended 31 December Union Assurance PLC	2020 Rs. '000	2019 Rs. '000
Profit after tax	920,596	1,158,030
Balance brought forward from previous year	7,609,868	7,625,794
Profit available for appropriations	8,530,464	8,783,824
Appropriations		
Dividend paid for previous year	(1,178,571)	(1,178,571)
Transfer from revaluation reserve	3,716	4,615
Un-appropriated profit carried forward	7,355,609	7,609,868

Financial Statements and Auditors' Report

The financial statements for the year ended 31st December 2020 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements duly signed by the Directors are provided on pages 138 to 231 and the Auditors' Report on the financial statements is provided on pages 133 to 136 of this Annual Report.

Accounting Policies

Details of accounting policies are presented on Pages 145 to 231 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. For all periods up to and including the year ended 31st December 2020, the Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) which have materially converged with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Dividends

In compliance with circular IRCSL/DG/SUP/2020/06/546 dated 8 June 2020 issued by IRCSL, company has not declared shareholder dividends as at the reporting date.

Provision for Taxation

The company is liable to income tax in terms of the Inland Revenue Act No 24 of 2017 and amendments thereto. As per the proposed changes by the government, the tax rate for insurance companies has changed from 28% to 24% with effect from 1 January 2020 (2019 - 28%). However, as the changes have not been gazetted and enacted as at the reporting date, the prevailing income tax rate of 28% has been used for the income tax computation as at 31 December 2020. The tax position of the Company is disclosed in Note 23 to the financial statements on page 182.

Property, Plant and Equipment

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 52 million. The carrying value of property, plant and equipment as at 31st December 2020 was Rs. 2,469 million (2019 - Rs. 2,500 million). The details of property, plant and equipment are shown in Note 28 to the financial statements on page 190.

Intangible Assets

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 120 million. The carrying value of intangible assets was Rs. 1,247 million as at the reporting date (2019 - Rs. 1,307 million). The details of intangible assets are shown in Note 27 to the financial statements on page 188.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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 03 were revalued as at 31st December 2019 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 to the financial statements on page 190.

Investments

Details of investments held by the Company are disclosed in Note 32 to the financial statements on page 203.

Stated Capital and Reserves

In compliance with the Companies Act, 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 as at 31st December 2020 was Rs. 1,000 million (2019 - Rs. 1,000 million) and the total capital and reserves was Rs. 15,108 million (2019 - Rs. 14,663 million).

As explained in Note 41 on page 216, based on the directions issued by IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred the one - off surplus of Rs. 3,382 million attributable to non-participating and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF) through Income Statement as at 31 December 2017. The distribution of this one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is invested in government debt securities as per the directions of the IRCSL.

Share Information

Information relating to earnings, dividends, net assets and market value per share is given in the UA share performance on pages 36 to 45 of this report.

Share Holdings

There were 1,512 registered shareholders, holding ordinary voting shares as at 31st December 2020 (2019 - 1,406). The distribution of shareholding including the percentage held by the public is given on page 43 of this report.

Equitable Treatment to all Shareholders

The Company has made every endeavour to ensure the equitable treatment of all shareholders and adopted adequate measures to prevent information asymmetry.

Substantial Shareholdings

The list of top twenty shareholders as at 31st December 2020 is given on page 44 of this report, together with comparative shareholding as at 31st December 2019.

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

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 76 to 111.

Directors' Declaration

The Directors declare that;

- The Company has not engaged in any activity, which contravenes laws and regulations
- The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested
- The Company has made all endeavours to ensure the equitable treatment of shareholders
- The business is a 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 (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Board Audit and Compliance Committee

The composition of the Board Audit and Compliance Committee comprising of Non Executive Directors is provided on page 90. The Chief Executive Officer (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 90 to 92 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 Enterprise Risk Management report in the Corporate Governance section on page 112.

The Board of Directors

As at 31st December 2020 the Board of Directors of Union Assurance PLC consisted of Directors with diverse knowledge and experience. Brief profiles of the Directors are given in the Corporate Governance section on page 76.

Resignation and Appointment of Directors

Mr. H. A. J. De Silva Wijeyeratne resigned from the Board of Directors of the Company with effect from 06th September 2020.

Mr. D. P. Gamlath was appointed to the Board as a Non - Executive Director of the Company with effect from 10th June 2020. Mr. W. M. D. F. Arsakularatne was appointed to the Board as an Independent Non-Executive Director of the Company with effect from 14th July 2020.

Retirement and Re-Election / Re-Appointment of Directors

In terms of Article 84 of the Articles of Association of the Company, Mr. Dumith Hemantha Fernando retires by rotation and is eligible for re - election. A brief profile of the said Director is given on page 77.

Mr. W. M. D. F. Arsakularatne and Mr. D. P. Gamlath retire in terms of Article 90 of the Articles of Association of the Company and both being eligible offer themselves for re-election. Brief profiles of the said Directors are given on page 77.

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 on page 84.

Review of Performance of the Board

The performance of the Board has been appraised through a formalised process, where each individual Director anonymously comments on the dynamics of the Board.

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.

Details of the sub committees, their mandates and composition are provided in the Corporate Governance section on pages 88 to 95.

Directors' Interests Register

The Company, in compliance with the requirements of the Companies Act maintains an Interests Register.

The particulars of the Company's interest register are given below.

a) Directors' Interests in Transactions

The Directors of the Company have made general declarations as provided for in Section 192 (2) of the Companies Act. Arising from this, details of contracts in which they have an interest are provided in Note 50 on page 227 to the financial statements, under related party transactions.

b) Directors' Interests in Shares

The Directors' individual shareholdings in the Company is provided on page 44 of the Annual Report.

c) Share Dealings

There have been no share dealings by the Directors during the year.

d) Indemnities and 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 22 of the financial statements.

Mr. D. P. Gamlath was appointed Non - Executive Director from 10th June 2020 and Mr. W. M. D. F. Arsakularatne was appointed as Non-Executive Independent Director of Union Assurance PLC from 14th July 2020 at the standard Non - Executive fees approved by the Board for Non - Executive Directors (if applicable) which fees are commensurate with the market complexities of the Company.

Directors' Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 85 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 (SLFRSs / LKASs) issued by CA Sri Lanka, Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL and the Listing Rules of the CSE.

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 50 to the financial statements and have complied with CSE Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (C) of the Securities and Exchange Commission (SEC) Act.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

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.

Corporate Social Responsibility

The Company manages a range of programmes towards its stakeholders in order to bring about sustainable development in all areas of business.

The CSR initiatives are detailed in the Social and Relationship Capital section on pages 60 to 67.

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 pages 105 to 111 for the statement of compliances.

Risk Based Capital Requirement (RBC)

With effect from 1 January 2016, all insurance companies were required to maintain a capital amount as computed under the risk based capital framework introduced by the IRCSL or Rs. 500 million whichever is higher. From the first quarter of 2016 onwards, the Company reported RBC requirements on a quarterly and annual basis within the reporting time lines. Refer pages 114 to 115 for details on RBC of the Company.

Integrated Corporate Reporting

The integrated annual report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). 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 integrated Annual Report, combining financial information with sustainability information aims to provide its stakeholders a more holistic set of information.

Messrs. 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 Standards. 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 optimize 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 ability/disability. Some of the processes and procedures adopted in this regard are mentioned in the Human Capital Report on pages 54 to 59. The number of persons employed by the Company as at 31st December 2020 was 795 (2019 - 764).

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 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 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.

Environment Protection

Initiatives taken by the Company to preserve the environment are presented in the Natural Capital Report on pages 50 to 53. 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 31st December 2020, the other payments of the Company amounted to Rs. 1,809 million (2019 - Rs. 2,932 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 53 to the financial statements, relating to contingent liabilities.

Capital Commitments

No significant capital commitments exist as at 31st December 2020.

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 52 to the financial statements.

Going Concern

After considering the financial position, operating conditions, regulatory and other factors including macro environmental factors arising due to COVID-19 pandemic and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the CA Sri Lanka and the SEC 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 external auditors during the period under review were Messrs. KPMG. The fee amount paid / payable for the services provided to the Company during the year 2020 and 2019 is presented below.

Rs'000	2020	2019
Audit and audit related fees	7,873	8,382
Non audit fees	2,423	3,059

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 of the Company.

Re-Appointment of Auditors

The retiring auditor Messrs. KPMG have intimated their willingness to continue in office and a resolution to re - appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

Auditors' Report

Auditors' Report on the financial statements is given on page 133 of this annual report.

Approval of Financial Statements

The audited financial statements were approved by the Board of Directors on 25 February 2021. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting, on Wednesday, 31 March 2021 at 9.00 a.m. The notice of the meeting relating to the thirty fourth Annual General Meeting is given on page 260.

This Annual Report is signed for and on behalf of the Board of Directors by:



K.N.J Balendra
Chairman



W. M. De F. Arsakularatne
Director



Keells Consultants (Private) Limited
Secretaries

25 February 2021

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The financial statements of Union Assurance PLC as at 31st December 2020 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 (CASL)
- Requirements of the Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No 15 of 1995
- Statement of Recommended Practice (SORP) issued by the ICASL
- Listing rules of the Colombo Stock Exchange (CSE)
- The Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto
- Code of best practice on corporate governance issued by the ICASL

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31st December 2020, together with the comparative data as at and for the year ended 31st December 2019, 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.

Significant accounting policies and estimates that involve a high degree of judgement 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 to be designed under our supervision, 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 significant fraud that involves management or other employees.

Whilst the Internal audit function of the Company continuously conducts internal audit checks, our external Internal Auditors 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 Insurance Regulatory Commission of Sri Lanka (IRCSL) requirements;

- All provisions in the RII Act No. 43 of 2000, and subsequent amendments there to, and all rules, regulations, determinations, directions issued by IRCSL; complied with all orders made by the Ministry of Finance and Planning under the RII Act, No. 43 of 2000
- Terms and conditions pertaining to reinsurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000.
- All applicable circulars issued by IRCSL
- All provisions in the Financial Transactions Reporting Act, No. 06 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. 06 of 2006
- Guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL



Jude Gomes
Chief Executive Officer



Asha Perera
Chief Financial Officer

25 February 2021

ACTUARY'S REPORT

WillisTowersWatson 

Private and Confidential

25 February 2021

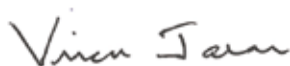
The Board of Directors
Union Assurance PLC
No 20, St. Michael's Road,
Colombo 03,
Sri Lanka

Actuarial Valuation of the Long-Term Insurance Business as at 31 December 2020

In accordance with the engagement letter dated 2 April 2019, Willis Towers Watson India Private Limited ("Willis Towers Watson", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of Union Assurance PLC's Long-Term Insurance Business as at 31 December 2020.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long-Term Insurance Fund is complete and accurate;
2. Adequate and proper reserves have been provided as at 31 December 2020, 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 total long-term insurance provisions maintained within the life fund for conventional business is LKR38,786 million. The value of assets held in respect of conventional life business is LKR41,464million. The surplus in respect of the conventional life business after making an allowance for a shareholder transfer of LKR825 million is LKR2,677 million. The surplus in respect of the conventional business before shareholder transfer is LKR3,502 million.
4. The total long-term insurance provisions within the life fund for the non-unit liabilities in respect of unit-linked business is LKR2 million. The value of assets (other than assets backing unit-linked liabilities) held in respect of this business is LKR37 million. The surplus in respect of the unit-linked business before shareholder transfer is LKR35 million. Shareholder transfer in respect of Unit Linked business is nil as at 31 December 2020.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR6,396 million, and the Company's CAR (after allowing for the LKR825 million shareholder transfer) is 341%, compared to the regulatory minimum requirement of 120%.
6. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Union Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL [the Solvency Margin (Risk Based Capital) Rules 2015]. Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of Union Assurance PLC as per the audited accounts of the Company for the year ended 31 December 2020 is in excess of the liabilities computed in the above-mentioned manner.



Vivek Jalan, FIA, FIAI
Head of Insurance Consulting & Technology, India
Willis Towers Watson

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CIN: U67190HR1996PTC051336

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 pages 133 to 136. 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;

- income statement 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; and
- a statement of cash flows for the year ended and notes to the financial statements.

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 (SLFRSs / LKASs) as relevant have been applied; and
- reasonable and prudent judgements 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. 7 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.

In compliance with circular IRCSL/DG/SUP/2020/06/546 dated 8 June 2020 issued by IRCSL, the Company has not declared shareholder dividends as at the reporting date.

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 53 to the financial statements, relating to contingent liabilities.

By order of the Board



Keells Consultants (Private) Limited
Secretaries

25 February 2021

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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Colombo 00300, Sri Lanka.

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To the Shareholders of Union Assurance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union Assurance PLC ("the Company"), which comprise the statement of financial position as at December 31, 2020, 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages 138 to 231.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at December 31, 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the investee in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have

fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities

Refer to Note 44 (page 218) and Note 45 (page 223) to these financial statements.

Risk Description	Our Response
Union Assurance PLC has recognized insurance contract liabilities and Insurance contract liabilities – unit linked amounting to Rs. 41, 882 Mn and Rs. 1,062 Mn respectively as at 31st December 2020. The Company's insurance contract liabilities in total including unit linked fund represents 90 per cent of the Company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including risk free rate, inflation, and operating assumptions including mortality, morbidity, expenses, fund yield, bonus rate, dividend rates and lapse ratio (including consideration of policyholder behavior) are the key inputs used to estimate these long term liabilities. Further these liabilities are measured on a market consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01st January 2016, issued under Sections 105 and 26 (1) of the Regulation of Insurance Industry Act, No. 43 of 2000.	Our audit procedures among others included; - Assessing the competence, capabilities and objectivity of management's external actuarial expert and company's staff involved in the policy holders liability valuation process. - Assessing the controls adopted (including IT related controls) by the Company in providing accurate and complete information to the independent appointed actuary for the purpose of the policy holders liability valuation. - Assessing the Company's methodology for calculating the policyholder liabilities to be in line with guidelines of Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015). - Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds.

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 FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
P.Y.S. Perera FCA
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R.M.D.B. Rajapakse FCA
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C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

INDEPENDENT AUDITORS' REPORT



Risk Description	Our Response
Accordingly, due to the value of the liability balance relative to total liabilities and subjectivity of the significant judgments involved and estimate uncertainty associated with the valuation, we considered Insurance contract liabilities as a Key Audit Matter.	- Assessing and challenging the key assumptions and reserving methodologies driving the value of the insurance liabilities by, - Comparing the assumptions to expectations based on, current trends and our own industry knowledge - Evaluating the level of prudence applied and compared this to prior periods; - Applying our industry knowledge to benchmark the Company's reserving methodologies assumptions, and estimates of losses - Independently re-calculating of the Universal Life fund balances as at the reporting period for selected products of the Company. - Verifying the existence, market valuation of the financial investments and the related investment income in relation to the financial instruments attributed to the unit-linked fund. - Assessing adequacy of the disclosures in the financial statements. We used an actuarial specialist to assist us in performing our procedures in this area.

IT Systems and Controls

Risk Description	Our Response
Many financial reporting controls of the Company depend on the correct functioning of operational and financial IT systems. For example interfaces between policy administration and financial reporting systems, or automated controls that prevent or detect inaccurate or incomplete transfers of financial information etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the dependency of the financial reporting process on the IT systems and controls and accordingly identified as a Key Audit Matter.	Our audit procedures among others included; - Assessing the governance and higher-level controls in place across the IT Environment, including the approach to policy design, review and awareness, and IT Risk Management practices. - Testing general IT controls involving restrictions on system access, permissions and responsibilities of the authorized users, process for approving changes to the systems etc. - Testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. - Testing manual compensating controls, such as reconciliations between systems and other information sources and performed additional substantive testing such as using extended sample sizes and performing data analysis routines over the full population of transactions.



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statement and our auditor's report there on.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company and Investee's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and Investee's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT



We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

As required by Section 47(2) of the Regulation of Insurance Industry Act, No.43 of 2000 and amendments thereto, 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 Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272

A handwritten signature in black ink, appearing to read 'K. M. S.', written over the printed name 'K. M. S.'.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
25 February 2021

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INCOME STATEMENT

For the year ended 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000	Change %
Gross written premium	10	175	13,108,605	11,647,756	13
Premium ceded to reinsurers	11	176	(589,877)	(525,782)	12
Net written premium			12,518,728	11,121,974	13
Other revenue					
Net investment income	12	176	5,032,432	4,564,844	10
Net realised gains/ (losses)	13	177	(402,181)	24,313	(1,754)
Net fair value gains/ (losses)	14	178	277,179	(297,847)	193
Other income	15	178	43,584	48,644	(10)
Total other revenue			4,951,014	4,339,954	14
Total net revenue			17,469,742	15,461,928	13
Benefits, claims and expenses					
Net insurance benefits and claims paid	16	179	(3,688,507)	(3,668,351)	1
Net change in insurance claims outstanding	17	179	(105,072)	164,467	(164)
Change in contract liabilities - Life Fund	18	180	(6,207,253)	(4,983,273)	25
Underwriting and net acquisition costs (net of reinsurance)	19	180	(2,145,130)	(1,857,396)	15
Other operating, administrative and selling expenses	20	181	(3,256,106)	(3,013,755)	8
Depreciation and amortisation	27/28/29	188/190/195	(390,271)	(299,894)	30
Total benefits, claims and expenses			(15,792,339)	(13,658,202)	16
Profit from operations			1,677,403	1,803,726	(7)
Share of results of equity accounted investee, net of tax	31	200	116,438	104,736	11
Profit before tax	22	181	1,793,841	1,908,462	(6)
Income tax expenses	23	182	(873,245)	(750,432)	16
Profit for the year			920,596	1,158,030	(21)
Earnings per share					
Basic (Rs.)	24	184	15.62	19.65	(21)
Diluted (Rs.)	24	184	15.62	19.65	(21)

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000	Change %
Profit for the year			920,596	1,158,030	(21)
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Net gains on revaluation of land and buildings	28.1	192	-	403,283	
Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax	31.1(a)	203	(2,314)	(2,397)	
Actuarial gain / (loss) on defined benefit plan	42.2	216	7,730	(15,969)	
Related tax			-	-	
			5,416	384,917	(99)
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	39	215	372,629	290,225	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	31.1(a)	203	26,915	13,234	
Net change in fair value of available for sale financial assets transferred to the income statement			-	(6,207)	
Related tax			-	-	
			399,544	297,252	34
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	215	314,921	275,545	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement			(24,081)	42,057	
Related tax			-	-	
			290,840	317,602	(8)
			690,384	614,854	12
Other comprehensive income, net of tax			695,800	999,771	(30)
Total comprehensive income for the year, net of tax			1,616,396	2,157,801	(25)

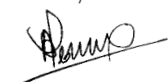
The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000
Assets				
Intangible assets	27	188	1,247,057	1,306,922
Property, plant and equipment	28	190	2,468,821	2,500,305
Right of use assets	29	195	218,312	296,799
Deferred tax assets	30	197	-	528,614
Investment in equity accounted investee	31	200	1,386,991	1,245,951
Financial investments	32	203	52,356,208	44,881,195
Loans to life policyholders	33	210	1,793,470	1,555,759
Reinsurance receivable	34	211	492,011	502,975
Premiums receivable	35	212	376,723	344,785
Receivables and other assets	36	212	1,300,545	1,452,885
Cash in hand and at bank	37	214	960,270	632,962
Total assets			62,600,408	55,249,152
Equity and liabilities				
Equity				
Stated capital	38	214	1,000,000	1,000,000
Available for sale reserve	39	215	1,219,852	529,468
Revaluation reserve	40	215	2,085,688	2,089,404
Restricted regulatory reserve	41	216	3,381,934	3,381,934
Other reserves	42	216	65,406	52,228
Retained earnings	43	218	7,355,609	7,609,868
Total equity			15,108,489	14,662,902
Liabilities				
Insurance contract liabilities	44	218	41,881,657	35,489,751
Insurance contract liabilities - Unit Linked	45	223	1,061,701	1,246,075
Lease liabilities	46	224	232,259	289,176
Employee benefit liabilities	47	224	194,753	162,957
Reinsurance payables	48	226	533,023	812,930
Other liabilities	49	226	3,427,721	2,416,933
Bank overdraft	37	214	160,805	168,428
Total liabilities			47,491,919	40,586,250
Total equity and liabilities			62,600,408	55,249,152

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

I certify that the above financial statements comply with the requirements of the Companies Act No. 07 of 2007.



Asha Perera

Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed on behalf of the Board:



K. N. J. Balendra

Chairman



W. M. De F. Arakularatne

Director

Colombo
25 February 2021

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves			Other reserves		Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Available for sale reserve	Other capital reserves		
Balance as at 1 January 2019		1,000,000	3,381,934	1,690,736	16,752	(85,386)	41,858	7,625,794	13,671,688
Profit for the year		-	-	-	-	-	-	1,158,030	1,158,030
Other comprehensive income for the year, net of tax									
Net change in fair value of available for sale financial assets, net of tax	39	-	-	-	-	284,018	-	-	284,018
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	-	-	-	-	317,602	-	-	317,602
Revaluation gain on land and buildings	28.9	-	-	403,283	-	-	-	-	403,283
Actuarial loss on defined benefit plan	42.2	-	-	-	-	-	(15,969)	-	(15,969)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	39	-	-	-	-	13,234	-	-	13,234
Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax	42.2	-	-	-	-	-	(2,397)	-	(2,397)
Tax on other comprehensive income		-	-	-	-	-	-	-	-
Total other comprehensive income		-	-	403,283	-	614,854	(18,366)	-	999,771
Total comprehensive income for the year		-	-	403,283	-	614,854	(18,366)	1,158,030	2,157,801
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2018	25.1	-	-	-	-	-	-	(1,178,571)	(1,178,571)
Share based payments	42.3(a)	-	-	-	-	-	11,984	-	11,984
Transfer from revaluation reserve to retained earnings	28.11	-	-	(4,615)	-	-	-	4,615	-
Total contributions and distributions		-	-	(4,615)	-	-	11,984	(1,173,956)	(1,166,587)
Balance as at 31 December 2019		1,000,000	3,381,934	2,089,404	16,752	529,468	35,476	7,609,868	14,662,902

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Restricted regulatory reserve	Revaluation reserve	Reserves Reserve on merger	Other reserves		Retained earnings	Total
						Available for sale reserve	Other capital reserves		
Balance as at 1 January 2020		1,000,000	3,381,934	2,089,404	16,752	529,468	35,476	7,609,868	14,662,902
Profit for the year		-	-	-	-	-	-	920,596	920,596
Other comprehensive income for the year, net of tax									
Net change in fair value of available for sale financial assets	39	-	-	-	-	372,629	-	-	372,629
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	39	-	-	-	-	290,840	-	-	290,840
Revaluation gain on land and buildings	28.9	-	-	-	-	-	-	-	-
Actuarial gain on defined benefit plan	42.2	-	-	-	-	-	7,730	-	7,730
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	39	-	-	-	-	26,915	-	-	26,915
Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax	42.2	-	-	-	-	-	(2,314)	-	(2,314)
Tax on other comprehensive income		-	-	-	-	-	-	-	-
Total other comprehensive income		-	-	-	-	690,384	5,416	-	695,800
Total comprehensive income for the year		-	-	-	-	690,384	5,416	920,596	1,616,396
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2019	25.1	-	-	-	-	-	-	(1,178,571)	(1,178,571)
Share based payments	42.3(a)	-	-	-	-	-	7,762	-	7,762
Transfer from revaluation reserve to retained earnings	28.11	-	-	(3,716)	-	-	-	3,716	-
Total contributions and distributions		-	-	(3,716)	-	-	7,762	(1,174,855)	(1,170,809)
Balance as at 31 December 2020		1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	7,355,609	15,108,489

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000
Cash flows from operations				
Insurance premiums received			13,076,667	11,634,510
Reinsurance premiums paid			(417,820)	(207,177)
Insurance benefits and claims paid	16	179	(4,001,539)	(3,760,837)
Reinsurance claim received	16	179	313,032	92,486
Payments to intermediaries to acquire insurance contracts			(2,074,820)	(1,953,383)
Cash paid to and on behalf of employees			(1,256,593)	(1,228,363)
Interest received			4,436,756	4,163,440
Dividends received			89,862	86,559
Other operating cash flows			(1,879,930)	(2,121,266)
Cash generated from operating activities	Note A	144	8,285,615	6,705,969
Employee benefits paid	47.4(a)	225	(21,887)	(34,902)
Net cash flow from operating activities			8,263,728	6,671,067
Cash flows used in investing activities				
Acquisition of investments			(15,922,271)	(12,407,970)
Maturity proceeds of investments			5,130,089	5,664,253
Proceeds from sale of investments			4,310,036	1,507,192
Acquisition of property, plant and equipment			(51,587)	(97,601)
Acquisition of intangible assets			(120,125)	(36,971)
Proceeds from sale of property, plant and equipment			821	583
Net cash used in investing activities			(6,653,037)	(5,370,514)
Net cash inflow before financing activities			1,610,691	1,300,553
Cash flows used in financing activities				
Dividends paid to equity holders of the company			(1,178,571)	(1,178,571)
Settlement of lease liabilities			(97,189)	(110,108)
Obligation to repurchase securities			2,029,856	1,386,080
Settlement of obligation to repurchase securities			(2,029,856)	(1,386,080)
Net cash used in financing activities			(1,275,760)	(1,288,679)
Net increase in cash and cash equivalents			334,931	11,874
Cash and cash equivalents at the beginning of the year			464,534	452,660
Cash and cash equivalents at the end of the year	Note B	144	799,465	464,534

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000
NOTE A.				
Reconciliation of profit before taxation with cash from operating activities				
Profit before tax			1,793,841	1,908,462
Non - cash items included in profit before tax				
Depreciation and amortisation	27.1/ 28.1/ 29.1	189/192/196	390,271	299,894
Provision for employee benefits			60,635	63,832
Provision for doubtful debtors	36.1(a)/ 36.2(a)	213	8,326	35,622
Net realised (gains) / losses	13	177	402,181	(24,313)
Net fair value (gains) / losses	14	178	(277,179)	297,847
Gain on sale of property, plant and equipment	15	178	(651)	(572)
Amortisation of financial investments			(83,308)	(156,336)
Amortisation of lease liabilities			33,922	84,668
Scrip dividend income			(34,162)	(62,705)
Share of results of equity accounted investee	31	200	(116,438)	(104,736)
Interest expense on obligation to repurchase securities			2,088	5,574
Share based payment expenses	42.3(a)	218	7,762	11,984
Profit before working capital changes			2,187,288	2,359,221
Net change in operational assets				
Net change in reinsurance assets			10,964	(131,849)
Net change in premiums receivable			(31,938)	(13,246)
Net change in receivables and other assets			(769,365)	(688,940)
Net change in operational liabilities				
Net change in life insurance contract liabilities			6,207,533	4,634,675
Net change in reinsurance liabilities			(279,907)	143,616
Net change in other liabilities			961,040	402,492
Cash generated from operating activities			8,285,615	6,705,969
NOTE B.				
Cash and cash equivalents at the end of the year				
Cash in hand and at bank			960,270	632,962
Bank overdraft			(160,805)	(168,428)
Cash and cash equivalents			799,465	464,534

For the purpose of the cash flow statement, cash and cash equivalent consist of cash in hand and at bank, net of outstanding bank overdraft as shown above.

The notes to the financial statements as set out on pages 145 to 231 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Reporting Entity

Union Assurance PLC (the 'Company') is a public limited liability Company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No. 20, St. Michael's Road, Colombo 03.

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.

Principal Activities and Nature of Operations

The Company

Union Assurance PLC is in the Life insurance business providing Life insurance solutions for both Individual and corporate customers. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Associate Company

Fairfirst Insurance Limited is in the Non - Life insurance business and there were no significant changes in the nature of the principal activity of the associate during the year. Union Assurance PLC owns 22% stake of the Fairfirst Insurance Limited (2019 - 22%). The registered office and principal place of business of the Company is located at Access Towers 11 (14th floor), 278/4, Union Place Colombo 02, Sri Lanka.

Number of Employees

The staff strength of the Company as at 31 December 2020 is 795 (2019 - 764).

Financial Statements

The financial statements for the year ended 31 December 2020, comprise of the Company and the results of the equity accounted investee. The results of equity accounted investee of the Company, Fairfirst Insurance Limited has been presented in the financial statements in accordance with LKAS 27.

Approval of Financial Statements

The financial statements for the year ended 31 December 2020 were authorised for issue by the Directors on 25 February 2021.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility in the annual report.

Statement of Compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL 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 for the year under review; (Refer pages 138 and 139)
- a Statement of Financial Position providing information on the financial position of the Company as at the year end; (Refer page 140)
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company; (Refer pages 141 and 142)
- a Statement of Cash Flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows in the business; (Refer pages 143 and 144)
- Notes to the financial statements comprising accounting policies and other explanatory information. (Refer pages 145 to 231)

The Company has opted to defer full application of SLFRS 9 - Financial Instruments, until the earlier of 2023 or adopting of SLFRS 17 - Insurance Contracts, exercising the temporary exemption provided to an insurance company. (Refer Note 4.1).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF ACCOUNTING

Basis of Measurement

These financial statements have been prepared on an accruals basis and under the historical cost convention except for the following material items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis	Note	Page
Financial assets			
Non - derivative financial assets at fair value through profit or loss	Fair value	9	170
Available for sale financial assets	Fair value	9	170
Financial assets - Unit linked	Fair value	9	170
Non-Financial assets / liabilities			
Freehold land and buildings	Fair value	28.7	193
Insurance contract liabilities	Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)	44	218
Net defined benefit liabilities	Actuarially valued and recognised at present value	47	224

No adjustments have been made for inflationary factors affecting the financial statements.

Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Company operates and is also the Functional Currency.

There was no change in the Company's Presentation and Functional Currency during the year under review.

Materiality and Aggregation

Each item which is similar in nature is presented together 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 - Presentation of financial statements.

All values presented in rupees have been rounded to the nearest rupees thousand (Rs'000), except when otherwise indicated.

Going Concern

Notwithstanding the Company concluding the reporting year on a positive note 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. The management has also assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. 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.

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 248 to 255, continuing the past practice which is a requirement of the Statement of Recommended Practice (SoRP) for insurance contracts then applicable, adopted by the ICASL.

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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgements, 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.

3.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgements	Note	Page
Classification of financial assets	26	184
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features.	44	218
Equity accounted investee : whether the Company has significant influence over an investee	31	200
Measurement of insurance and reinsurance contracts : determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract.	44	218

3.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimates	Note	Page
Impairment of financial assets	26	184
Determination of the fair value of financial instruments and investments and owner occupied properties with significant unobservable inputs	28	190
Measurement of defined benefit obligations: key actuarial assumptions	47	224
Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources	53	230
Recognition of deferred tax assets and notional tax credits: availability of future taxable profits against which tax losses carried forward and notional tax credits can be used	30/12	197/176
Impairment of non financial assets: key assumptions underlying recoverable amounts	6	151
Measuring insurance and reinsurance contracts: key assumptions	44	218
Liability Adequacy Test	44	218
Measurement of GWP accrual adjustment	10	175
Revaluation of land and buildings	28	190

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards have been issued and are effective for annual periods beginning after 1 January 2020, early application was permitted with transitional rules.

Accordingly, these standards have not been applied to these financial statements.

4.1 SLFRS 9 - Financial Instruments

The standard became mandatorily effective for the annual periods beginning on or after 1 January 2018.

The Company met the eligibility criteria for temporary exemption under the Amendments to SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17, 'Insurance Contracts' is adopted upon its mandatory effective date.

The Company is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to SLFRS 4.

Disclosures on Qualifying for the Temporary Exemptions

Based on the proposed SLFRS 17 - Insurance Contracts, the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria:

- 1 The Company has not applied SLFRS 9 before; and
- 2 The Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at fair value through profit or loss, compared with total liabilities which is greater than 90%. Accordingly, the Company qualifies as a pure insurance company.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2020 Rs. '000	2019 Rs. '000
Insurance contract liabilities	41,881,657	35,489,751
Insurance contract liabilities - Unit Link	1,061,701	1,246,075
Reinsurance payables	533,023	812,930
Liabilities connected with insurance	43,476,381	37,548,756
Total liabilities	47,491,919	40,586,250
Predominance ratio	92%	93%

Disclosures to Provide Comparability Business Model Assessment

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level since this best reflects the way the business is managed and information flow to the management.

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects characteristics of cashflows of assets and the business model in which assets are managed.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, Fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), loans and receivables (L&R), fair value through profit or loss (FVTPL) and available for sale (AFS).

The table below provides an initial assessment made by the Company on its financial assets portfolio;

Financial assets that meet the solely payment of principal and interest (SPPI) test (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis).

Instrument	Current classification	Credit risk grading	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Treasury bond	HTM	N/A	21,943,969	26,810,670	Amortised cost
Bank Deposit	L&R	A/A+/- AA-/ AA+	4,516,157	4,516,157	Amortised cost
Reverse repurchase agreements	L&R	N/A	2,026,042	2,026,042	Amortised cost
Debenture	HTM/ L&R	Please refer Note 32.3(a) & 32.4(a)	10,344,875	11,478,435	Amortised cost
Commercial Paper	L&R	N/A	413,504	413,594	Amortised cost

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis)

Instrument	Current classification	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Equity shares	FVTPL	3,667,946	3,667,946	FVTPL
Debentures	FVTPL	148,433	148,433	FVTPL
Bank Deposit	FVTPL	28,444	28,444	FVTPL
Reverse repurchase agreements	FVTPL	82,998	82,998	FVTPL
Treasury Bonds	AFS	7,954,413	7,954,413	FVTOCI
Commercial Paper	FVTPL	10,259	10,259	FVTPL
Unit Trusts	FVTPL	1,219,168	1,219,168	FVTPL

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9.
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9.
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9.
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance.
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

ii. Impairment - Financial Assets, Loan Commitments and Financial Guarantee Contracts

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward looking 'expected credit loss' model. This will be required considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

The new impairment model applies to financial assets that are debt instruments, that are not measured at FVTPL.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

iii. Hedge Accounting

Hedge accounting requirements which are more closely aligned with the risk management activities of the Company. No significant change is currently anticipated from hedge accounting.

4.2 SLFRS 17 - Insurance Contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka has decided to adopt SLFRS 17 Insurance Contracts with effective from annual reporting periods beginning on or after 1 January 2023.

Early adoption is permitted if the regulator permits along with the adoption of SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers. SLFRS 17 supersedes SLFRS 4 Insurance Contracts.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 requires, this CSM to be calculated as if the standard had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

SLFRS 17 Implementation Programme

SLFRS 17 is expected to have a significant impact, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition. Given the implementation of this standard is likely to involve significant enhancements to IT, actuarial and finance systems of the Company, it will also have an impact on the Company's expenses.

The Company has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The scope of the programme consists of setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Steering Committee, chaired by both Chief Financial Officer and Chief Actuarial Officer provides oversight and strategic direction to the implementation programme along with the involvement of external consultants.

The Company remains on track to providing SLFRS 17 financial statements in line with the requirements for interim reporting at its effective date, which is currently expected to be 2023.

4.3 Amendment to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts - Cost of fulfilling a contract

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the

date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparative are not restated. The Company has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

4.4 Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform - Phase 2

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cashflows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relation to :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities: and
- hedge accounting.

4.5 Other new accounting pronouncements

The following amended standards are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in SLFRS Standards
- Definition of a Business (Amendments to SLFRS 3).
- Definition of Material (Amendments to LKAS 1 and LKAS 8)

5 CHANGES IN ACCOUNTING STANDARDS

5.1 Amendments to SLFRS 16 Covid-19 Related Rent Concessions

The Company adopted COVID-19 - Related Rent Concessions - Amendments to SLFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Company is a lessee - i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. The accounting policies are presented along with the respective notes.

Set out below is an index of the significant policies;

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Other Significant Accounting Policies Not Covered With Individual Notes

Following accounting policies which have been applied consistently by the Company, are considered to be significant but are not covered in any other section.

6.1 Impairment of Non Financial Assets

The carrying amounts of the Company's non financial assets (other than insurance and reinsurance contract assets, deferred tax assets and employee benefit assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. 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.

NOTES TO THE FINANCIAL STATEMENTS

6.2 Foreign currency

6.2 (a) Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency of the Company at the exchange rates prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on transactions of non-monetary items is treated in line with the recognition of gain or loss on fair value of the item.

6.2 (b) Foreign operations

The Company does not have any foreign operations that is a subsidiary, associate, joint venture or a branch. Therefore, there is no exchange differences recognised in other comprehensive income.

7.1 Basis for segmentation

The Company has the following two strategic segments, which are its reportable segments.

The following summary describes the operations of each reportable segment

Reportable Segment	Description
Policyholder Fund	UA maintains five separate policy holder funds according to the following product types: Participating, Non-participating, Universal life, Unit linked, and Non-unit linked. The combination of above five funds is collectively known as the "life insurance fund". Transactions of each product type are entered in the account maintained for that business. Assets belonging to each fund, are maintained separately and the policyholder liabilities in each category are matched with suitable assets (by amount and duration). The investments in each fund complies with the regulatory requirements specified under Determination 1.
Shareholder Fund	Assets belonging to the shareholders are maintained separately in the "shareholder fund". Income and expenses arising from shareholders account are accounted under the shareholders fund. Every year, the surplus arising from policyholder funds are transferred to the shareholder fund based on the actuary's recommendation. Currently, the Company holds the one-off surplus that arose from changing the policy liability valuation as a restricted reserve within the shareholders fund.

7 OPERATING SEGMENTS

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) and corporate management to make decisions regarding resource allocation and assess its performance, and for which financial information is available.

Accounting policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Company's other components, whose operating results are regularly reviewed by the Company's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the shareholders), head office expenses and tax assets and liabilities.

7.2 Information about Reportable Segments

Information related to each reportable segment is set out below. Segment profit / loss before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

Summary of Segment Performance

For the Year ended 31 December Rs. '000	2020			2019		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment revenue						
Gross Written Premium	13,108,605	-	13,108,605	11,647,756	-	11,647,756
Net Written Premium	12,518,728	-	12,518,728	11,121,974	-	11,121,974
Total Investment Income and Other Revenue	4,041,160	909,854	4,951,014	3,442,849	897,105	4,339,954
Total Net Revenue	16,559,888	909,854	17,469,742	14,564,823	897,105	15,461,928
Total Claims and Expenses	(9,456,331)	(128,755)	(9,585,086)	(8,581,550)	(93,379)	(8,674,929)
Change in Contract Liabilities	(6,207,253)	-	(6,207,253)	(4,983,273)	-	(4,983,273)
Share of results of equity accounted investee, net of tax	-	116,438	116,438	-	104,736	104,736
Segment Profit Before Tax	896,304	897,537	1,793,841	1,000,000	908,462	1,908,462
Income Tax Expenses	(71,304)	(801,941)	(873,245)	-	(750,432)	(750,432)
Segment Profit After Tax	825,000	95,596	920,596	720,000	438,030	1,158,030

All revenues are from external customers. There is no revenue from transactions between operating segments

For the Year ended 31 December Rs. '000	2020			2019		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment Assets	50,124,790	12,475,618	62,600,408	43,317,153	11,931,999	55,249,152
Segment Equity	2,169,203	12,939,286	15,108,489	1,874,352	12,788,550	14,662,902
Segment Liabilities	47,955,587	(463,468)	47,491,919	41,442,801	(856,551)	40,586,250

Segmental cash flows have not been presented since the Company manages its cash flows at company level.

7.3 Major Customer

The company does not have any major single customer.

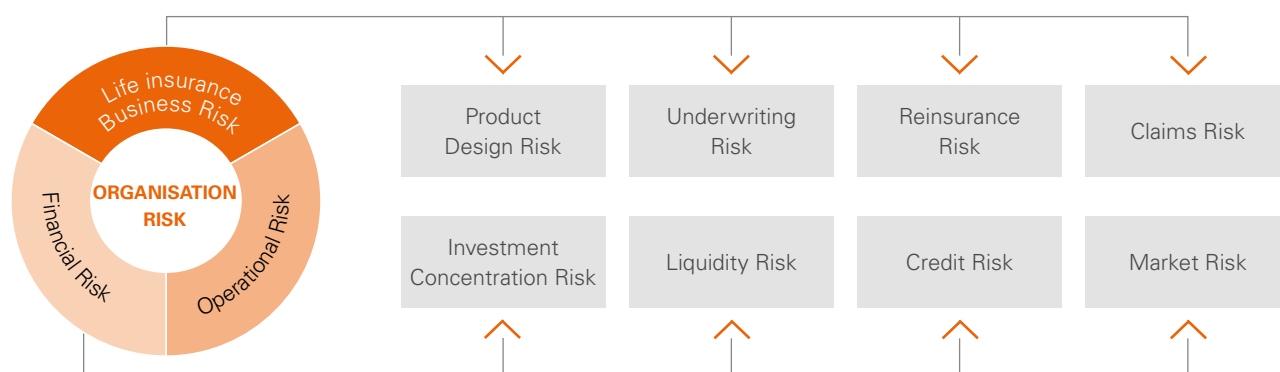
7.4 Geographic Information

The Company functions in one geographic location (only in Sri Lanka). Accordingly, geographic information is not presented in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

8 FINANCIAL RISK MANAGEMENT

The following 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 corporate management team. 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 manage costly exposures.

Details of our risk management framework, objectives and regulatory framework is provided under Corporate Governance and Enterprise Risk Management section.

Regulatory Framework

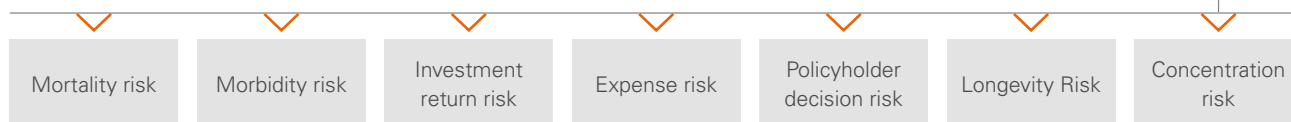
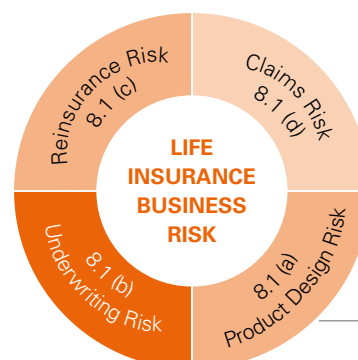
The Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company needs to comply with rules with respect to the solvency position 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 IRCSL. The Company has adequate Total Available Capital (TAC) in policyholder's and shareholder's funds collectively, to support the Risk based Capital Required (RBC).

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. 7 of 2007.

8.1 Business Risk

Business Risk - Life Insurance 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 spread.
- Careful selection and implementation of underwriting guidelines.
- The use of reinsurance arrangements.
- Ensure compliance (determination) requirements imposed by the regulator (IRCSL)

Risk management procedures adopted by the Company to manage insurance risk is given on pages 112 to 121.

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 reinsurance risk.

NOTES TO THE FINANCIAL STATEMENTS

8.1 (a) Product Design Risk

Life insurance product design largely depends on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable products to the market due to inappropriate use of assumptions or judgements. 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 with adjustments to reflect the Company's mortality experience after allowing for adverse deviation having conducted stress analysis.
Morbidity risk	Risk of loss arising due to policyholders health experience being different from expected	Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience after allowing for adverse deviation having conducted stress analysis.
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. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Expense risk	Risk of loss arising from the expense experience being different from expected	Operating expense assumptions reflect the projected costs of maintaining and servicing in – force policies and associated overhead expenses. Expense assumptions have been set based on the latest expense investigation carried out on the expenses incurred.
Policyholder decision risk	Risk of loss arising due to policyholders experiences (lapses and surrenders) being different from expected	Lapse and surrender rates are projected according to the Company's past experience. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Longevity Risk	Risk of loss arising due to the annuitant living longer than expected	Terms and conditions included in insurance applications have been designed to address non standard and unpredictable risks.
Concentration risk	Risk of losses due to not maintaining a balanced product portfolio	Developing a proper product mix in line with Company strategy. Stress analysis is carried out to check the sensitivity of the business mix within the products.

Overall Risk Mitigation Approach in Traditional Life Insurance

Product	Key risks	Risk mitigation
Traditional participating	- Market risk: Investment return on underlying items falling below guaranteed minimum rates - Policyholder behaviour risk	- Management discretion to determine amount and timing of policyholder bonuses (within limits) - Surrender penalties
Non Participating	- Market risk: Insufficient fees to cover cost of guarantees and expenses - Policyholder behaviour risk	- Derivative hedging programme - Surrender penalties
Universal life	- Interest rate risk: Differences in duration and yield of assets and liabilities - Investment credit risk	- Matching of asset and liability cash flows - Investing in investment grade assets
Unit linked product	- Market risk: Insufficient fees to cover expenses - Policyholder behaviour risk	Surrender penalties

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.

Participating Fund vs Non-Participating Fund

The following table shows the concentration of the Participating and Non Participating funds position of the Company.

As at 31 December Type of contract	2020		2019	
	Rs. '000	%	Rs. '000	%
Participating	8,898,635	21	9,442,525	27
Non Participating	32,928,312	79	26,005,509	73
Total traditional	41,826,947	100	35,448,034	100
Non unit fund of linked insurance	54,710		41,717	
Total value of insurance liabilities	41,881,657		35,489,751	

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 2020 or 2019, based on the results of the liability adequacy test.

As at 31 December Assumption	Change %	Impact on liabilities %		Impact on liabilities Rs. '000	
		2020	2019	2020	2019
Mortality	+10	0.19	0.31	66,700	86,540
	-10	(0.19)	(0.08)	(67,230)	(23,602)
Discount rate	+1	(2.30)	(2.01)	(817,918)	(567,914)
	-1	2.43	2.35	863,785	664,002

NOTES TO THE FINANCIAL STATEMENTS

8.1 (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.

Underwriting risk can be identified through following 3 main risk categories.

- Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.
- Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of a contract (rather than in the costs associated with insured events).

Risk Response

- Validation of policyholder data before underwriting. Accordingly, policyholder undergoes a medical test at Company's expense.
- Appropriate training is provided to insurance advisors.
- Use of common pricing policy.

8.1 (c) Reinsurance Risk

Notwithstanding the advantages reinsurance provide, 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 based on the guidelines issued by the IRCSL.
- Management assesses the credit worthiness of reinsurers on a regular basis to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

The Company reinsures approximately 4% - 5% of gross written premium.

For the year ended	2020		2019	
31 December	Rs. '000	%	Rs. '000	%
Gross Written premium	13,108,605		11,647,756	
Reinsurance	(589,877)	4	(525,782)	5
Net Written Premium	12,518,728		11,121,974	

The Company has recovered approximately 8% of gross claims from reinsurers during the period under review.

For the year ended	2020		2019	
31 December	Rs. '000	%	Rs. '000	%
Gross claims paid	4,001,539		3,760,837	
Claims recovered from reinsurers	(313,032)	8	(92,486)	2
Net claims	3,688,507		3,668,351	

8.1 (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.

8.2 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 risks through financial assets and financial liabilities.

Financial risks can be categorised as follows;



8.2 (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 over exposure 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 IC 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.
- Outsourced management of the equity portfolio to a third party fund management company to leverage expert knowledge in investment decisions and optimise portfolio return and risk.

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	2020		2019	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	31,924,424	62	30,030,078	69
Corporate debt securities	10,344,875	20	8,425,665	19
Commercial Papers	413,504	1	-	-
Fixed deposits	4,516,157	9	2,968,261	7
Unit Trusts	1,219,168	2	152,338	-
Investment in quoted equity securities	2,884,723	6	2,059,968	5
Total	51,302,851	100	43,636,310	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 sectors for which the Company believes, the credit risk and market risk is low.

As at 31 December	2020		2019	
	Rs. '000	%	Rs. '000	%
Banking, Finance and Insurance	9,674,765	94	7,755,472	92
Diversified Holdings	465,058	4	465,123	6
Telecommunication	205,052	2	205,070	2
Total	10,344,875	100	8,425,665	100

NOTES TO THE FINANCIAL STATEMENTS

Fixed Deposits

This includes investments made in fixed deposits issued by licensed commercial banks and licensed finance companies.

Investment in Quoted Equity Securities

Considering the market return and risk, the Company has predominantly invested in Banking and Capital goods sectors and regularly reviews market risk of the portfolio to assess adequacy of diversification.

As at 31 December	2020		2019	
	Rs. '000	%	Rs. '000	%
Industry Group				
Banks	1,121,871	39	1,251,818	60
Capital Goods	696,368	24	109,159	5
Consumer Durables & Apparel	253,799	9	113,526	6
Consumer Services	27,606	1	9,889	-
Diversified Financials	-	-	115,930	6
Food and Staples Retailing	148,256	5	-	-
Food Beverage & Tobacco	478,612	17	208,183	10
Materials	-	-	217,189	11
Retailing	-	-	1,100	-
Telecommunication Services	158,211	5	33,174	2
Total	2,884,723	100	2,059,968	100

8.2 (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

Company implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company attempts to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through investment cashflows.

The Company considered that Cash flow scrutiny is paramount at uncertain times and adopted a disciplined approach across the Company including setting up of Spend Control Steering Committee for preserving and increasing liquidity, particularly to respond to possible future liquidity constraints arising from COVID-19 pandemic.

Risk Response

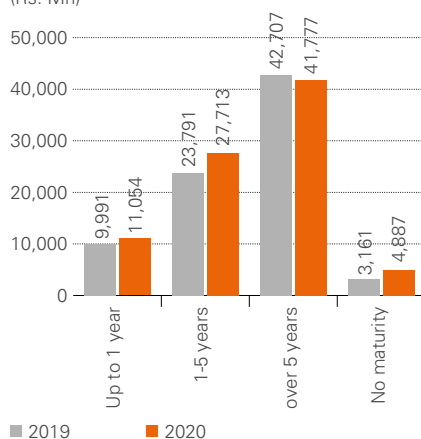
- The Investment Committee manages this risk by diversifying investment durations and reviewing cash flow projections regularly
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when 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 investments to accommodate expected obligations and commitments of the Company.

Excess liquidity position of the Company excluding insurance contract liabilities is given below; (based on undiscounted cashflows)

As at 31 December	2020		2019	
	Rs. '000	%	Rs. '000	%
Up to one year	11,053,489	13	9,990,784	13
1 - 5 Years	27,713,399	32	23,791,387	30
Over 5 years	41,776,739	49	42,706,569	53
No maturity	4,887,115	6	3,161,329	4
	85,430,742	100	79,650,069	100

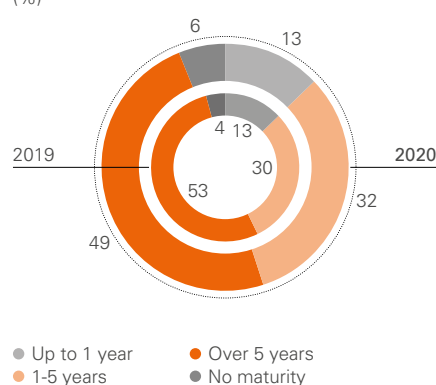
Excess Liquidity Position

(Rs. Mn)



Composition of 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 31 December 2020	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	22,160,419	-	2,405,229	10,840,235	34,702,144	47,947,608
Loans and receivables	17,084,128	-	7,417,187	11,394,583	3,088,575	21,900,345
Available for sale	7,954,413	-	1,076,529	5,324,315	3,986,021	10,386,865
Fair value through profit or loss	4,103,891	4,887,114	154,544	154,266	-	5,195,924
Other financial assets	637,233	-	336,433	434,712	120,503	891,648
Loans to life policyholders	1,793,470	-	411,510	1,198,116	183,844	1,793,470
Reinsurance receivable	492,011	-	290,344	201,667	-	492,011
Premiums receivable	376,723	-	376,723	-	-	376,723
Cash and cash equivalents	960,270	-	960,270	-	-	960,270
Total undiscounted assets	55,562,558	4,887,114	13,428,769	29,547,894	42,081,087	89,944,864
Financial liabilities						
Reinsurance payables	533,023	-	393,472	139,551	-	533,023
Lease liabilities	232,259	-	114,995	203,633	-	318,628
Other financial liabilities	1,518,742	-	1,518,742	-	-	1,518,742
Bank overdraft	160,805	-	160,805	-	-	160,805
Total undiscounted liabilities	2,444,829	-	2,188,014	343,184	-	2,531,198
Total excess liquidity	53,117,729	4,887,114	11,240,755	29,204,710	42,081,087	87,413,666

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2019	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Financial assets						
Held to maturity	20,376,303	-	2,667,552	9,496,107	34,610,464	46,774,123
Loans and receivables	13,199,658	-	5,414,978	9,181,168	3,116,587	17,712,733
Available for sale	7,848,043	-	1,735,872	4,936,507	4,979,517	11,651,896
Fair value through profit or loss	2,212,306	3,161,329	172,382	177,606	-	3,511,317
Other financial assets	563,376	-	141,564	452,274	123,234	717,072
Loans to life policyholders	1,555,759	-	620,453	803,421	131,885	1,555,759
Reinsurance receivable	502,975	-	275,256	227,719	-	502,975
Premiums receivable	344,785	-	344,785	-	-	344,785
Cash in hand and at bank	632,962	-	632,962	-	-	632,962
Total undiscounted assets	47,236,167	3,161,329	12,005,804	25,274,802	42,961,687	83,403,622
Financial liabilities						
Reinsurance payables	812,930	-	622,458	190,472	-	812,930
Lease liabilities	289,176	-	106,411	251,897	-	358,308
Other financial liabilities	1,121,143	-	1,121,143	-	-	1,121,143
Bank overdraft	168,428	-	168,428	-	-	168,428
Total undiscounted liabilities	2,391,677	-	2,018,440	442,369	-	2,460,808
Total excess liquidity	44,844,490	3,161,329	9,987,365	24,832,433	42,961,687	80,942,814

The table below sets out the availability of the company's financial assets to support future funding.

As at 31 December Unencumbered Rs.000	2020			2019		
	Restricted as collateral	Available as collateral	Total	Restricted as collateral	Available as collateral	Total
Held to maturity	18,710,892	3,449,527	22,160,419	17,402,472	2,973,831	20,376,303
Loans and receivables	15,513,028	1,571,100	17,084,128	11,201,304	1,998,354	13,199,658
Available for sale	3,524,525	4,429,888	7,954,413	4,132,224	3,715,819	7,848,043
Fair value through profit or loss	4,605,706	551,542	5,157,248	3,406,412	50,779	3,457,191
Loans to life policyholders	1,793,470	-	1,793,470	1,555,759	-	1,555,759
Reinsurance receivable	492,011	-	492,011	502,975	-	502,975
Premiums receivable	376,723	-	376,723	344,785	-	344,785
Other financial assets	313,916	323,317	637,233	288,200	275,176	563,376
Cash in hand and at bank	951,139	9,131	960,270	624,552	8,410	632,962
Total	46,281,410	10,334,505	56,615,915	39,458,683	9,022,369	48,481,052

Assets restricted as collateral represents the assets owned by the policyholders of the Company.

Financial assets available as collateral represents the assets owned by the shareholders of the Company. There were no financial assets pledged as collateral during the year ended 31 December 2020.

8.2(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 and the analysis of maximum credit exposure is given below.

As at 31 December Risk element	2020		2019	
	Rs. '000	%	Rs. '000	%
Financial investments	47,198,961	92	41,424,004	92
Loans to life policyholders and others	2,274,978	4	2,059,617	5
Reinsurance receivable	492,011	1	502,975	1
Premiums receivable	376,723	1	344,785	1
Cash in hand and at bank	960,270	2	632,962	1
Total	51,302,943	100	44,964,343	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 implemented when the Company identifies investments that are expected to be downgraded.
- The Company identifies and selectively reduces unsecured and subordinated credit exposure issued by third parties 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.

Company implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, credit agency information and industry information. Further, economic environment was scrutinized in response to Covid-19 pandemic limiting exposure to counterparties who were severely affected.

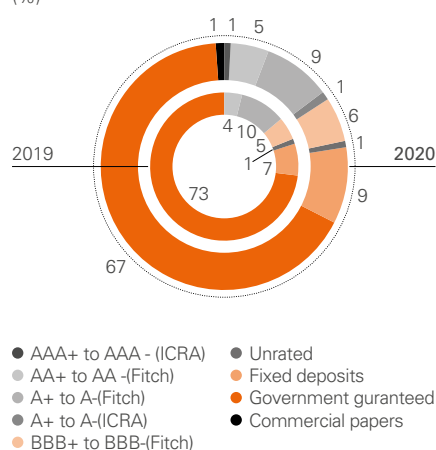
The Company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The Company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk and credit quality of financial investments are shown below.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020 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	22,160,419	17,084,128	7,954,413	-	47,198,960	
Government securities and related institutions						
Treasury Bonds	21,943,969	-	7,954,413	-	29,898,382	64
Reverse Repo	-	2,026,042	-	-	2,026,042	4
Corporate debt securities						
AAA+ to AAA- ICRA	-	154,934	-	-	154,934	-
AA+ to AA- Fitch	216,450	2,270,602	-	-	2,487,052	5
A+ to A- Fitch	-	4,295,506	-	-	4,295,506	9
A+ to A- ICRA	-	367,377	-	-	367,377	1
BBB+ to BBB- Fitch	-	2,830,112	-	-	2,830,112	6
Unrated	-	209,894	-	-	209,894	-
Fixed deposits						
Deposit with Licensed Commercial Banks	-	1,807,478	-	-	1,807,478	4
Deposit with Licensed Finance Companies	-	2,708,679	-	-	2,708,679	6
Commercial Papers	-	413,504	-	-	413,504	1
Total	22,160,419	17,084,128	7,954,413	-	47,198,960	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	
As at 31 December 2019 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	20,376,303	13,199,658	7,848,043	-	41,424,004	
Government securities and related institutions						
Treasury Bonds	20,159,798	-	7,848,043	-	28,007,841	68
Reverse Repo	-	2,022,237	-	-	2,022,237	5
Corporate debt securities						
AAA+ to AAA- ICRA	-	154,921	-	-	154,921	-
AA+ to AA- Fitch	-	1,785,900	-	-	1,785,900	4
A+ to A- Fitch	216,505	3,799,798	-	-	4,016,303	10
A+ to A- ICRA	-	157,390	-	-	157,390	-
BBB+ to BBB- Fitch	-	2,101,326	-	-	2,101,326	5
Unrated	-	209,825	-	-	209,825	1
Fixed deposits						
Deposit with Licensed Commercial Banks	-	2,968,261	-	-	2,968,261	7
Total	20,376,303	13,199,658	7,848,043	-	41,424,004	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

Exposure To Credit Risk Rating Class Wise

(%)



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 2,193 million as collateral for reverse repo investments amounting to Rs. 2,026 million.

Credit Risk Related to Policy Loans and Others

Financial losses could arise due to non-settlement of loans obtained by policyholders.

Risk Response

- Policy loans are collateralised by the surrender value of the policy.
- System controls are in place to automatically convert a policy to surrender stage when the policy loan amount together with the interest reaches 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	2020 Rs. '000	2019 Rs. '000
Neither past due nor impaired		
Past due but not impaired	1,381,960	935,307
61- 90 days	104,978	140,394
91-180 days	128,908	131,823
181 days +	177,624	348,235
Total	1,793,470	1,555,759
Impaired	Nil	Nil
Total - Maximum exposure to credit risk	1,793,470	1,555,759

The Company considers the surrender value of the life policy as collateral for loans issued. As at the reporting date, the value of policy loans granted amounted to Rs. 1,793 million (2019 - Rs. 1,556 million) and its related surrender value is Rs. 2,888 million (2019 - Rs. 2,544 million).

Credit Risk Related to Amounts Due From Related Parties

Financial losses could arise due to non settlement of amounts due from related parties.

Risk Response

- Related party transaction are settled within pre agreed specific duration according to the Company policy.

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.

As at 31 December	2020		2019	
	Rs. '000	%	Rs. '000	%
Reinsurance receivables on outstanding claims	107,845	22	132,847	26
Reinsurance receivables on settled claims	384,166	78	370,128	74
Total reinsurance receivables / Maximum exposure to credit risk	492,011	100	502,975	100

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020, 100% (2019 - 100%) of our reinsurance receivables was due from reinsurers with a rating of AA- or above. There were no collateral against reinsurance receivables as at reporting date.

As at 31 December Reinsurers	Rating Agency	Rating	2020		2019	
			Reinsurance receivables	%	Reinsurance receivables	%
Munich	Fitch	AA	464,705	94	482,725	96
Hannover	Standard & Poor's	AA-	23,827	5	19,496	4
RGA	Fitch	AA-	3,479	1	754	-
Total			492,011	100	502,975	100

Credit Risk Related to Premiums Receivable

Premiums receivable consist of premiums 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 2020 is Rs. 377 million (2019 - Rs. 345 million).

As at 31 December	2020 Rs. '000	2019 Rs. '000
Neither past due nor impaired		
0 - 30 days	376,723	344,785
Pass due but not impaired	Nil	Nil
Total - Maximum exposure to credit risk	376,723	344,785

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 below. Majority i.e 44% of funds are deposited in banking institutions backed by government of Sri Lanka.

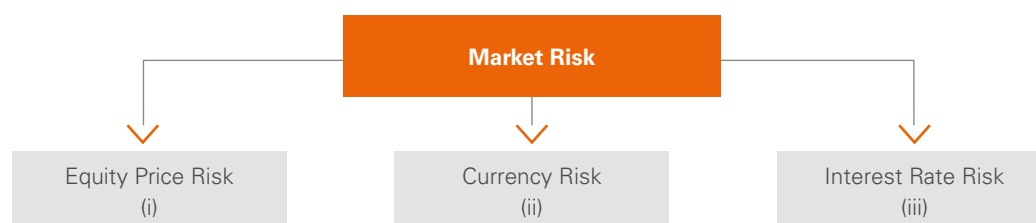
As at 31 December Bank	2020		2019	
	Amount Rs. '000	%	Amount Rs. '000	%
Bank of Ceylon	324,985	34	228,862	36
Commercial Bank of Ceylon PLC	58,480	6	8,042	1
Deutsche Bank AG	34,052	4	25,099	4
DFCC Bank PLC	838	-	638	-
HDFC Bank of Sri Lanka	7	-	7	-
Hatton National Bank PLC	92,211	10	10,007	2
National Development Bank PLC	44,563	5	10,011	2
National Savings Bank	13,601	1	6,636	1
Nations Trust Bank PLC	66,322	7	79,865	13
People's Bank	83,772	9	21,796	3
Sampath Bank PLC	51,290	5	13,220	2
Standard Chartered Bank	4,250	-	7,935	1
Seylan Bank PLC	14,538	1	11,145	2
Union Bank of Colombo PLC	168,435	18	206,543	33
Total cash at banks	957,344	100	629,806	100
Cash in hand	2,926		3,156	
Total cash in hand	2,926		3,156	
Total cash in hand and at bank	960,270		632,962	

The Company held cash in hand and at bank of Rs. 960 million as at 31 December 2020 (2019 - Rs. 633 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BB+ or better as at 31 December 2020.

As at 31 December Rating	2020		2019	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA	4,250	-	7,935	1
AA+	-	-	257,293	41
AA	-	-	8,042	1
AA-	610,736	64	10,646	2
A+	45,401	5	23,230	4
A	94,463	10	79,865	12
A-	-	-	36,244	6
BBB-	168,435	18	206,544	33
BBB+	34,052	3	-	-
BB+	7	-	7	-
Cash in hand	2,926	-	3,156	-
Total	960,270	100	632,962	100

8.2 (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 three main categories;



i 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.
- Outsourced management of the equity portfolio to a third party to leverage on expert knowledge and optimise return and risk.
- Reviews were carried out on a continuous basis by investment committee with the help of industry specialists to identify red flags due to Covid – 19 pandemics early. Company redesigned its investment portfolio by disposing considerable portion of equity shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2020, the Company has invested 6% (2019 - 5%) in equity as shown in the table below.

As at 31 December Rs.'000	2020		2019	
	Value	% of allocation	Value	% of allocation
Banks	1,121,871	2	1,251,818	3
Capital Goods	696,368	2	109,159	-
Consumer Durables & Apparel	253,799	1	113,526	-
Consumer Services	27,606	-	9,889	-
Diversified Financials	-	-	115,930	-
Food and Staples Retailing	148,256	-	-	-
Food Beverage & Tobacco	478,612	1	208,183	1
Materials	-	-	217,189	1
Retailing	-	-	1,100	-
Telecommunication Services	158,211	-	33,174	-
Total value of equity	2,884,723	6	2,059,968	5
Total value of investments	51,302,852		43,636,310	

The following shows the estimated impact from a 10% change in the stock market prices on the portfolio with indicative comparatives.

Sensitivity of Fund Inflow to Change in Equity Prices

Rs.'000	2020		2019	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
10% increase in equity prices	288,472	288,472	205,997	205,997
10% decrease in equity prices	(288,472)	(288,472)	(205,997)	(205,997)

ii 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, professional services providers and software vendors who operates outside the country.

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar from March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic.

Risk Response

- Company does not carry foreign currency dominated assets or liabilities and any foreign payment is promptly processed.

iii 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. Floating rate instruments expose the

Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

The global outbreak of the novel COVID-19 pandemic has resulted in a consecutive reduction in policy rates and monetary easing policies by CBSL. Further there is a reduction in yield of Treasury bill and bond Market.

Risk Response

- The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates.
- Initial recognition of investments is closely monitored.
- Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- Re-design of investment portfolio to keep in par with the interest rate movements.

The following provides details of the quantum of investment exposed to fluctuations in fair values. No instrument is exposed to fluctuations in cash flows as the Company does not hold any instruments with variable interest rates.

As at 31 December Instruments Rs.'000	2020			2019		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Government securities	31,924,424	-	-	30,030,078	-	-
Corporate debts	10,344,875	-	-	8,425,665	-	-
Fixed deposits	4,516,157	-	-	2,968,261	-	-
Commercial Paper	413,504	-	-	-	-	-
Unit Trust	-	-	1,219,168	-	-	152,338
Equity instruments	-	-	2,884,723	-	-	2,059,968
Total	47,198,960	-	4,103,891	41,424,004	-	2,212,306

Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates on fixed rate available for sale

Rs.'000	2020		2019	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
+ 100 basis points	(241,804)	33,916	(253,658)	17,335
- 100 basis points	257,681	(33,830)	270,189	(17,223)

8.3 Operational Risk

Risk is 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 risk owners and managers who are responsible for the development and implementation of controls to address operational risks. This responsibility is supported by the development of overall company standards for the management of operational risks in the following areas:

- Segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures
- Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- 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 it is cost effective.
- Compliance with Company standards, 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 Executive Committee, with summaries submitted to the BACC and the Board. The results of internal audit reviews are discussed with the Management and representative from Group risk, with summaries submitted to the BACC and the Board.

NOTES TO THE FINANCIAL STATEMENTS

8.4 Capital Management

Objectives, Policies and Processes for 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, share price appreciation, 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. 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 capital, the Company engages in 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 benefits and claims assured
- Closely follow up RBC guidelines issued by IRCSL

The Company has adequate Total Available Capital (TAC) to support the Risk-Based Capital Required (RCR).

Summary Quantitative Data

As at 31 December	2020 Rs. '000	2019 Rs. '000
Total Available Capital (TAC)	21,795,969	18,120,323
Formula Risk Based Capital Required (RCR)	6,396,436	5,003,128
Surrender Value Capital Charge (SVCC)	20,587	255,663
Risk based Capital requirement (RCR)	6,396,436	5,003,128
Risk based Capital Adequacy Ratio (CAR)	341%	362%

9 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Financial instruments and non financial assets disclosed at fair value or that are measured at fair value are given in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in;

Property, plant and equipment under revaluation model	Note 28
Financial instruments (Including those carried at amortised cost)	Note 32

'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 buildings.

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 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

- quoted market prices in active markets for similar instruments,
- quoted prices for identical or similar instruments in markets that are considered to be less active, or
- 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 instruments 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 judgement 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.

NOTES TO THE FINANCIAL STATEMENTS

Following note explains the methodology for valuing our financial assets and provides an analysis of these according to the 'fair value hierarchy'.

Instrument Category	Fair value basis	Fair value hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Investment in Shares		
Investment in Listed Shares	Closing Market prices	Level 1
Corporate Debt		
Listed	Published Market Prices	Level 1 / Level 2*
Fixed and Term Deposits		
Deposit over one year	Discounted Cash Flow (DCF) Method	
	Using Treasury Bond rates for similar maturity plus a risk premium. The risk premium is determined based on the upgrade / downgrade of the credit rating of the institution.	Level 2

*Listed corporate debts which have been traded during the period have been classified under Level 1 and others under level 2.

Use of Judgments and Estimates

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 judgement is required in establishing fair values. The judgements 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.

- Quarterly calibration and back-testing of models against observed market transactions.
- Review of significant unobservable inputs, valuation, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous

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 SLFRSs / LKASs.

9.1 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 the results of trading and investment operations and all significant fair value measurements carried out by the investment division, which include;

- Verification of observable pricing.
- Re-performance of model valuations.

9.2 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. 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 AFS portfolios. Market price data is generally obtained from dealer markets.

As at 31 December Rs.'000	Note	Fair value hierarchy							
		2020				2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-Financial Assets									
Property, Plant & Equipment									
Land and Building	28.1	-	-	2,265,819	2,265,819	-	-	2,265,227	2,265,227
Total Non-Financial Assets at Fair Value		-	-	2,265,819	2,265,819	-	-	2,265,227	2,265,227
Financial Assets									
Financial assets at FVTPL									
Financial assets held for trading:									
Equity securities	32.6	2,884,723	-	-	2,884,723	2,059,968	-	-	2,059,968
Unit Trusts	32.6	1,219,168	-	-	1,219,168	152,338	-	-	152,338
Designated at FVTPL									
Investments for the benefit of Life insurance policyholders who bear the investment risk									
Equity securities	32.6	783,223	-	-	783,223	949,024	-	-	949,024
Commercial Paper	32.6	-	10,259	-	10,259	-	-	-	-
Debt securities	32.6	-	148,433	-	148,433	-	140,534	-	140,534
Government securities	32.6	-	82,998	-	82,998	26,649	112,386	-	139,035
Fixed deposits	32.6	-	28,444	-	28,444	-	16,292	-	16,292
		4,887,114	270,134	-	5,157,248	3,187,979	269,212	-	3,457,191
AFS financial assets:									
Treasury bonds	32.5	7,954,413	-	-	7,954,413	7,848,043	-	-	7,848,043
		7,954,413	-	-	7,954,413	7,848,043	-	-	7,848,043
Total of financial assets carried at fair value		12,841,527	270,134	-	13,111,661	11,036,022	269,212	-	11,305,234
Total of assets carried at fair value		12,841,527	270,134	2,265,819	15,377,480	11,036,022	269,212	2,265,227	13,570,461

9.3 Transfer between levels

As of 31 March 2020, all listed equity instruments amounting to Rs. 2,870 Mn were transferred from level 1 to level 2 since as at 31 March 2020 it showed factors which were indicative of an inactive market due to COVID-19 pandemic. The Company determined the fair value of equity portfolio as of 31 March 2020, based on closing traded prices that existed as of 31 December 2019.

However, by 30 June 2020, investor sentiment improved, providing tailwind to the market's recovery and recommencing trading activities. Therefore, all listed equity instruments were measured based on the market prices as at 30 June 2020 and Rs. 2,260 Mn were transferred back from Level 2 to Level 1 since there was an active market.

There were no transfers in 2020 other than above. (2019 - Nil)

NOTES TO THE FINANCIAL STATEMENTS

9.4 Financial assets and liabilities not measured at fair value

It is assumed that the following financial assets and liabilities have a short term maturity and the carrying amounts approximate their fair values.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Financial Assets		
Reinsurance receivable	492,011	502,975
Premiums receivable	376,723	344,785
Receivables and other assets	637,233	563,376
Loans to life policyholders*	1,793,470	1,555,759
Cash in hand and at bank	960,270	632,962
Financial Liabilities		
Reinsurance payables	533,023	812,930
Lease liabilities	232,259	289,176
Other financial liabilities	1,518,742	1,121,143
Bank overdraft	160,805	168,428

*The fair value of policyholder loans are equals to its carrying value as those are given at competitive market rates.

9.5 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 carried at amortised cost in to their levels in fair value hierarchy.

As at 31 December Rs.'000	Note	Fair value hierarchy									
		2020					2019				
		Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
HTM financial assets											
Quoted debentures	32.3	216,450	-	245,328	-	245,328	216,505	-	243,644	-	243,644
Treasury bonds	32.3	21,943,969	26,810,670	-	-	26,810,670	20,159,798	21,334,214	-	-	21,334,214
		22,160,419	26,810,670	245,328	-	27,055,998	20,376,303	21,334,214	243,644	-	21,577,858
L & R financial assets											
Commercial Paper	32.4	413,504	-	413,594	-	413,594	-	-	-	-	-
Bank deposits	32.4	4,516,157	-	4,516,157	-	4,516,157	2,968,261	-	2,968,261	-	2,968,261
Quoted debentures	32.4	10,128,425	5,514,888	5,718,219	-	11,233,107	8,209,160	3,079,224	5,409,316	-	8,488,540
Reverse repurchase agreements	32.4	2,026,042	-	2,026,042	-	2,026,042	2,022,237	-	2,022,237	-	2,022,237
		17,084,128	5,514,888	12,674,012	-	18,188,900	13,199,658	3,079,224	10,399,814	-	13,479,038
Total of fair values of financial investments not measured at fair value											
		39,244,547	32,325,558	12,919,340	-	45,244,898	33,575,961	24,413,438	10,643,458	-	35,056,896

10 GROSS WRITTEN PREMIUM (GWP)

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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.

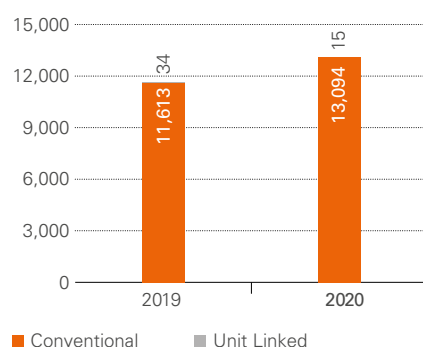
Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Conventional	13,093,838	11,613,265
Unit linked	14,767	34,491
Total gross written premium	13,108,605	11,647,756

For the year ended 31 December Rs.'000	2020			2019		
	Conventional	Unit linked	Total	Conventional	Unit linked	Total
Individual policies						
First year premium	3,132,316	-	3,132,316	2,728,293	-	2,728,293
Renewal premium	8,726,426	14,767	8,741,193	8,230,258	34,491	8,264,749
Single premium	880,047	-	880,047	542,032	-	542,032
	12,738,789	14,767	12,753,556	11,500,583	34,491	11,535,074
Corporate policies						
New business premium	268,092	-	268,092	27,167	-	27,167
Renewal premium	86,957	-	86,957	85,515	-	85,515
	355,049	-	355,049	112,682	-	112,682
Total gross written premium	13,093,838	14,767	13,108,605	11,613,265	34,491	11,647,756

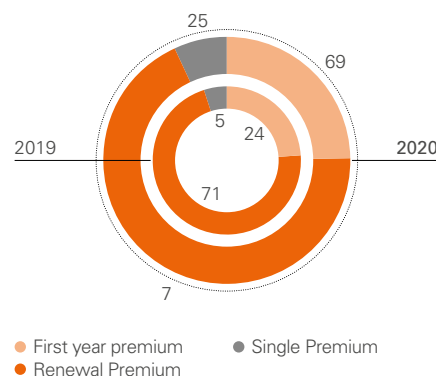
Gross Written Premium

(Rs. mn)



Composition of GWP

(%)



NOTES TO THE FINANCIAL STATEMENTS

11 PREMIUM CEDED TO REINSURERS

Accounting Policy

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. Value of the premiums are decided on the rates agreed with reinsurers and accounted on an accrual basis.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Conventional	588,877	524,581
Unit linked	1,000	1,201
Total premium ceded to reinsurers	589,877	525,782

12 NET INVESTMENT INCOME

Accounting Policy

Investment income comprises interest income on funds invested (including AFS 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). The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The

calculation of the EIR includes all transaction costs and fees that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. 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 EIR of the instrument.

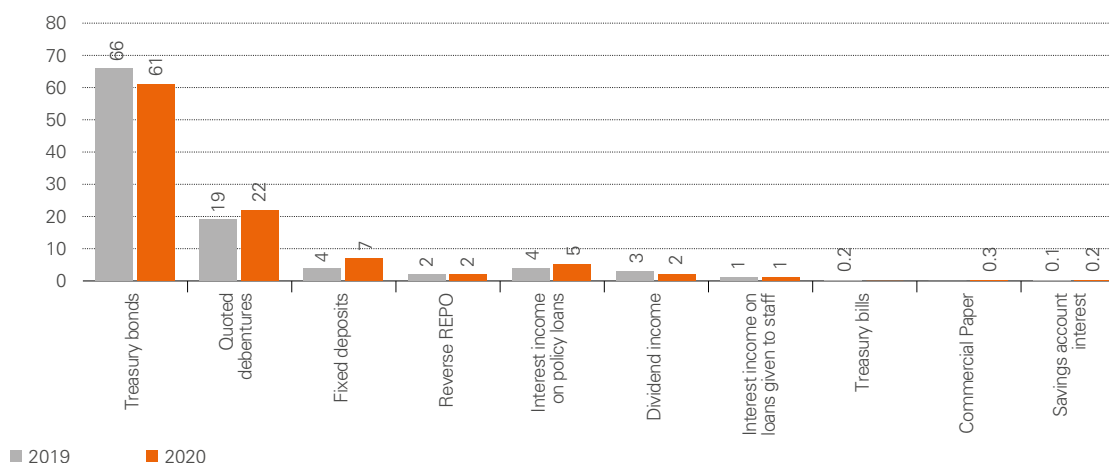
Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Dividends on equity investments are recognised in the income statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'.

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Investment income from;			
Held to maturity financial assets	12.1	2,372,281	2,232,452
Loans and receivables	12.2	1,809,801	1,347,526
Available for sale financial assets	12.3	779,198	870,085
Financial assets at fair value through profit or loss	12.4	149,906	183,873
Investment related expenses		(78,754)	(69,092)
Total net investment income		5,032,432	4,564,844

Composition of Investment Income

(%)



12.1 Investment Income from Held to Maturity Financial Assets

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Interest income		
Quoted debentures	33,446	33,453
Treasury bonds	2,338,835	2,198,999
	2,372,281	2,232,452

12.2 Investment Income from Loans and Receivables

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Interest income		
Interest income on policy loans	235,820	197,438
Reverse repurchase agreements	77,755	67,227
Fixed deposits	342,096	200,103
Interest income on loans given to staff	42,523	41,503
Quoted debentures	1,089,936	834,419
Commercial Paper	13,503	-
Savings account interest	8,168	6,836
	1,809,801	1,347,526

12.3 Investment Income from Available for Sale Financial Assets

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Interest income		
Treasury bonds	779,198	868,249
Treasury bills	-	1,836
	779,198	870,085

12.4 Investment Income from Fair Value Through Profit or Loss

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Interest income		
Treasury bills	471	6,243
Treasury bonds	-	1,301
Quoted debentures	17,601	13,087
Reverse repurchase agreements	7,284	10,164
Commercial Papers	1,019	-
Fixed deposits	2,806	1,292
	29,181	32,087

Dividend income

Held for trading - Conventional	89,461	107,346
Held for trading - Unit linked	31,264	44,440
	120,725	151,786
	149,906	183,873

13 NET REALISED GAINS/ (LOSSES)**Accounting Policy**

Realised gains and losses recorded in the income statement on investments include gains and losses on sale of 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.

On derecognition of an investment classified as AFS, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Realised gains	86,697	38,716
Realised losses	(488,878)	(14,403)
Total net realised gains/ (losses)	(402,181)	24,313

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December Rs.'000	2020			2019		
	Realised gains	Realised losses	Net realised gains / (losses)	Realised gains	Realised losses	Net realised gains / (losses)
Available for sale financial assets						
Treasury bonds	29,275	-	29,275	6,207	-	6,207
	29,275	-	29,275	6,207	-	6,207
Fair value through profit or loss financial assets						
Unit trusts	17,940	-	17,940	-	-	-
Quoted equity securities	39,480	(488,876)	(449,396)	32,509	(14,403)	18,106
	57,420	(488,876)	(431,456)	32,509	(14,403)	18,106
	86,695	(488,876)	(402,181)	38,716	(14,403)	24,313

14 NET FAIR VALUE GAINS/ (LOSSES)

Accounting Policy

Fair value gains and losses recorded in the income statement on investments include fair value gains / losses on financial assets at FVTPL.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Fair value through profit or loss financial assets		
Quoted equity securities	257,889	(302,437)
Unit Trusts	16,503	2,338
Treasury bonds	-	264
Treasury bills	(43)	241
Debentures	2,830	1,747
Total net fair value gains / (losses)	277,179	(297,847)

15 OTHER INCOME

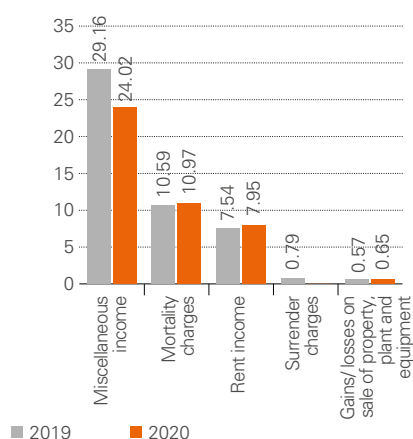
Accounting Policy

Other income comprises disposal gains / losses on property, plant and equipment, mortality charges, surrender charges, rent income and miscellaneous income.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Mortality charges	10,971	10,585
Surrender charges	-	789
Miscellaneous income	24,016	29,159
Rent income	7,946	7,539
Gains on sale of property, plant and equipment	651	572
Total other income	43,584	48,644

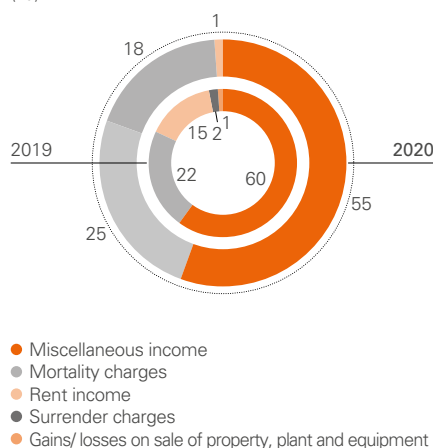
Other Income

(Rs. Mn)



Composition of Other Income

(%)



16 NET INSURANCE BENEFITS AND CLAIMS PAID

Accounting Policy

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.

For the year ended 31 December Rs.'000	2020			2019		
	Gross claims paid	Claims recovered from reinsurers	Net claims paid	Gross claims paid	Claims recovered from reinsurers	Net claims paid
Death, disability and hospitalisation	452,022	(313,032)	138,990	506,308	(92,486)	413,822
Surrenders	1,115,416	-	1,115,416	1,095,836	-	1,095,836
Annuity payments	344,889	-	344,889	354,606	-	354,606
Policy maturities	2,089,212	-	2,089,212	1,804,087	-	1,804,087
Total net life insurance claims and benefits	4,001,539	(313,032)	3,688,507	3,760,837	(92,486)	3,668,351

17 NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

Accounting Policy

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

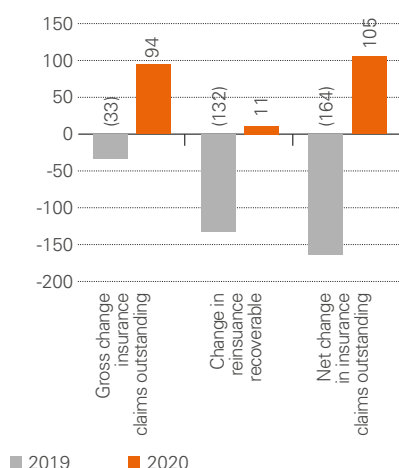
Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December Rs.'000	2020			2019		
	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	135,812	10,964	146,776	(4,421)	(131,849)	(136,270)
Surrenders	-	-	-	(13,710)	-	(13,710)
Policy maturities	(41,704)	-	(41,704)	(14,487)	-	(14,487)
Total net change in insurance claims outstanding	94,108	10,964	105,072	(32,618)	(131,849)	(164,467)

NOTES TO THE FINANCIAL STATEMENTS

Changes in Insurance Claims Outstanding

(Rs. Mn)



17.1 Net Insurance Benefits and Claims Expense

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Net insurance benefits and claims paid	16	3,688,507	3,668,351
Net change in insurance claims outstanding	17	105,072	(164,467)
Total net insurance benefits and claims expense		3,793,579	3,503,884

18 CHANGE IN CONTRACT LIABILITIES - LIFE FUND

Accounting Policy

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

For the year ended 31 December Rs.'000	Note	2020			2019		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums written	10/ 11	13,108,605	(589,877)	12,518,728	11,647,756	(525,782)	11,121,974
Insurance benefits and claims incurred	17.1	(4,095,647)	302,068	(3,793,579)	(3,728,219)	224,335	(3,503,884)
Underwriting and net acquisition costs (including reinsurance)	19	(2,284,063)	138,933	(2,145,130)	(1,939,899)	82,503	(1,857,396)
Other operating, selling and administrative expenses attributable to policyholders		(3,517,622)	-	(3,517,622)	(3,220,270)	-	(3,220,270)
Investment and other income attributable to policyholders		4,041,160	-	4,041,160	3,442,849	-	3,442,849
Income tax reversal		(71,304)	-	(71,304)	-	-	-
Surplus from life insurance fund transferred to Life shareholder's fund		(825,000)	-	(825,000)	(1,000,000)	-	(1,000,000)
Change in contract liabilities - Life Fund		6,356,129	(148,876)	6,207,253	5,202,217	(218,944)	4,983,273

19 UNDERWRITING AND NET ACQUISITION COSTS (NET OF REINSURANCE)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Acquisition cost	2,284,063	1,939,899
Reinsurance commission (including profit commission)	(138,933)	(82,503)
Total underwriting and net acquisition costs	2,145,130	1,857,396

20 OTHER OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

Accounting Policy

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.

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Employee benefits expenses	20.1	1,213,321	1,023,067
Administration and establishment expenses		1,070,742	1,189,075
Finance cost	21.1	56,417	114,314
Selling expenses		915,626	687,299
Total other operating, administrative and selling expenses		3,256,106	3,013,755

20.1 Employee Benefits Expenses

Refer Note 47 for the Accounting Policy.

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.

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Short Term Employee Benefits			
Staff remuneration		981,390	781,007
Defined contribution plan cost - EPF	47.1	74,886	68,403
Defined contribution plan cost - ETF	47.1	18,721	17,101
Staff welfare		17,561	35,859
Training expenses		24,601	28,991
Other costs		27,765	15,890
		1,144,924	947,251
Long Term Employee Benefits			
Defined benefit plan cost	47.4(a)	28,994	27,493
Share based payment expense	42.3(a)	7,762	11,984
Other long term employee benefit cost	47.4(b)	31,641	36,339
		68,397	75,816
Total employee benefits expenses		1,213,321	1,023,067

21 FINANCE COSTS

Interest cost is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

21.1 Finance Cost

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Interest expenses	33,922	84,670
Bank Charges	22,495	29,644
	56,417	114,314

22 PROFIT BEFORE TAX

Accounting Policy

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes share of profit of equity-accounted investees and income taxes.

Profit before tax is stated after charging all expenses including the following;

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Directors fee and emoluments		85,497	50,987
Auditors remuneration			
– Statutory audit and audit related services		7,873	8,382
– Non audit related services		2,423	3,059
Legal fees		2,794	5,158
Depreciation of property plant and equipment	28.1	82,899	83,113
Amortisation of intangible assets	27.1	179,990	122,240
Depreciation of Right of use assets	29.1	127,382	94,541
Amortisation of Lease rentals paid in advance		4,567	12,922

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Defined contribution plan			
- EPF	20.1	74,886	68,403
- ETF	20.1	18,721	17,101
Defined benefit plan cost	20.1	28,994	27,493
Other long term			
employee benefits	47.4(b)	31,641	36,339
Staff expenses		1,059,079	873,731
Research and development costs		-	-
CSR expenses		12,979	6,400
Gain on sale of property, plant and equipment	15	651	572
Provision for impairment of			
- Staff loans	36.1(a)	10,030	3,887
- Agent loans	36.2(a)	(1,704)	31,735

23 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognized directly in equity or OCI is recognised in equity or OCI and not in the income statement. Current tax assets and liabilities are offset only if certain criteria are met.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The company applies significant judgement in identifying uncertainties over income tax treatments. Since the company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the company.

The Company reviewed its income tax treatments and concluded that no additional provisions required and required disclosures have been made under contingent liabilities (Note 53.1).

23.1 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.

The Company is liable for income tax on the gains and profits from the Life Insurance Business ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of;

From 1st April 2018 onwards the gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017. As per this section, the gains and profits on which tax is payable is the aggregate of;

- Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary at a rate of 28%;
- Investment income of the shareholder fund less any expenses incurred in the production of such income at a rate of 28%; and
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance at a rate of 14% (up to 3 years from 2018 and thereafter at 28%)

23.2 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 judgements about future events. New information may become available that causes the Company to change its judgement 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.

As per the proposed changes by the government, the tax rate for insurance companies has changed from 28% to 24% with effect from 1 January 2020. However, as these changes have not been gazetted and enacted as at the reporting date, the prevailing income tax rate of 28% has been used for the income tax computation as at 31 December 2020.

23.3 Crop Insurance Levy

The Crop Insurance Levy was introduced under the provisions of 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.

23.4 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, to the taxation authority is included as a part of receivables or payables in the statement of financial position.

23.5 Withholding Tax on Dividends Distributed by the Company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the related dividend payment is recognised.

23.6 Amount Recognised in the Profit or Loss

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Current tax expense			
Current tax expense for the year		(73,731)	-
		(73,731)	-
Deferred tax expense			
Reversal of deferred tax assets	30.1	(534,225)	(550,432)
Origination of deferred tax assets		5,611	-
Reversal of deferred tax liabilities		-	-
Taxes Written-off			
Notional tax and ESC written-off		(270,900)	(200,000)
Income tax expenses recognised in the profit or loss		(873,245)	(750,432)

Income tax expenses excludes the Company's share of income tax expenses of equity accounted investee of Rs. 45 million (2019 - Rs. 41 million), which has been included in share of profit of equity accounted investee, net of tax.

23.7 Notional tax income

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.

As per the Inland Revenue Act No. 24 of 2017, which became effective from 1 April 2018, the notional taxes (withholding tax) on the interest of government securities have been withdrawn. Based on the transition provisions issued, the Company is allowed to carry forward the notional tax credits (the Company was entitled to, up to 31 March 2018) for a period of 3 years from 1 April 2018.

The Company had not recognised notional tax credit in the financial statements up to 31 December 2017 (disclosures were made), due to the uncertainty of availability of taxable profits against which such notional tax credits could be realised. Based on the amendments to the tax base by the IRD Act No 24 of 2017, the Company has become liable for income tax from the year ended 31 December 2018. Accordingly, Company recognized Rs. 608 million notional tax credits as at 31 December 2018 based on internal taxable profit projection. Impairment loss of Rs. 267 million was recognized during the year ended 31 December 2020 (2019 - Rs. 200 million).

The unrecognised notional tax credit in financials of the Company is as follows;

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Unutilised Notional tax credits as at 1 January	1,271,133	1,071,133
Notional tax credits during the year	-	-
Notional tax recognized as expense during the year (Note 23.8)	267,573	200,000
Unutilised Notional tax credits as at 31 December	1,538,706	1,271,133

23.8 Notional Tax Recognized as Expense During the Year

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Participating fund	(71,304)	-
Non participating fund	-	-
Shareholder fund	(196,269)	(200,000)
	(267,573)	(200,000)

NOTES TO THE FINANCIAL STATEMENTS

23.9 Reconciliation of Effective Tax Rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December	2020		2019	
	%	Rs. '000	%	Rs. '000
Profit before tax		1,793,841		1,908,462
Tax using the company's domestic tax rate	28%	502,276	28%	534,369
Share of profit of equity accounted investee reported net of tax	-3%	(45,281)	-2%	(40,731)
Net aggregate disallowable expenses and tax exempt income	4%	77,230	3%	56,794
Utilization of tax losses	-29%	(534,225)	-29%	(550,432)
Total income tax (expense) / reversal	-	-	-	-

24 EARNINGS PER SHARE

Accounting Policy

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit after tax and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

24.1 Basic Earnings per Share

For the year ended 31 December	2020	2019
Profit after tax (Rs. '000)	920,596	1,158,030
Weighted average number of ordinary shares ('000)	58,929	58,929
Basic Earnings Per Share (Rs.)	15.62	19.65

24.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 24.1.

25 DIVIDENDS PER SHARE

Accounting Policy

In the event of Dividend being declared by the Board of Directors after the reporting date it will not be recognised as a liability but as a note to the financial statements.

In compliance with circular IRCSL/DG/SUP/2020/06/546 dated 08 June 2020 issued by IRCSL, company has not declared shareholder dividends as at the reporting date.

For the year ended 31 December	2020	2019
Dividend declared (Rs. '000)	-	1,178,571
Number of ordinary shares ('000)	58,929	58,929
Dividend per share (Rs.)	-	20.00

25.1 Dividend Paid During the Year

For the year ended 31 December	2020	2019
First and final dividend for 2019 - Rs.20 per share (2018 - Rs. 20 per share)	1,178,571	1,178,571

26 FINANCIAL ASSETS AND LIABILITIES

26.1 Non Derivative Financial Assets

Accounting Policy

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 measured at fair value through profit or loss, it is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as the Company's trading activity.

Depending on the intention and ability to hold the invested assets, the financial assets category and their classification categories are shown in the table below.

Classification	Classification criteria
Held-To-Maturity (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.
Loans and Receivables (L&R)	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Fair Value Through Profit or Loss (FVTPL)	Financial assets held for trading and those designated upon initial recognition at FVTPL and investments typically bought with the intention to sell in the near future. For investments designated at FVTPL, the following criteria must be met; The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, Or The assets and liabilities are part of a Company's financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's investment strategy.
Available for Sale (AFS)	Financial assets that are designated as AFS and that are not classified in any of the previous categories. AFS financial investments include equity and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and which maybe sold in response to the need for liquidity or in response to changes in the market conditions.

Subsequent Measurement

Held-to Maturity Financial Assets (HTM)

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.

Loans and Receivables (L&R)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Fair Value Through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Available for Sale Financial Assets (AFS)

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.

Company's non derivative financial assets and their classifications are summarised as follows;

Financial Asset	Category			
	HTM	AFS	L & R	FVTPL
Treasury bonds	✓	✓	-	-
Treasury bills	-	-	-	✓ *
Reverse repurchase agreements	-	-	✓	✓ *
Quoted shares	-	-	-	✓ *
Unit Trusts	-	-	-	✓
Corporate debts	✓	-	✓	✓ *
Term deposits	-	-	✓	✓ *
Commercial Papers	-	-	✓	✓ *
Policy loans	-	-	✓	-
Staff and advisor loans	-	-	✓	-
Reinsurance receivables	-	-	✓	-
Premiums receivable	-	-	✓	-
Other receivables	-	-	✓	-
Cash in hand and at bank	-	-	✓	-

* Financial assets are designated as FVTPL relating to Unit Linked fund

NOTES TO THE FINANCIAL STATEMENTS

Impairment of 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 a 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.

Objective evidence that financial assets (including equity securities) are impaired may include;

- Significant financial difficulty of the borrower or user,
- Default or delinquency by debtor,
- It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization,
- Adverse change in the payment status of issuers or debtors in the Company, or
- In the case of equity a significant or prolonged decline in its fair value below its cost.

Impairment Losses on Financial Assets Carried at Amortised Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (L&R and HTM 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 L&R or HTM 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.

Impairment Losses on AFS Financial Assets

Impairment losses on AFS 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 AFS 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 is recognised directly in the statement of profit or loss and other comprehensive income.

Derecognition

The Company derecognises a financial asset when;

The rights to receive cash flows from the asset have expired, or

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) In case of AFS financial investments, 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.

26.2 Non Derivative Financial Liabilities

Accounting Policy

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 less 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, reinsurance payables, other liabilities and bank overdraft.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

26.3 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. Income and expenses are presented on a net basis only when it is required or permitted by a standard.

26.4 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.

26.5 Reclassification of Financial Assets and Liabilities

The Company reclassifies non derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement. Further, in certain circumstances, the Company is permitted to reclassify

financial instruments out of the AFS category and into the L&R category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset with a fixed maturity reclassified out of the AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

The Company may reclassify a non derivative trading asset out of the held for trading category and into the L&R category, if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Company does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Company does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

26.6 Derivatives Held for Risk Management Purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Other Non Trading Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

26.7 Financial Assets and Liabilities by Category

As at 31 December Rs'000	Note	L&R		FVTPL	
		2020	2019	2020	2019
Financial Assets					
Financial investments	32.2	17,084,128	13,199,658	5,157,248	3,457,191
Loans to life policyholders	33	1,793,470	1,555,759	-	-
Reinsurance receivable	34	492,011	502,975	-	-
Premiums receivable	35	376,723	344,785	-	-
Receivables and other assets	36	637,233	563,376	-	-
Cash in hand and at bank	37	960,270	632,962	-	-
Total financial assets		21,343,835	16,799,515	5,157,248	3,457,191
Financial Liabilities					
Reinsurance payables	48	-	-	-	-
Lease liabilities	46	-	-	-	-
Other financial liabilities	49	-	-	-	-
Bank overdraft	37	-	-	-	-
Total financial liabilities		-	-	-	-

27 INTANGIBLE ASSETS

Accounting Policy

Recognition and Measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

Contractual Relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and amortised over the contract period.

Software

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Lapse Used Case Development

This is an advance data analytic model on lapse prevention developed by the company with the help of an external consultant and the Parent company. Asset is initially measured at cost and subsequently carried at cost less accumulated amortization.

Expenditure on internally developed software is recognized 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

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Useful Economic Life and Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. None of the intangible assets are assumed to have a residual value.

The estimated useful lives of intangible assets and the amortisation methods for the current and comparative periods are as follows;

Software	3 -10 years using the straight line method from the date the software is available for use
Contractual Relationships	5 -10 years based on the expected business volumes
Lapse Used Case Development	10 years using the straight line method from the asset is available for use

AFS		HTM		Other financial liabilities		Total	
2020	2019	2020	2019	2020	2019	2020	2019
7,954,413	7,848,043	22,160,419	20,376,303	-	-	52,356,208	44,881,195
-	-	-	-	-	-	1,793,470	1,555,759
-	-	-	-	-	-	492,011	502,975
-	-	-	-	-	-	376,723	344,785
-	-	-	-	-	-	637,233	563,376
-	-	-	-	-	-	960,270	632,962
7,954,413	7,848,043	22,160,419	20,376,303	-	-	56,615,915	48,481,052
-	-	-	-	533,023	812,930	533,023	812,930
-	-	-	-	232,259	289,176	232,259	289,176
-	-	-	-	1,518,742	1,121,143	1,518,742	1,121,143
-	-	-	-	160,805	168,428	160,805	168,428
-	-	-	-	2,444,829	2,391,677	2,444,829	2,391,677

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the amortisation period or method as appropriate and are treated as changes in accounting estimates.

De-Recognition

An Intangible Asset is de - recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de - recognition of such Intangible Assets is included in income statement.

27.1 Reconciliation of Carrying Amounts of Intangible Assets

As at 31 December	Software		Contractual	Lapse	2020	2019
Rs.'000	Licensed	Purchased	Relationships	Used Case Development	Total	Total
Cost						
Balance as at 1 January	39,063	897,720	791,238	-	1,728,021	1,691,050
Acquisitions during the year - separately acquired	-	25,287	-	94,838	120,125	36,971
Balance as at 31 December	39,063	923,007	791,238	94,838	1,848,146	1,728,021
Accumulated amortisation and impairment losses						
Balance as at 1 January	39,011	316,334	65,754	-	421,099	298,859
Amortisation	47	87,815	82,644	9,484	179,990	122,240
Balance as at 31 December	39,058	404,149	148,398	9,484	601,089	421,099
Carrying value						
As at 31 December 2020	5	518,858	642,840	85,354	1,247,057	
As at 31 December 2019	52	581,386	725,484	-		1,306,922

NOTES TO THE FINANCIAL STATEMENTS

27.2 Assessment of Impairment of Intangible Assets

Contractual relationships are valued at the present value of the contractual inflows, by recognizing the relevant asset and the liability. There are two such contractual relationship agreements with two financial institutions. With the prevailing COVID-19 situation, actual performance was compared with contractual arrangement and the management has assessed that no impairment is required for the said asset as of the reporting date.

The Board of Directors has assessed the potential impairment loss of other intangible assets as at 31 December 2020. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

27.3 Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company as at the reporting date.

27.4 Intangible Assets pledged as Security

None of the Intangible assets have been pledged as security 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. 120 million (2019 - Rs. 37 million). Cash payments amounting to Rs. 120 million (2019 - Rs. 37 million) were made for purchase software during the year.

27.6 Amount of Contractual Commitments for the Acquisition of Intangible Assets

There are no contractual commitments for the acquisition of Intangible Assets as at the reporting date.

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. 211 million (2019 - Rs. 191 million).

28 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Recognition and Measurement

The Company applies the requirements of the Sri Lanka Accounting Standard LKAS 16 - Property, Plant and Equipment, in accounting for its owned assets which are held 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. Except for land and buildings, the Company applies the cost model for all property, plant and equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses. 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.

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.

Subsequent Costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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

Freehold 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 the statement of profit or loss and other comprehensive income and accumulated in equity in the 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 revaluation reserve.

An annual transfer from the 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.

Useful Economic Life and 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, plant 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
Freehold buildings	50 years
Office furniture	5 years
Furniture and fittings	5 years
Computer equipment	2-5 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.

Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually, if there are impairment indicators 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 significant are reassessed annually.

Depreciation on revalued classes 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 - recognized 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.

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in property, plant and equipment, awaiting for capitalisation.

Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard – LKAS 23 Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognized in the Profit or Loss in the period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

28.1 Reconciliation of Carrying Amounts of Property, Plant and Equipments

As at 31 December	Freehold Land	Freehold Buildings	Plant machinery, Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2020 Total	2019 Total
Rs.'000								
Cost / Revaluation								
Balance as at 1 January	1,893,750	371,477	170,261	291,716	551,579	80	3,278,863	2,806,183
Additions during the year	-	8,503	7,975	21,952	13,157	-	51,587	97,526
Revaluation	-	-	-	-	-	-	-	403,283
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	-	(17,390)
Disposals during the year	-	-	(2,762)	(12,105)	(40,673)	-	(55,540)	(10,739)
Balance as at 31 December	1,893,750	379,980	175,474	301,563	524,063	80	3,274,910	3,278,863
Accumulated depreciation and impairment losses								
Balance as at 1 January	-	-	138,899	174,896	464,683	80	778,558	723,193
Depreciation for the year	-	7,911	9,485	32,130	33,373	-	82,899	83,113
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	-	(17,390)
Accumulated depreciation on disposals during the year	-	-	(2,745)	(12,014)	(40,609)	-	(55,368)	(10,358)
Balance as at 31 December	-	7,911	145,639	195,012	457,447	80	806,089	778,558
Carrying value								
As at 31 December 2020	1,893,750	372,069	29,835	106,551	66,616	-	2,468,821	
As at 31 December 2019	1,893,750	371,477	31,362	116,820	86,896	-		2,500,305

28.2 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company 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. 51 million (2019 - Rs. 98 million). Cash payments amounting to Rs. 51 million (2019 - Rs. 98 million) were made during the year for purchase of property plant and equipment.

28.4 Disposal of Property, Plant and Equipment During the Year

During the financial year, the Company disposed of property, plant and equipment to the aggregate value of Rs. 56 million (2019 - Rs. 11 million). Cash amounting to Rs. 0.8 million (2019 - Rs. 0.6 million) was received during the year for disposal of property plant and equipment. Gain on disposal of Property, Plant and Equipment is disclosed in Note 15 to the Financial Statements.

28.5 Capitalisation of Borrowing Costs

There was no capitalised borrowing cost relating to the acquisition of property, plant and equipment during the year (2019 - Nil).

28.6 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.

28.7 The Details of Freehold Land and Buildings Which are Stated at Valuation

Company property	No of Buildings	Extent Perches (Land)	Square feet (Building)	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	1	93.4	57,916	Market comparable method	31 December 2019	Mr. P. B. Kalugalagedera and Associates	1,681,200	267,626	1,948,826	86
Land and building situated at No. 6, Rajapihilla Road, Kurunegala	1	32.3	27,904	Market comparable method	31 December 2019	Chartered valuation surveyor	212,550	103,851	316,401	14
							1,893,750	371,477	2,265,227	100

28.8 Significant Unobservable Inputs Used in Measuring Fair Value

The table below sets out the significant unobservable inputs used in measuring Land and buildings categorised as Level 3 in the fair value hierarchy as at 31 December 2020.

Location and address of Property	No. of buildings	Method of valuation	Significant unobservable inputs	Range of Estimates for unobservable inputs	Inter - Relationship between key unobservable inputs and fair value measurement
Kollupitiya No. 20, St. Michael's Road, Colombo 3	1	Market comparable method	Land - Price per perch Building - Price per square foot	Rs. 18,000,000 - Rs. 20,000,000 Rs. 12,000 - Rs. 17,000	The estimated fair value would increase / (decrease) if: Price per perch for land increases, decreases Price per square foot for building increases, decreases
Kurunegala No. 6, Rajapihilla Road, Kurunegala	1	Market comparable method	Land - Price per perch Building - Price per square foot	Rs. 7,000,000 - Rs. 8,000,000 Rs. 8,000 - Rs. 10,000	Price per perch for land increases, decreases Price per square foot for building increases, 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.

28.9 Revaluation Surplus

Rs.'000	2019		
	Land	Buildings	Total
Revalued amount	1,893,750	371,477	2,265,227
Carrying value (prior to revaluation)	(1,571,000)	(290,944)	(1,861,944)
Revaluation surplus for the year ended 31 December	322,750	80,533	403,283

NOTES TO THE FINANCIAL STATEMENTS

28.10 If Land and Buildings were stated at Historical Cost, the Amounts would have been as follows;

As at 31 December	2020 Rs. '000	2019 Rs. '000
Cost	251,124	251,124
Accumulated depreciation	(93,645)	(89,631)
Carrying value	157,479	161,493

28.11 The Effect of Revaluation of Freehold Buildings on the Statement of Income during the year was as follows;

As at 31 December	2020 Rs. '000	2019 Rs. '000
Depreciation charge per annum after revaluation	7,730	8,629
Depreciation charge per annum prior to revaluation	(4,014)	(4,014)
Decrease in profit in subsequent period	3,716	4,615

28.12 Impairment of Property, Plant and Equipment

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.

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 December 2020. Based on the assessment, the Company does not foresee any indications of Impairment as at the reporting date due to the COVID-19 pandemic, and functions under the business continuity plan as per the Company risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

28.13 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	2020 Rs. '000	2019 Rs. '000
Computer equipment	367,191	361,715
Office equipment	125,289	120,433
Furniture and fittings	131,777	141,168
Motor Vehicle	80	80
Total	624,337	623,396

28.14 Property, Plant and Equipment pledged as Security

None of the property, plant or equipment have been pledged as security as at the reporting date.

28.15 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in value of PPE which require an impairment provision in the Financial Statements.

28.16 Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property, plant or equipment as at the reporting date.

28.17 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 or equipment that were impaired, lost or given up.

28.18 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2019 - Nil)

29 RIGHT OF USE ASSETS (LEASES)

Accounting policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets separately and lease liabilities in other liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associate with these leases as an expense on a straightline basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies SLFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from SLFRS 16.

29.1 Leases as lessee (SLFRS 16)

The Company has lease contracts for branches, typically made in between 1 to 6 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company does not foresee any indications of impairment of right of use assets due to the COVID-19 pandemic since as Company is operating under the business continuity plan as per the Company risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. The Company does not anticipate discontinuation of any right of use assets as at the year end.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	2020			2019
	Building	Motor Vehicles	Total	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at 1 January	273,584	23,215	296,799	323,866
Prepaid Rent	-	-	-	24,611
Additions to right-of-use assets during the year	50,404	-	50,404	42,863
Depreciation for the year	(116,846)	(10,536)	(127,382)	(94,541)
Change in fair value	(683)	(826)	(1,509)	-
Balance at 31 December	206,459	11,853	218,312	296,799

Amounts recognised in profit or loss

For the year ended 31 December – Leases under SLFRS 16	2020 Rs. '000	2019 Rs. '000
Interest on lease liabilities	(9,824)	33,997
Depreciation of right-of-use assets	127,382	94,541
Expenses relating to short-term leases	7,412	15,299
	124,970	143,837

Amounts recognised in statement of cash flows

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities (Note 46);
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease payments and payments for leases of low value assets as operating activities.

29.2 Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. Company has not exercised this option during the period.

30 DEFERRED TAX**Accounting Policy**

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized 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.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. The reversal of relevant taxable temporary differences are determined based on future taxable profits. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets liabilities.

Deferred Tax Asset

With the introduction of the tax base in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 which became effective from 1 April 2018, the Company has taxable income from the year ending 31 December 2018, based on the Company's historical experience and future plans. As such, the Company will be eligible to claim its brought forward tax losses against its taxable income within a period of 6 years commencing 1 April 2018. Accordingly, during the year ended 31 December 2018, the Company recognized a deferred tax asset amounting to Rs. 1,079 billion arising from brought forward tax losses as at 31 March 2018 after assessing the availability of future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

Deferred Tax Liability

In terms of Section 67 of the Inland Revenue Act No. 24 of 2017, the Company is of the view that there will not be material temporary differences arising, which will result in a Deferred Tax Liability including future taxes that could be incurred on disposal of business assets (free hold land and building).

Deferred tax is an estimate computed based on the assessment of available information as at the reporting date. Hence these estimates are subject to changes based on future developments / changes to any information, which the assumptions are based on, at the time of estimation. Such changes to the estimates will be adjusted during the period in which changes occur.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Use of Judgements and Estimates

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. Judgement 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.

The company's risk management strategy involved implementation of the business continuity plan as a response to COVID-19 pandemic, which in turn is expected to continue to earn future tax profits to utilize the deferred tax asset.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Deferred tax assets	-	(528,614)
Deferred tax liabilities	-	-
Net tax liabilities/ (assets)	-	(528,614)

30.1 Movement in Deferred Tax Balances

For the year ended 31 December	2020						
Rs. '000	Net balance as at 1 January	Unrecognised tax losses	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
Deferred tax liabilities	-	-	-	-	-	-	-
Deferred tax assets							
Carry forward tax losses	(528,614)	-	528,614	-	-	-	-
Unrecognised losses from previous years	-	(5,611)	5,611	-	-	-	-
	(528,614)	(5,611)	534,225	-	-	-	-
Net tax liabilities/ (assets)	(528,614)	(5,611)	534,225	-	-	-	-

For the year ended 31 December	2019						
Rs. '000	Net balance as at 1 January	Unrecognised tax losses	Recognised in profit or loss	Recognised in OCI	Net	Deferred tax assets	Deferred tax liabilities
As at 31 December							
Deferred tax liabilities	-	-	-	-	-	-	-
Deferred tax assets							
Carry forward tax losses	(1,079,046)	-	550,432	-	(528,614)	(528,614)	-
Unrecognised losses from previous years	-	-	-	-	-	-	-
	(1,079,046)	-	550,432	-	(528,614)	(528,614)	-
Net tax liabilities/ (assets)	(1,079,046)	-	550,432	-	(528,614)	(528,614)	-

30.2 Analysis of Recognised Deferred Tax Assets / Liabilities

As at 31 December	2020		2019	
	Temporary Difference	Tax effect	Temporary Difference	Tax effect
Rs. '000				
Deferred tax assets				
Carry forward tax losses	-	-	1,887,907	(528,614)
	-	-	1,887,907	(528,614)
Deferred tax liability	-	-	-	-
Net recognised deferred tax assets / liabilities	-	-	1,887,907	(528,614)

30.3 Deferred tax assets from tax losses

Company utilised total amount of brought forward tax losses against taxable income and there are no tax losses or deferred tax assets recorded as at the reporting date.

30.4 Impact due to corporate income tax rate change

As provided for in LKAS 12 - Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date.

As per the proposed changes by the government, the tax rate for insurance companies has changed from 28% to 24% with effect from 1 January 2020. However, as these changes have not been gazetted as at the reporting date, the prevailing income tax rate of 28% has been used for the deferred tax computation as at 31 December 2020.

30.5 Tax Loss Analysis

There were no tax losses carried forward as at the reporting date (2019 - Rs. 1,888 million);

	2020	2019
	Rs. '000	Rs. '000
Balance as at 1 January	1,887,907	3,853,735
Unrecognised taxable income from previous year	-	(59,626)
Utilised during the year	(1,907,945)	(1,907,196)
Unrecognised tax losses from previous years	20,038	994
Balance as at 31 December	-	1,887,907

NOTES TO THE FINANCIAL STATEMENTS

31 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Accounting Policy

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.

Investments in associate is accounted for using the equity method and are recognised initially at cost, in terms of Sri Lanka Accounting Standards LKAS 28 - Investments in Associates and Joint ventures.

The Company's investment in its associate is reported as a separate line item in the Statement of Financial Position. Under the equity method, investments in associate is carried at cost plus post acquisition changes in the Company's share of net assets of the associate. 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 the 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 the 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 the associate company conform to those used for similar transactions of the Company.

The associate has the same reporting date as the Company and the financial statements are prepared to a common financial year ending 31 December.

As at 31 December					2020		2019	
	Place of incorporation and operation	Proportion of ownership interest	Number of Shares	Cost	Directors valuation / market value	Carrying value	Directors valuation / market value	Carrying value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted								
Fairfirst Insurance								
Limited	Sri Lanka	22%	68,902,870	689,029	1,386,991	1,386,991	1,245,951	1,245,951

Significant accounting policies that are specific to the business of equity accounted investee - Fairfirst Insurance Limited.

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.

Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. 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.

Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover by contracts entered during the period, and are generally recognised on the date on which the policy incept.

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.

Acquisition Cost

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.

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.

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 of the associate 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 adjustment 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.

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.

Deferred Acquisition Costs (DAC)

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 DAC is amortised in the same manner as the UPR 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 off.

Reinsurance Commissions - Unearned Commission Reserve (UCR)

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Insurance Contract 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.

NOTES TO THE FINANCIAL STATEMENTS

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 determined 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.

Liability Adequacy Test (LAT)

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.

Non life insurance liability adequacy is decided by an independent external actuary.

31.1 Summarised Financial Information in Respect of Associate

Share of Results of Associate

Income Statement

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Net earned premium	6,321,043	5,669,341
Finance and other income	871,560	852,803
Benefits, claims and expenses	(6,426,915)	(5,907,970)
Profit before tax	765,688	614,174
Income tax expenses	(236,421)	(138,105)
Profit from continuing operations, net of tax	529,267	476,069
Percentage ownership interest	22%	22%
Company's share of profit from investment in associate, net of tax	116,438	104,736
Other Comprehensive Income		
Other comprehensive income, net of tax	111,823	49,259
Company's share of other comprehensive income, net of tax	24,601	10,837
Total comprehensive income	641,090	525,328
Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax	141,039	115,573

Current non current analysis of assets / Liabilities in respect of associate

As at 31 December	2020	2019
Total assets	18,190,337	16,437,410
Total liabilities	11,885,830	10,773,991
Net assets (100%)	6,304,507	5,663,419
Company's share of net assets (22%)	1,386,991	1,245,951

31.1(a) Company's Share of Other Comprehensive Income, net of Tax

For the year ended 31 December	Note	2020 Rs. '000	2019 Rs. '000
Share of gains on AFS reserve	39	26,915	13,234
Share of actuarial losses on defined benefit plans	42.2	(2,314)	(2,397)
		24,601	10,837

31.2 Reconciliation of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the financial statements is as follows.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Value of investment in equity accounted investee as at 1 January	1,245,951	1,130,379
Add		
Net profit for the period recognised in income statement	116,438	104,736
Other comprehensive income	24,601	10,837
Dividend received	-	-
Company share of (net of tax) equity accounted investee for the year ended 31 December	141,039	115,573
Value of investment in equity accounted investee as at 31 December	1,386,991	1,245,951
Contingent liabilities of equity accounted investee	Nil	Nil
Capital and other commitments of equity accounted investee	Nil	Nil

31.3 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.

31.4 The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

32 FINANCIAL INVESTMENTS

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in Note 8 to the financial statements.

32.1 Financial Investments Pledged as Security

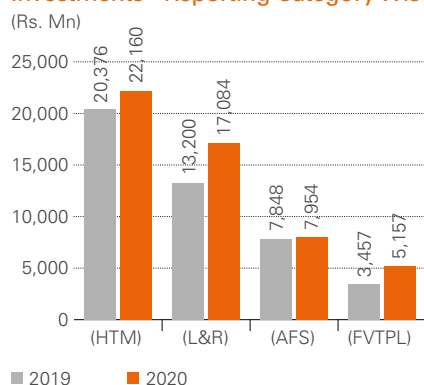
None of the financial investments have been pledged as security as at the reporting date.

32.2 The Company's Financial Instruments are Summarised as Follows:

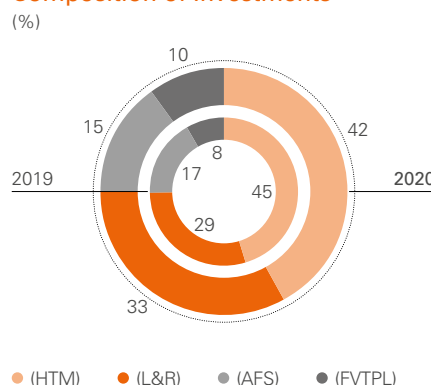
As at 31 December		2020		2019	
	Note	Carrying value	Fair Value	Carrying value	Fair Value
Rs.'000					
Held to maturity financial assets (HTM)	32.3	22,160,419	27,055,999	20,376,303	21,577,858
Loans and receivables (L&R)	32.4	17,084,128	18,188,900	13,199,658	13,479,038
Available for sale financial assets (AFS)	32.5	7,954,413	7,954,413	7,848,043	7,848,043
Financial assets at fair value through profit or loss (FVTPL)	32.6	5,157,248	5,157,248	3,457,191	3,457,191
Total financial investments		52,356,208	58,356,560	44,881,195	46,362,130

NOTES TO THE FINANCIAL STATEMENTS

Investments - Reporting Category Wise



Composition of Investments



32.2(a) Investments Supporting Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018 on one - off surplus transfer, following investments have been marked to support the Restricted Regulatory Reserve of the Company.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Treasury bonds		
Held to maturity financial investments	1,277,299	1,449,744
Available for sale financial investments	2,352,868	2,116,302
	3,630,167	3,566,046

32.3 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Amortised cost			
Quoted debentures	32.3 (a)	216,450	216,505
Treasury bonds		21,943,969	20,159,798
Total HTM financial investments		22,160,419	20,376,303

32.3(a) Quoted Debentures - Banks and Finance

As at 31 December	2020					
Issuer	Credit Rating	Maturity date	No. of debentures	Carrying value	Market value	Interest
Rs. '000				Rs. '000	Rs. '000	%
Hatton National Bank PLC	AA-	31/07/2022	2,000,000	216,450	245,328	16.75
				216,450	245,328	

As at 31 December	2019					
Issuer	Credit Rating	Maturity date	No. of debentures	Carrying value	Market value	Interest
Rs. '000				Rs. '000	Rs. '000	%
Hatton National Bank PLC	A+	31/07/2022	2,000,000	216,505	243,644	16.75
				216,505	243,644	

32.3(b) Impairment of Held to Maturity Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

32.4 Loans and Receivables (L&R)

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Amortised cost			
Bank deposits		4,516,157	2,968,261
Quoted debentures	32.4 (a)	10,128,425	8,209,160
Commercial Paper		413,504	-
Reverse repurchase agreements		2,026,042	2,022,237
Total L&R financial investments		17,084,128	13,199,658
The effective interest rates on non-current portion of portfolio		10.66%	11.92%

32.4(a) Quoted Debentures - Banks and Finance

As at 31 December	2020					
Issuer	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Commercial Bank of Ceylon PLC	AA-	3/9/21	250,000	25,841	25,962	10.75
Citizens Development Business Finance PLC	A-	6/3/21	515,390	52,732	52,841	12.75
Seylan Bank PLC	BBB+	7/15/21	950,400	100,888	103,346	13.00
Siyapatha Finance PLC	A	9/20/21	102,400	10,576	11,096	13.50
Singer Sri Lanka PLC	BBB+	9/28/21	3,500,000	360,508	372,906	12.00
Bank of Ceylon	AA-	10/24/21	242,499	24,904	26,164	13.25
Nations Trust Bank PLC	BBB+	11/8/21	3,000,000	305,428	318,266	12.65
People's Leasing & Finance PLC	A+	11/16/21	2,000,000	202,996	213,016	12.60
Bank of Ceylon	AA-	12/29/21	2,000,000	201,120	213,062	13.25
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,871	56,697	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,934	165,849	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,660	109,236	12.75
LB Finance PLC	BBB+	12/11/22	1,000,000	100,685	109,667	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	199,178	216,695	12.50
Sampath Bank PLC	A	3/20/23	2,700,000	279,554	305,819	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	274,197	297,181	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,019	341,584	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,671	445,321	11.25
Hatton National Bank PLC	AA+	8/30/23	1,204,706	109,542	127,471	8.00
Bank of Ceylon	AA-	10/25/23	452,300	47,080	53,556	13.75
Hatton National Bank PLC	AA-	11/1/23	724,000	73,920	84,371	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	516,643	579,066	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	173,660	191,406	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,394	508,055	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,894	236,432	11.50
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,197	312,796	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,550	120,236	13.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,316	113,437	12.80
HNB Finance Limited	A	12/30/24	6,000,000	600,365	698,194	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	157,224	178,256	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,162	374,347	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,587	236,678	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,523	380,476	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,325	512,753	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,997	305,178	9.00
Hatton National Bank PLC	AA-	9/23/26	864,100	89,326	107,359	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,970	351,615	12.90
Peoples Bank	AA	11/8/27	4,370,000	444,633	538,196	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,119	375,892	13.50
Sri Lanka Telecom PLC	AA+	4/19/28	2,000,000	205,053	259,675	12.75
Commercial Bank of Ceylon PLC	AA-	7/23/28	5,000,000	527,624	640,290	12.50
Peoples Bank	AA-	7/27/30	5,000,000	521,559	562,664	10.25
				10,128,425	11,233,107	

NOTES TO THE FINANCIAL STATEMENTS

32.4(a) Quoted Debentures - Banks and Finance

As at 31 December Issuer	2019					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Central Finance Company PLC	A+	1/6/20	400,000	43,277	43,737	9.52
National Development Bank PLC	A	24/6/20	2,429,000	228,896	201,742	-
National Development Bank PLC	A	24/6/20	1,850,000	199,661	232,116	9.40
Senkadagala Finance PLC	BBB+	10/11/20	500,000	50,812	51,029	13.75
Commercial Bank of Ceylon PLC	AA-	9/3/21	250,000	25,926	23,339	10.75
Seylan Bank PLC	BBB+	15/7/21	950,400	101,168	100,794	13.00
Siyapatha Finance Limited	A-	20/9/21	102,400	10,533	11,048	13.50
Singer Sri Lanka PLC	A-	28/9/21	3,500,000	360,611	367,876	12.00
Bank of Ceylon	AA	24/10/21	242,499	25,011	26,228	13.25
Nations Trust Bank PLC	A-	8/11/21	3,000,000	305,494	305,615	12.65
People's Leasing Company PLC	AA-	16/11/21	2,000,000	203,040	203,107	12.60
Bank of Ceylon	AA	29/12/21	2,000,000	202,062	200,825	13.25
Lanka Orix Leasing Company PLC	A	31/7/22	500,000	52,883	54,978	13.00
National Savings Bank	AAA	10/9/22	1,500,000	154,917	159,282	11.00
LB Finance PLC	A-	11/12/22	1,000,000	100,669	104,788	12.75
LB Finance PLC	BBB+	11/12/22	1,000,000	100,694	101,066	13.25
Sampath Bank PLC	A	21/12/22	1,600,000	160,569	167,413	12.50
Sampath Bank PLC	A	20/3/23	200,000	20,994	21,009	12.50
Sampath Bank PLC	A	20/3/23	2,500,000	258,682	262,618	12.50
DFCC Bank PLC	A+	29/3/23	2,500,000	274,426	277,942	12.60
Nations Trust Bank PLC	A-	20/4/23	2,875,000	313,036	325,566	13.00
Hatton National Bank PLC	AA-	30/8/23	1,204,706	105,328	113,779	8.00
Bank of Ceylon	AA	25/10/23	452,300	47,298	47,393	13.75
Hatton National Bank PLC	A+	1/11/23	724,000	73,909	73,969	13.00
National Development Bank PLC	A	19/12/23	4,500,000	517,722	520,290	13.90
Sampath Bank PLC	A	28/2/24	1,000,000	111,565	116,541	13.90
Seylan Bank PLC	BBB+	18/4/24	4,000,000	441,522	472,371	15.00
Bank of Ceylon	Unrated	23/7/24	2,000,000	209,825	216,812	11.50
Siyapatha Finance Limited	BBB+	8/8/24	2,760,000	290,146	302,628	13.33
Hayleys PLC	A+	26/8/24	1,000,000	104,507	104,522	13.00
Nations Trust Bank PLC	A-	23/12/24	1,000,000	100,299	103,948	12.80
HNB Finance Limited	BBB+	30/12/24	6,000,000	600,216	625,475	13.20
DFCC Bank PLC	A+	29/3/25	3,000,000	329,249	348,342	13.00
Seylan Bank PLC	BBB+	29/3/25	2,000,000	206,614	206,727	13.20
Hatton National Bank PLC	A+	23/9/26	864,100	89,307	94,832	12.80
Nations Trust Bank PLC	A-	23/12/26	3,000,000	300,904	314,030	12.90
Peoples Bank	AA	8/11/27	4,370,000	444,533	473,760	12.25
Seylan Bank PLC	BBB+	29/3/28	3,000,000	310,153	326,974	13.50
Sri Lanka Telecom PLC	AA+	19/4/28	2,000,000	205,070	225,013	12.75
Commercial Bank of Ceylon PLC	AA-	23/7/28	5,000,000	527,632	559,018	12.50
				8,209,160	8,488,542	

32.4(b) Impairment of Loans and Receivables Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

32.5 Available for Sale Financial Assets (AFS)

As at 31 December	2020 Rs. '000	2019 Rs. '000
Fair value		
Treasury bonds	7,954,413	7,848,043
Total Available for Sale Financial investments	7,954,413	7,848,043

32.5(a) Impairment of Available for Sale Financial Investments

At the reporting date, there were no AFS financial investments that were overdue and impaired.

32.6 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Fair value			
Quoted equities	32.6 (a)	2,884,723	2,059,968
Unit Trusts		1,219,168	152,338
		4,103,891	2,212,306
Investments in unit linked funds			
Quoted equities	32.6 (b)	783,223	949,024
Reverse repurchase agreements		82,998	112,386
Treasury bills		-	26,649
Bank deposits		28,444	16,292
Commercial Papers		10,259	-
Quoted debentures		148,433	140,534
		1,053,357	1,244,885
Total Fair Value Through Profit or Loss financial investments		5,157,248	3,457,191

32.6(a) Quoted Equities - Other than Unit Linked Investments

As at 31 December	2020			2019		
	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
Banks						
Commercial Bank PLC (non voting)	-	-	-	673,634	48,086	55,912
Commercial Bank of Ceylon PLC	5,932,262	516,264	479,920	863,208	93,883	82,005
Hatton National Bank PLC	3,927,647	587,733	496,847	1,642,838	341,564	282,897
Hatton National Bank PLC (non voting)	-	-	-	1,545,068	198,479	209,357
Sampath Bank PLC	1,070,088	224,238	145,104	2,512,761	601,607	408,072
DFCC Bank PLC	-	-	-	391,520	65,589	35,980
National Development Bank PLC	-	-	-	1,291,100	203,716	129,110
Seylan Bank PLC (Non Voting)	-	-	-	683,973	34,854	23,118
Seylan Bank PLC	-	-	-	483,178	38,918	25,367
		1,328,235	1,121,871		1,626,696	1,251,818
Diversified Financials						
Central Finance Company PLC	-	-	-	437,028	40,235	45,451
People's Leasing & Finance PLC	-	-	-	3,937,398	68,951	70,479
		-	-		109,186	115,930
Capital Goods						
Access Engineering PLC	-	-	-	2,965,739	74,852	64,653
Hemas Holdings PLC	1,649,795	110,843	164,815	556,323	20,297	44,506
John Keells Holdings PLC	3,553,161	427,662	531,553	-	-	-
		538,505	696,368		95,149	109,159
Consumer Durables & Apparel						
Hayleys Fabric PLC	1,599,464	36,873	44,465	-	-	-
Teejay Lanka PLC	5,508,793	149,934	209,334	2,782,495	74,831	113,526
		186,807	253,799		74,831	113,526

NOTES TO THE FINANCIAL STATEMENTS

32.6(a) Quoted Equities - Other than Unit Linked Investments

As at 31 December	2020			2019		
	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
Consumer Services						
Aitken Spence Hotel Holdings PLC	-	-	-	364,900	25,931	9,889
John Keells Hotels PLC	2,509,603	20,077	27,606	-	-	-
		20,077	27,606		25,931	9,889
Food & Staples Retailing						
Cargills (Ceylon) PLC	723,198	138,853	148,256	-	-	-
		138,853	148,256		-	-
Food Beverage & Tobacco						
Ceylon Cold Stores PLC	93,896	64,205	66,159	-	-	-
Ceylon Tobacco Company PLC	65,168	61,931	67,051	-	-	-
Lion Brewery (Ceylon) PLC	234,662	125,643	137,277	-	-	-
Nestle Lanka PLC	91,273	118,646	116,373	-	-	-
Sunshine Holdings PLC	1,110,802	49,431	91,752	-	-	-
Distilleries Company of Sri Lanka PLC	-	-	-	5,304,755	96,249	98,138
Melstacorp PLC	-	-	-	2,529,764	145,110	110,045
		419,856	478,612		241,359	208,183
Materials						
Chevron Lubricants Lanka PLC	-	-	-	426,400	29,039	31,937
Tokyo Cement Company (Lanka) PLC (voting)	-	-	-	1,703,397	46,124	81,763
Tokyo Cement Company (Lanka) PLC (non-voting)	-	-	-	1,729,956	36,938	67,814
Piramal Glass PLC	-	-	-	7,927,708	48,005	35,675
		-	-		160,106	217,189
Retailing						
Diesel and Motor Engineering PLC	-	-	-	3,437	5,194	1,100
		-	-		5,194	1,100
Telecommunication Services						
Dialog Axiata PLC	12,758,938	146,910	158,211	2,697,066	29,668	33,174
		146,910	158,211		29,668	33,174
		2,779,243	2,884,723		2,368,120	2,059,968

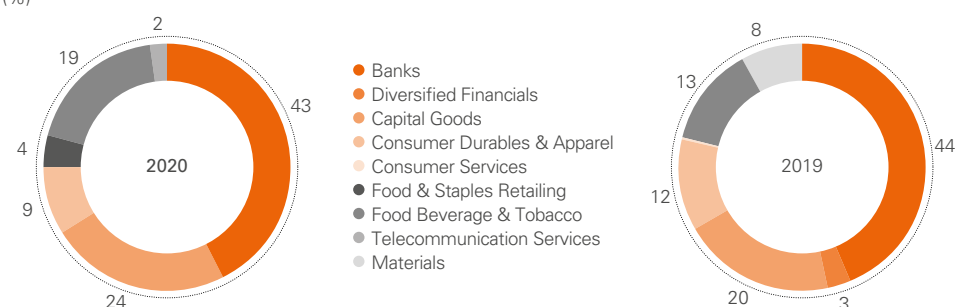
32.6(b) Equity Securities / Unit Linked Fund - (FVTPL)

As at 31 December	2020			2019		
	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No of shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
Banks						
Commercial Bank of Ceylon PLC	1,841,581	164,629	148,984	645,980	72,238	61,368
Commercial Bank of Ceylon PLC - (non voting)	-	-	-	96,335	8,329	7,996
Hatton National Bank PLC	1,218,890	142,553	154,190	184,428	30,932	31,759
Hatton National Bank PLC (non voting)	-	-	-	1,030,711	188,087	139,661
DFCC Bank PLC	-	-	-	70,960	12,500	6,521
National Development Bank PLC	-	-	-	173,287	31,222	17,329
Sampath Bank PLC	258,535	43,507	35,057	958,902	176,435	155,726
		350,689	338,231		519,743	420,360

As at 31 December	2020			2019		
	No of shares	Cost	Carrying / Fair Value	No of shares	Cost	Carrying / Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Diversified Financials						
Central Finance Company PLC	-	-	-	164,450	15,191	17,103
People's Leasing & Finance PLC	-	-	-	715,472	12,096	12,807
		-	-		27,287	29,910
Capital Goods						
Hemas Holdings PLC	359,291	24,477	35,893	1,572,569	155,360	125,806
John Keells Holdings PLC	994,220	127,480	148,735	396,725	58,206	66,491
		151,957	184,628		213,566	192,297
Consumer Durables & Apparel						
Hayleys Fabric PLC	408,842	9,532	11,366	-	-	-
Teejay Lanka PLC	1,604,590	52,168	60,974	2,701,518	99,637	110,222
		61,700	72,340		99,637	110,222
Consumer Services						
Aitken Spence Hotel Holdings PLC	-	-	-	125,493	9,003	3,401
		-	-		9,003	3,401
Food & Staples Retailing						
Cargills (Ceylon) PLC	136,588	26,181	28,001	-	-	-
		26,181	28,001		-	-
Food Beverage & Tobacco						
Ceylon Cold Stores PLC	9,288	6,786	6,544	-	-	-
Ceylon Tobacco Company PLC	18,812	17,777	19,356	-	-	-
Distilleries Company of Sri Lanka PLC	-	-	-	257,644	4,215	4,766
Lion Brewery (Ceylon) PLC	5,752	2,999	3,364	-	-	-
Melstacorp PLC	-	-	-	173,690	8,976	7,556
Nestle Lanka PLC	61,399	99,596	78,284	82,311	136,636	106,988
Sunshine Holdings PLC	487,092	21,676	40,234	-	-	-
		148,834	147,782		149,827	119,310
Telecommunication Services						
Dialog Axiata PLC	987,158	11,822	12,241	-	-	-
		11,822	12,241		-	-
Materials						
Tokyo Cement Company (Lanka) PLC (voting)	-	-	-	349,177	6,898	13,687
Tokyo Cement Company (Lanka) PLC (non-voting)	-	-	-	1,070,125	30,640	51,366
Piramal Glass PLC	-	-	-	1,882,584	11,065	8,471
		-	-		48,603	73,524
		751,183	783,223		1,067,666	949,024

Equity Securities / Unit Linked Fund - (FVTPL)

(%)



NOTES TO THE FINANCIAL STATEMENTS

32.6 (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.

32.7 Movement of Financial Investments

Rs.'000	Held to maturity	Loans and receivables	Available for sale	Fair value through profit or loss	Total
As at 1 January 2019	19,261,339	7,644,568	8,603,633	3,628,533	39,138,073
Purchases	3,152,661	5,853,549	292,134	3,110,132	12,408,476
Maturities	(2,198,549)	(307,996)	(1,062,335)	(2,193,913)	(5,762,793)
Disposals	-	-	(526,672)	(854,048)	(1,380,720)
Scrip Dividend	-	-	-	62,705	62,705
Fair value losses recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	-	(302,436)	(302,436)
Fair value gains recorded in OCI	-	-	559,563	-	559,563
Amortisation	104,949	61,991	31,592	5,856	204,388
Net change in accrued Interest	55,903	(52,454)	(49,872)	362	(46,061)
As at 31 December 2019	20,376,303	13,199,658	7,848,043	3,457,191	44,881,195
As at 1 January 2020	20,376,303	13,199,658	7,848,043	3,457,191	44,881,195
Purchases	3,891,616	6,611,471	864,719	4,554,464	15,922,270
Maturities	(1,050,000)	(3,003,890)	(975,000)	(101,198)	(5,130,088)
Disposals	(1,190,345)	-	(454,341)	(3,067,531)	(4,712,217)
Scrip Dividend	-	-	-	34,162	34,162
Fair value losses recorded in statement of income (excluding net realised gains) classified as held for trading	-	-	-	277,179	277,179
Fair value gains recorded in OCI	-	-	658,274	-	658,274
Amortisation	60,167	12,361	15,640	334	88,502
Net change in accrued Interest	72,678	264,528	(2,922)	2,647	336,931
As at 31 December 2020	22,160,419	17,084,128	7,954,413	5,157,248	52,356,208

33 LOANS TO LIFE POLICYHOLDERS

See accounting policy in Note 26.

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to market rate. Policyholder loans are initially measured at fair value and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	1,249,822	956,638
Loans granted during the year	607,323	630,532
Repayments during the year	(443,679)	(337,348)
Provision for Period	-	-
	1,413,466	1,249,822
Interest receivables on loans to life policyholders	380,004	305,937
Balance as at 31 December	1,793,470	1,555,759

33.1 Collateral Details

As at 31 December 2020 surrender value of policyholder loans amounted to Rs.2,888 million (2019 - Rs.2,544 million).

If the total receivable of the loan, including interest due and accrued exceeds the cash surrender value, the policy terminates and becomes void.

The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans.

33.2 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.

33.3 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.

33.4 Impairment of Loans to Life Policyholders

Policyholder loans are reviewed for impairment at each reporting date. As of 31 December 2020, there were no impaired loss recorded on policyholder loans (2019 - Nil).

33.5 Number of Policy Loans

Number of policy loans due as at 31 December 2020 was 16,789 (2019 - 20,085).

34 REINSURANCE RECEIVABLE

Accounting Policy

See accounting policy in Note 26.

The Company cedes insurance risk in the normal course of business for all of its Insurance Contracts. Reinsurance assets represent balances due from reinsurance companies. 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 statement of 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 assets are derecognised when the contractual rights are extinguished or expired.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Reinsurance receivable on outstanding claims	107,845	132,847
Reinsurance receivable on settled claims	384,166	370,128
Total reinsurance receivable	492,011	502,975

34.1 Impairment of Reinsurance Receivable

The Board of Directors has assessed potential impairment loss of reinsurance receivable as at 31 December 2020. Based on the assessment, there was no impairment loss on reinsurance receivable.

34.2 Fair Value of Reinsurance Receivable

The carrying values disclosed above approximate the fair value at the reporting date.

34.3 The Ageing of Reinsurance Receivable on Paid Claims

As at 31 December	2020 Rs. '000	2019 Rs. '000
Less than 60 days	37,153	54,092
More than 60 days	347,013	316,036
	384,166	370,128

34.4 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31 December 2020, reinsurance receivable of Rs. 347 million (2019 - Rs. 316 million) were past due but not impaired. These relate to parties where there were no recent history of default.

34.5 Collateral Details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

34.6 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserves on claims that has not been paid and the reinsurance receivable has not been received.

34.7 Risk Management

Refer Note 8.1(c) to the financial statements for risk management initiatives relating to reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

35 PREMIUMS RECEIVABLE

Accounting Policy

See accounting policy in Note 26.

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the income statement.

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 and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Premiums receivable from;		
Policyholders	242,170	214,855
Intermediaries (Including collections in transit)	134,553	129,930
Total premiums receivable	376,723	344,785

35.1 Fair Value of Premiums Receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

35.2 Impairment of Premiums Receivable

The Management has assessed potential impairment loss of premiums receivable as at 31 December 2020. Based on the assessment, there was no impairment loss on premiums receivable (2019 - Nil).

35.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

35.4 Risk Management Initiatives Relating to Premiums Receivable

Refer Note 8.2(c) to the financial statements for risk management initiatives relating to premiums receivable.

36 RECEIVABLES AND OTHER ASSETS

Accounting Policy

See accounting policy in Note 26.

Staff / Agent Loans

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

Inventories

Inventories are measured at the lower of cost or 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.

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Financial Assets			
Staff loans*	36.1	323,493	306,914
Agent loans	36.2	158,015	196,944
Refundable deposits		25,040	22,748
Amounts due from Related parties			
Parent Company - John Keells Holdings PLC		-	-
Other related parties		-	-
Other receivables		130,685	36,770
		637,233	563,376
Non Financial Assets			
Taxes recoverable	36.5	271,547	630,098
Prepayments		120,008	151,300
Inventories		14,231	34,316
Advance payments		253,137	69,406
Other receivables		4,389	4,389
		663,312	889,509
Total receivables and other assets		1,300,545	1,452,885

36.1 Staff Loans

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January		311,159	284,546
Loans provided during the year		150,950	159,744
Payments / settlements during the year		(121,292)	(108,262)
Fair value adjustment during the year		(3,049)	(24,869)
		337,768	311,159
Provision for impairment	36.1(a)	(14,275)	(4,245)
Balance as at 31 December		323,493	306,914

36.1(a) Provision for Impairment

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	4,245	358
Charge for the year	10,030	3,887
Balance as at 31 December	14,275	4,245

36.2 Agent Loans

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January		236,836	221,141
Loans provided during the year		70,343	95,705
Payments / settlements during the year		(110,976)	(80,010)
		196,203	236,836
Provision for impairment	36.2(a)	(38,188)	(39,892)
Balance as at 31 December		158,015	196,944

36.2(a) Provision for Impairment

As at 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	39,892	8,157
Charge for the year	(1,704)	31,735
Balance as at 31 December	38,188	39,892

36.3 Impairment of Staff and Agent Loans

The Management has assessed potential impairment loss of staff and agent loans as at 31 December 2020. 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 36.1(a) and 36.2(a).

36.4 Loans Granted to Directors

*No loans have been granted to Directors of the Company.

36.5 Taxes Recoverable

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
ACT recoverable		92,296	92,296
WHT recoverable		171,109	170,551
Notional tax receivable	36.5(a)	-	341,304
ESC receivable		8,142	25,947
		271,547	630,098

36.5(a) Notional Taxes Recoverable

As at 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	341,304	541,304
Impairment during the year	(267,573)	(200,000)
Notional tax utilised during the year	(73,731)	-
Balance as at 31 December	-	341,304

36.6 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 / advisor loans are equal to the carrying amount as they are granted at competitive market rates.

36.7 Risk Management Policies / Initiatives

Refer Note 8.2(c) to the financial statements for risk management policies / initiatives relating to other financial assets.

NOTES TO THE FINANCIAL STATEMENTS

37 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand and at bank and short term investments net of bank overdrafts that are repayable on demand.

37.1 Cash in Hand and at Bank

As at 31 December	2020 Rs. '000	2019 Rs. '000
Cash at Bank	891,022	549,941
Cash at Bank with related parties		
– Nations Trust Bank PLC	66,322	79,865
Cash in hand	2,926	3,156
Total cash in hand and at bank	960,270	632,962

37.2 Cash and Cash Equivalent in the Statement of Cash Flows

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Cash in hand and at bank	37.1	960,270	632,962
Bank overdraft used for cash management purposes		(160,805)	(168,428)
Cash and cash equivalent in the statement of cash flows		799,465	464,534

37.3 Fair Value of Cash in Hand and at Bank

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

37.4 Risk Management Initiatives Relating to Cash in Hand and at Bank

Please refer Note 8.2(c) to the financial statements.

38 STATED CAPITAL

Accounting Policy

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.

38.1 Rights of Ordinary Shareholders

The company has only one class of ordinary shares and 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. All issued shares are fully paid.

38.2 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 a year that is declared after the reporting date is dealt as an event after the reporting date.

As at 31 December	2020		2019	
	No. of shares	Rs. '000	No. of shares	Rs. '000
Ordinary Voting Shares	58,928,572	1,000,000	58,928,572	1,000,000
	58,928,572	1,000,000	58,928,572	1,000,000

39 AVAILABLE FOR SALE RESERVE

Nature and purpose of reserve

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired.

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January		529,468	(85,386)
Net change in fair value of AFS financial assets		372,629	290,225
Net change in fair value of AFS financial assets transferred to the income statement	39.1	-	(6,207)
		372,629	284,018
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets		314,921	275,545
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets transferred to the income statement	39.1	(24,081)	42,057
		290,840	317,602
Share of gains/ (losses) on AFS assets of equity accounted investee		26,915	13,234
Related tax		-	-
Balance as at 31 December		1,219,852	529,468

39.1 Net change in fair value transferred to the income statement

As at 31 December	2020 Rs. '000	2019 Rs. '000
Net change in fair value of AFS financial assets	-	(6,207)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets	(24,081)	42,057
Balance as at 31 December	(24,081)	35,850

40 REVALUATION RESERVE

Nature and purpose of reserve

On revaluation of an asset, any increase in the carrying amount is recognised in revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Life Policy Holders' Revaluation Reserve

	Note	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January		1,613,544	1,214,876
Revaluation surplus during the year	28.9	-	403,283
Adjustment for deferred tax		-	-
Net gain on revaluation of land and buildings		1,613,544	1,618,159
Depreciation transfer during the year		(3,716)	(4,615)
		1,609,828	1,613,544
Unrealised gain reserve	40.1	475,860	475,860
Balance as at 31 December		2,085,688	2,089,404

The revaluation relates to land and building as indicated in Note 28.

40.1 Unrealised Gain Reserve

Unrealised gain reserve comprises of the gain from transferring the investment of Cornhill (Private) Limited to life policyholders in 2007, and the gain on transferring the land and building at Kurunegala in 2011. These gains will be realised to shareholders when the properties are disposed and upon declaration of surplus.

NOTES TO THE FINANCIAL STATEMENTS

41 RESTRICTED REGULATORY RESERVE

Based on the direction issued by the IRCSL dated 20 March 2018, the Company has transferred Rs. 3,382 million attributable to non - participating and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF). The distribution of one - off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL [Note 32.2(a)].

As at 31 December	2020 Rs. '000	2019 Rs. '000
Transfer of one - off surplus from non participating fund	3,393,900	3,393,900
Transfer from shareholder fund for the one - off deficit created in the non unit fund of unit linked life insurance contracts	(11,966)	(11,966)
	3,381,934	3,381,934

42 OTHER RESERVES

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Reserve on merger with Cornhill (Private) Limited	42.1	16,752	16,752
Reserves on retirement benefit obligation	42.2	(17,717)	(23,133)
Employee share based option	42.3	66,371	58,609
Total other reserves		65,406	52,228

42.1 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 policyholders' statement of financial position.

42.2 Reserves on Retirement Benefit Obligation

Refer Note 47 for Accounting Policies.

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	(23,133)	(4,767)
Actuarial gains / (losses) on defined benefit plan	7,730	(15,969)
Share of actuarial losses on defined benefit plan of equity accounted investee	(2,314)	(2,397)
Related tax	-	-
Balance as at 31 December	(17,717)	(23,133)

42.3 Employee Share Based Option

Accounting Policy

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.

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.

The terms and conditions of the grants are as follows;

Grant date / employees entitled	Method of valuation	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. Senior executives of the company with more than 12 months of service as at the respective reporting date.	Please refer Note 42.3(a)	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRAs) 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.

Reconciliation of Outstanding Share Options

The following table illustrates the number of options (No.), weighted average exercise prices (WAEP) and movements of share options during the year:

As at 31 December	2020		2019	
	No	WAEP (Rs)	No	WAEP (Rs)
Outstanding at 1 January	910,337	188.66	1,222,501	187.51
Granted during the year	289,600	132.86	158,000	136.97
Transfers	40,416	156.98	255,579	151.48
Forfeited during the year	(326,341)	149.68	(725,743)	162.38
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	914,012	146.74	910,337	188.66
Exercisable at 31 December	412,571	154.30	398,809	153.90

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.

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. All options are to be settled by shares and there are no cash settlement alternatives.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

NOTES TO THE FINANCIAL STATEMENTS

42.3(a) Employee Expenses for Share Based Payment Transactions

The expense recognised for employee services received during the year is as follows;

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	58,609	46,625
Expense arising from equity settled share-based payment transactions	7,762	11,984
Balance as at 31 December	66,371	58,609

The expense recognised for employee services is based on the Parent company's best estimate of the number of options that will ultimately vest. No expense is recognised for Awards that do not ultimately vest.

42.3(b) 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.

43 RETAINED EARNINGS

	Note	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January		7,609,868	7,625,794
Profit for the year		920,596	1,158,030
Transfer from revaluation reserve to retained earnings, net of tax	40	3,716	4,615
First and final dividends 2019 / 2018	25.1	(1,178,571)	(1,178,571)
Balance as at 31 December		7,355,609	7,609,868

44 INSURANCE CONTRACT LIABILITIES

Accounting Policy

44.1 Recognition and Measurement

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate

experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yields.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discounted cash flows using the fund based yield of the participating insurance fund.

44.2 Use of Judgements and Estimates

44.2(a) 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 investment contract with DPF is measured at fair value through the profit and loss.

IRCSL 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.

44.2(b) Valuation of Life Insurance Contract Liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, non participating life and universal life insurance products. Short duration contract liabilities are primarily group term. The actuarial reserves have been established based on the following;

- Non participating liabilities are discounted using risk free yield curve provided by the IRCSL and the participating liabilities are based on the fund yield of the life fund.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- 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.

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 expenses 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.

There is no material impact on the assumptions used for the valuation of insurance contract liabilities due to COVID-19 outbreak as at 31 December 2020 since insurance contract liability valuations use long term assumptions except for risk free interest rate which has dropped drastically during the year was used for discounting non participating insurance contract liabilities. However there is no significant impact given the Company's liability composition.

44.3 De-recognition

The liability is de-recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

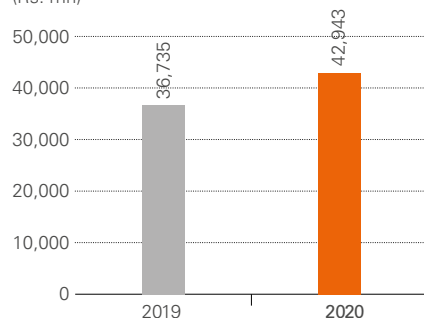
44.4 Valuation of Life Insurance Fund

The valuation of the conventional life insurance fund as at 31 December 2020 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 825 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2020. Subsequent to the transfer the conventional life fund stood at Rs. 41,827 million.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and the non unit fund stood at Rs. 55 million.

Conventional and Unit Linked

(Rs. mn)



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 2020 is adequate to cover the liabilities of the funds.

44.6 Composition of the Life Fund

As at 31 December		2020			2019		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Rs.'000	Note						
Balance as at 1 January		37,575,527	(2,756,059)	34,819,468	32,195,111	(2,322,763)	29,872,348
Premium income / Reinsurance expenses	10/ 11	13,108,605	(589,877)	12,518,728	11,647,756	(525,782)	11,121,974
Liabilities paid for death, maturities, surrenders, benefits and claims	16	(4,001,539)	313,032	(3,688,507)	(3,760,837)	92,486	(3,668,351)
Benefits and claims experience variation		(942,004)	-	(942,004)	(868,547)	-	(868,547)
Investment return		4,092,578	-	4,092,578	3,422,343	-	3,422,343
Expenses		(5,662,751)	-	(5,662,751)	(5,060,299)	-	(5,060,299)
Income tax expenses		(71,304)	-	(71,304)	-	-	-
Balance as at 31 December		44,099,112	(3,032,904)	41,066,208	37,575,527	(2,756,059)	34,819,468

44.5 Surplus from Life Insurance Fund Transferred to Life Shareholder Fund

As at 31 December	2020 Rs. '000	2019 Rs. '000
Conventional life insurance fund	825,000	1,000,000
Non unit fund of linked Life insurance	-	-
	825,000	1,000,000

Insurance Contract Liabilities

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Life insurance fund	44.6	41,066,208	34,819,468
One-off surplus arising from changing policy liability valuation relating to participating fund	44.12	435,046	435,046
Tax Payable		-	(51,059)
		41,501,254	35,203,405
Claim payables		380,403	286,296
		41,881,657	35,489,751

44.7 Movement in Life Fund

	2020 Rs. '000	2019 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	35,448,033	30,557,320
Increase in life insurance fund before surplus transfer to shareholders	7,061,324	5,940,278
Transfer to shareholders	(825,000)	(1,000,000)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	51,059	(24,631)
Net change in unclaimed benefits	91,531	(24,934)
Balance as at 31 December - Conventional Life insurance	41,826,947	35,448,033
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	41,718	42,561
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	10,416	6,841
Transfer to shareholders	-	-
Net change in unclaimed benefits	2,576	(7,684)
Balance as at 31 December - Non unit fund of linked Life insurance	54,710	41,718
	41,881,657	35,489,751

44.8 Key Assumptions used in Determination of Best Estimate Liability

Asset Class	Basis
Economic Assumptions	
Risk free rate	Risk free rate curve as of 31 December 2020 issued by IRCSL
Fund yield	Expected fund yields based on the Company's long term strategic asset allocation plan and the expected yield on the long term bonds with a risk premium adjustment for other asset classes.
Operating Experience Assumptions	
Mortality rate	Adjusted A67/70 mortality table rates based on company's experience study as of 31 December 2019.
Morbidity rate	Percentage of reinsurance rates, where the percentages are determined based on the morbidity studies performed as of 31 December 2019.
Expense rate and Expense inflation	Fixed & variable, acquisition and maintenance cost assumptions based on the 2019 experience study, with an inflation adjustment made to reconcile with the actual expenses in 2020.
Lapse rates, paid-up rates and surrender rates	Rates are based on company's persistency study as of 31 December 2019.

44.9 Sensitivity Analysis

Sensitivity analysis of life insurance fund liability is provided in Note 8.1(a).

44.10 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted cash flows)

As at 31 December	2020 Rs. '000	2019 Rs. '000
< 1 year	2,635	2,332
1 to 5 years	11,740	10,570
5 to 10 years	23,490	22,197
10 to 20 years	32,906	35,885
> 20 years	9,924	8,581
	80,695	79,565

NOTES TO THE FINANCIAL STATEMENTS

44.11 Solvency Margin

In the opinion of the appointed actuary, Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, the Company maintains a Capital Adequacy ratio (CAR) of 341 % and Total Available Capital (TAC) of Rs. 21,796 million as at 31 December 2020, which exceeded the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules.

44.12 One - off Surplus Arising from Changing Policy Liability Valuation

The one off surplus comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to unit linked fund and Rs. 3,382 million attributable to non participating and non unit fund of unit linked business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company

has transferred Rs. 3,382 million attributable to non - participating and non unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

Applicable disclosures required in the Financial Statements as per Identification and Treatment of One - Off Surplus: Direction #16 - 20.03.2016 issued, under Section 96A of the Regulation of Insurance Industry Act No 43 of 2000 are given below;

Disclosure in Financial Statements	Compliance with the Requirement	Page reference
i Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied [Note 41]	216
ii Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied [Note 41]	216
iii The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied [Note 44.8]	221
iv One-off surplus relating to participating and other than participating should be disclosed separately.	Complied [Note 44.12]	222
v Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied [Note 32.2(a)]	204

44.12(a) Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further regulator will reconsider the distribution of One-off Surplus when the RBC rules are revised.

- Expense allocation policy setting out basis of allocation of expenses between the Shareholder Fund and the Policyholder Fund as well as between different lines of business within the Policyholder Fund, particularly participating and non-participating.

- Dividend declaration policy for universal life business.
- Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- Asset-liability management policy.
- Policy on internal target Capital Adequacy Ratio
- Considerations for transfer of funds from Policyholder Fund to Shareholder Fund

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

44.13 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Accounting Policy

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 "Insurance Contracts". The liability value is adjusted to the extent that it is sufficient 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 deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. Observed impact of Covid - 19 pandemic was considered for the Liability Adequacy Test performed as at 31 December 2020 and the same was conducted to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgement liaising with company's Appointed Actuaries (Willis Towers Watson India Private Limited). As at the reporting date, liability adequacy test was performed by the Appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and concluded that, the liability value has been determined on a "going concern" basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the "most probable" future experience.

No provision was required to be made for any premium deficiency.

Details of LAT reports are provided in page 131 to this report.

45 INSURANCE CONTRACT LIABILITIES - UNIT LINKED

Accounting Policy

Unit linked contracts are those that do not meet the definition of insurance contract or investment contract 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 investment, backing those contracts at the reporting date together with rights to future management fees.

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Liability of Fund investment		858,866	991,822
Liability of Fund income	45.1	202,835	254,253
Total insurance contract liabilities		1,061,701	1,246,075

45.1 Movement in Liability of Fund Income

As at 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	254,253	251,114
Net investment income	35,933	67,310
Net realised gains	(139,709)	16,950
Net fair value gains / (losses)	62,456	(63,752)
Management fee expense	(10,098)	(17,369)
Balance as at 31 December	202,835	254,253

Fair Value of the Financial Investments Backing Unit Linked Contracts are as Follows.

Fair Value of the Financial Investments Backing Unit Linked Contracts are as Follows.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Government securities	82,998	139,035
Equity instruments	783,223	949,024
Corporate debt instruments	148,433	140,534
Fixed deposits	28,444	16,292
Commercial Papers	10,259	-
	1,053,357	1,244,885
Other financial investments and assets	12,189	10,928
Other unit linked liabilities	(3,845)	(9,738)
Insurance contract liabilities - Unit Linked	1,061,701	1,246,075

NOTES TO THE FINANCIAL STATEMENTS

46 LEASE LIABILITY

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	289,176	323,866
New lease agreements recognized during the period	50,294	41,419
Interest expenses for the year	(9,824)	33,999
Payment of lease liabilities	(97,189)	(110,108)
Change in fair value	(198)	-
Balance as at 31 December	232,259	289,176

47 EMPLOYEE BENEFITS LIABILITIES

Accounting Policy

47.1 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 income statement in the periods during which related services are rendered by employees.

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 each month at the rate of 3% of the salaries of each employee, to the Employees' Trust Fund administered by the Employees' Trust Fund Board.

Defined Contribution Plans

Following contributions have been made to the employee provident fund and employee trust fund during the year.

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Employees' Provident Fund (EPF)		
Employer's contribution (12%)	74,886	68,403
Employee's contribution (8%)	49,924	45,602
Employees' Trust Fund (ETF)		
Employer's contribution (3%)	18,721	17,101

47.2 Defined Benefit Plans - Gratuity

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.

As per LKAS 19 - Employee Benefits, 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.

47.3 Other long term employee benefits

A new Long-Term Incentive Plan (LTI) has been launched for senior management; upon achievement of strategic targets. The liability recognised in the statement of financial position is the present value of the estimated future cash outflows of long term incentive plan as at the reporting date.

47.4 Employee benefit liabilities

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Employee defined benefit plan - gratuity	47.4(a)	126,773	126,618
Other long term employee benefits	47.4(b)	67,980	36,339
Balance as at 31 December		194,753	162,957

47.4(a) Movement in Present Value of Gratuity

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	126,618	115,516
Included in Profit or Loss:		
Current service cost	14,980	14,028
Interest cost	14,014	13,465
	28,994	27,493
Included in OCI:		
Net actuarial (gain) / loss on obligation	(7,730)	15,969
Other		
Gratuity Transfer	778	2,542
Payments during the year	(21,887)	(34,902)
Balance as at 31 December	126,773	126,618

47.4.(b) Other long term employee benefits

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	36,339	-
Current service cost	31,641	36,339
Balance as at 31 December	67,980	36,339

47.5 Principal Actuarial Assumptions Used

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd. an Independent Actuary. The actuarial valuation involves 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.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the COVID-19 pandemic, with the independent actuarial specialists. Since the complexity of the valuation and the underlying assumptions are based on long-term nature including the application of risk discount rate which is formulated on the market yield of long-term government and corporate bonds, it was determined that there is no significant impact on Employee Benefit Liabilities.

Assumption	2020	2019
Discount rate	7.0%	11.0%
Staff turnover rate - early withdrawal through resignations		
- i) Less than 5 years	13%	21%
- ii) More than 5 years	5%	4%
Salary increase	6%	10%
Retirement age	55 years	55 years

Assumptions regarding future mortality are based on the A1967/70 for Staff / Executive and A1949/52 for Worker, issued by the Institute of Actuaries, London.

47.6 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Within the next 12 months	17,911	29,286
Between 1 and 2 years	11,064	22,211
Between 2 and 5 years	45,518	41,114
Over 5 years	52,280	34,007
Total expected payments	126,773	126,618

NOTES TO THE FINANCIAL STATEMENTS

47.7 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	Change in employee defined benefit liability Rs'000	Estimated employee defined benefit liability Rs'000
1 %	-	(6,027)	120,746
-1 %	-	6,618	133,391
-	1 %	6,889	133,662
-	-1 %	(6,382)	120,391

Methods and assumptions used in preparing the sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another and such methodology has not been changed compared to previous year.

48 REINSURANCE PAYABLES

Accounting Policy

See accounting policy in Note 26.

Reinsurance payables represent balances due to reinsurance companies. Amounts payable are recognised when due and measured on initial recognition at the fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract.

Reinsurance liabilities are derecognised when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

As at 31 December	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	812,930	669,314
Arising during the year	499,392	525,604
Utilised during the year	(779,299)	(381,988)
Balance as at 31 December	533,023	812,930

49 OTHER LIABILITIES

Financial Liabilities

See accounting policy in Note 26.

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. 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 Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2020 Rs. '000	2019 Rs. '000
Other Financial Liabilities			
Agency commission payable		431,352	262,634
Other staff related provisions		318,794	139,368
Premiums in suspense		760,244	698,513
Government levies		8,352	20,628
		1,518,742	1,121,143
Other Non Financial Liabilities			
Government levies		-	51,059
Other liabilities and accruals		1,902,515	1,221,802
Premium received In advance		6,464	22,929
		1,908,979	1,295,790
Total other liabilities		3,427,721	2,416,933

Maturity schedule of other financial liabilities as of 31 December 2020 and 2019 are shown in Note 8.2(b) to the financial statements.

50 RELATED PARTY DISCLOSURES

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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. Outstanding current account balances are unsecured, interest free and settlement occurred in cash.

50.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is John Keells Holdings PLC.

50.2 Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31 December 2020 audited financial statements, which required additional disclosures in the 2020 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

50.3 Non-Recurrent Related Party Transaction

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company which ever is lower as per 31 December 2020 audited financial statements, which required additional disclosures in the 2020 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

50.4 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 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.

50.4 (a) Compensation of KMPS

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Short term employment benefits	85,497	50,987
Post employment benefits	12,857	6,247
Other long term benefits	-	-
Termination benefits	-	-
Share based benefits	-	-
Total	98,354	57,234

The short term employment benefits include Non Executive Directors fees, emoluments paid to the Executive Directors and other key management personnel. Where applicable Directors 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.

50.4 (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	2020 Rs. '000	2019 Rs. '000
Insurance premium	-	1,431

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2020.

50.4 (c) Share Based Benefits to KMP and CFM

As at 31 December	2020 Rs. '000	2019 Rs. '000
Number of ordinary shares held	-	-
Dividends Paid (in Rs. 000)	-	-

NOTES TO THE FINANCIAL STATEMENTS

50.5 Transactions with Related Entities

The Directors of the company as at 31 December 2020 was also Directors of the following companies as set out below and transactions included in Note 50.5(a), 50.5(b) and 50.5(c) have been carried out with such companies.

Company	Name of Director	Position	Relationship	Details of financial dealings
John Keells Holdings PLC	Mr K N J Balendra	Chairman	John Keells Holdings PLC and its subsidiaries own 90% of the Company's issued share capital	The Company has transactions in the normal course of business with John Keells Holdings PLC, its subsidiaries and associate companies
John Keells Office Automation (Pvt) Ltd	Mr. D.P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Office Automation (Pvt) Ltd
Asian Hotels and Properties PLC	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Asian Hotels and Properties PLC
	Mr S Rajendra	Director		
Trans Asia Hotels PLC	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Trans Asia Hotels PLC
	Mr S Rajendra	Director		
John Keells Foundation	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Foundation
Ceylon Cold Stores PLC	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Cold Stores PLC
	Mr. D.P Gamlath	Director		
Ceylon Holiday Resort Ltd	Mr S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Holiday Resort Ltd
South Asia Gateway Terminals (Pvt) Ltd	Mr K N J Balendra	Chairman	Associate of John Keells Holdings PLC	The Company has transactions in the normal course of business with South Asia Gateway Terminals (Pvt) Ltd
	Mr. D.P Gamlath	Director		
Tea Smallholder Factories PLC	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Tea Smallholder Factories PLC
DHL Keells (Pvt) Ltd	Mr K N J Balendra	Chairman	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with DHL Keells (Pvt) Ltd

50.5 (a) Transactions with the Parent and Ultimate Controlling Party

As at 31 December	2020 Rs. '000	2019 Rs. '000
Statement of financial position		
Assets		
Rent Receivable	27	-
Financial instruments	707,894	66,491
	707,921	66,491
Liabilities		
Other liabilities	(210,723)	(22,398)
	(210,723)	(22,398)

Transacted amounts for the year ended 31 December

As at 31 December	2020 Rs. '000	2019 Rs. '000
Gross written premium	1,720	1,398
Net benefits and claims	(900)	(500)
Other operating and administrative expenses	(302,071)	(117,072)
Rent Income	59	-
Dividend Income received	4,947	-
Dividend Paid	(1,060,714)	(1,060,714)

50.5 (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	2020	2019
Statement of financial position				
Assets				
Property, plant and equipment				
John Keells Office Automation (Pvt) Ltd	Subsidiary	Acquisition of property plant, and equipment and Intangibles	5,831	15,007
John Keells Computer Services (Pvt) Ltd	Subsidiary		-	2,112
			5,831	17,119
Financial investments				
Nations Trust Bank PLC	Associate	Debenture investments	1,045,291	1,044,966
Nations Trust Bank PLC	Associate	Cash at Bank	66,322	79,865
John Keells Hotels PLC	Subsidiary	Shares	27,606	-
Ceylon Cold Stores PLC	Subsidiary	Shares	72,703	-
			1,211,922	1,124,831
Employee benefit liabilities				
John Keells Logistics Limited	Subsidiary	Gratuity transfer	-	2,542
Cinnamon Hotel Management Limited	Subsidiary		778	-
			778	2,542
Other liabilities				
Other subsidiaries and associates		Payment for shared services	(3,941)	(15,169)
			(3,941)	(15,169)

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December Company Rs. '000	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2020	2019
Income Statement				
Gross written premium				
Other subsidiaries and associates			3,271	2,936
			3,271	2,936
Net benefits and claims				
Other subsidiaries and associates			(750)	1,060
			(750)	1,060
Investment income				
Nations Trust Bank PLC	Associate	Debenture interest income	130,012	75,089
Ceylon Cold Stores PLC	Subsidiary	Dividend	193	-
			130,205	75,089
Other operating and administrative expenses				
Other subsidiaries and associates			(52,176)	(169,488)
			(52,176)	(169,488)

50.5(c) Transactions with / between Associate of the Company - Fairfirst Insurance Ltd

Income Statement

For the year ended 31 December	2020	2019
	Rs. '000	Rs. '000
Gross written premium	4,904	2,059
Net benefits and claims	(500)	(1,000)
Other operating and administrative expenses	(44,493)	(47,901)

Statement of Financial Position

As at 31 December

Other receivables	-	-
Other liabilities	-	-

These balances are relating to current account transactions and are payable / receivable on demand.

51 COMMITMENTS

51.1 Capital Commitments

There were no significant capital commitments as at the reporting date.

52 EVENTS AFTER THE REPORTING DATE

Accounting Policy

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.

There have been no events subsequent to the reporting date, which would have any material effect on the Company.

53 PROVISIONS AND CONTINGENCIES

Accounting Policy

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 the 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.

Use of Judgements and Estimates

The Company receives legal claims against it in the normal course of business. Management has made judgement 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.

The contingent liabilities of the Company as at 31 December 2020, relates to the following;

53.1 Income tax assessment relating to years of assessment 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18

The Department of Inland Revenue has raised assessment on Union Assurance PLC for the year of assessment 2010 / 11, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Company lodged an appeal against the said assessment with the Tax Appeals Commission (TAC). TAC issued its determination in favour of the Inland Revenue Department and a case was filed at the Court of Appeal on 20 December 2018 against the said determination. The case is to be mentioned in the Court on 23 March 2021.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2011 / 12, 2012 / 13, 2013 / 14, 2014 / 15 and 2015/16 assessing the Life insurance business to pay income tax liabilities of Rs. 132 million, Rs. 411 million together with a Rs. 233 million penalty totalling to Rs. 644 million, Rs. 175 million together with a Rs. 88 million penalty totalling to Rs. 263 million, Rs. 887 million together with a Rs. 443 million penalty totalling to Rs. 1,330 million and Rs. 832 million together with a Rs. 416 million penalty totalling to Rs. 1,248 million respectively. The Company has lodged valid appeals against the said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 / 17 and 2017 / 18, assessing the Life insurance business to pay an income tax liability of Rs. 472 million along with a 50% penalty totalling to Rs. 708 million and Rs. 749 million along with a Rs. 368 million penalty totalling to Rs. 1,117 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

VAT assessment relating to years of assessment 2016 and 2017

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 and 2017, assessing the Life insurance business to pay a VAT liability of Rs. 8.4 million along with a Rs. 6.6 million penalty totalling to Rs. 15 million and Rs. 5.4 million along with a Rs. 4.5 million penalty totalling to Rs. 9.9 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

VAT and NBT on Financial Services assessment relating to years of assessment 2016 and 2017

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 and 2017, assessing the Life insurance business to pay a VAT & NBT on Financial Services liability of Rs. 69 million along with a Rs. 37 million penalty totalling to Rs. 106 million and Rs. 336 million along with a Rs. 168 million penalty totalling to Rs. 504 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against the said assessments.

Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for above years of assessment and therefore, the above assessments have no rationale or basis in law.

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 litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

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.

54 COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

55 DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer page 132 for the Statement of Directors' Responsibility.



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DECADE AT A GLANCE

Insurance Revenue Accounts Rs'000	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross written premium	13,108,605	11,647,756	11,243,915	10,117,630	8,270,751	6,964,390	5,945,499	5,515,063	5,106,323	4,471,628
Net written premium	12,518,728	11,121,974	10,527,474	9,620,018	7,846,894	6,600,208	5,617,435	5,234,521	4,856,728	4,268,720
Investment and other income	4,041,160	3,442,849	3,265,566	3,822,225	2,746,306	2,167,304	3,159,957	2,017,544	1,722,070	1,215,043
Net benefits and claims	(10,000,832)	(8,487,157)	(6,813,030)	(5,388,696)	(5,833,650)	(4,873,607)	(5,201,025)	(3,976,248)	(3,572,769)	(2,791,635)
Change in contract liability due to transfer of one off surplus	-	-	-	3,381,934	-	-	-	-	-	-
Underwriting and net acquisition costs (including reinsurance)	(2,145,130)	(1,857,396)	(2,055,051)	(1,841,151)	(1,441,617)	(1,289,437)	(1,115,834)	(968,181)	(890,536)	(819,076)
Other operating and administrative expenses	(3,517,622)	(3,220,270)	(3,857,363)	(2,570,396)	(2,157,254)	(1,832,743)	(1,710,533)	(1,695,636)	(1,590,493)	(1,444,052)
Income tax (expense) / reversal	(71,304)	-	32,404	-	(60,679)	28,275	-	-	-	-
Surplus from life insurance fund	825,000	1,000,000	1,100,000	7,023,934	1,100,000	800,000	750,000	612,000	525,000	429,000
Investment and other income not attributable to policyholders	939,021	926,419	1,029,785	236,290	179,432	1,530,851	167,623	207,074	23,161	-
Expenses not attributable to policyholders	(157,922)	(122,693)	(114,796)	(63,940)	(27,119)	(42,205)	(36,883)	(28,110)	(15,342)	(12,826)
Share of net result of equity accounted investee	116,438	104,736	149,807	187,844	60,315	57,990	-	-	-	-
Income tax (expense) / reversal	(801,941)	(750,432)	1,079,046	-	-	-	-	-	-	-
Profit for the year	920,596	1,158,030	3,243,842	7,384,128	1,312,628	2,346,636	880,740	790,964	532,819	416,174
* Includes the restricted one-off surplus transfer of Rs. 3.4 billion in 2017.										
Statement of financial position Rs'000	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets										
Intangible assets	1,247,057	1,306,922	1,392,191	212,817	94,647	59,616	66,766	117,475	-	-
Property, plant and equipment	2,468,821	2,500,305	2,082,990	2,000,716	1,493,040	1,523,676	1,203,934	1,337,498	1,318,225	1,298,380
Right of use assets	218,312	296,799	-	-	-	-	-	-	-	-
Deferred tax assets	-	528,614	1,079,046	-	-	-	-	-	-	-
Investment in equity accounted investee	1,386,991	1,245,951	1,130,379	995,722	777,346	736,216	-	-	-	-
Financial investments	52,356,208	44,881,195	39,138,073	36,792,921	30,847,256	26,540,934	24,038,978	24,297,498	20,802,309	16,579,094
Loans to life policyholders	1,793,470	1,555,759	1,218,949	1,001,538	867,177	741,852	660,744	515,735	385,688	246,674
Reinsurance receivable	492,011	502,975	371,126	267,417	178,181	149,772	67,536	502,571	400,627	545,774
Premiums receivable	376,723	344,785	331,539	268,511	246,800	203,722	159,117	1,844,831	1,459,440	1,236,299
Receivables and other assets	1,300,545	1,452,885	1,675,601	947,239	809,784	732,017	816,718	1,087,585	1,055,006	1,795,727
Deferred acquisition cost	-	-	-	-	-	-	-	149,145	146,097	147,495
Cash in hand and at bank	960,270	632,962	696,835	580,126	379,232	326,012	196,429	466,402	315,634	373,413
Assets held for sale	-	-	-	-	-	-	8,393,314	-	-	-
Total Assets	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	30,318,740	25,883,026	22,222,856

Statement of financial position Rs'000	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Equity										
Stated capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,138,433	1,138,433	1,133,305	388,433
Restricted regulatory reserve	3,381,934	3,381,934	3,381,934	3,381,934	-	-	-	-	-	-
Other reserves	3,370,946	2,671,100	1,663,960	2,144,728	817,003	1,232,893	1,228,722	829,094	720,830	955,194
Retained earnings	7,355,609	7,609,868	7,625,794	5,438,052	2,049,189	1,232,035	3,843,704	3,149,766	2,454,923	1,903,587
Total Equity	15,108,489	14,662,902	13,671,688	11,964,714	3,866,192	3,464,928	6,210,859	5,117,293	4,309,058	3,247,214
Liabilities										
Insurance contract liabilities - Life	41,881,657	35,489,751	30,599,881	26,949,613	27,889,682	23,731,238	20,435,876	17,518,016	15,356,340	13,440,459
Insurance contract liabilities - Unit Linked	1,061,701	1,246,075	1,501,271	2,121,609	2,377,707	2,541,221	2,618,007	1,807,137	1,143,546	555,541
Insurance contract liabilities - Non Life	-	-	-	-	-	-	-	3,440,249	3,200,838	3,050,976
Lease liabilities	232,259	289,176	-	-	-	-	-	-	-	-
Employee benefit liabilities	194,753	162,957	115,516	122,588	107,963	100,199	90,437	186,078	163,572	89,467
Deferred revenue	-	-	-	-	-	-	-	109,402	96,904	154,702
Reinsurance payables	533,023	812,930	669,314	345,146	208,742	213,855	150,784	764,977	415,394	441,567
Other liabilities	3,427,721	2,416,933	2,314,884	1,368,031	1,092,871	843,424	770,190	1,336,864	1,172,899	1,212,557
Bank overdraft	160,805	168,428	244,175	195,306	150,306	118,952	66,017	38,724	24,475	30,373
Liabilities held for sale	-	-	-	-	-	-	5,261,366	-	-	-
Total Liabilities	47,491,919	40,586,250	35,445,041	31,102,293	31,827,271	27,548,889	29,392,677	25,201,447	21,573,968	18,975,642
Total equity and liabilities	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	30,318,740	25,883,026	22,222,856

Investor Information

Return on Net Assets (%)*	6.18	8.17	25.31	93.29	35.81	48.51	15.55	16.78	14.10	12.97
Earnings Per Share (Rs.)*	15.62	19.65	55.05	125.31	22.27	31.20	14.04	13.11	12.28	9.27
Dividend Per Share (Rs.)	-	20.00	20.00	18.00	10.50	8.50	6.50	6.00	5.00	5.00
Net Assets Per Share (Rs.)	256.39	248.87	232.00	203.04	65.61	58.80	72.46	59.70	50.27	43.30
Market Price Per Share (Rs.)	305.00	330.00	347.30	135.00	143.00	165.00	164.00	104.00	83.00	108.10
Market Capitalisation (Rs. Mn.)	17,973.21	19,446.00	20,465.89	7,955.00	8,426.79	9,723.21	14,057.10	8,914.26	7,114.29	8,107.50
Price Earnings Ratio (Times)	19.52	16.79	6.31	1.08	6.42	5.29	11.68	7.94	6.76	11.66

Other Information

Number of employees	795	764	614	529	474	450	445	1,157	1,088	1,009
No of Shares ('000)	58,929	58,929	58,929	58,929	58,929	58,929	85,714	85,714	85,714	75,000

* 2010 to 2014 figures include profits of the non life insurance business.

INDEPENDENT ASSURANCE REPORT TO UNION ASSURANCE

GRI 102-56



KPMG
(Chartered Accountants)
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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 Sustainability Indicators as identified below for the year ended 31 December 2020. The Sustainability Indicators are included in Union Assurance PLC's Integrated Annual Report for the year ended 31 December 2020 (the "Report").

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

Assured Sustainability Indicators	Integrated Annual Report Page
Performance Highlights : Financial Highlights	15

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

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Performance Highlights : Non-Financial Highlights	16 – 17
Information provided on following capitals	
Financial Capital	36 – 45
Manufactured Capital	46 – 49
Natural Capital	50 – 53
Human Capital	54 – 59
Social and Relationship Capital	60 – 67
Intellectual Capital	68 – 71

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 Indicators

In our opinion, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2020

are, in all material respects, prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the limited assurance procedures performed and evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Limited Assurance Sustainability

Indicators, as defined above, for the year ended 31 December 2020, have not in all material respects, been prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators 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.

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 FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA

Our Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators 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 Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

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.

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

Reasonable Assurance Over Reasonable Assurance Sustainability Indicators

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 Indicators 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 Indicators 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 Indicators, the suitability of the criteria, being the

Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the 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 Indicators.

Limited Assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, 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 Indicators;
- enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- comparing the Limited Assurance Sustainability Indicators 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 Indicators 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 Indicators.

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 Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards 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
25 February 2021



GRI CONTENT INDEX This Report has been prepared “in accordance” with the Core of the GRI Standards and has underwent the GRI Materiality Disclosures service in February 2021.

GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
	Organizational profile		
	102-1 Name of the organization	259	
	102-2 Activities, brands, products, and services	8 and 65 https://unionassurance.com	
	102-3 Location of headquarters	259	
	102-4 Location of operations	48	
	102-5 Ownership and legal form	259	
	102-6 Markets served	8,12,63	
	102-7 Scale of the organization	15,16,17	
	102-8 Information on employees and other workers	56,57	
	102-9 Supply chain	66	
	102-10 Significant changes to the organization and its supply chain	No significant changes in the supply chain	
	102-11 Precautionary Principle or approach	113 and 114	
	102-12 External initiatives	6	
	102-13 Membership of associations	67	
	Strategy		
	102-14 Statement from senior decision-maker	12	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behaviour	26	
	Governance		
	102-18 Governance structure	82 and 83	
	Stakeholder engagement		
	102-40 List of stakeholder groups	21	
	102-41 Collective bargaining agreements	No collective bargaining	
	102-42 Identifying and selecting stakeholders	20 to 21	
	102-43 Approach to stakeholder engagement	20 to 21	
	102-44 Key topics and concerns raised	22 to 24	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	9	
	102-46 Defining report content and topic Boundaries	6	
	102-47 List of material topics	22, 23, 24	
	102-48 Restatements of information	6	
	102-49 Changes in reporting	6	
	102-50 Reporting period	6	
	102-51 Date of most recent report	31st December 2019	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	Sachini Bandara (sachini@unionassurance.com)	
	102-54 Claims of reporting in accordance with the GRI Standards	7	
	102-55 GRI content index	238 to 243	
	102-56 External assurance	236 & 237	
Topic-specific Standards- Material Topics			
GRI 200: Economic Standard Series			
GRI 201: Economic Performance 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	37 & 38	
	103-2 The management approach and its components	37 & 38	
	103-3 Evaluation of the management approach	37 & 38	
	201-1 Direct economic value generated and distributed	14 and 16	
	201-2 Financial implications and other risks and opportunities due to climate change	No impact due to climate change	
	201-3 Defined benefit plan obligations and other retirement plans	17	
	201-4 Financial assistance received from government	None	
GRI 203: Indirect Economic Impacts 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	62 to 63	
	103-2 The management approach and its components	62 to 63	
	103-3 Evaluation of the management approach	62 to 63	
	203-1 Infrastructure investments and services supported	17 and 67	
	203-2 Significant Indirect Economic Impacts	14 and 66 to 67	
GRI 300: Environment Standard Series			
GRI 302: Energy 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	50 to 51	
	103-2 The management approach and its components	50 to 51	
	103-3 Evaluation of the management approach	50 to 51	
	302-1 Energy consumption within the organization	51 to 52	
	302-2 Energy consumption outside of the organization	51 to 52	
	302-3 Energy intensity	51 to 52	
	302-4 Reduction of energy consumption	51 to 52	
	302-5 Reductions in energy requirements of products and services	51 to 52	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 303: Water and Effluents 2018			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	52	
	103-2 The management approach and its components	52	
	103-3 Evaluation of the management approach	52	
	303-1 Integrations with water as a shared resource	52	
	303-2 Management of water discharge-related impacts	52	
	303-5 Water consumption	16 and 52	
GRI 305: Emissions 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	52	
	103-2 The management approach and its components	52	
	103-3 Evaluation of the management approach	52	
	305-1 Direct /Scope 1 GHG emissions	53 and 244	
	305-2 Energy indirect /Scope 2 GHG emissions	53 and 244	
	305-3 Other indirect /Scope 3 GHG emissions	53 and 244	
	305-4 GHG emissions intensity	53	
	305-5 Reduction of GHG emissions	53	
	305-6 Emissions of ozone-depleting substances /ODS	Not Tracked	
	305-7 Nitrogen oxides /NOx, sulfur oxides /SOx, and other significant air emissions	Not Tracked	
GRI 306: Effluents and Waste 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	53	
	103-2 The management approach and its components	53	
	103-3 Evaluation of the management approach	53	
	306-1 Water discharge by quality and destination	Not tracked as the discharge of water is low	
	306-2 Waste by type and disposal method	53	
	306-3 Significant spills	No Significant spills	
	306-4 Transport of hazardous waste	Business does not involve transport of hazardous waste	
	306-5 Water bodies affected by water discharges and/or runoff	No major water bodies affected by water discharges and/or runoff	
GRI 307: Environmental Compliance 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	51	
	103-2 The management approach and its components	51	
	103-3 Evaluation of the management approach	51	
	307-1 Non-compliance with Environmental laws and regulations	Zero non-compliance reported during the year	
GRI 400: Social Standard Series			
GRI 401: Employment 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	56	
	103-2 The management approach and its components	54 and 56	
	103-3 Evaluation of the management approach	54	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
	401-1 New employee hires and employee turnover	56	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefit vary based on the terms on the employment contract not based on the location of operation	
	401-3 Parental leave	58	
GRI 402: Labor/Management Relations 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	59	
	103-2 The management approach and its components	59	
	103-3 Evaluation of the management approach	59	
	402-1 Minimum notice periods regarding operational changes	59	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefit vary based on the terms on the employment contract not based on the location of operation	
	401-3 Parental leave	58	
GRI 403: Occupational Health and Safety 2018			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	59	
	103-2 The management approach and its components	59	
	103-3 Evaluation of the management approach	59	
	403-1 Occupational health and safety management system	59	
	403-2 Hazard identification, risk assessment, and incident investigation	59	
	403-3 Occupational health services	59	
	403-4 Worker participation, consultation, and communication on occupational health and safety	59	
	403-5 Worker training on occupational health and safety	59	
	403-6 Promotion of worker health	59	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	59	
	408-8 Workers covered by an occupational health and safety management system	59	
GRI 404: Training and Education 2016			
GRI 103: Management Approach 2016			
	103-1 Explanation of the material topic and its Boundary	57 & 58	
	103-2 The management approach and its components	57 & 58	
	103-3 Evaluation of the management approach	57 & 58	
	404-1 Average hours of training per year per employee	17	
	404-2 Programs for upgrading employee skills and transition assistance programs	57 & 58	
	404-3 Percentage of employees receiving regular performance and career development reviews	17	

GRI CONTENT INDEX

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 405: Diversity and Equal Opportunity 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	57	
	103-2 The management approach and its components	57	
	103-3 Evaluation of the management approach	57	
	405-1 Diversity of governance bodies and employees	56 & 57	
	405-2 Ratio of basic salary and remuneration of women to men	59	
GRI 406: Non-discrimination 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	59	
	103-2 The management approach and its components	59	
	103-3 Evaluation of the management approach	59	
	406-1 Incidents of discrimination and corrective actions taken	No incidents reported	
GRI 407: Freedom of Association and Collective Bargaining 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	59	
	103-2 The management approach and its components	59	
	103-3 Evaluation of the management approach	59	
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No such operations have been recognized	
GRI 410: Security Practices 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	62	
	103-2 The management approach and its components	62	
	103-3 Evaluation of the management approach	62	
	410-1 Security personnel trained in human rights policies or procedures	100% training provided	
GRI 413: Local Communities 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	66 to 67	
	103-2 The management approach and its components	66 to 67	
	103-3 Evaluation of the management approach	66 to 67	
	413-1 Operations with local community engagement, impact assessments, and development programs	17 and 66	
	413-2 Operations with significant actual and potential negative impacts on local communities	No such operations have negative impacts on local communities	
GRI 414: Supplier Social Assessment 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	66	
	103-2 The management approach and its components	66	
	103-3 Evaluation of the management approach	66	
	414-1 New suppliers that were screened using social criteria	17	
	414-2 Negative social impacts in the supply chain and actions taken	No negative social impact reported	

GRI Standard	Disclosure	Page number(s), URL(s) and/ or direct answer	Reason for omission
GRI 415: Public Policy 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	63 to 64	
	103-2 The management approach and its components	63 to 64	
	103-3 Evaluation of the management approach	63 to 64	
	415-1 Political contributions	No political contributions made	
GRI 416: Customer Health and Safety 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	63	
	103-2 The management approach and its components	63	
	103-3 Evaluation of the management approach	63	
	416-1 Assessment of the health and safety impacts of product and service categories	63	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents reported	
GRI 417: Marketing and Labeling 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	63	
	103-2 The management approach and its components	63	
	103-3 Evaluation of the management approach	63	
	417-1 Requirements for product and service information and labeling	63	
	417-2 Incidents of non-compliance concerning product and service information and labeling	Zero incidents	
	417-3 Incidents of non-compliance concerning marketing communications	Zero incidents	
GRI 418: Customer Privacy 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	62	
	103-2 The management approach and its components	62	
	103-3 Evaluation of the management approach	62	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Zero incidents	
GRI 419: Socioeconomic Compliance 2016			
	GRI 103: Management Approach 2016		
	103-1 Explanation of the material topic and its Boundary	62, 63 and 64	
	103-2 The management approach and its components	62, 63 and 64	
	103-3 Evaluation of the management approach	62, 63 and 64	
	419-1 Non-compliance with laws and regulations in the social and economic area	17	

CERTIFICATE OF CARBON FOOTPRINT

GRI 305-1, 305-2, 305-3



THE CARBON CONSULTING COMPANY

February 19th, 2021

Certificate of Assessment – Greenhouse Gas Emissions Inventory

This is to certify that The Carbon Consulting Company (CCC) has conducted a **Greenhouse Gas (GHG) Assessment** for the organisational operations of **Union Assurance PLC** using data provided by the client for stipulated emissions sources and activities as described in the table below. Following the assessment, CCC can confirm that the Carbon Footprint of Union Assurance PLC for the calendar year 2020 is **1,062.06 tonnes of Carbon Dioxide Equivalents (tCO₂e)**.

Reporting Scope	Emissions Source	Emissions Activity	Emissions Total (tCO ₂ e)
Scope 1 – Direct Emissions	Stationary Combustion	Generator Fuel	8.04
	Mobile Combustion	Long-term Leased Vehicles (Operational)	31.38
SCOPE 1 TOTAL EMISSIONS			39.43
Scope 2 – Indirect Emissions	Purchased Electricity	Electricity Consumption	697.04
SCOPE 2 TOTAL EMISSIONS			697.04
Scope 3 – Indirect Emissions	Purchased Electricity	Electricity Transmission and Distribution Losses	59.95
	Waste Transportation	Third-Party Outbound Waste Transportation	0.03
	Waste Disposal	Waste Disposal	0.36
	Employee Commuting	Employees Commuting to and from Work	265.25
SCOPE 3 TOTAL EMISSIONS			325.60
TOTAL SCOPE 1, 2 & 3 CARBON FOOTPRINT OF UNION ASSURANCE PLC			1,062.06

The 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 assessment 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 GHG Assessment (*data have not been independently verified*).

Yours faithfully,

Authorised Signature

Carbon Consulting
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GLOSSARY OF INSURANCE TERMS

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.

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

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 - 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.

Capital Adequacy Ratio (CAR) - Measures adequacy of the Total Available Capital (TAC) as against the Risk Capital Required (RCR) under the Risk Based Capital Regime.

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.

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.

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.

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.

Healthcare - An insurance contract which provides medical coverage to a policyholder.

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.

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.

GLOSSARY OF INSURANCE TERMS

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.

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.

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.

Outstanding claims provision - Comprises claims incurred by the policyholder and reported to the insurance company, and IBNR claims.

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 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.

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.

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.

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).

Technical provisions - Uncertain liabilities directly connected with non-life insurance business. These provisions are made to ensure that obligations under insurance contracts can always be met.

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.

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.

Written premium - Life insurance business - Premiums to which the insurer is contractually entitled and received in the accounting period.

QUARTERLY ANALYSIS

Rs'000	2020				2019					
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	January- March	April- June	July- September	October- December		January- March	April- June	September	October- December	
Gross written premium	2,647,682	2,429,856	3,847,111	4,183,956	13,108,605	2,528,257	2,595,437	2,958,296	3,565,766	11,647,756
Premium ceded to reinsurers	(118,862)	(146,310)	(162,246)	(162,459)	(589,877)	1,610	(161,456)	(173,717)	(192,219)	(525,782)
Net written premium	2,528,820	2,283,546	3,684,865	4,021,497	12,518,728	2,529,867	2,433,981	2,784,579	3,373,547	11,121,974
Other revenue										
Net investment income	1,273,922	1,212,429	1,266,253	1,279,828	5,032,432	1,083,558	1,149,024	1,146,500	1,185,762	4,564,844
Net realised gains / (losses)	(78,881)	(299,240)	(85,170)	61,110	(402,181)	6,441	(4,551)	(2,578)	25,001	24,313
Net fair value gains / (losses)	11,846	(342,578)	332,883	275,028	277,179	(497,283)	(278,953)	253,462	224,927	(297,847)
Other income	10,388	9,015	8,354	15,827	43,584	9,181	9,863	13,755	15,845	48,644
Total other revenue	1,217,275	579,626	1,522,320	1,631,793	4,951,014	601,897	875,383	1,411,139	1,451,535	4,339,954
Total net revenue	3,746,095	2,863,172	5,207,185	5,653,290	17,469,742	3,131,764	3,309,364	4,195,718	4,825,082	15,461,928
Benefits, claims and expenses										
Net insurance benefits and claims paid	(682,744)	(768,613)	(1,127,497)	(1,109,653)	(3,688,507)	(1,025,415)	(729,118)	(988,712)	(925,106)	(3,668,351)
Net change in insurance claims outstanding	(124,377)	(46,459)	56,651	9,113	(105,072)	99,602	(101,962)	123,179	43,648	164,467
Change in contract liabilities - Life Fund	(1,465,913)	(767,229)	(2,496,590)	(1,477,521)	(6,207,253)	(831,755)	(1,085,768)	(1,857,494)	(1,208,256)	(4,983,273)
Underwriting and net acquisition costs (including reinsurance)	(539,498)	(370,977)	(576,242)	(658,413)	(2,145,130)	(492,032)	(419,195)	(500,280)	(445,889)	(1,857,396)
Other operating, administrative and selling expenses	(638,162)	(643,038)	(790,506)	(1,184,400)	(3,256,106)	(602,795)	(727,378)	(694,954)	(988,628)	(3,013,755)
Depreciation and amortisation	(87,515)	(86,298)	(85,887)	(130,571)	(390,271)	(64,054)	(67,885)	(88,193)	(79,762)	(299,894)
Total benefits, claims and expenses	(3,538,209)	(2,682,614)	(5,020,071)	(4,551,445)	(15,792,339)	(2,916,449)	(3,131,306)	(4,006,454)	(3,603,993)	(13,658,202)
Profit from operations	207,886	180,558	187,114	1,101,845	1,677,403	215,315	178,058	189,264	1,221,089	1,803,726
Share of results of equity accounted investee, net of tax	27,162	49,194	24,144	15,938	116,438	30,518	29,401	26,876	17,941	104,736
Profit before tax	235,048	229,752	211,258	1,117,783	1,793,841	245,833	207,459	216,140	1,239,030	1,908,462
Income tax expense	(67,884)	(60,127)	(61,825)	(683,409)	(873,245)	(67,727)	(61,902)	(63,134)	(557,669)	(750,432)
Profit for the year	167,164	169,625	149,433	434,374	920,596	178,106	145,557	153,006	681,361	1,158,030

LIFE INSURANCE FUND

INSURANCE REVENUE ACCOUNT

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Gross written premium	13,108,605	11,647,756
Premium ceded to reinsurers	(589,877)	(525,782)
Net written premium	12,518,728	11,121,974
Net insurance benefits and claims paid	(3,688,507)	(3,668,351)
Net change in insurance claims outstanding	(105,072)	164,467
Underwriting and net acquisition costs (net of reinsurance)	(2,145,130)	(1,857,396)
Other operating, selling and administrative expenses	(3,209,994)	(2,956,764)
Depreciation and amortisation	(307,628)	(263,506)
Underwriting surplus	3,062,397	2,540,424
Investment and other income	4,041,160	3,442,849
Change in contract liabilities - Life fund	(6,207,253)	(4,983,273)
Income tax expenses	(71,304)	-
Surplus from life insurance fund	825,000	1,000,000
Investment and other income not attributable to policyholders	939,021	926,419
Expenses not attributable to policyholders	(157,922)	(122,693)
Share of results of equity accounted investee, net of tax	116,438	104,736
Income tax expenses	(801,941)	(750,432)
Profit from shareholders' fund	95,596	158,030
Profit for the year attributable to equity holders of the company	920,596	1,158,030

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2020 Rs. '000	2019 Rs. '000
Assets				
Intangible assets			604,217	581,438
Property, plant and equipment	28	190	2,468,821	2,500,305
Right of use assets	29	195	218,312	296,799
Financial investments	1	252	42,354,151	36,142,412
Loans to life policyholders	33	210	1,793,470	1,555,759
Reinsurance receivable	34	211	492,011	502,975
Premiums receivable	35	212	376,723	344,785
Receivables and other assets	2	255	865,946	768,128
Cash in hand and at bank	3	255	951,139	624,552
Total assets			50,124,790	43,317,153
Reserves and liabilities				
Reserves				
Available for sale reserve			558,057	267,219
Revaluation reserve	4	255	1,609,828	1,613,544
Other reserves	5	255	1,318	(6,411)
Total reserves			2,169,203	1,874,352
Liabilities				
Insurance contract liabilities	44	218	41,881,657	35,489,751
Insurance contract liabilities - Unit Linked	45	223	1,061,701	1,246,075
Lease liabilities	46	224	232,259	289,176
Employee benefit liabilities	47	224	194,753	162,957
Reinsurance payables	48	226	533,023	812,930
Other liabilities	7	255	3,891,389	3,273,484
Bank overdraft	37	214	160,805	168,428
Total liabilities			47,955,587	41,442,801
Total reserves and liabilities			50,124,790	43,317,153

LIFE INSURANCE FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
Cash flows from operations		
Insurance premiums received	13,076,667	11,634,510
Reinsurance premiums paid	(417,820)	(207,177)
Insurance benefits and claims paid	(4,001,539)	(3,760,837)
Reinsurance claims received	313,032	92,486
Payments to intermediaries to acquire insurance contracts	(2,074,820)	(1,953,383)
Cash paid to and on behalf of employees	(1,256,593)	(1,228,363)
Interest received	3,589,178	3,367,274
Dividends received	89,862	86,559
Other operating cash flows	(2,045,978)	(2,125,139)
Cash paid to life shareholder fund	(1,000,000)	(1,100,000)
Cash generated from operating activities - (Note A)	6,271,989	4,805,930
Employee benefits paid	(21,887)	(34,902)
Net cash from operating activities	6,250,102	4,771,028
Cash flows used in investing activities		
Acquisition of investments	(12,995,160)	(10,870,358)
Maturity proceeds of investments	3,240,555	4,048,476
Proceeds from sale of investments	4,106,793	2,312,820
Acquisition of property, plant and equipment	(51,587)	(97,601)
Acquisition of intangible assets	(120,125)	(36,971)
Proceeds on sale of property, plant and equipment	821	583
Net cash used in investing activities	(5,818,703)	(4,643,051)
Net cash inflow before financing activities	431,399	127,977
Cash flows used in financing activities		
Settlement of lease liabilities	(97,189)	(110,108)
Obligation to repurchase securities	230,310	699,080
Settlement of obligation to repurchase securities	(230,310)	(699,080)
Net cash used in financing activities	(97,189)	(110,108)
Net increase in cash and cash equivalents	334,210	17,869
Cash and cash equivalents at the beginning of the year	456,124	438,255
Cash and cash equivalent at the end of the year	790,334	456,124

For the year ended 31 December	2020 Rs. '000	2019 Rs. '000
A. Reconciliation of surplus from life insurance fund before tax with cash from operating activities		
Surplus from life insurance fund before tax	896,306	1,000,000
Non - cash items included in profit before tax		
Depreciation and amortisation	307,627	263,506
Provision for employee benefits	60,635	63,832
Provision for doubtful debtors	8,326	35,622
Net realised (gains) / losses	405,424	(23,534)
Net fair value (gains) / losses	(266,416)	304,054
Gains on sale of property, plant and equipment	(651)	(572)
Amortisation of financial investment	(51,623)	(107,457)
Amortisation of lease liabilities	(9,824)	33,999
Scrip dividend income	(34,162)	(62,705)
Interest expense on obligation to repurchase securities	1,689	2,323
Profit before working capital changes	1,317,331	1,509,068
Net change in operational assets		
Net change in reinsurance assets	10,964	(131,849)
Net change in premiums receivable	(31,938)	(13,246)
Net change in receivables and other assets	(1,912,466)	(1,732,860)
Net change in operational liabilities		
Net change in life insurance contract liabilities	6,207,533	4,634,674
Net change in reinsurance liabilities	(279,907)	143,616
Net change in other liabilities	960,472	396,527
Cash generated from operating activities	6,271,989	4,805,930
B. Cash and cash equivalents at the end of the year		
Cash in hand and at bank	951,139	624,552
Bank overdraft	(160,805)	(168,428)
Cash and cash equivalents	790,334	456,124
Net cash in hand and at bank for the previous year	456,124	438,255
Increase in cash and cash equivalents	334,210	17,869

LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 FINANCIAL INVESTMENTS

Refer Note 26 for the accounting policy

As at 31 December Rs. '000	Note	2020		2019	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Held to maturity financial assets (HTM)	1.1	18,710,892	23,087,756	17,402,472	18,568,401
Loans and receivables (L&R)	1.2	15,513,028	16,544,176	11,201,304	11,458,080
Available for sale financial assets (AFS)	1.3	3,524,525	3,524,525	4,132,224	4,132,224
Financial assets at fair value through profit or loss (FVTPL)	1.4	4,605,706	4,605,706	3,406,412	3,406,412
Total financial investments		42,354,151	47,762,163	36,142,412	37,565,117

1.1 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2020 Carrying Value	2019 Carrying Value
Amortised cost			
Quoted debentures	32.3(a)	216,450	216,505
Treasury bonds		18,494,442	17,185,967
Total HTM financial investments		18,710,892	17,402,472

1.2 Loans and Receivables (L&R)

As at 31 December	Note	2020 Carrying Value	2019 Carrying Value
Amortised cost			
Bank deposits		3,897,877	1,660,991
Quoted debentures	1.2(a)	9,542,799	7,649,908
Commercial Papers		413,504	-
Reverse repurchase agreements		1,658,848	1,890,405
Total L&R financial investments		15,513,028	11,201,304

1.2 (a) Quoted Debentures - Banks and Finance

As at 31 December Issuer	Credit Rating	Maturity date	2020			
			No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Commercial Bank of Ceylon PLC	AA-	3/9/21	250,000	25,841	25,962	10.75
Citizens Development Business Finance PLC	A-	6/3/21	515,390	52,732	52,841	12.75
Seylan Bank PLC	BBB+	7/15/21	950,400	100,888	103,346	13.00
Siyapatha Finance PLC	A	9/20/21	102,400	10,576	11,096	13.50
Singer Sri Lanka PLC	BBB+	9/28/21	3,500,000	360,508	372,906	12.00
Bank of Ceylon	AA-	10/24/21	242,499	24,904	26,164	13.25
Nations Trust Bank PLC	BBB+	11/8/21	3,000,000	305,428	318,266	12.65
People's Leasing & Finance PLC	A+	11/16/21	2,000,000	202,996	213,015	12.60
Bank of Ceylon	AA-	12/29/21	2,000,000	201,120	213,062	13.25
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,871	56,697	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,934	165,849	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,660	109,236	12.75
LB Finance PLC	BBB+	12/11/22	1,000,000	100,685	109,667	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	199,178	216,695	12.50
Sampath Bank PLC	A	3/20/23	2,500,000	258,644	283,166	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,890	237,744	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,019	341,584	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,128	418,738	11.25

As at 31 December Issuer	2020					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Hatton National Bank PLC	AA+	8/30/23	1,204,706	109,542	127,471	8.00
Bank of Ceylon	AA-	10/25/23	452,300	47,080	53,556	13.75
Hatton National Bank PLC	AA-	11/1/23	724,000	73,920	84,371	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	516,643	579,066	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	173,660	191,406	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,697	254,028	15.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,197	312,796	13.33
Hayleys PLC	A+	8/26/24	500,000	52,275	60,118	13.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,316	113,437	12.80
HNB Finance Limited	A	12/30/24	6,000,000	600,365	698,194	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	157,224	178,256	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,162	374,347	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,587	236,680	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,523	380,476	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,325	512,753	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,997	305,178	9.00
Hatton National Bank PLC	AA-	9/23/26	864,100	89,326	107,359	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,970	351,615	12.90
Peoples Bank	AA	11/8/27	4,370,000	444,633	538,196	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,119	375,892	13.50
Sri Lanka Telecom PLC	AA+	4/19/28	2,000,000	205,053	259,675	12.75
Commercial Bank of Ceylon PLC	AA-	7/23/28	5,000,000	527,624	640,290	12.50
Peoples Bank	AA-	7/27/30	5,000,000	521,559	562,664	10.25
				9,542,799	10,573,858	

1.2 (a) Quoted Debentures - Banks and Finance

As at 31 December Issuer	2019					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Central Finance Company PLC	A+	1/6/20	400,000	43,277	43,737	9.52
National Development Bank PLC	A	24/6/20	2,429,000	228,896	201,742	-
National Development Bank PLC	A	24/6/20	1,850,000	199,661	232,116	9.40
Senkadagala Finance PLC	BBB+	10/11/20	500,000	50,812	51,029	13.75
Commercial Bank of Ceylon PLC	AA-	9/3/21	250,000	25,926	23,339	10.75
Seylan Bank PLC	BBB+	15/7/21	950,400	101,168	100,794	13.00
Siyapatha Finance Limited	A-	20/9/21	102,400	10,533	11,048	13.50
Singer Sri Lanka PLC	A-	28/9/21	3,500,000	360,611	367,876	12.00
Bank of Ceylon	AA	24/10/21	242,499	25,011	26,228	13.25
Nations Trust Bank PLC	A-	8/11/21	3,000,000	305,494	305,615	12.65
People's Leasing Company PLC	AA-	16/11/21	2,000,000	203,040	203,107	12.60
Bank of Ceylon	AA	29/12/21	2,000,000	202,062	200,825	13.25
Lanka Orix Leasing Company PLC	A	31/7/22	500,000	52,883	54,978	13.00
National Savings Bank	AAA	10/9/22	1,500,000	154,917	159,282	11.00

LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

As at 31 December Issuer	2019					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
LB Finance PLC	A-	11/12/22	1,000,000	100,669	104,788	12.75
LB Finance PLC	BBB+	11/12/22	1,000,000	100,694	101,066	13.25
Sampath Bank PLC	A	21/12/22	1,600,000	160,569	167,413	12.50
Sampath Bank PLC	A	20/3/23	2,500,000	258,682	262,618	12.50
DFCC Bank PLC	A+	29/3/23	2,000,000	219,008	222,353	12.60
Nations Trust Bank PLC	A-	20/4/23	2,875,000	313,036	325,566	13.00
Hatton National Bank PLC	AA-	30/8/23	1,204,706	105,328	113,779	8.00
Bank of Ceylon	AA	25/10/23	452,300	47,298	47,393	13.75
Hatton National Bank PLC	A+	1/11/23	724,000	73,909	73,969	13.00
National Development Bank PLC	A	19/12/23	4,500,000	517,722	520,290	13.90
Sampath Bank PLC	A	28/2/24	1,000,000	111,565	116,541	13.90
Seylan Bank PLC	BBB+	18/4/24	2,000,000	220,761	236,185	15.00
Siyapatha Finance Limited	BBB+	8/8/24	2,760,000	290,146	302,628	13.33
Hayleys PLC	A+	26/8/24	500,000	52,254	52,261	13.00
Nations Trust Bank PLC	A-	23/12/24	1,000,000	100,299	103,948	12.80
HNB Finance Limited	BBB+	30/12/24	6,000,000	600,216	625,475	13.20
DFCC Bank PLC	A+	29/3/25	3,000,000	329,249	348,342	13.00
Seylan Bank PLC	BBB+	29/3/25	2,000,000	206,614	206,727	13.20
Hatton National Bank PLC	A+	23/9/26	864,100	89,307	94,832	12.80
Nations Trust Bank PLC	A-	23/12/26	3,000,000	300,904	314,030	12.90
Peoples Bank	AA	8/11/27	4,370,000	444,533	473,760	12.25
Seylan Bank PLC	BBB+	29/3/28	3,000,000	310,152	326,974	13.50
Sri Lanka Telecom PLC	AA+	19/4/28	2,000,000	205,070	225,013	12.75
Commercial Bank of Ceylon PLC	AA-	23/7/28	5,000,000	527,632	559,018	12.50
				7,649,908	7,906,685	

1.3 Available for Sale Financial Assets (AFS)

As at 31 December	2020 Rs. '000	2019 Rs. '000
Fair value		
Treasury bonds	3,524,525	4,132,224
Total AFS financial investments	3,524,525	4,132,224

1.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2020 Carrying Value	2019 Carrying Value
Fair value			
Quoted equities	32.6(a)	2,884,723	2,059,968
Unit Trusts		667,626	101,558
		3,552,349	2,161,526
Investments in unit linked funds			
Quoted equities	32.6(b)	783,223	949,024
Commercial Papers		10,259	-
Reverse repurchase agreements		82,998	112,386
Treasury bills		-	26,649
Bank deposits		28,444	16,292
Debentures		148,433	140,535
		1,053,357	1,244,886
		4,605,706	3,406,412

2 RECEIVABLES AND OTHER ASSETS

As at 31 December	Note	2020 Carrying Value	2019 Carrying Value
Financial assets			
Agent loans	36.2	158,015	196,944
Refundable deposits		25,040	22,748
Other receivables		130,861	68,508
		313,916	288,200
Non financial assets			
Taxes recoverable	2.1	255,172	340,397
Prepayments		29,732	43,324
Inventories		14,231	34,316
Advance payments		248,506	57,502
Other receivables		4,389	4,389
		552,030	479,928
Total receivable and other assets		865,946	768,128

2.1 Taxes Recoverable

As at 31 December	2020 Rs. '000	2019 Rs. '000
ACT recoverable	92,296	92,296
WHT receivable	156,875	156,319
Notional tax receivable	-	71,304
ESC receivable	6,001	20,478
	255,172	340,397

3 CASH IN HAND AND AT BANK

As at 31 December	2020 Rs. '000	2019 Rs. '000
Cash at bank	948,158	621,321
Cash at bank - Unit Linked	55	75
Cash in hand	2,926	3,156
Total	951,139	624,552

4 REVALUATION RESERVE

	2020 Rs. '000	2019 Rs. '000
Balance as at 1 January	1,613,544	1,214,876
Revaluation surplus during the year	-	403,283
Adjustment for deferred tax	-	-
Transfer to retained earnings	(3,716)	(4,615)
Balance as at 31 December	1,609,828	1,613,544

5 OTHER RESERVES

As at 31 December	2020 Rs. '000	2019 Rs. '000
Reserve on Cornhill merger	16,752	16,752
Reserve on retirement benefit obligation	(15,434)	(23,163)
Total other reserves	1,318	(6,411)

6 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 policyholders.

7 OTHER LIABILITIES

As at 31 December	2020 Rs. '000	2019 Rs. '000
Financial liabilities		
Agency commission payable	431,352	262,634
Other staff related provisions	318,794	139,368
Premiums in suspense	760,244	698,513
Government levies	8,352	20,610
	1,518,742	1,121,125
Non financial liabilities		
Government levies	-	51,059
Premium received in advance	6,464	22,929
Other liabilities	2,366,183	2,078,371
	2,372,647	2,152,359
Total other liabilities	3,891,389	3,273,484

UNDERSTANDING OUR FINANCIALS

Statement of Income

Gross Written Premium (GWP)

The main source of income consisting premiums paid by customers for the risk/s which they transfer to the company or the money charged for a certain amount of insurance coverage is called the Gross Written Premium (GWP). It's comparable with the 'turnover' of a trading or manufacturing organisation.

Premium Ceded to Reinsurers

The portion of risk that a primary insurer passes to a reinsurer. This allows the company to reduce its risk exposure and the accepting company receives a premium for taking on the risk.

Net Written Premium

Refers to the portion of premium which is applicable for the financial year and earned by the insurer by providing insurance against various risks during the year.

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.

Net Realised Gains

Net realised gains / losses resulting from selling of financial investments at a price higher or lower than the book value.

Net Fair Value Gains

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).

Net Benefits and Claims Paid

Refers 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 (e.g. surrenders, policy maturities, annuities and interim payments). This also includes the balance transferred to the life fund.

Underwriting and Net Acquisition Costs

Net acquisition expenses consists of the following;

Commission / Franchise Fees

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.

Other Operating and Administrative and Selling Expenses

Refers to staff, administration, sales and marketing costs incurred by the company.

Share of Results of Equity Accounted Investee, Net of Tax

Refers to the share of profit from Fairfirst Insurance Limited attributable to the company.

Statement of Financial Position

Industry specific items are selected and explained below

Investment in Equity Accounted Investee

Refers to carrying value of 22% stake in Fairfirst Insurance Limited.

Financial Investments

Invested money received from policyholders to pay benefits 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.

Loans to Life Policyholders

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.

Reinsurance Receivables

Includes amounts due from the company's reinsurers on current claims and estimates of amounts that will be due on future claims.

Premium Receivables

Consist of premium related balances due from policyholders.

Insurance Contract Liabilities – Life

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 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 is transferred as shareholders' funds in the financial statements.

Insurance Contract Liabilities - Unit Linked

Same meaning as above, however it related to the unit linked operation.

Reinsurance Payables

Represent payables to reinsurers for risk portion undertaken by them.

DISTRIBUTION NETWORK

Branch	Address	Contact Number/s
Akuressa	No. 38 & No 6A, D.C. Wanigasekara Mawatha, Akuressa	Tel : 0412283393/0412283493/0412284072/0413003457
Aluthgama	No. 51 1/1, Galle Road, Kalua Modara Aluthgama	Tel : 0342291690/0342291689/0342291685
Ambalangoda	No. 20, New Road, Ambalangoda	Tel : 0912258862/0912255882/0912258916
Ambalantota	153 & 153 1/1, Tangalle Road, Thawaluvila, Ambalantota	Tel : 0472223370/0472225027/0472225028/0472225626
Ampara	No.60 & 60/1, 'Indrawansha Building', D.S.Senanayaka Street, Ampara	Tel : 0632224668/0632224401/0632223669/0632223311
Anuradhapura	272, Main Street, Anuradhapura	Tel : 0252224677/0252237777/0252234984/0252235547/0252237778
Awissawella	No.15 1/2, Kudagama Road, Awissawella	Tel : 0362233575
Baddegama	No. 62, Galle Road, Baddegama	Tel : 0913092772
Badulla	No.226/4/1/09-14, Lower Street, Badulla	Tel : 0552229536/0552224373
Bakamuna	542, Bakamuna	Tel : 0662256100/0662256644/0663140919
Balangoda	No. 164, Thumbagoda Junction, Balangoda	Tel : 0452289199/0453603111
Bandarawela	340/1, Badulla Road, Bandarawela	Tel : 0572223239/0572223475/0572221760
Battaramulla (Thalawathugoda)	No. 123, Kaduwela Road, Battaramulla	Tel : 0112074453/0112074457/0112074452/0112074450/0113431724/0113049480/0113431725
Batticaloa	No.217, Trincomalee Road, Batticaloa	Tel : 0652228750/0652224574/0652228167
Chillaw	87, Puttalam Road, Chillaw	Tel : 0322222104
Dambulla	755, Anuradhapura Road, Dambulla	Tel : 0662284628/0663140611
Embilipitiya	No. 162, New Town Road, Embilipitiya	Tel : 0472230463/0472261946/0472262010
Galle	147, 1st floor, Colombo Road, Kaluwella, Galle	Tel : 0912243948/0912231107/0912229419/0913131631/0912243409
Gampaha	No.55, Yakkala Road, Gampaha	Tel : 0332226441/0332235130
Gampola	10B, Nidahas Mw, Keerapana, Gampola	Tel : 0812077174/0812077175/0812077176
Giriulla	No. 86A, Negombo Road, Giriulla	Tel : 0372288586/0372248511
Hingurakgoda	No.02, Airport Road Higurakgoda	Tel : 0272246581
Homagama	119/2/1 & 119/3/1, Katuwana Road, Homagama	Tel : 0112892802/0112892803/0113663971
Horana	No. 198, Rathnapura Road, Horana	Tel : 0342264182/0342265217
Ja-Ela	No. 71A2/1, Negombo Road, Ja-Ela	Tel : 0112241512/0112243633/0112231661/0112226395
Jaffna	139, Stanley Road, Jaffna	Tel : 0212223753/0212216703
Kadawatha	No. 1158 2/1, Kandy Road, Kadawatha	Tel : 0112927252/0113071596/0112927253
Kalmunai	No.212, Batticaloa Road, Kalmunai	Tel : 0672222633/0672050049
Kalutara	338/1/2, Main Street, Kalutara	Tel : 0342222114/0342222113/0342222104
Kamburupitya	No. 48A, Horapitiya Watta, Magamure Kamburupitya	Tel : 0412294581
Kandy	No.28, Hill Street, Kandy	Tel : 0812227443/0812232731/0812225025/0812233291/0812050951
Katugastota	No.185/4, Galagedara Road, Katugastota	Tel : 0812500286/0812500205/0812500588
Kegalle (1St Floor)	No.134, Kalugalla Mawatha, Kegalle	Tel : 0352221028/0352230497/0352232165
Kilinochchi	Nos. 83 & 85, Kandy Road, Kilinochchi	Tel : 0212280118/0212280117/0212280119
Kirillapona (Wellawatte)	No. 57-2/1, High Level Road, Kirillapona, Colombo 06	Tel : 0112513362/0112513363/0113024334/0112513361
Kottawa	193/C, Horana Road, Kottawa, Pannipitiya	Tel : 0112178008/0113158154
Kuliyapitiya	No. 93, Madampe Road, Kuliyapitiya	Tel : 0372281904/0372282904/0372284664

DISTRIBUTION NETWORK

Branch	Address	Contact Number/s
Kurunegala	No. 6, Rajapihilla Road, Kurunegala	Tel : 0372222474/0372228509/0372224252/0372227585 /0372228513/0113134777/0372223650/0372230435 /0372221834/0372222282/0372230950/0372223230 /0372230465
Maharagama	No. 272/B/2/1, Awissawella Road, Maharamaga	Tel : 0112842315/0112089082/0112089081
Mahiyanganaya	No. 44D, Miyugunagama, Mahiyanganaya	Tel : 0552258255/0552258777
Mannar	No.43, Ward No.2, Pallimuni Street, Mannar	Tel : 0232223257/0232251882/0233238255
Matale (First Floor)	553/F1/1, Trincomalee Street, Matale	Tel : 0662231536/0662222929
Matara Zone 1 & 2	No. 58 1/2, Esplanade Road, Matara	Tel : 0412232740/0412226633/0412223024/0412226865/ 0412226806/0412226837/0412226805/0412226644
Mathugama	No.94/2, Agalawatta Road, Mathugama	Tel : 0342241441/0342248017/0343944339
Melsiripura	No. 105/18, Siripura Estate, 15 Mile Post, Melsiripura	Tel : 0373120020/0372051123/0372051205
Monaragala	No. 112, Wellawaya Road, Monaragala	Tel : 0552276290/0552277379/0553051532/0552276379
Moratuwa	No.495B, Galle Road, Rawathawatta, Moratuwa	Tel : 0112645526/0112645802/0112641800/0112641855 /0112641666
Mullaitivu	P.W.D. Road, Mullaitivu Town, Mullaitivu	Tel : 0212290894/0212290893
Negombo	No.147,St. Joseph'S Street,Negombo	Tel : 0312224264/0312238443/0312235043/0313717890
Nelliady	Nelliady Road, Navallar Madam, Nelliady	Tel : 0212260344/0212261970/0213202094
Nikaweratiya	No. 65, Puttlam Road, Nikaweratiya	Tel : 0372260567/0372260334/0372260249
Nugegoda	376, High Level Rd, Gangodawila, Nugegoda	Tel : 0112815511/0112815512/0112815513/0112811703
Nuwaraeliya	36, Park Road, Nuwaraeliya	Tel : 0522223341/0113135922
Padaviya	N0: 2, New Town, Padaviya	Tel : 0252253018/0252253277/0253770758
Panadura	571, Galle Road, Panadura	Tel : 0382244630/0382244790
Pettah	No.73,74, 1St Floor, Gold Centre, Pettah	Tel : 0112432704/0112432329/0112432321
Piliyandala	No. 226, Horana Road, Piliyandala	Tel : 0112619550/0112609106/0112609105
Polonnaruwa	05, Battocaloa Road, Polonnaruwa	Tel : 0272226611/0272051148/0272226612/0272051142 /0113135573
Puttalam	No. 97/1, 2Nd Floor, Cargills Food Cotiy Building, Puttalam	Tel : 0322265980/0322267475/0322265890
Ratnapura	No. 567 1/1 9 (New No. 23/2/1), Senavirathna Building, Colombo Road, Rathnapura	Tel : 0452226740/0452233035/0453471507/0452255773
Ruwanwella	No.185/1/2, Avissawella Road, Ruwanwella	Tel : 0362268747/0362266631
Tangalle	No.61, Beach Road, Tangalle	Tel : 0472241841/0472241727/0473125277
Thalawathugoda	No. 705, Boralla Road, Thalawathugoda	Tel : 0112775495/0112775496/0113661551/0113661552
Thambuththegama	No.148,Thammanagama, Thambuththegama	Tel : 0252276060/0252275185/0252276211
Tissamaharama	118, Hambantota Road, Tissamaharama	Tel : 0472237711/0472238027
Trincomalee	No. 170, Abeyapura, Kandy Road, Trincomalee	Tel : 0262227536/0262227530
Valachchenai	Main Streeet, Valachchanai	Tel : 0652258556/0652258555/0652258557
Vavuniya (1st Floor)	No.188,190,192,& 190/1, Kandy Road, Vavuniya	Tel : 0242226003/0242227113/0242223138
Warakapola	No.198 B1/1, 'Willara Complex', Main Street, Warakapola	Tel : 0352267441/0352267069
Wariyapola	203/A, Kurunegala Road, Wariyapola	Tel : 0372268208/0372267206
Wattala	No.250/2/2, Negombo Road, Wattala	Tel : 0112932030/0112932153/0113037591
Wellawaya	210, Moneragala Road, Wellawaya	Tel : 0552274380/0552274219/0552274218/0553600031
Wennappuwa	No. 6, Colombo Road, Wennappuwa	Tel : 0312255844/0312253892

CORPORATE INFORMATION

GRI 102-1, 102-3, 102-5

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. 07 of 2007 and quoted on the Colombo Stock Exchange since 1988.

Company Registration Number

PQ 12

Tax Payer Identification Number (TIN)

134001372

Directors

K. N. J. Balendra - Chairman

S. Rajendra

H. A. J. De Silva Wijeyeratne

[Resigned w.e.f 06.09.2020]

D. H. Fernando

S. A. Appleyard

D. P. Gamlath [Appointed w.e.f 10.06.2020]

W. M. De F. Arsakularatne

[Appointed w.e.f 14.07.2020]

Board Human Resource and Compensation Committee

The Board Human Resource and Compensation Committee (BHRCC) of John Keells Holdings PLC (the Parent) represents the BHRCC of the Company.

Nominations Committee

The Nominations Committee (NC) of John Keells Holdings PLC (the Parent) represents the NC of the Company.

Related Party Transaction Review Committee

The Related Party Transaction Review Committee (RPTRC) of John Keells Holdings PLC (the Parent) represents the RPTRC of the Company.

Project Risk Assessment Committee

The Project Risk Assessment Committee (PRAC) of John Keells Holdings PLC (the Parent) represents the PRAC of the Company.

Board Audit and Compliance Committee

W. M. De F. Arsakularatne - Chairman

[Appointed w.e.f 14.07.2020]

D. H. Fernando

S. Rajendra

Investment Committee

J. G. A. Cooray - Chairman

Jude Gomes

Asha Perera

Nalin Subasinghe

[Appointed w.e.f 15.08.2020]

Angelo Keil

Aruni Fernando

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.

Appointed Actuaries

Willis Towers Watson India Private Limited

Unitech Business Park, 2nd Floor

Tower-B, South City 1, Sector 41

Gurgaon-122002

India.

Lawyers

The Legal Department

John Keells Holdings PLC

117, Sir Chittampalam A Gardiner Mawatha,

Colombo 2.

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Deutsche Bank AG

DFCC Bank PLC

Hatton National Bank PLC

Housing Development Finance Corporation

National Development Bank PLC

National Savings Bank

Nations Trust Bank PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Union Bank Colombo PLC

Reinsurance Panel

RGA

Hannover Re

Munich Re

Partner Re

Registered Office of the Company

20, St Michael's Road,
Colombo 3.

Investor Relations

All investor queries should be directed to;

Investor relations hotline 011-2990314

e-mail: investorrelations@unionassurance.com

NOTICE OF MEETING

Notice is hereby given that the 34th Annual General Meeting of Union Assurance PLC will be held as a virtual meeting on Wednesday, 31st March 2021 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 2020 with the report of Auditors thereon.
3. To re-elect as Director, Mr. Warnage Malinga De Fonseka Arsakularatne who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. Warnage Malinga De Fonseka Arsakularatne is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Mr. Daminda Prabath Gamlath who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. Daminda Prabath Gamlath is contained in the Board of Directors section of the Annual Report.
5. To re-elect as Director, Mr. Dumith Hemantha Fernando who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. Dumith Hemantha Fernando is contained in the Board of Directors section of the Annual Report.
6. To re-appoint Auditors Messrs. KMPG, Chartered Accountants and authorize the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulation.

This year the Annual Report and Financial Statements of the Company are available on the:

- 1) Corporate Website – <https://unionassurance.com/financial-reports/> and
- 2) the CSE Website – <https://www.cse.lk/home/company-info/UAL.N0000/financial>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.



By Order of the Board
Union Assurance PLC

Shashika

Keells Consultants (Private) Limited
Secretaries

25 February, 2021

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Shashika Perera on 0779 907 253 during normal office hours (8.30 a.m. to 5.00 p.m.) or email shashika@unionassurance.com

Should members wish to obtain a hard copy of the Annual Report, they may send a written request to the registered office of the Company by filling the request form attached. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

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 Form of Proxy enclosed.
- d. In order to be valid, the completed Form of Proxy 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 member and his/her proxy holder are both present at the meeting, only the member'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.

FORM OF PROXY

I/We of

.....being a member/s of Union Assurance PLC hereby appoint

.....of or failing him/her

Mr. Krishan Niraj Jayasekara Balendra or failing him

Mr. Suresh Rajendra or failing him

Mr. Dumith Hemantha Fernando or failing him

Mr. Stephen Anthony Appleyard or failing him

Mr. Daminda Prabath Gamlath or failing him

Mr. Warnage Malinga De Fonseka Arsakularatne

as my/our proxy to represent me/us and vote on my/our behalf at the 34th Annual General Meeting of the Company to be held on 31st March 2021 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
1. To re-elect as Director, Mr. Warnage Malinga De Fonseka Arsakularatne who retires in terms of Article 90 of the Article of Association of the Company	☐	☐
2. To re-elect as Director, Mr. Daminda Prabath Gamlath who retires in terms of Article 90 of the Articles of Association of the Company	☐	☐
3. To re-elect as Director, Mr. Dumith Hemantha Fernando who retires in terms of Article 84 of the Articles of Association of the Company	☐	☐
4. To re-appoint Auditors Messrs. KPMG Chartered Accountants and to determine their remuneration	☐	☐

Signed on thisday of Two Thousand and Twenty One.

.....
Signature /s of Shareholders/s

Note:

Instructions as to completion of the form of proxy are noted on the reverse.

INSTRUCTIONS ASTO 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.

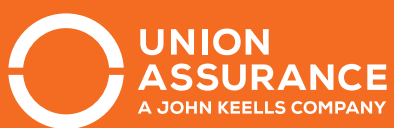
Please fill in the following details:

Name	:	
Address	:	
		
		
Jointly with	:	
Share Folio No.	:	

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