

# Chief Executive Officer's Review

**“In a rapidly evolving macroeconomic and regulatory environment, our steadfast focus on customer centricity, innovation, digitalisation, prudence and agility will enable us to explore the strong upside potential of the Sri Lankan Life Insurance industry and continue to create sustainable value to our stakeholders.”**

## RESILIENT PERFORMANCE

The Company recorded a commendable performance in 2019, despite internal and external pressures making the year one of the most challenging in the recent past. Annualized New Business Premiums (ANBP) recorded a 20% steady growth during the year with the Agency Channel accounting for 86% of the total revenue. The Bancassurance Channel recorded a strong growth which has complimented the primary Agency Channel during the year. Renewal premiums grew at an encouraging 11% as a result of several initiatives undertaken by the Company.

UA's investment portfolio which is the fourth largest in the industry grew by 15% during the year. The investment portfolio recorded a 10.53% yield despite a lower interest rate trajectory. The unrealised loss stemming from equity portfolio declined by 63% to Rs. 298 Mn due to both positive performance of the Colombo stock market and our prudent investment strategies. Management of the equity portfolio was outsourced to an external fund management entity during the year with the aim of obtaining expert strategic insights and execution to optimise returns.

Net insurance benefits and claims paid increased by 20% due to increases in maturity and surrender payouts. Although maturity payouts are in line with UA's contractual obligations, surrender payouts increased due to the challenging economic environment. Underwriting and net acquisition costs decreased by 10% to Rs. 1.9 Bn during the year mainly due to changes in composition of new and renewal premiums and the incentive structure. Focused cost management strategies resulted in other operating expenses, administrative and selling expenses decreasing significantly by 14% compared to previous year. Depreciation and amortisation increased by 93% as a result of the strategic investments made in the policy administration and related systems in 2018, leases made on the branch network and contractual payments on account of strategic Bancassurance Partnerships.

Recurrent profit after tax in 2019 was Rs. 1.2 Bn compared to Rs. 1.1 Bn recorded in 2018. The recurrent surplus transfer from the Life Fund amounted to Rs. 1.0 Bn, Rs. 604 Mn was generated from the shareholder investment portfolio and Rs. 104 Mn was accounted as UA's share of profits from the general insurance business from Fairfirst Insurance Limited.

## INVESTING IN OUR TEAM

We continue to invest in developing the skills and competencies of our team, to meet current and future business opportunities and challenges. To enable this objective, leadership training continued to be provided to all levels of staff, while innovative programmes to enhance the technical skills of staff were conducted on a regular basis. We have a highly dedicated team, with an admirable attitude and commitment who strive for excellence in order to create value for our stakeholders.

## BUILDING DISTRIBUTION CAPABILITIES

With the Agency Channel continuing to be our main driver of growth, significant investments were made to expand and improve the quality of the Agency Channel. Branch infrastructure upgrades were carried out, to enhance customer experience, employee satisfaction and bringing greater alignment with digital agency. We also sought to bring greater alignment between our HR strategy and business objectives by reviewing our manpower and learning and development strategies to ensure that they are aligned with our new market expansion strategy. A revamped Reward and Recognition Scheme was implemented with the aim of growing ANBP. Meanwhile we continue to explore ways in leveraging advanced data analytics to improve our Agency Channel and access under penetrated market segments.

The Bancassurance Channel continued to perform well, recording a strong premium growth in 2019. Our strategic Bancassurance Partnerships with Nations Trust Bank PLC and Union Bank PLC, performed well during the year, and we see significant potential to grow these partnerships in the future. Open architecture model with Commercial Bank of Ceylon PLC, Sampath Bank PLC, and Seylan Bank PLC performed to the expected levels in 2019. We continue to invest in expansion of these channels given the strong upside potential with the higher banking density and penetration in the country.

## CUSTOMER CENTRICITY

Our comprehensive product portfolio strives to meet the evolving needs of our diverse customer base throughout their life stages. Ongoing product development ensures that we stay relevant and customer centric. UA product



### 20%

GROWTH IN ANNUALISED  
NEW BUSINESS PREMIUM



### 10.63%

YIELD OF INVESTMENT  
PORTFOLIO

## CHIEF EXECUTIVE OFFICER' S REVIEW

development strategy has shifted from an investment focus to a protection focus during the last two years. In keeping with this shift, we introduced six new plans to the market in 2019. The 'Union Smart Health Premier' is a comprehensive medical expense reimbursement rider benefit which also provides indemnity cover for hospitalisation or surgery with worldwide coverage. Three life insurance plans including the 'Union Advantage Premier Plan', the 'Union Smart Investor life insurance plan' and 'Union Ultra Protect Plan' were introduced with flexible premium payments and other features. We also introduced customised products for the Bancassurance channels such as the 'Life and Medical Plan' which is a personalised medical plan to suit one' budget. The 'Critical Illness Plan' is yet another customised plan that combines a life cover with a critical illness cover. We continue to work closely with our ecosystem partners to offer relevant competitive propositions to our customers.

We continue to offer our customers a superior customer service through ongoing improvements to our processes. Health claims benefits processing and policy alterations have been automated to provide a speedy claims settlement experience for the customers. Separate call centre teams were set up during the year to service key customer segments. Investment strategies resilient to market conditions enabling UA to declare above market dividend rate to universal life policyholders. A healthy dividend rate of 10% was declared for 2019.

### OUR DIGITAL AGENDA

UA is committed to a "digital first" business model and continued to invest in its digital proposition during the year. Issuance of e-policies and e-premium statements commenced during the year while several processes including recruitment, performance management, lead management and sales competition monitoring were automated as part of our digitization

efforts. The adoption of mCash has significantly increased cashless collections and recorded an increase of 20% during the year. Meanwhile improvements to auto underwriting rules engine carried out during the year have resulted in greater efficiencies with our straight through processing (STP) ratio improving to 51% as at December 2019. The advanced analytics transformation project, launched in 2018 is an integral component of our digital strategy with several initiatives to be rolled out in 2020.

### APPRECIATION

On behalf of the Senior Management Team I would like to express my sincere appreciation and gratitude to my predecessor Mr. Dirk Pereira, who resigned in October 2019, after rendering 15 long years of service to Union Assurance PLC.

UA continues to grow from strength to strength due to the unwavering commitment of the Board of Directors and continued patronage of our customers and other stakeholders. My sincere thanks and appreciation to all. I would like to place on record the support and commitment of our senior team at UA and staff members who strive to give their best.

We have ended 2019 on a positive note and with my team look forward to an exciting year ahead. We are confident that with our strong brand, reputation for good governance, professional team and performance driven culture combined with our financial strength and customer centric strategy, we are well poised to deliver sustainable value to all stakeholders in the years to come.



**Jude Gomes**  
Chief Executive Officer

28 February 2020