

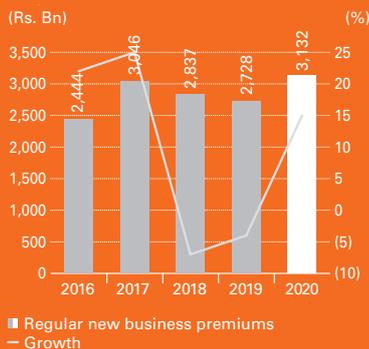
CHIEF EXECUTIVE OFFICER'S REVIEW

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.

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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