

# Chairman's Message

**“Whilst being hopeful that the country’s political environment will enjoy more stability in 2020, we are confident that our strategic investments have us well placed to take advantage of the opportunities presented to us in the next decade. As a Company, our future looks exciting.”**

## Dear Stakeholders,

On behalf of the Board of Directors, it gives me great pleasure to present our Integrated Annual Report and the Financial Statements for the financial year ended 31 December 2019.

## FINANCIAL PERFORMANCE

Despite 2019 being one of the most challenging years in the recent past, the Company recorded a satisfactory performance during the year, a true reflection of our resilience amidst turbulence. Gross Written Premiums amounted to Rs. 11.6 Bn, a growth of 4% over last year while Annualised New Business Premiums (ANBP) recorded a significant growth of 20% year on year.

The Company recorded Profit Before Tax of Rs. 1.7 Bn in 2019 compared to the Rs. 2.1 Bn in 2018, which benefited from a notional tax credit of Rs. 536 Mn. Recurrent Profit After Tax increased by 2% against the previous year after adjusting for deferred assets and notional tax credits recognised in the previous year.

Investment income of Rs. 4.4 Bn was impacted by a lower interest rate trajectory. Claims and benefits increased by 20% to Rs. 3.5 Bn compared to the previous year mainly due to an increase in maturity and surrender payouts by 18% and 24% respectively. Maturity payments were made in accordance with the contractual obligations of the Company and surrender payments has increased due to challenging economic conditions. Change in contract liabilities – Life fund increased by 28% to Rs. 5.0 Bn over the last year in line with the growth in the life insurance portfolio and

contractual obligations. Underwriting and net acquisition cost decreased by 10% to Rs. 1.9 Bn with changing composition of new and renewal business and incentive structure. Focused cost management strategies resulted in other operating expenses, administrative and selling expenses decreasing significantly by 14% compared to the previous year.

Total assets of the Company grew by 12% to Rs. 55.2 Bn with the investment portfolio which accounts for 81% of assets growing by 15% during the year. Total liabilities meanwhile grew by 15% with the life fund which accounts for 87% of liabilities, amounting to Rs. 35.5 Bn growing by 16% during the year aligned with business growth.

The Company maintains a healthy Capital Adequacy Ratio (CAR) reflecting its strong solvency position. Insurance liabilities are backed by reinsurers who have credit ratings of ‘A+’ or above from international rating agencies.

## DIVIDENDS

The Board declared a first and final dividend of Rs. 20 per share amounting to a total pay-out of Rs. 1,179 Mn for year 2019 (2018: Rs. 20 per share).

## STRENGTHENING THE UNION TEAM

On 1st December 2019 we welcomed a new Chief Executive Officer who brings with him a wealth of experience in the financial services industry across different geographies. We are consistently

re-organising and re-evaluating our structure and processes to strengthen the organisation and confident that these changes will propel us to even greater heights.

Our loyal and committed employees are the bedrock of our value creation process. We continue to improve our employee value proposition by engaging and encouraging our employees to perform to the best of their ability through a performance-oriented culture founded on ethical and transparent behaviour.

## COMPLIANCE

During the year under review, several initiatives were undertaken to strengthen the Company’s Corporate Governance framework and controls. Key initiatives among these were the establishment of a transitional Board Supervisory Committee to overlook the operations of the Company during the leadership transition, updating of the Manual of Financial Authority and the establishment of an Investment Middle Office to ensure compliance of investment front office functions with the growing investment portfolio.

Meanwhile we continue to work closely with the Insurance Regulatory Commission of Sri Lanka to implement regulations that facilitate industry growth while safeguarding policyholder interests. We have made significant progress in the implementation of SLFRS 17 which creates a standardised and more transparent approach to financial reporting. I am pleased to state that we remain fully compliant with the provisions of the



Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

**BALANCING SUSTAINABILITY AND COST EFFECTIVENESS**

Adding sustainable value to our customers, our people, suppliers, community and shareholders lies at the heart of our business strategy. The management discussion and analysis section of this integrated report discusses how we added value during the year. I am pleased to announce that this year too we have made significant progress on our sustainability agenda. Key initiatives among these initiatives are our energy saving and emission management programmes implemented during the year.

This Report has been prepared in accordance with the GRI Sustainability Reporting Standards and the GRI materiality disclosures approval. The report contains the overall sustainability strategy, framework and performance of the Company and has been independently assured by KPMG Sri Lanka.

**DELIVERING VALUE TO COMMUNITY**

We are strong proponents of creating healthy communities across the country not only because this links directly with our business

objectives but also because we firmly believe healthy communities drive overall economic development. We continued to work together with the Ministry of Health to create awareness regarding critical health concerns such as dengue, diabetes and thalassemia and successfully conducted a total of 9 dengue awareness campaigns, over 183 thalassemia awareness programmes and 18 diabetes prevention programmes in collaboration with the Public Health Department of the Colombo Municipal Council and the Public Health Inspector.

**A POSITIVE OUTLOOK**

A relatively low level of insurance penetration as compared to regional markets, rising income levels and an ageing population bode well for the growth prospects of insurance industry in Sri Lanka in the medium to long run. In the shorter run too, we remain optimistic about the industry’s prospects considering recent political developments and the positive impact on political and economic stability.

We will continue to execute a customer centric, eco system-based product strategy whilst improving our service delivery and distribution capabilities. The Agency Channel is expected to be our engine of growth and we will continue to invest in expanding and improving the quality of this channel. Meanwhile with the Bancassurance Channel showing significant growth potential, we will continue to explore strategic partnerships that will further improve our service delivery, product offering and distribution capabilities. Our strategic Bancassurance Partnerships with Nations Trust Bank PLC and Union Bank PLC recorded encouraging performance in 2019 as did our open architecture partnerships with Commercial Bank of Ceylon PLC, Sampath Bank PLC and Seylan Bank PLC.

The insurance industry is being transformed by the digital revolution. In the next few years, digital tools such as big data and advanced analytics will enable a wide range of new business opportunities leading to improved marketing, underwriting and customer retention. Our advanced analytics

transformation project ‘Octave’ made significant strides yielding more than anticipated value in 2019. We are confident that in time, Advanced Analytics will be a major source of advantage for UA, fundamentally enhancing the way we take management decisions.

**ACHIEVEMENTS**

We continue to set standards in all areas of our operation including HR practices, Sustainability, Financial Reporting, Corporate Governance and are proud that our efforts continue to be recognised locally as well as internationally. During the year we were adjudged winners in the Finance and Insurance sector at the Sustainability Awards conducted by the Association of Chartered Certified Accountants (ACCA). This was the 11th consecutive year the Company’s activities were recognised at this prestigious event. Our reporting practices were also recognised by the Institute of Chartered Accountants of Sri Lanka, with the 2018 annual report receiving the Gold award in the insurance category and the Gold award for corporate social responsibility reporting. Meanwhile our excellent business practices were recognised by the National Chamber of Commerce with a gold award in the insurance category and merit awards for excellence in corporate social responsibility and excellence in performance management.

**ACKNOWLEDGEMENTS**

On behalf of the Board and the entire UA team I wish to sincerely thank Mr. Dirk Pereira for his dedicated service to the Company as the Executive Director and Chief Executive Officer over the past 15 years. I would also like to thank Mrs. Dilani Alagaratnam for her invaluable service to the Company over the last eight years as a Non-Independent Non-Executive Director.

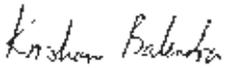
I would also like to place on record our appreciation to the Chairman, Director General and their team at the Insurance Regulatory Commission of Sri Lanka for the consultative approach they continue to adopt in balancing the interests of all stakeholders involved in this

## CHAIRMAN'S MESSAGE

dynamic industry. Our appreciation also goes out to the Insurance Ombudsman for providing an efficient, independent grievance handling mechanism.

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

Finally, I wish to warmly welcome Mr. Jude Gomes as Chief Executive Officer of the Company. We are confident that his vast experience and industry knowledge will be invaluable as we embark on the next stage of our growth journey.



**Krishan Balendra**  
Chairman

28 February 2020