

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 not withstanding 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

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Chairman

25 February 2021