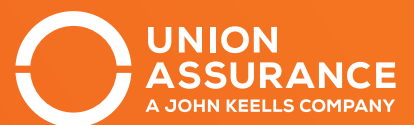




# LOOKING BEYOND

UNION ASSURANCE PLC | ANNUAL REPORT 2022





# LOOKING BEYOND

The only way you can predict the future is to build it. Here at Union Assurance, we believe our undertaking is a life-long task, that requires commitment that goes beyond our line of sight. Over the last three decades, we have cemented our strength as agents of transformation, evolving with resilience to protect your dreams. Today, we are one of the unwavering leaders in Life Insurance, delivering future-forward solutions with a team committed to keep us progressive and smart.

Focused on our chapter ahead, this year we broadened our horizons to make ourselves future-ready, embracing digitization that drives convenience, possibilities and steadfast value to our stakeholders. We fine-tuned our strategies to be in tune with your aspirations and streamlined our processes to stay ahead of the curve. As we look beyond the ordinary and craft a future we can be proud of, we will never lose sight of our ultimate priority; to protect your dreams.

# LOOKING BEYOND

Protecting lives and empowering people to achieve their dreams as one of Sri Lanka's fastest growing Life Insurers



**5%**

Regular New Business  
Premium Growth



**#1**

Bancassurance Provider  
in Sri Lanka



**2<sup>nd</sup>**

Largest Regular New  
Business Premium Producer  
in Sri Lanka



**257 MDRTs**

Among the highest MDRT  
producing Insurance Companies  
in Sri Lanka





## Leading the Digital Transformation of Sri Lanka's Insurance Industry



**100%**

Paperless Insurance Proposal Submission



**Bionic Distribution Strategy**



**91%**

One Day Claims Settlement Ratio



**Clicklife App**

Industry Leading Client Servicing App



## Crafting the Future via Strong Financial Performance and Stability



**42%**

Growth in Profit Before Tax



**194%**

Healthy Capital Adequacy Ratio



**Rs. 54.9 Bn**

Life Fund



**42%**

Investment Income Growth

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# EVOLVING WITH RESILIENCE TO PROTECT YOUR DREAMS

## Union Assurance at a Glance

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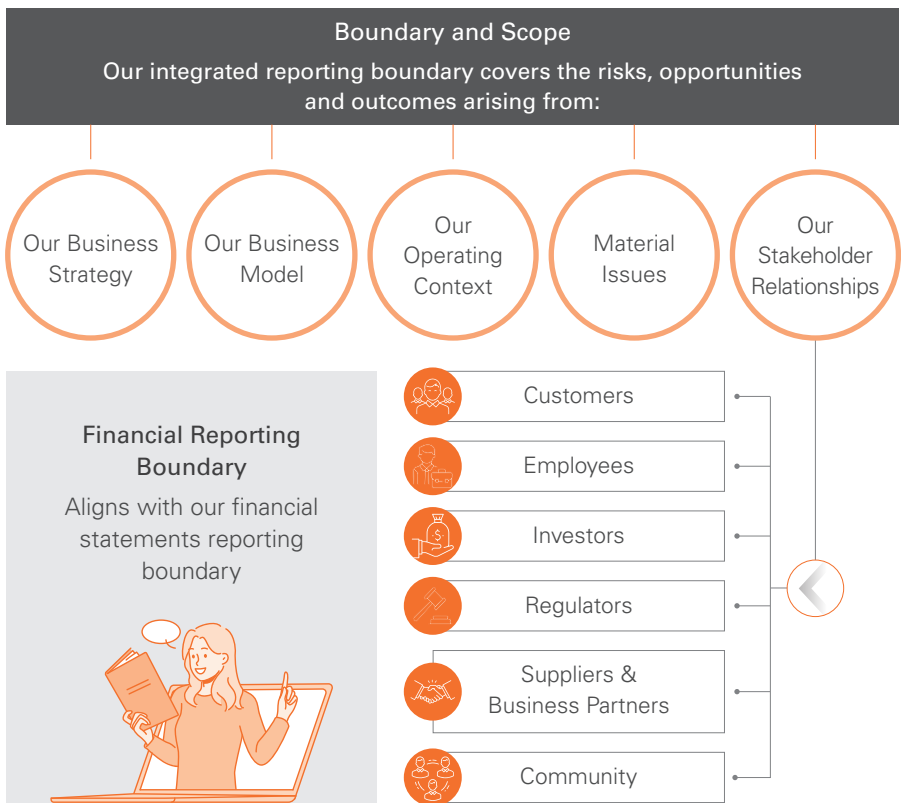


# ABOUT OUR INTEGRATED REPORT

**Welcome to our Integrated Annual Report which aims to provide our stakeholders an overview of our performance during the year. The report gives an insight into our value creation process and the strategies in place to navigate an unusually volatile and challenging year.**

We also share our future plans as we position our business as a fully fledged digital and customer-centric insurer for the new age. This report covers the operations of Union Assurance PLC for the period from 1st January 2022 to 31st December 2022 which is the Company's annual reporting cycle.

## BOUNDARY AND SCOPE



### NAVIGATING OUR REPORT

In keeping with the <IR> principle of connectivity of information, we have adopted the following navigation icons throughout the report

- Managing Monetised Resources
- Transforming Our Operational Footprint
- Operational Excellence
- Differentiated Offering and Responsible Behaviour
- Creating Positive Impacts
- Leading through Innovation

### APPROVAL BY THE BOARD

The Board acknowledges its responsibility of confirming the integrity of this integrated report. The board has critically evaluated the assurances obtained and is satisfied that there is adequate and effective control environment to ensure the completeness of the information. The board also of the view that, to the best of its knowledge and the belief, that the integrated report addresses all the issues material to the stakeholder decision making as explained by the company value creation process. This report was approved by the Board of Directors of Union Assurance PLC on 28 February 2023.

*Krishan Balendra*  
**K N J Balendra**  
 Chairperson

*W M De F Arsakularatne*  
**W M De F Arsakularatne**  
 Director

*Manu*  
**Keells Consultants (Pvt) Ltd**  
 Secretaries

28 February 2023

### OUR APPROACH TO MATERIALITY

We have applied the concept of materiality throughout this report. Matters discussed in this report are those that are deemed to have the most significant impact on our stakeholders. The process for determining materiality and the identified material matters have been presented on pages from 59 to 60 of this report. The information related to the previous period has not been reinstated during this period unless otherwise stated.

### FORWARD LOOKING STATEMENT

Our Report includes forward looking statements, which discusses the possible future financial position and results of the company's operations. These statements however involve an element of risk and uncertainty. We do not undertake to update or revise these statements publicly in the event of a change of circumstances.

## REPORTING FRAMEWORKS ADOPTED

We use the combined assurance model to ensure the information we share, and the underlying process, facilitate the reliability and integrity of the information provided.

	Guiding Principle	Internal Assurance	External Assurance
Financial Reporting, Governance, Risk Management and Operations	Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).	Reporting to Board Audit and Compliance Committee (BACC)  Internal Audit  The internal control mechanisms  Strong governance framework and compliance with regulatory guidelines	An Independent Auditor confirming the accuracy of the Annual Financial Statements  ☞ (Refer pages <b>191 to 194</b> )  An Independent Actuary confirming the Life Fund Valuation and Liability Adequacy  ☞ (Refer page <b>189</b> )
	Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.		
	Code of Best Practice on Corporate Governance issued jointly by ICASL and the Securities and Exchange Commission of Sri Lanka (SEC).		
	Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL).		
	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, Circulations, Rules and Regulations issued by the IRC SL.		
Integrated Reporting	International<IR> Framework of the International Integrated Reporting Council (IIRC)	Self-certification based on the IIRC framework	-
	A Preparer’s Guide to Integrated Corporate Reporting - issued by the ICASL		
	The guidelines for presentation of Annual Reports 2022 issued by the ICASL		
	Handbook on Integrated Corporate Reporting issued by the ICASL.		
Sustainability Reporting	Global Reporting Initiative (GRI) Sustainability Reporting Standards	Sustainability reporting assessment by the group Sustainability Reporting System  Carbon footprint Assessment	An Independent Assurance engagement for specific financial and non-financial sustainability indicators  ☞ (Refer pages <b>294 to 295</b> )
	United Nations Sustainable Development Goals		
	Environmental, Social and Governance (ESG) disclosures through the framework and operations in conformity with the Principles of the United Nations Global Compact		
	Disclosure on Gender Parity Reporting issued by the ICASL.		
	Sustainability Accounting Standards Board (SASB) Standards		

### FEEDBACK

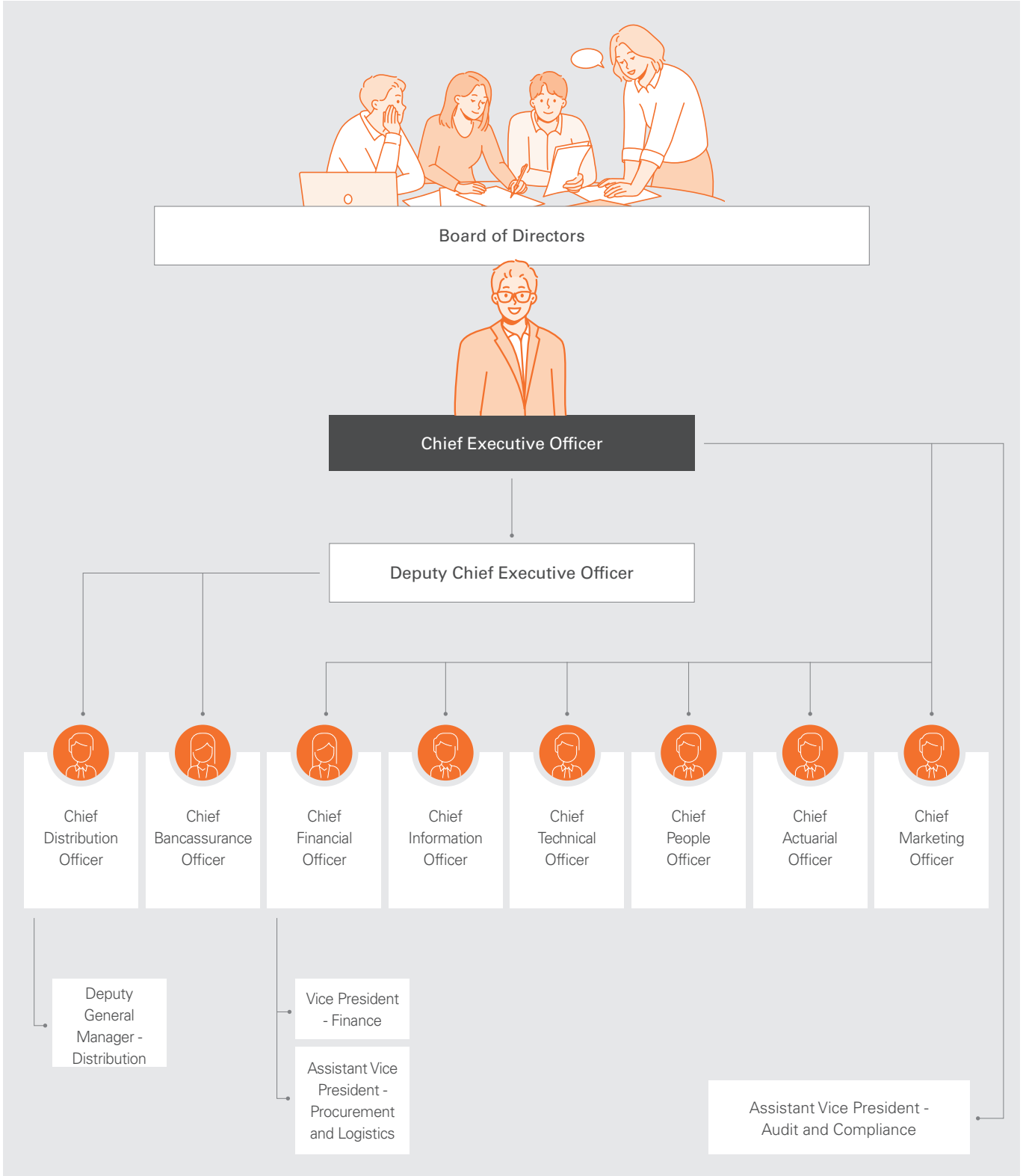
We value your feedback and welcome your thoughts to enhance the quality of the report. Please direct your comments and questions to;

**Asha Perera**  
Chief Financial Officer  
Union Assurance PLC  
No 20, St. Michael’s Road  
Colombo 03,  
Sri Lanka



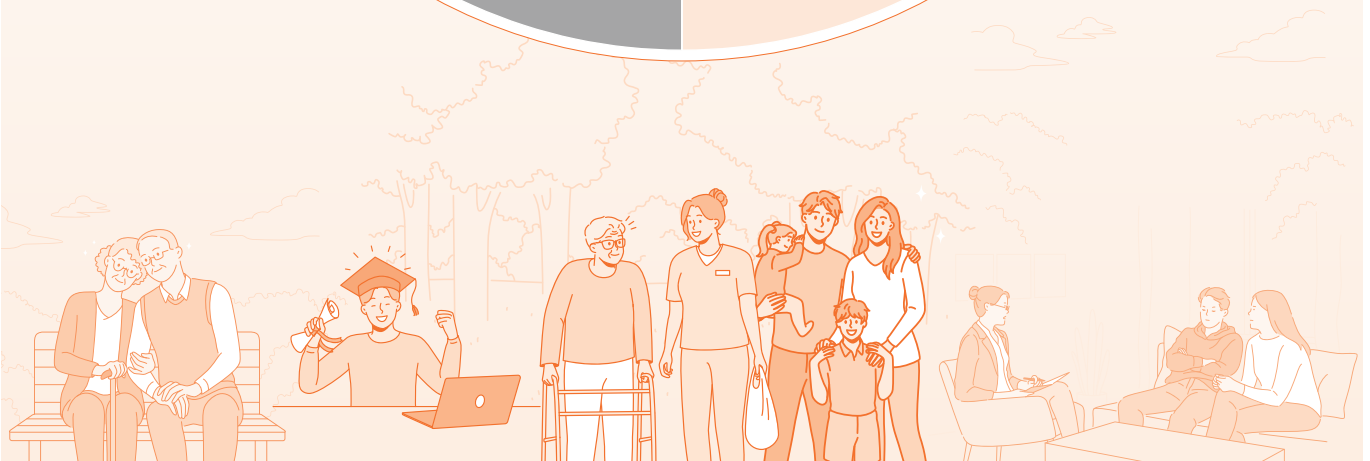
This Annual Report is available on our website [www.unionassurance.com](http://www.unionassurance.com)

# OUR ORGANISATION STRUCTURE, PRODUCTS AND SERVICES



## OUR PRODUCT OFFERING

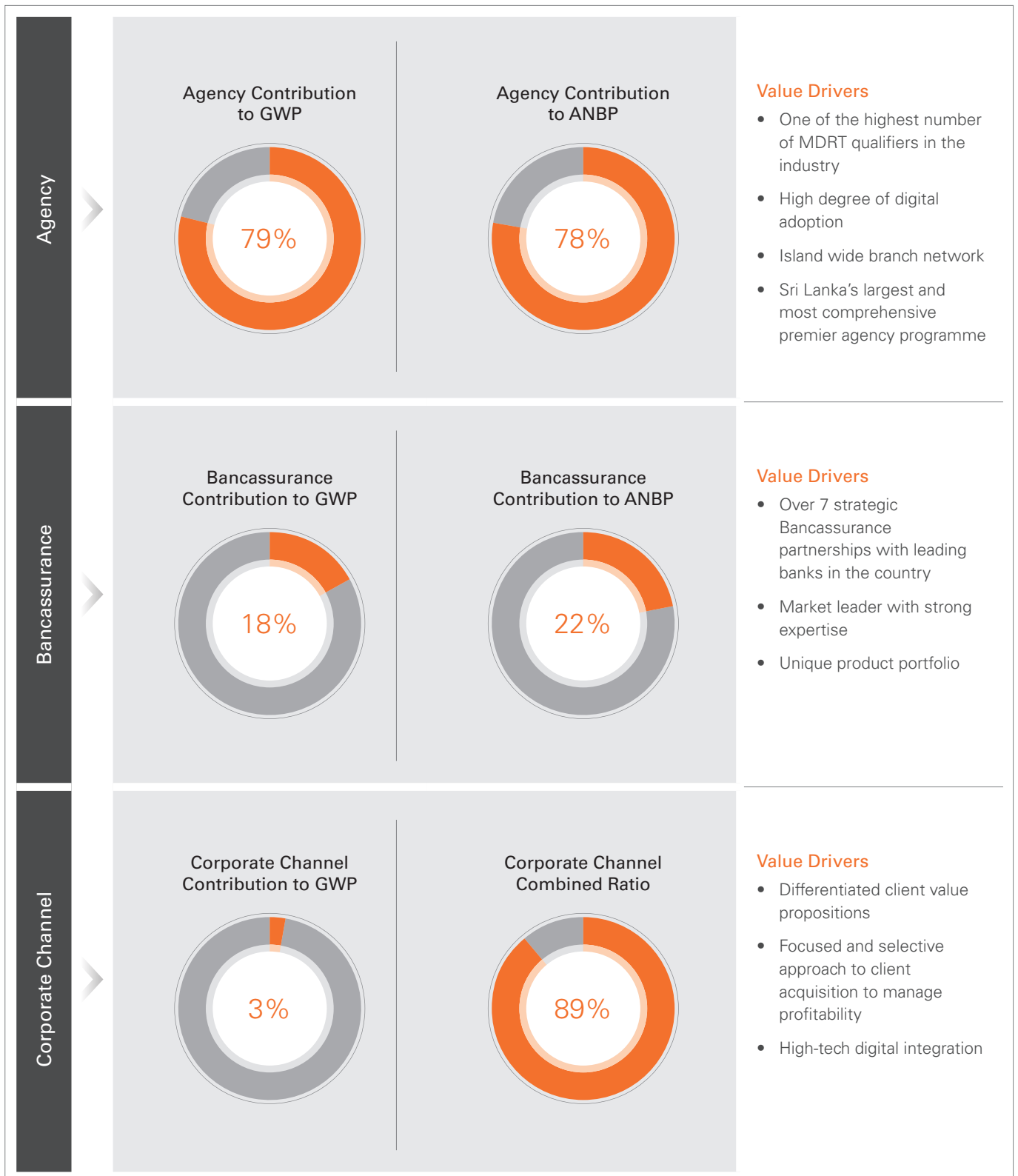
Our comprehensive product portfolio seeks to meet our customers protection and investment needs at every stage of their life. A deep understanding of our customers has enabled us to continue to offer innovative solutions to meet their evolving needs.



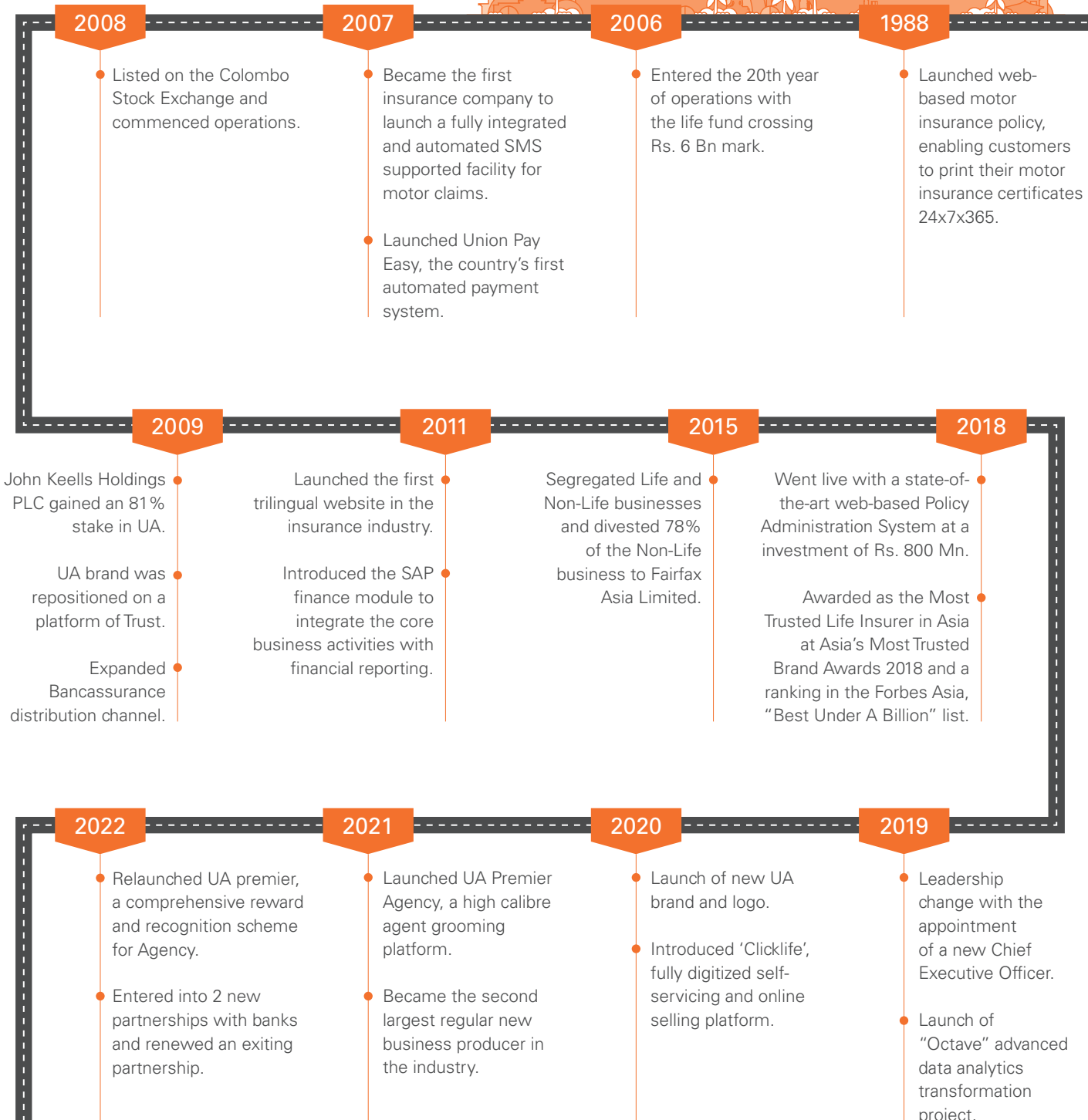
# OUR ORGANISATION STRUCTURE, PRODUCTS AND SERVICES

## DISTRIBUTION CHANNELS

Customers have access to our products through three key channels. We continue to develop these channels by leveraging technology and our strong relationships in the market.



# MILESTONES AND KEY EVENTS



# YEAR AT A GLANCE



## January

- UA wins four renowned Global awards for Pioneering breakthroughs by Global Business Magazine awards



## July

- Partnered with Department of Probation and Child Care Services and Colombo Expats Cultural Association to provide 100 days of rice to 10,600 children living in 379 orphanages in Sri Lanka.
- Union Assurance was featured by Celent as a Global case study on Cloud adoption.



## February

- Launched a customized life insurance solution for banking customers in partnership with Bancassurance partner Standard Chartered Bank.



## August

- Became No. 1 Life Insurer of Instagram with the highest number of Followers in the Life Insurance Industry.
- Launched "HOPE" an employee driven CSR platform.



## March

- Celebrated "International Women's Day" with a series of webinars about inspiring women and female leadership as a part of the "break the bias" campaign.



## September

- Rolled out LIMRA, the internationally recognized Methodology for Persistency Management.
- Hosted the industry's first blog competition in recognition of Life Insurance awareness month.
- Launched the Learning Academy's e-learning platform.
- Held the "UA Kids Carnival 2022" engaging employees and their families.



## May

- Celebrated top achievers at the Union Assurance Agency Annual Awards, "Crowning the Excellence".
- Bancassurance Annual Awards 2021 "First Class Excellence" to celebrate top achievers.



## October

- Donated 100 Baby Bloodlines sets and 200 units of Sodium Bicarbonate to the Lady Ridgeway Hospital in Colombo, as part of project Hope.
- Commissioned a research study with Survey Research Lanka, to better understand the savings and retirement habits of Sri Lankans.
- Developed a New Agency Activity Management workspace on FAME 4.0 which enables effective tracking of activity from lead to cash.



## June

- Entered into a strategic Partnership with Pan Asia Banking Corporation to offer its customers life insurance solutions.



## December

- Won the JKH Chairperson's Award for the Clicklife App in disruptive innovation category.
- Launched "Tea Sips with Shey" the Quarterly HR talk show that hosts key figures across all industries.
- Grand Annual Gathering "UA Ball"



# AWARDS AND RECOGNITION



## Reporting Excellence

**CMA Excellence in Integrated Reporting Awards 2022** organized by the Institute of Certified Management Accountants of Sri Lanka

- Ranked among the 10 Best Integrated Reports for the third consecutive year,
- Special award for Best Disclosure on Capitals

**Transparency International Sri Lanka's (TISL) 2022 report**

- Union Assurance became the first insurer to reach the Top 10 in Transparency in Corporate Reporting. UAs ranking improved 8 places to be ranked 8th in 2022.

**CA TAGS awards 2022**

- Awarded the Silver award - Insurance sector for Gross Written Premium above Rs. 10 Bn

**ACCA Sustainability Reporting Awards 2022**

- Awarded Runner up in the Financial services sectors for sustainability reporting.



## Best HR Practices

**Great Place to Work (GPTW)**

- Recognized as a Best Workplace, ranking among the top 10 in the Banking, Financial Services, and Insurance Industry in Sri Lanka.

**Satyn Magazine CIMA Women Friendly Workplace Awards 2022**

- Recognized as 'One of Sri Lanka's Most Outstanding Women-Friendly Workplaces'
- Category winner of the 'She Thrives Award' in acknowledgment of the Company's female-friendly culture



## Brand Excellence

**LMD Business Magazine in association with the world's leading brand valuation consultancy Brand Finance**

- Ranked among the top three Most Loved Life Insurance brands in Sri Lanka.



## Product and Operational Excellence

**The Global Business Magazine**

- Best Digitizing Life Insurance Sri Lanka 2022
- Best New Insurance Product Sri Lanka 2022
- Most Innovative Education Insurance Plan in Sri Lanka 2022
- Best CSR Insurance Company Sri Lanka 2022

**World Economic Magazine**

- Fastest Growing Life Insurance Company Sri Lanka
- Most Admired Insurance Company Sri Lanka
- Best Bancassurance Provider Sri Lanka
- Best CEO of the year (Life Insurance)
- Most Innovative Bancassurance Rewards Program in Sri Lanka
- Union Assurance's Distribution Division was awarded Gold Awards in the National Forum of Life Insurance Advisors under the National and the Large Company categories.
- Ranked second for CUSTOMER SERVICE EXCELLENCE 2022 in the life insurance Industry based on an online survey conducted by LMD.

# OUR VALUE CREATING BUSINESS MODEL

Effective Management of Our Six Capital Inputs

Enable Us to Deliver On Our Strategy



## Managing Monetised Resources

Our strong capital base and diversified sources of investments are used to facilitate the protection needs of our customers and generate expected shareholder returns.

- Equity **Rs. 14,213 Mn**
- Life fund **Rs. 54,879 Mn**
- Financial investments **Rs. 64,455 Mn**
- Total assets worth **Rs. 75,969 Mn**



## Transforming Our Operational Footprint

Our islandwide branch network and digital infrastructure enable us to continue to expand our reach.

- Digital Infrastructure
- Branch locations **78**



## Leading through Innovation

Over 35 years of business excellence has accumulated a significant brand reputation, a valuable pool of tacit knowledge and time-tested, digitally advanced systems and processes that continue to provide us an competitive advantage.

- Brand equity **Rs. 1,982 Mn**
- Systems and Processes
- Employees with over 10 years of experience **102**



## Operational Excellence

Our diversified talent force enable us to provide exceptional customer service and innovative solutions to our customers

- Employees **798**



## Creating Positive Impacts

The direct and indirect influence of our business operations have on natural resources including energy, water and climate impact

- Electricity Consumption
- Paper Consumption
- Water Consumption



## Differentiated Offering and Responsible Behaviour

Strong relationships with customers, business partners and communities give us the social license to operate while contributing to our brand equity

- Customer Relationships **Over 260,000**
- Supplier relationships **1,838**
- Strong agency force **3,177**

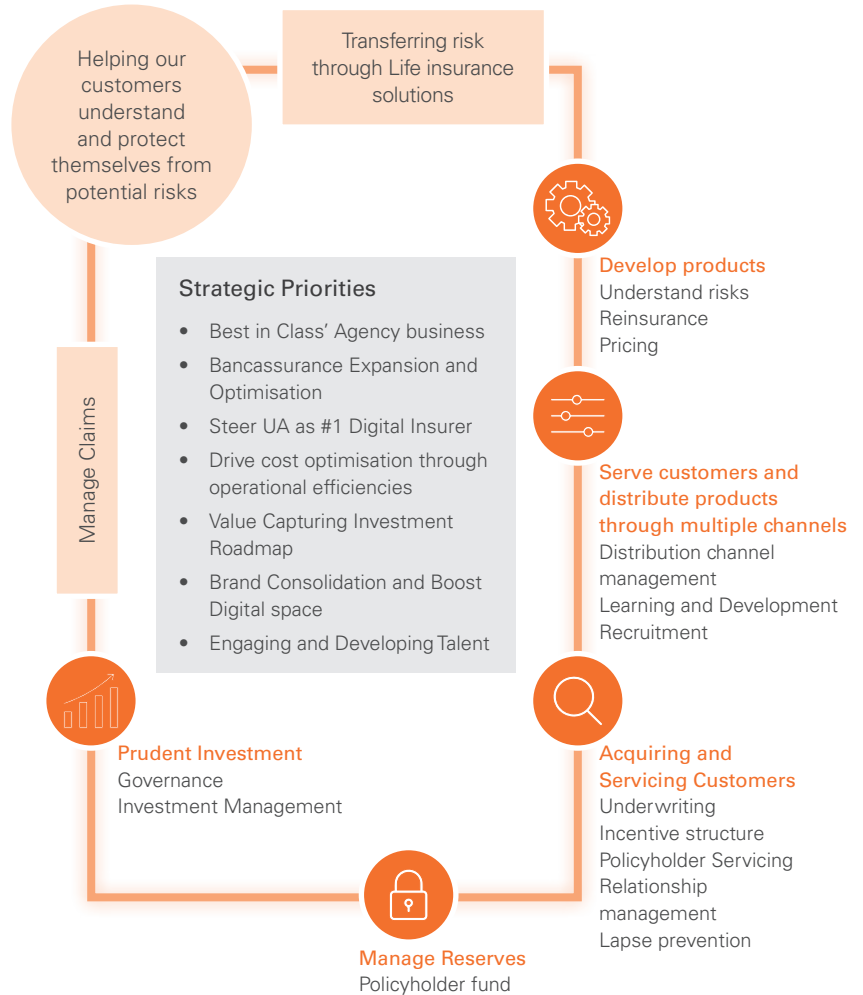
Our Purpose

**Vision:** To be the most-sought after provider of insurance solutions

**Mission:** To provide protection, financial security and create wealth for our customers while adding value to employees, field staff, business partners, shareholders and the community

**Values:** Excellence | Caring | Innovation | Trust | Ethics | Integrity

Our Business Model



Governance and Risk Management

### Governance Framework

UA Code of Conduct, Capital Management, Asset Liability Management, Risk Management, Company Policies, Corporate Governance Framework, Regulatory Framework, Environmental, Social and Governance Management and CSR

### Risk Management Frameworks

Deployment of Capital

Strategy and Resource Allocation

To Achieve Tangible Outputs		And Purpose-Led Outcomes	That Create Long Term Value to Our Stakeholders				
			Employees	Customers	Shareholders	Regulators	Society
<ul style="list-style-type: none"> <li>• EPS <b>Rs. 4.66</b></li> <li>• Share price <b>Rs. 27.90</b></li> <li>• CAR <b>194%</b></li> <li>• ROE <b>19%</b></li> </ul>	<p><b>Increase the availability and affordability of Financial Capital</b></p> <ul style="list-style-type: none"> <li>• Financial stability</li> <li>• Financial strength</li> <li>• Wealth creation</li> </ul>	+	+	+	●	●	
<ul style="list-style-type: none"> <li>• New branches and strategic relocations <b>7</b></li> <li>• Investment in property plant and equipment <b>Rs. 127 Mn</b></li> <li>• Investments in IT systems and infrastructure <b>Rs. 102 Mn</b></li> </ul>	<p><b>Increased quality of Manufactured Capital</b></p> <ul style="list-style-type: none"> <li>• Improved accessibility to customers</li> <li>• Improved efficiency through Automated process</li> </ul>	+	+	+	●	+	
<ul style="list-style-type: none"> <li>• Increase in Brand Equity <b>10.5%</b></li> <li>• PR rank (AEV) <b>4th position</b></li> <li>• Straight Through Processing Rate <b>57%</b></li> <li>• Compliance with ISO 27001:2013 information security management system</li> <li>• No. of new features added to Clicklife app <b>2</b></li> </ul>	<p><b>Increased quality of Intellectual Capital</b></p> <ul style="list-style-type: none"> <li>• Enhanced brand visibility and reputation</li> <li>• Industry Disrupter status</li> <li>• Ability to cater to dynamic customer needs</li> </ul>	+	+	●	●	●	
<ul style="list-style-type: none"> <li>• Female employees in decision-making roles <b>18%</b></li> <li>• Increasing GPTW score <b>12%</b></li> <li>• Gender diversity ratio <b>52:48</b></li> <li>• No. of training hours per employee <b>15 hours</b></li> </ul>	<p><b>Increase in quality, availability and affordability of Human Capital</b></p> <ul style="list-style-type: none"> <li>• Increase labour force participation of women</li> <li>• Improve diversity within the workforce</li> <li>• Employment opportunities</li> </ul>	+	●	●	●	+	
<ul style="list-style-type: none"> <li>• Energy consumption <b>5,284 GJ</b></li> <li>• Paper recycled <b>6,620 Kg</b></li> <li>• Water treated <b>18%</b></li> <li>• Increase in carbon footprint <b>28%</b></li> </ul>	<p><b>Reduce the negative impact on Environment</b></p> <ul style="list-style-type: none"> <li>• Environmental protection</li> <li>• Sustainable natural resource utilization</li> </ul>	●	+	●	●	+	
<ul style="list-style-type: none"> <li>• No. of MDRT produced <b>257</b></li> <li>• No. of new policies issued <b>49,839</b></li> <li>• New bancassurance partnerships <b>2</b></li> <li>• CSR spend of <b>Rs. 7.5 Mn</b></li> <li>• Supplier payments <b>Rs. 2,628 Mn</b></li> <li>• One day claims settlement ratio <b>91%</b></li> <li>• Complaints resolve rate <b>100%</b></li> </ul>	<p><b>Increase in the quality of Social and Relationship Capital</b></p> <ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Sustainable communities</li> <li>• Strengthen supply Chain</li> </ul>	+	+	●	+	+	

# OUR PURPOSE, VISION, BRAND, STRATEGY AND VALUES



## Our Purpose

- “Protecting lifestyles” by ensuring our customers can enjoy life to its fullest despite the unexpected
- “Protect relationships” by insuring the lives and futures of our customers and their loved ones against losses
- “Protecting ambitions” by supporting the dreams and goals of everyone who aspires to be the best version of themselves



## Our Vision

To be the most sought-after provider of insurance solutions



## Our Mission

To provide protection, financial security and create wealth for our customers while adding value to our Employees, Field Staff, Business Partners, Shareholders and the Community



## Our Brand Promise

Your Life, Our Strength



## Our Values

Excellence | Caring | Innovation | Trust | Ethics | Integrity

## Our Strategy

Our Strategy is aimed at achieving on our vision by leveraging our strengths

### Strategies for 2022

Best in Class' Agency business	Bancassurance Expansion and Optimisation
Drive cost optimisation through operational efficiencies	Value Capturing Investment Strategy
Engaging and Developing Talent	Strengthening digital value proposition in terms of products and delivery channels

### How we Make it Happen



#### Solid Financial Position (SFP):

SFP reassures our customers that we will be able to handle their claims, give confidence to shareholders about our financial stability and give us a positive reputation as a business and an employer and allow us to invest in our future growth



#### A Balanced Business:

Our business is balanced, targeting many customer segments and products having 78 branches located around the country. Our operating model is adoptable to economic and market volatility allowing us to take advantage of the industry changes

### Value Drivers

Rs. 6,398 Mn  
ANBP

STP 57%  
Automate Processes to Improve Customer Experience

12.22%  
Investment Yield

Brand Consolidation and  
Boost Digital space

Grow brand equity  
through targeted  
initiatives to enhance  
visibility



**A Trusted Brand with  
Talented People:**

We operate as a customer oriented business taking measures to understand and satisfy our customer needs which reinforces our reputed brand enabling us to attract diversified talent across the country and globally

**Targets**



**Rs. 16,675 Mn**  
Revenue



**Rs. 2,300 Mn**  
Surplus



**Rs. 2,747 Mn**  
Profits After Tax



**Rs. 1,982 Mn**  
Brand Equity



**194%**  
Capital Adequacy  
Ratio

**82%**  
Persistence

**4<sup>th</sup> Position**  
PR Rank  
(AEV)

**#1 Rank**  
Number of PRs

Increase Visibility

**Value Unlocks**



Ongoing activities to  
disrupt market space



Delivering market leading  
client solutions



Strengthening key  
value drivers








Driving efficient execution  
of plans










Creating positive impacts  
on the society

# STRATEGIC VALUE UNLOCKS

## NON-FINANCIAL HIGHLIGHTS

Value Unlock	Unit	2022	2021	YOY Change
 <b>Delivering Market Leading Client Solutions</b>				
Premium persistency	%	82	87	-6%
One day claims settlement ratio	%	91	93	-2%
Complaints resolution rate	%	100	100	-
 <b>Ongoing Activities to Disrupt Market Space</b>				
Newly registered Clicklife users	No.	6,324	7,206	-12%
Brand equity	Rs. Mn	1,982	1,794	10%
No. of contractual relationships	No.	2	2	-
 <b>Strengthening Key Value Drivers</b>				
Branch visibility through new branches	No.	1	2	-50%
Investment in property plant & equipment	Rs. Mn	127	179	-29%
Total workforce - permanent cadre	No.	659	618	7%
Fixed term contract	No.	139	161	-14%
New recruitments	No.	321	230	40%
Diversity & inclusion levels	M:F	52:48	52:48	-
Social welfare cost per employee	Rs.	9,373	13,695	-32%
Revenue per employee	Rs. Mn	21	20	6%
Contribution to defined benefit plan	Rs. Mn	152	140	9%
Employee attrition	%	35	24	46%
 <b>Driving Efficient Execution of Plans</b>				
Expenditure on IT systems and infrastructure	Rs. Mn	102	140	-27%
No. of diversity awareness programs conducted during the year	No.	12	-	100%
Training hours	Hrs	11,982	4,282	180%
Training investment	Rs. Mn	8	7	22%
 <b>Creating Positive Impacts on the Society</b>				
Energy consumption	GJ	5,284	4,478	18%
Total gas emission	tCo <sub>2</sub> e	986	768	28%
Water consumption	m <sup>3</sup>	15,062	14,727	2%
Waste footprint	Kg	10,766	7,089	52%
Paper recycled	Kg	6,620	6,166	7%
Total payments made to local suppliers	Rs. Mn	2,628	1,785	47%
New suppliers screened using human rights criteria	%	100	100	-
Investment in CSR initiatives	Rs. Mn	7.5	10.5	-29%

## FINANCIAL HIGHLIGHTS

		2022	2021	%	
	<b>Earnings and Profitability</b>				
	Gross Written Premium (GWP)	Rs. Mn	16,675	15,406	8%
	Re-insurance Premium	Rs. Mn	888	726	22%
	Net Written Premium (NWP)	Rs. Mn	15,788	14,680	8%
	Cession Ratio	%	5.3	4.7	13%
	Net Profit After Tax	Rs. Mn	2,747	2,054	34%
	Earning Per Share	Rs.	4.66	3.48	34%
	Return on Assets (ROA)	%	4	3	25%
	Return on Equity (ROE)	%	19	13	45%
	Surplus from Life Insurance Business	Rs. Mn	2,300	1,600	44%
	<b>Expense Ratios</b>				
	Acquisition Cost	Rs. Mn	3,152	2,844	11%
	Net Claims and Benefits	Rs. Mn	5,699	4,610	24%
	Net Claims and Benefits as a % of NWP	%	36	31	15%
	Total Operating, Administrative and Selling Expenses	Rs. Mn	3,967	3,210	24%
	Total Expense as a % of GWP	%	24	21	14%
	<b>Assets and Funding Structure</b>				
	Total Assets	Rs. Mn	75,969	70,762	7%
	Equity to Total Assets	%	19	22	-14%
	Assets under Management	Rs. Mn	64,456	59,329	9%
	<b>Regulatory Ratios / Leverage</b>				
	Capital Adequacy Ratio (CAR)	%	194	228	-15%
	<b>Liquidity Position</b>				
	Cash Generated from Operating Activities	Rs. Mn	9,024	9,512	-5%
	<b>Material Drivers</b>				
	Premium Persistency Year 1	%	82	87	-6%
	Productivity	No.	1.43	1.55	-8%
	No. of New Policies	No.	49,839	52,332	-5%
	Life Fund	Rs. Mn	54,879	48,453	13%
	<b>Investor Ratios</b>				
	Shareholder Fund	Rs. Mn	14,214	15,455	-8%
	Dividend Per Share	Rs.	-	22	-100%
	Dividend Yield	%	-	7	-100%
	Dividend Payout	%	-	63	-100%
	Net Asset Per Share	Rs.	24.12	26.23	-8%
	Earnings Per Share	Rs.	4.66	3.48	34%
	Market Price Per Share	Rs.	27.9	29.4	-5%
	Price Earning Ratio	Times	5.98	8.44	-29%
	Price to Cash Earning	Times	5.01	6.96	-28%
	Price to Book Ratio	Times	1.16	1.12	4%
	<b>Investment and Other Income</b>				
	Life	Rs. Mn	6,277	5,033	25%
	Shareholder	Rs. Mn	1,251	938	33%
	<b>Investment Yield</b>				
	Life	%	12.11	10.92	11%
	Shareholder	%	12.79	10.09	27%
	Total Shareholder Return	%	-5	4	-125%

Note: Comparative numbers are adjusted for share sub division of 1:10 shares in 2022 for better comparison

# CONTRIBUTION TO THE NATIONAL ECONOMY & ECONOMIC VALUE ADDED



## Employees

Total no. of jobs created

**955**

2021 - 976

% of women in the workforce

**48%**

2021 - 48%

### Job Creation

- Creating employment opportunities across the country
- Creating a technologically savvy workforce
- Creating a more inclusive society through employment equity and gender equality.



## Customers

No. of lives insured

**260,000+**

2021 - 230,000

Net insurance benefits and claims paid

**Rs. 5,199 Mn**

2021 - Rs. 5,002 Mn

### Financial Security

- Financial security through secure investment opportunities
- Financial inclusion by ensuring access to affordable products
- Contributing to financial literacy through financial education and advice



## Shareholders

No. of shareholders

**1,805**

2021 - 1,493

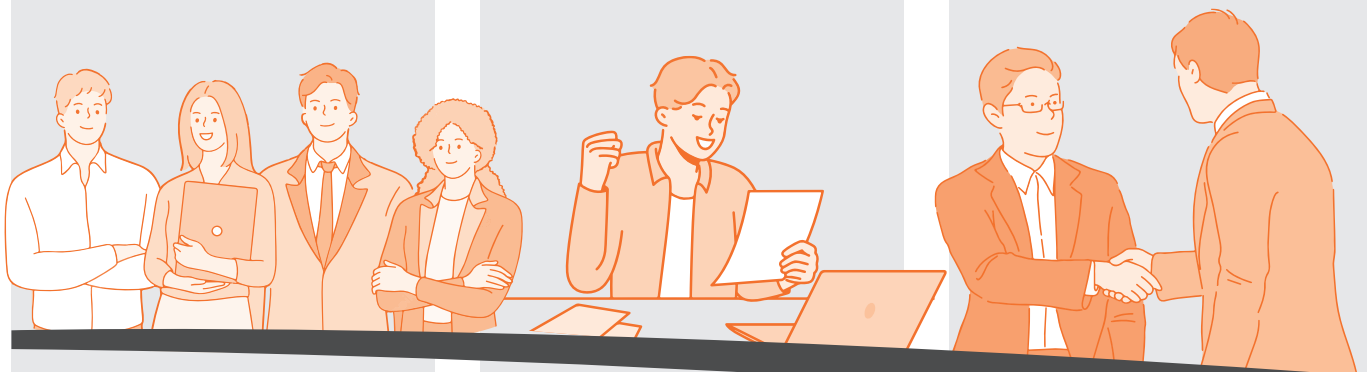
Earnings per share

**Rs. 4.66**

2021 - Rs. 3.48

### Sustainable Returns

- Investing in and growing our client franchises and our people sustainably
- Adopting ESG best practices that ensure a sustainable business for the long term; and operating within our risk appetite







## Government

Investment in government securities

**Rs. 49,551 Mn**

2021 - Rs. 38,249 Mn

### Strengthening Government Revenue

- Contribution to government tax revenue through corporate and employee income tax
- Investments in government securities as required by IRCSL regulation



## Regulators

Total taxes including Income tax, CESS & corp insurance

**Rs. 1,019 Mn**

2021 - Rs. 612 Mn

### Responsible Corporate Behaviour

- Ensuring regulatory compliance, which enables a safe and stable financial system



## Society

CSR reach

**10,618 Children**

2021 - 3,220 Individuals

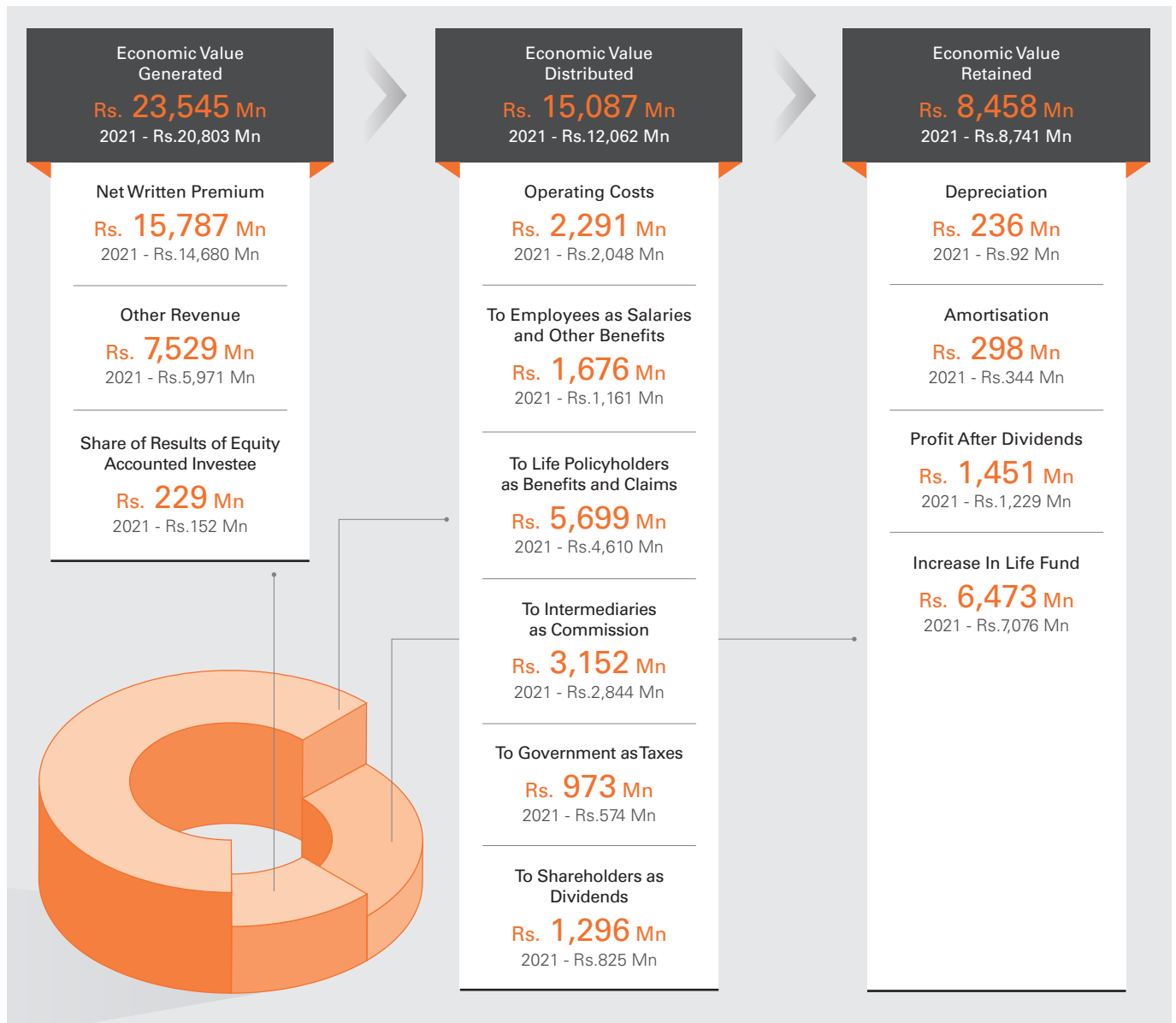
- Contributing to the overall well-being of society by facilitating the achievement of SDG's through our business activities and CSR interventions



# CONTRIBUTION TO THE NATIONAL ECONOMY & ECONOMIC VALUE ADDED

## ECONOMIC VALUE ADDED STATEMENT (EVA)

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



## MARKET VALUE ADDED STATEMENT (MVA)

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



# GROUP STRUCTURE



90%

## JOHN KEELLS HOLDING PLC (JKH)

One of the largest listed conglomerates on the Colombo Stock Exchange, with business interests primarily in Transportation, Leisure, Property, Consumer Foods, Information Technology, Retail and Financial Services.



10%  
Public Holding

## UNION ASSURANCE PLC

UA is a primary brand under the financial services sector of John Keells Group.



22%

## FAIRFIRST INSURANCE LIMITED

Fairfirst is the amalgamated entity of the former Union Assurance General Limited and the former Asian Alliance General Insurance Limited. Fairfirst is in Non-Life insurance business

## John Keells Industry Groups

Transportation	Leisure	Property	Financial Services	Consumer Food and Retail	Information Technology	Other

# DELIVERING FUTURE-FORWARD SOLUTIONS

## Strategic Review

- 28 Reflection from Our Chairperson
- 31 Reflection from Our Chief Executive Officer



# REFLECTION FROM OUR CHAIRPERSON

**We expect the Sri Lankan economy to start recovering in the second half of 2023 and remain optimistic about our prospects for the year given the strong market fundamentals of the insurance industry. We will therefore continue to forge ahead with our strategy of transforming ourselves into a fully-fledged digital and customer-centric insurer for the new age.**

On behalf of the Board of Directors, I'm pleased to present our Integrated Annual Report and financial statements for the financial year ended 31 December 2022. The ensuing sections of the report will provide you with an in-depth understanding of the Company's value creation process and the strategies in place to navigate the business towards sustainable growth, amidst the macroeconomic condition prevailing in the country.

## CHALLENGING OPERATING CONTEXT

The Sri Lankan economy continues to face numerous challenges. Severe domestic macroeconomic pressures, primarily emanating from a deteriorating external financing position, have created political uncertainty and social unrest. The country witnessed a record depreciation of the Rupee from March 2022 onwards, unprecedented rates of inflation, a scarcity of essential commodities including food and medicines, and disruptions to power supply, all which continue to have far-reaching socio-economic implications.

## STRONG FINANCIAL PERFORMANCE

Despite the challenging conditions, the Company recorded a strong performance during the year. The steady growth in regular new business premiums placed Union Assurance (UA) as the second largest regular new business producer in the industry with Gross Written Premiums (GWP) increasing by 8% to Rs. 16.7 Bn and Annualized New Business Premiums (ANBP) increasing by 10% to Rs. 6.4 Bn. While the Company continued to develop and consolidate on Agency as a best-in-class distribution channel, it strengthened its Bancassurance channel with multiple leading banks, consolidating its position

as a leading bancassurance provider in the country. During the year the Company also expanded its corporate channel via sustainable quality business acquisitions.

Net Investment Income increased by a 42% to Rs. 7.5 Bn supported by both an effective asset reallocation strategy and a high interest rate trajectory. On the costs side, claims and benefits to policyholders increased by 24% while underwriting and net acquisition costs increased by 11%. Despite unprecedented cost pressures brought about by the rupee depreciation, tax reforms, administrative price adjustments and high inflation, the increase in recurrent operating, administrative and selling expenses were contained to 10% due to effective cost containment and optimization initiatives. As a result, profit before tax (PBT) increased by 42% to Rs. 3.7 Bn during the year.

The Company's investment portfolio recorded a 9% growth and stood at Rs. 64.4 Bn as at the end of the financial year while the Life fund, which is backed by A+ and above rated reinsurers, grew by 13% to Rs. 54.9 Bn as of 31st December 2022.

The Company also maintained a strong capital and liquidity position with a Capital Adequacy Ratio (CAR) of 194%, which is well above the regulatory requirement of 120%. The CAR which was impacted by the high interest rates during the year is expected to improve with a forecasted reduction in interest rates towards the latter part of 2023. As per the Government authorities the IMF executive board approval for the Extended Fund Facility is expected in the first half of 2023.

Subsequent sections of the Annual Report will deep-delve into developments in the macroeconomic environment and their impact to business in detail.

## CONTRIBUTION TO THE SRI LANKAN ECONOMY

In 2022, UA provided life insurance to the value of Rs. 23.3 Bn covering a diverse community in Sri Lankan while providing employment opportunities to over 790 people, of which 45% are located outside the Western Province. Our agency channel meanwhile supports the livelihoods of over 3,760 field staff. Contributing to the economy of the country, UA also paid Rs. 710 Mn as income tax during the year.

We will continue to play our part and contribute towards enabling the recovery of the economy at this pivotal juncture by broadening our horizons to make ourselves future-ready and embracing digitization that drives convenience, possibilities, and steadfast value to our valuable stakeholders.

## SUPPORTING OUR EMPLOYEES

Our holistic employee value proposition enables us to consistently attract some of the best talent in the industry. We continue to enhance our value proposition through ongoing training opportunities and a performance orientated, inclusive culture that is firmly rooted in ethical and transparent behaviour.

Understanding the financial constraints faced by our employees amidst rising cost of living, the Company provided a one-off, financial care package in the form of an ex-gratia payment, to all eligible employees, during the month of April 2022. This was complemented with other non-financial and indirect financial support. Employee categories most impacted by the unprecedented increase in cost of living were offered additional financial support while a distress allowance was offered to employees impacted by the imposition of the high advance personal income tax

scheme. These measures are intended to bridge the gap in the cost of living and, I believe, epitomizes one of the core Values of our Company – Caring.

Diversity, Equity, and Inclusion (DE&I) is a focus area within the JKH group. As part of a JKH group initiative, the company launched the Diversity, Equity and Inclusion (DE&I) policy, the overarching policy that underlies the Company's overall commitment to DE&I. The DE&I policy is based on the key principles of empowerment and inclusion, zero tolerance for discrimination, equal opportunity, equal participation, and diverse value chains. Several initiatives were also rolled out with the aim of increasing female participation in our workforce and providing career opportunities to persons with disabilities. Another revolutionary initiative was the introduction of Equal 100 days of Paternal Leave, which provides both parents with 100 days of paid parental leave. Meanwhile we continue to make strides in closing the gender gap in our workforce. Currently 48% of our workforce consists of women while representation of women at senior management levels was 18% during the year. There are clear targets and development plans in place to improve diversity at senior management level.

Unfavourable economic conditions and more lucrative opportunities in overseas labour markets have led to a sharp increase in migration levels in the country. This was experienced within the company as well. However, we are confident that our strong employee value proposition will serve to retain our valuable employees in the company thereby retain talent within the country.

## SUCCESSION

As per the planned organizational leadership transition, Mr. Senath Jayathilake, previously the Chief Distribution Officer, assumed duties as the Deputy Chief Executive Officer on 1 January 2023 and he will take over reigns as the Chief Executive Officer with effect from 1 January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer, on the 31st of December 2023.



**Guided by our vision of 'Empowering the Nation for Tomorrow', we focused our CSR activities around the core areas of Health, Education and Disaster Relief.**



**Rs. 3.7 Bn**

**Profit Before Tax**

(2021: Rs. 2.6 Bn)



**Rs. 64.4 Bn**

**Investment Portfolio**

(2021: Rs. 59.3 Bn)



**Rs. 54.9 Bn**

**Life Fund**

(2021: Rs. 48.5 Bn)

## STRENGTHENING GOVERNANCE

During the year, several initiatives were implemented to further strengthen the Company's governance framework and controls. Strengthening cyber security resilience by implementing Center of Internet Security (CIS), setting of globally recognized and consensus-driven IT security best practices, improving ISO:27001 controls and integrating 'goAML' reporting within the framework set by the Financial Intelligence Unit of Sri Lanka in compliance with the United Nations Anti-money-laundering system were some of these initiatives. We also made steady progress in SLFRS 17 implementation journey and have awarded testing of a proof of concept (POC) for the IFRS implementation via a rigorous vendor selection process in 2022. Several independent audits & reviews, internal certifications and training sessions were also carried out during the year to strengthen the control environment of the Company.

I am pleased to state that there were no reported violations of the Company's Code of Conduct or Code of Business Conduct and Ethics in the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Company policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations. Further details on governance compliance and initiatives can be found in the Corporate Governance Commentary of this Report.

## SUSTAINABILITY FOCUSED

The Company's sustainability management framework ensures that sustainability considerations remain an integral part of our business operations. This framework guides the Company to integrate financial performance with environmental and social considerations by incorporating practices such as responsible consumption of resources, emissions management, responsible waste disposal, fair labour practices and community responsibility. The framework also encourages the Company to reach beyond its own boundary to build upon its considerable social and relationship capital to promote more responsible behaviour throughout its value chain.

We continue to make progress in our sustainability journey by taking initiatives to improve energy efficiency and digitalizing certain customer servicing features. However, the shift from work from home to a hybrid working model resulted in higher emissions and resource use during the year, the Company's carbon footprint increased by 28% and water withdrawn increased by 18%. The Company established Sustainability Goals to be achieved by 2023, which includes targets for reducing energy and water consumption and incorporating new and emerging areas of priority such as renewable energy. Sustainability performance is reported in accordance with the GRI Standards.

# REFLECTION FROM OUR CHAIRPERSON

**The year has been a challenging one. We have, however, emerged successful because of the strength and commitment of all our employees. I therefore take this opportunity to thank all our staff for their unstinted commitment, understanding and cooperation throughout this extremely challenging year.**

## CARING FOR OUR COMMUNITIES

Guided by our vision of 'Empowering the Nation for Tomorrow', we focused our CSR activities around the core areas of Health, Education and Disaster Relief. During the year, we launched "HOPE", an employee-driven CSR platform and as the first project donated essential medicines to the Lady Ridgeway Hospital with staff contributions. We implemented a series of seminars in partnership with National School of Business Management, Green University Town, University of Sri Jayewardenepura, and American National College to empower and train undergraduates to be corporate ready and to instil good practices that will enable them to succeed in the corporate world. We also partnered with the Department of Probation and Child Care Services and Colombo Expats Cultural Association to offer 100 days' worth of rice to over 10,600 children across 379 orphanages in

Sri Lanka. Meanwhile Sports equipment were donated to Handaganawa Maha Vidyalaya in Mahiyanganaya in recognition of success achieved in the field of Rugby and as part of our youth empowerment efforts.

## DIVIDEND

The Company will continue with its dividend policy that corresponds with sustainable growth in profits, whilst maintaining adequate funds for future expansion and business continuity in a volatile business environment.

Hence, given the high sensitivity of the CAR to interest rate, the Board of Directors are compelled to withhold shareholder dividends for 2022 despite the strong performance of the company, until there is an improvement in the current economic conditions of the country.

## WAY FORWARD

We expect the Sri Lankan economy to start recovering in the second half of 2023 and remain optimistic about our prospects for the year given the strong market fundamentals of the insurance industry. We will therefore continue to forge ahead with our strategy of transforming ourselves into a fully-fledged digital and customer-centric insurer for the new age. We will, however, closely monitor market developments given the high level of uncertainty and remain agile and flexible to be able to respond to these evolving dynamics. We expect fiscal consolidation and domestic debt restructuring to be a key focus going forward and urge the government to manage such a process so as to minimize the impact to the financial system and businesses of the country.

## ACKNOWLEDGEMENTS

The year has been a challenging one. We have, however, emerged successful because of the strength and commitment of all our employees. I therefore take this opportunity to thank all our staff for their unstinted commitment, understanding and cooperation throughout this extremely challenging year. I also wish to thank my colleagues on the Board, the Chief Executive Officer and the Senior Management Team for their valuable guidance and support during the year.

I also wish to place on record my special 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 ongoing support. Finally, on behalf of the Board of Directors and all employees of the Company, I thank all our stakeholders for the support extended to the Company during the year.



**Krishan Balendra**  
Chairperson

28 February 2023



# REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

Despite these uncertainties, the Life Insurance industry continues to offer tremendous upside potential due to the country's low penetration levels. Strategic measures implemented over the previous three years have laid the groundwork for robust growth, and we are confident, the results of these investments will be realized in the ensuing years.

The year 2022 was laborious for Sri Lanka, with multidimensional socioeconomic ramifications compounded by the unprecedented economic and political crisis, threats to livelihoods, shortages of essential medicines as well as mounting protests. The impact of the crisis was widespread. Amidst these great adversities, Union Assurance continued to show resilience and fortitude, recording an admirable performance during the year.

## CHALLENGING OPERATING ENVIRONMENT

The Life Insurance sector was working against a similar backdrop of operational difficulties. The industry grappled with reduced disposable income due to inflationary pressures, the rupee depreciation, and tax reforms, which in turn had a detrimental influence on demand and premium payment capacity. In addition, the sector was threatened by rising interest rates, which moved customers away from Life Insurance and toward more lucrative investment options.

Our strategic focus on the core business, achieved through recognition of the operating context and the development of agile strategies, allowed us to maintain laudable performance across a wide range of key business drivers, including acquisition of new business, collection of renewal business, expense management, product development, claims and surrenders management, tax efficiency,

and digitization. Remaining nimble and responsive enabled us to successfully face the challenges posed, and we continued to make significant progress in transforming UA into a forward-thinking, digitally savvy, transparent, and 'easy to deal with', customer-centric insurance provider.

## RESILIENT GROWTH

Despite the challenging operating environment, the Company recorded a resilient performance during the year. Gross Written Premium showcased a commendable performance, growing by 8% during the year, while Annualized New Business Premium increased by 10% to Rs. 6.4 Bn. Both New Business Premiums and Renewal Premiums witnessed growth during the year supported by a strong corporate business segment and recorded a growth of almost 41% during the year. The impact was offset, however, by the Decreasing Term Assurance segment, which contracted by 39% due to lower loan uptake as a result of the high-interest environment. Net Investment Income increased by 42% to Rs. 7.5 Bn as a result of a successful asset reallocation strategy that sought to benefit from the high-interest rate environment that prevailed during the year.

Claims and benefits to policyholders increased by 24% to Rs 5.7 Bn during the year as a result of macroeconomic conditions, and a comprehensive insurance policy portfolio. Surrender

payouts increased by 31% to Rs. 1.8 Bn due to adverse economic conditions, while maturity outflows increased by 20% to Rs. 3.2 Bn in line with contractual obligations. Net acquisition and underwriting costs increased by 11% to Rs. 3.2 Bn as a result of the increase in regular new business premiums. Although cost escalations due to the depreciation of the rupee, tax increases, and inflationary pressures continued to impact operating costs, the Company adopted cost-optimization strategies across the organization to contain the increase in recurrent operational costs to 10%. Consequently, operating profits increased by 41% to Rs. 3.5 Bn.

Capital Adequacy Ratio as of 31 December 2022 remained at 194%, well-above the minimum regulatory capital requirement, indicating our strong solvency position. However, high-interest rates leading to a significant movement of the risk-free curve used for CAR calculation, coupled with a universal life-dominated product portfolio, impacted the CAR of the Company. As a Company, we have implemented varied efficiencies/processes to reinforce the CAR during this demanding time.

The Company was also recognized for its outstanding performance in the industry with over 15 major awards and accolades from both global and local bodies, including being named one of Sri Lanka's Most Loved Brands in 2022.

# REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

During the year we continued to advance our digital ecosystem, with a focus on making Life Insurance more accessible and engaging. Our digital App, Clicklife continues to disrupt the Life Insurance industry in Sri Lanka elevating our customer value proposition to new heights.



**Rs. 6.4 Bn**

Annualised New Business Premium  
(2021: Rs. 5.8 Bn)



**Rs. 7.5 Bn**

Net Investment Income  
(2021: Rs. 5.3 Bn)

## DRIVING NEW BUSINESS GROWTH

Throughout the year, providing insurance propositions to Sri Lankans remained a priority, and various high-impact initiatives were implemented to improve new business volumes across channels. We proceeded to build our physical presence across the country by growing our branch footprint with seven new branch openings/relocations in high-potential metropolitan areas.

Bancassurance remained at the forefront of strategic priorities for UA and its growth trajectory, with the Company consolidating its industry-leading position through two new partnerships and renewing an existing partnership. Furthermore, the Company developed two new Life Insurance solutions and revised current products to ensure we provide a superior value proposition and match the evolving needs of bank customers.

As a result of these concerted efforts to drive business growth, UA was able to secure the second-largest Regular New Business Premium producer position in the industry, and was one of only two companies among the top 5 players in the industry to record positive Regular New Business Premiums growth during 2022.

## SALES FORCE DEVELOPMENT

To ensure that our sales staff is able to provide best-in-class experiences to our customers, we continued to expand our investments by providing access to cutting-edge technology, facilitating in-depth training programs, and rewarding them with top honours. The UA Premier Club was revamped as a comprehensive reward and recognition platform, while activity management programs were improved to encourage the performance of our Agency Channel. We are pleased to report that in 2022, UA produced 257 Million Dollar Round Table (MDRT) qualifiers, demonstrating the outstanding calibre of our agents and financial advisers.

## DIGITIZATION DRIVE

The Company's focus on digitization continues to be trailblazing, enabling us to respond proactively to a rapidly evolving operating landscape. During the year we continued to advance our digital ecosystem, with a focus on making Life Insurance more accessible and engaging.

Our digital App, Clicklife continues to disrupt the Life Insurance industry in Sri Lanka elevating our customer value proposition to new heights. Since its launch in 2019, we have continued to enhance the user-friendliness of the App. Major developments in the App during 2022 was the launch of the novel calorie counter feature, where users can track their caloric intake and create a personalized fitness plan, and the introduction of a fully digitized rewards system providing a truly seamless experience.

We also continued to digitize our processes to improve efficiency and enhance the overall customer experience. Our digital end-to-end selling platform – Digital Advisor Toolkit (DAT) was enhanced with added features to further simplify the selling process, while enhanced performance management features on our virtual agency management platform, FAME has enabled us to better manage the performance of our sales force. These improvements have led to significant operational efficiencies, with straight-through underwriting standing at 57% and one-day claim settlements standing at 91%.

## BEYOND 2022

Although cautiously optimistic about an economic rebound in the 2nd half of 2023, we remain vigilant about the potential risks of a slower-than-expected economic recovery.

Despite these uncertainties, the Life Insurance industry continues to offer tremendous upside potential due to the country's low penetration levels. Strategic measures implemented over the previous three years have laid the groundwork for robust growth, and we are confident, the results of these investments will be realized in the ensuing years.



We are pleased to report that in 2022, UA produced 257 Million Dollar Round Table (MDRT) qualifiers, demonstrating the outstanding calibre of our agents and financial advisers. 

#### APPRECIATION

Finally, I would like to extend my heartfelt appreciation to every member of the UA team who has worked tirelessly throughout the year to achieve our goals and become an industry leader. The ethos of 'One Team One Goal' has truly resonated throughout the year, and we can all take pride in what we have achieved together.

I'd like to also use this opportunity to express my gratitude to everyone who has supported us throughout the years, including our customers, partners, intermediaries, other stakeholders and most importantly the Regulator, for their guidance and support.

**Jude Gomes**  
Chief Executive Officer

28 February 2023

# COMMITMENT THAT GOES BEYOND OUR LINE OF SIGHT

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# OPERATIONAL AND FINANCIAL REVIEW

**UA outperformed industry in terms of regular new business premiums, renewal premiums, regular GWP and Group premiums and is the second largest regular new business producer in the industry for 2022.**

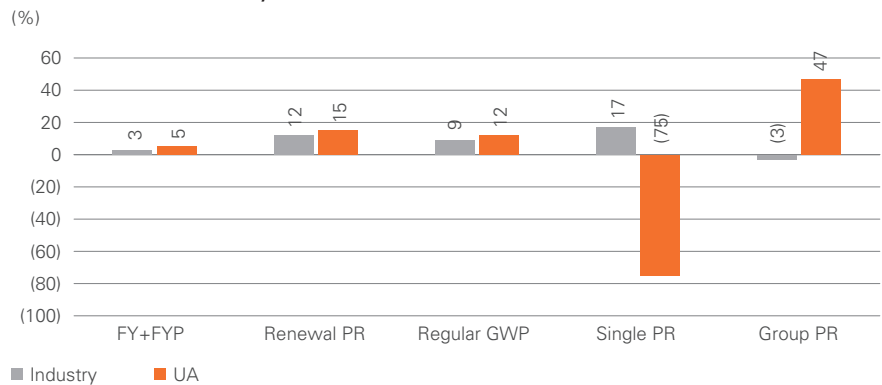
## OPERATING CONTEXT

The Sri Lankan economy faced one of its most challenging years in 2022 amidst a deteriorating external financing position, domestic macroeconomic pressures, political uncertainty, and social unrest. The country witnessed a record depreciation of the Rupee from March 2022 onwards, unprecedented rates of inflation, a scarcity of essential commodities including food and medicines, and disruptions to power supply, all of which continue to have far-reaching socio-economic implications. In the face of these headwinds the CBSL was compelled to implement painful, but unavoidable policy measures in 2022 aimed at restoring macroeconomic balance. Accordingly monetary policy was tightened by an unprecedented adjustment in interest rates to prevent inflationary pressures resulting in a sharp increase in interest rates.

## INDUSTRY VS UA PERFORMANCE

Despite the challenging operating conditions, the insurance industry recorded a commendable performance delivering a GWP growth of 9%. Growth in regular new business premiums, renewal premiums and single premiums which grew by 3%, 12% and 17% respectively contributed to this growth. A heightened level of risk awareness and a greater need for protection as a result of pandemic induced concerns drove much of this demand growth.

## UA Growth Vs Industry Growth



Reflecting industry growth trends, UA recorded an 8% growth in GWP, attributable to a 5% growth in regular new business premiums, 15% growth in renewal premiums and 47% growth in group life premiums. UA outperformed industry in terms of regular new business premiums, renewal premiums, regular GWP and Group premiums. Meanwhile UA was one of only two companies among the top 5 players to record positive regular new business premiums which in turn placed UA as second largest regular new business producer in the industry for 2022.

Market Share	2022	2021	2020	2019	2018
New Business	16.21%	15.84%	14.41%	13.10%	14.33%
Regular GWP	15.37%	15.03%	14.73%	14.49%	15.16%
Total GWP	12.24%	12.35%	12.73%	13.06%	14.01%

UA continued to consolidate its market share in terms of new business and regular GWP. A slight drop in market share was witnessed in total GWP due to a degrowth in the single premium business segment as a result of UA refraining from launching investment plus single premium product due to the high interest rate environment.

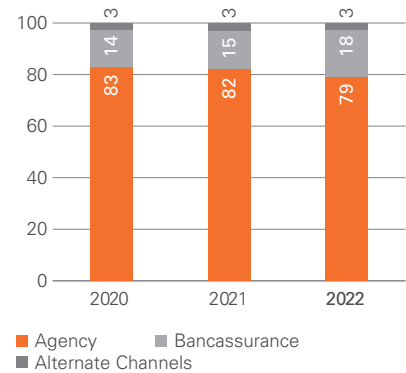
UA also witnessed a shift from annual premium payment mode to quarterly and monthly premium payment modes since customers are not willing to lock into annual cashflows due to reduction in disposable income as a result of present adverse macro-economic conditions.

## DISTRIBUTION CHANNEL PERFORMANCE

The Company operates three distribution channels: Agency, Bancassurance and Alternate Channels. Agency channel continues to be the dominant channel accounting for 78% of GWP. Bancassurance channel which has witnessed notable growth over the last three years, recorded a YoY growth of 28% and accounted for 18% of GWP in 2022. Alternate channels, which accounted for the remaining 3% of GWP, also grew by 41% during the year.

	Agency			Bancassurance			Alternate Channels		
	2022	2021	%	2022	2021	%	2022	2021	%
FYP	3,525	3,569	-1%	1,142	858	33%	-	-	-
Renewals	9,485	8,414	13%	1,896	1,513	25%	14	14	2%
Single Premium	81	563	-86%	-	4	-100%	104	169	-38%
Group Life	-	-	-	-	-	-	427	302	41%
	13,091	12,546	4%	3,038	2,375	28%	545	485	12%

Distribution Channel Composition (%)



### Agency

#### Key Performance Metrics

ANBP	Case Size	MDRT Pool	Productivity	Persistence
Rs. 4,962 Mn	Rs. 116,681	171 MDRT members	2.2	79%

#### Key Initiatives



- Activity management and L&D programmes focused on upskilling the sales force to tap into high net worth segments and sell more rider covers.
- Revamped comprehensive reward and recognition scheme 'UA premier Club' to drive performance.
- Expanded activity management programs across the channel to drive greater business conversion, product fit for customers and protection selling.

### Bancassurance

#### Key Performance Metrics

ANBP	Case Size	MDRT Pool	Productivity	Persistence
Rs. 1,433 Mn	Rs. 197,336	84 MDRT members	2.4	90%

#### Key Initiatives



- Consolidated industry leading position by entering into 2 new bancassurance partnership and recommencing existing partnership.
- Rolled out new product to the channel.
- Continuation of Circle of Excellence, a high calibre IRO grooming platform to improve IRO performance.
- Introduced incentive criteria aimed at increasing annual mode policies.

### Alternate Channels

#### Key Performance Metrics

Group and Surgical	DTA	MDRT Pool	Combine Ratio Group Life and Surgical
Rs. 426 Mn	Rs. 103 Mn	2 MDRT members	89%

#### Key Initiatives



- Adopted a selective approach to acquire accounts strategically while achieving top and bottom-line goals.
- Provided superior service to clients in terms of facilitating client requirements within the given service level agreements.
- Set up control mechanisms and internal system/process developments through MI platforms to monitor important KPIs.

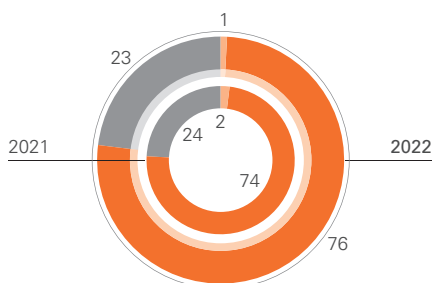
# OPERATIONAL AND FINANCIAL REVIEW

## PRODUCT LINE GWP PERFORMANCE

GWP is analysed based on product lines and strategically realigned the Product mix to ensure sustainable top and bottom-line growth.

The revenue from universal life product line and non-par product line were the main contributors to the increase in revenue.

### Product Line GWP Composition (%)



● Participating ● Universal Life  
● Non-participating

UA continued to consolidate its market share in terms of new business and regular GWP. A slight drop in market share was witnessed in total GWP due to a degrowth in the single premium business segment as a result of UA refraining launching investment plus single premium product due to the high interest rate environment.

## OPERATIONAL EXPENSES

	Unit	2022	2021	2020	2019	2018
Claims and benefits Paid	Rs.	5,699	4,610	3,794	3,504	2,908
Claims and benefit ratio	%	34%	30%	29%	30%	26%
Underwriting and net acquisition cost	Rs.	3,152	2,844	2,145	1,857	2,055
Net acquisition cost ratio	%	19%	18%	16%	16%	18%
Other operating, administrative and selling expenses	Rs.	3,967	3,210	3,256	3,014	3,523
Expense ratio	%	24%	21%	25%	26%	31%
Total expense ratio	%	77%	69%	70%	72%	75%

### Claims and Benefit Paid

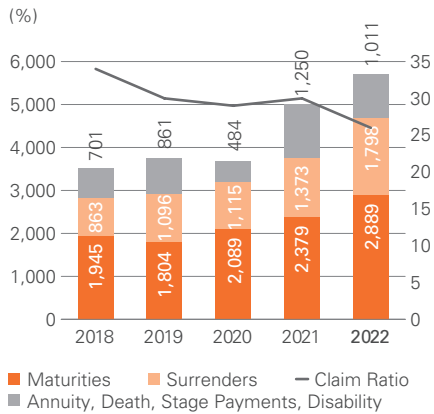
Net benefits and claims expenses recorded a 24% increase to Rs. 5,699 Mn during the year reflecting the expansion of the product portfolio, mature insurance policy portfolio and increase in surrenders. While the 20% increase in maturity payouts was in line with contractual obligations, the 31% increase in surrenders was largely on account of the higher interest rates which provided lucrative alternate investment options for customers and prevailing economic hardships. The Claims also increased due to increase in death claims and increase in hospital charges.

### Key initiatives to manage claims and benefit

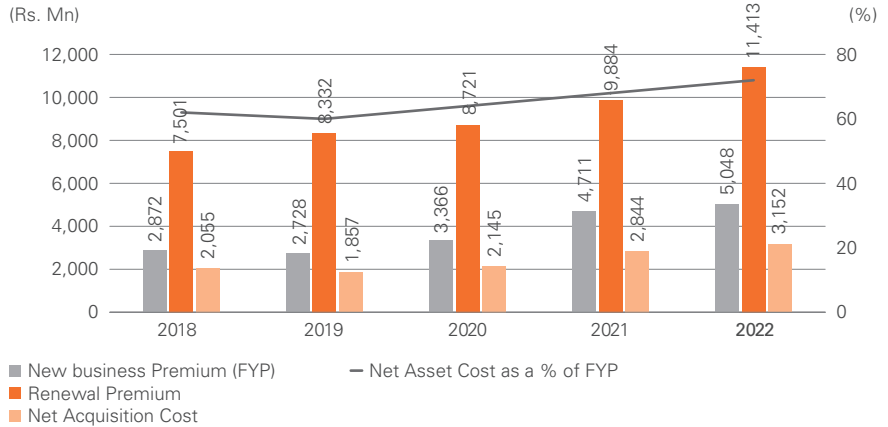
- Enhanced features of the Clicklife App include, 'Thyaga – a digitized rewards system and the 'Get fit' an AI powered calorie counter to improve customer engagement.
- Established the policy conservation unit with the purpose of reactivating the lapsed policies and implemented surrender discourage calls approach to control surrender payouts.
- Ensured amounts paid on claims are contained within the parameters of the contractual relationship as far as possible.
- Optimised reinsurance arrangements to manage claims and benefits at appropriate level.
- Negotiated with reinsurers on net settlement of dues and part payments to ensure there is no delay in settling reinsurance balance. Also proactively managed reinsurers concern on profitability due to significant devaluation of the Rupee.



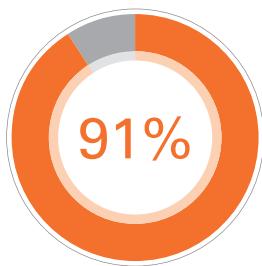
### Types of Claims



### Regular New Business Premiums vs Net Acquisition Cost



### One day claim settlement ratio



### Net Acquisition and Underwriting cost

Net acquisition and underwriting costs increased by 11% to Rs. 3,152 Mn during the year. The increase was mainly driven by the growth in regular new business premiums and renewal premiums. Net acquisition and underwriting cost accounted for 62% of regular new business premiums in 2022 against 60% in 2021.

### Other Operating, Administrative and Selling Expenses

Operating, administrative and selling expenses increased by 24% to Rs. 3,965Mn in 2022 as a result of cost escalations brought on by the depreciation of the rupee, tax increases and continued inflationary pressures, financial support provided to staff and salary increment to staff. Despite these increases the company managed to contain the increase in recurrent expenses to 10% by implementing the following initiatives;

#### Key initiatives to manage overhead cost

- Budget utilization ceilings that aligned with business growth
- Monthly review of budget ceilings
- Establishment of Spend control committee to scrutinize, rationalize and approve expenses across the Company
- Cost rationing across all departments
- Leveraged digital infrastructure to minimize claim process and printing costs
- Use expense investigations inputs to improve expenses efficiencies



#### Key initiatives to manage incentive and allowances

- Incentive and allowance schemes were reviewed, and appropriate changes were made to drive the desired level of performance.
- Details of acquisition cost as a percentage of incentive drivers was reviewed on monthly basis.



### INVESTMENT PERFORMANCE

	2022	2021	Growth	2020	2019	2018
Net investment income	7,479,013	5,276,130	42%	5,032,432	4,364,844	4,638,140
Net Realized gains	265,577	431,225	(38%)	(402,181)	24,313	123,474
Net fair value gains / (losses)	(303,862)	235,848	(229%)	277,179	(297,847)	(803,075)

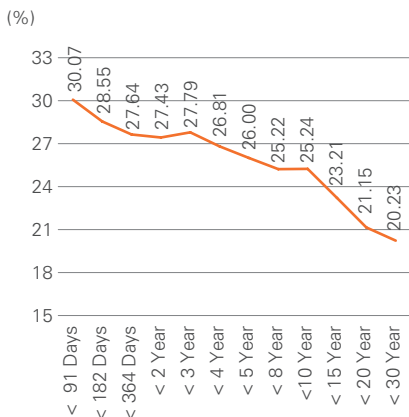
Net investment income increased by 42% as a result of the high interest rate environment and a focused asset allocation strategy. Net Realized gains, however, recorded a 38% decrease compared to 2021 mainly due to a reduction in the disposal gains from government securities and unit trusts which declined by Rs. 112 Mn and Rs. 59 Mn respectively due to high interest and reduction in share prices. The Company recorded a 229% net fair value loss due to a Rs. 405 Mn decrease in unrealized gains from equity shares and a Rs.107 Mn decrease in unrealized gains from unit trusts as a result of negative performance in the equity market. Unrealized losses from government securities also increased by Rs. 23 Mn during the period due to higher interest rates.

# OPERATIONAL AND FINANCIAL REVIEW

## Positive Fixed Income Outlook

Given the macroeconomic challenges and the tight monetary policy stance adopted by the CBSL, market interest rates increased significantly during 2022, UA followed a long-term investment strategy with overallocation to long-term assets which enabled UA to capture high long-term yields. Given the gloomy economic outlook, deterioration of credit quality and unavailability of other fixed income investments, UA deployed cash flows in long term treasury assets. The yield curve stood inverted throughout the year.

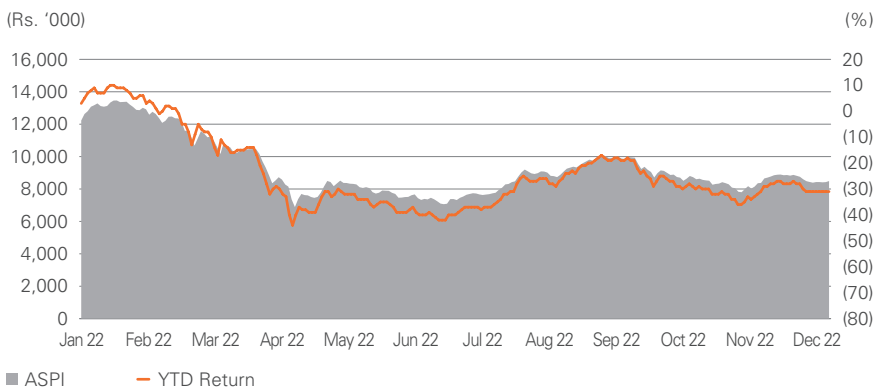
### Yield Curve End 2022



## Negative Equity Market Performance

Sri Lanka’s equity market faced its worst year in ten years with the All-Share Price Index declining by almost 30.6% during the year. Despite this, UA’s policyholder’s fund recorded a 4.00% return during the year outperforming the S&P total return index by 38.5%.

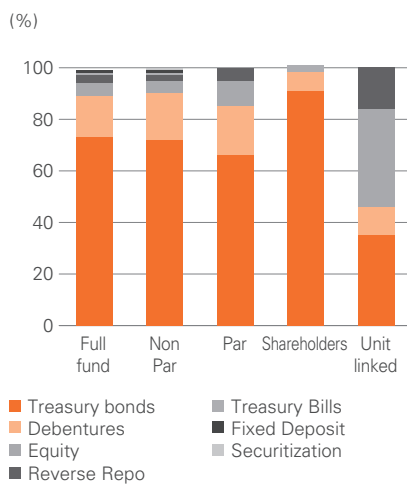
### ASPI and ASPI YTD



## Assets Under Management

All funds are invested in quality assets above investment grade rating. Total Assets Under Management (AUM) grew by 9% during the year and stood at Rs. 64.4 Bn as at the end of 2022. The total fund provided a return of 12.22% primarily from fixed income assets.

### Asset Allocation under each Fund

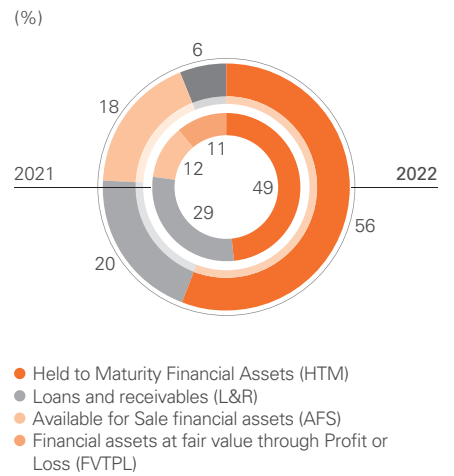


UA has appointed an external asset manager to manage equity investments of the Life Fund. Equity investments are managed with a medium to long term view of achieving sustainable long term capital growth within a reasonable level of risk. The equity portfolio contributed 5.5% of total investment portfolio of the life fund.

Rs. 15,403 Mn worth of assets were measured at fair value / market value while Rs. 49,053 Mn worth of assets

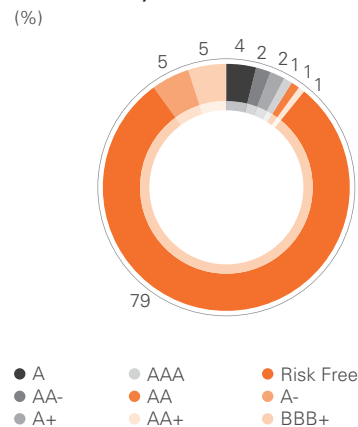
were measured at amortised cost. Of the assets measured at market value, fair value changes of assets amounting to Rs. 304 Mn were charged to the Income statement while fair value changes of assets amounting to Rs. 2,702 Mn were charged to Other comprehensive income.

### Asset Classification in Financial Statements



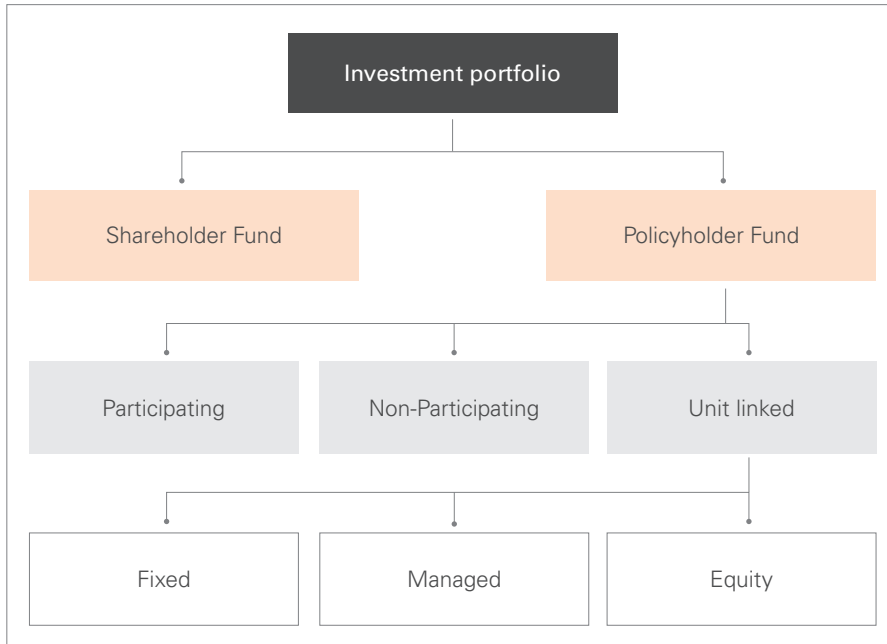
79% of the Company’s assets are credit risk free as of 31 December 2022.

### Credit Analysis



**Rs. 7.5 Bn**  
Net Investment Income  
(2021: Rs. 5.3 Bn)

**Portfolio Structure**



Investments are managed at fund level in accordance with respective investment policy statements (IPS). IPSs are developed taking into consideration the nature of liabilities of each fund. Cash flows from each fund are managed separately according to the said IPS. This enables us to track the performance of each fund independently and take necessary action if actual returns deviate from expected returns.

**All funds are invested in quality assets above investment grade rating. Total Assets Under Management (AUM) grew by 9% during the year and stood at Rs. 64.4 Bn as at the end of 2022.**

**Policyholders Fund**

Policyholders fund investments are attributable to policyholders of the Company. Policyholders fund has been segregated to Participating and Non-Participating fund as per the IRCSL regulations.

**Non-Participating Funds**

The Non-Participating fund is the largest fund with AUM of Rs. 46,348 Mn. Total AUM grew by 16% in 2022. 95% of the fund is invested in fixed income assets while 5% is invested in equity. 72% of the fund is invested in Treasury bonds. 75% of the total investment in 2022 was in long term treasury bonds given the high yields and fresh issuance of treasury assets during the year. The fund switched to a long-term fixed income investment strategy to benefit from the high rates that prevailed from April 2022 onwards.

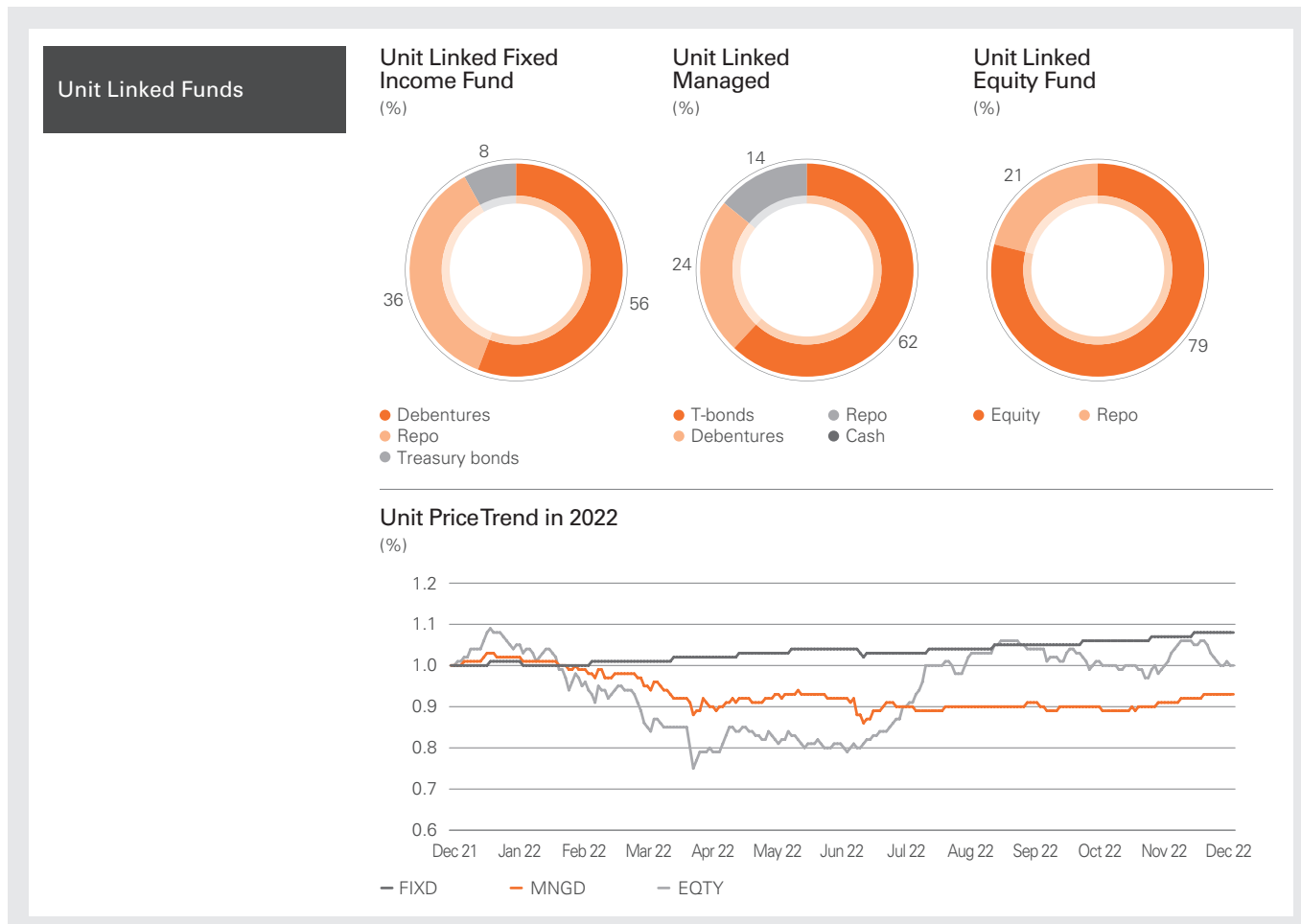
**Participating Funds**

The Total Participating fund amounted to Rs. 7,907 Mn as at 31.12.2022. UA has discontinued the sale of participating products as a result total AUM in 2022 declined marginally by 1%. 100% of the investment from this fund was invested in treasury assets during the year while 66% of investments of the fund were in long term high yield treasury bonds. The fund maintains sufficient liquidity to manage claims and other requirements since there is no new business cashflows for this fund.

**Unit Linked Funds**

The Unit Linked funds consist of four funds, Unit Linked fixed income fund (FIXD), Unit Linked Managed fund (MNGD), Unit Linked Equity fund (EQTY) and the Non-unit fund (NU). MNGD and EQTY are managed by an external fund manager. Total Unit linked investments declined by 13% during the year due to higher redemptions, the discontinuation of selling unit linked products and poor equity market return. 47% of assets lie in the EQTY fund which is a fully equity fund. Each fund is managed according to its respective IPS. In 2022 the FIXD, MNGD and EQTY provided a return of 7.8%, -6.8% and 0.3% respectively. Asset allocation under FIXD, MNGD and EQTY funds are given below.

# OPERATIONAL AND FINANCIAL REVIEW



## Life Shareholders' Fund

The shareholders' fund increased by 3% during the year to Rs. 9,397 Mn as at 31.12. 2022. The fund invests in medium to long term assets as per its IPS. Of the total investments during the year 83% was invested in treasury assets. 73% of investments during the year were in short to medium term assets. Return on the fund was 12.79% in 2022.

## Impact of Domestic Debt Restructure

There is significant uncertainty around the possibility of a domestic debt restructure where the form of it is unknown. Given the significant percentage of investments by insurance industry in government securities tied to insurance liabilities, such an eventuality will likely to have an impact on the insurance companies. It is expected that restructuring domestic debt will improve Sri Lanka's debt sustainability; however, it is critically important that the process is managed so as to minimize the impact on the financial system of the country.

## PROFITABILITY AND STABILITY

	Unit	2022	2021	2020	2019	2018
Surplus	Rs. Mn	2,300	1,600	825	1,000	1,100
Shareholder income	Rs. Mn	1,192	876	782	804	883
Share of profit from Fairfirst	Rs. Mn	229	151	116	104	149
Profit Before Tax (PBT)	Rs. Mn	3,720	2,627	1,723	1,908	2,132
Profit After Tax (PAT)	Rs. Mn	2,747	2,054	921	1,158	3,244
EBITDA	Rs. Mn	4,256	3,063	2,184	2,208	2,287
Return on Equity (ROE)	%	19%	13%	6%	8%	25%
Capital Adequacy Ratio (CAR)	%	194%	228%	341%	362%	262%
Excess in approved assets (Determination 1)	Rs. Mn	4,762	3,739	7,764	3,732	849

## Profitability

### PBT and PAT

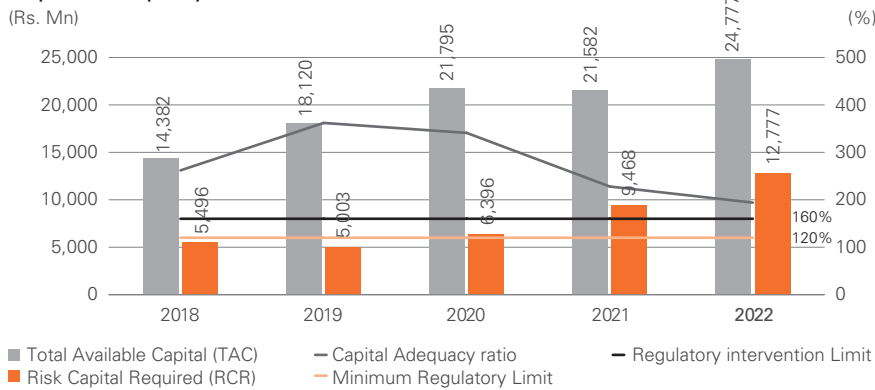
A 44% growth in surplus and 36% growth in shareholder income resulted in a 42% growth in PBT to Rs. 3,720 Mn during the year. PAT meanwhile grew by 34% despite being impacted by the increase in income tax rate from 24% to 30%.

### ROE and EBITDA

ROE and EBITDA both increased during the year as a result of the increase in PBT.

## Stability

### Capital Adequacy Ratio (CAR)



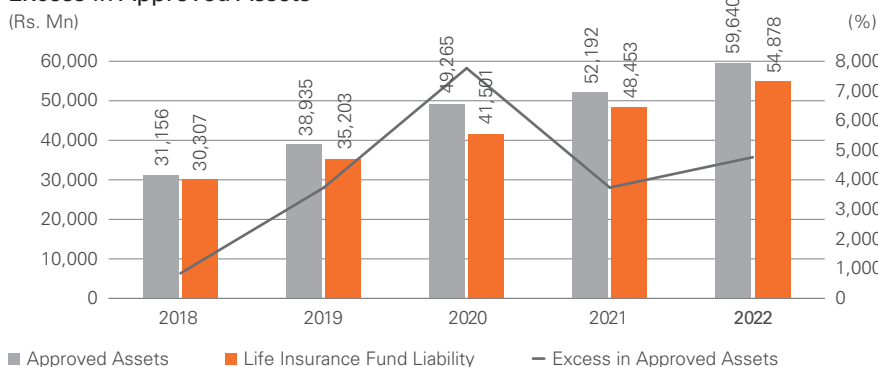
During the year, CAR was stressed mainly due to high interest rates which is used to project risk free rate. The risk-free rate is a significant input for capital adequacy ratio. Further, the impact on CAR is significant since Universal life product line is dominated in the Company product portfolio.

In order to minimize the impact on CAR, the company has taken a number of steps to manage variables within the control of the company. This includes managing reinsurance receivables, outstanding claims, investments etc. Meanwhile we also continue to closely engage with IRCSL to address the factors impacting CAR including the current methodology for computing the CAR.

Despite CAR being stressed during the year, it is expected that the CAR will improve with the reduction in interest rates forecasted toward the end of 2023.

In terms of Determination 1, the Company maintains strong excess in approved assets against the Life fund.

### Excess in Approved Assets

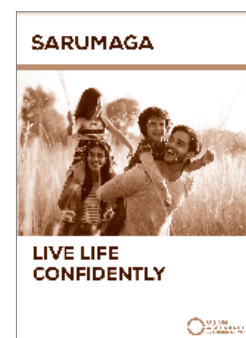
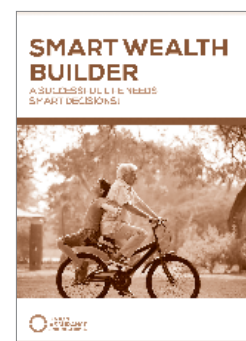


The fact that CAR is in excess of the regulatory requirement of 160% and the significant gap in approved assets over life fund indicate sound financial stability of the Company.

## PRODUCT INNOVATION

During the year, the Company launched two new insurance solutions for the bancassurance channel. Smart Wealth Builder is a fund accumulation universal life product with a loyalty bonus at maturity with premium payment option of 5 years. Multiple riders can be attached to this product. Union Sarumaga is a bundled product which combines benefits of total protection and higher returns for the investment. Both products are targeted at premier customers of two leading banks in Sri Lanka.

Several product modifications were also introduced during the year. Union Smart Health Premier rider was repriced to address emerging trends and improve product competitiveness in certain age segments. Smart Life 5 pay version meanwhile was launched to provide customers with convenience of paying full premiums in three easy short-term options of 3 years, 5 years or 7 years with a comprehensive protection plan that can continue for a period of up to 40 years.



New products introduced during the year

# OPERATIONAL AND FINANCIAL REVIEW

## DIGITALIZATION DRIVE

UA's digital roadmap is aimed at ensuring unrivalled distribution, superior customer experience & a compelling value proposition, and customer convenience & satisfaction. During the year, the Company made significant progress in its digital roadmap. Key initiatives during the year are outlined below.



### Key initiatives

- Improvements to Bionic distribution model -Implementation of FAME 4.0 workspaces to streamline internal sales platform to track new business and renewals, allowing different payment methods for premium payments and enhancing monitoring of KPIs of agents on their day-to-day activities.
- Increased adoption of Clicklife digital insurance App. A 50% increase in OPD claims processed via the App and 32% MoM growth.
- Advance data analytics enhanced with LIMRA persistency and AI based food recognition.
- Cyber security strengthened with (Center of Internet Security) CIS benchmarks.



Newly added features of Clicklife

## BRAND VISIBILITY

Key initiatives to increase brand visibility and drive brand value are highlighted below;

- Achieved greater digital presence as indicative by growth in digital adoption rates and engagement rates.
- Published the industry's first white paper on people's attitudes on saving habits and retirement.
- Initiated the first phase of the brand campaign.
- Received over 15 major awards and accolades from both global and local bodies



**Rs. 1,982 Mn**  
Brand Equity



**We will continue to pursue an agile strategy which will continue to transform UA into a fully-fledged digital and customer centric insurer of the new age.**

## PEOPLE DEVELOPMENT

We continued to enhance our employee value proposition during the year, implementing a series of initiatives aimed at developing and engaging our employees. We also introduced several financial support packages as part of our efforts to address the financial challenges faced by our employees amidst rising cost of living. Meanwhile we continued to achieve steady progress on our diversity agenda, rolling out a series of initiatives aimed at increasing female participation in our workforce and providing career opportunities for persons with disabilities.



### Key initiatives

- Provided a one-off, financial care package in the form of an ex-gratia payment, to all eligible employees, during the month of April 2022
- Employee categories most impacted by the unprecedented increase in cost of living were offered additional financial support
- A distress allowance was offered to employees impacted by the high income tax rate
- Increased the insurance limits of all employees
- Launched the quarterly staff training calendar.
- Launched "HOPE" an employee driven CSR platform
- As part of JKH group initiative, the company launched its Diversity, Equity and Inclusion (DE&I) policy
- Introduction of Equal 100 days of Paternal Leave, which provides both parents with 100 days of paid parental leave inline with JKH Group initiative.



Recognised as one of Sri Lanka's most outstanding women-friendly workplaces.



Introduction of Equal 100 days of Paternal Leave for both the parents

## IFRS 17 IMPLEMENTATION

The Board appointed a SLFRS 17 Steering Committee to assist the Company through a review, restructuring and transition process, and to advise the Board on the institutional readiness for SLFRS 17 implementation, both tactically and strategically. The Company awarded proof of concept (POC), to a selected vendor during the year.

## SUCCESSION

As per the planned organizational leadership transition, Mr. Senath Jayathilake, previously the Chief Distribution Officer, assumed duties as the Deputy Chief Executive Officer on 1 January 2023 and he will take over reigns as the Chief Executive Officer with effect from 1 January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer, on the 31st of December 2023.

## OUTLOOK

Fiscal consolidation by the government and the IMF extended fund facility anticipated during the first half of 2023 is expected to start stabilizing the economy towards the latter half of 2023, however this depends largely on the progress of the ongoing fiscal consolidation program, Debt restructure negotiations, deal with IMF, and structural reforms. Fiscal consolidation and domestic debt restructuring in particular could have a significant impact on the financial sector unless properly managed.

Despite these downside risks, we continue to remain optimistic about our long-term prospects, given the relatively low insurance penetration levels in the country and noticeable increase in demand for insurance due to an aging population, increase urbanization, increase in non communicable diseases and increased risk awareness among the population. We also see significant opportunities to leverage digitalisation and big data in delivering more relevant insurance solutions. We will therefore continue to pursue an agile strategy which will continue to transform UA into a fully-fledged digital and customer centric insurer of the new age.

# VALUE CREATION FRAMEWORK

## OPERATING ENVIRONMENT

① Gross Written Premium (GWP) of the industry grew by 9% to Rs. 136,225 Mn in 2022. Premium growth was supported by a 3% growth in regular new business premiums (FP+FYP), 17% growth in single premiums and 12% growth in renewal premiums. A heightened level of risk awareness and a greater need for protection as a result of pandemic induced concerns drove much of this demand growth.②

### OUR BUSINESS ENVIRONMENT



#### A Snapshot of the Sri Lankan Life Insurance Industry

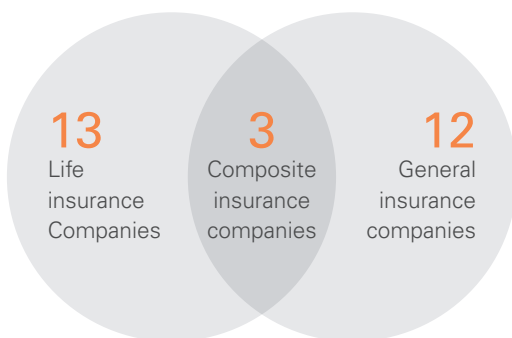
##### Insurance Penetration in Sri Lanka

Life insurance penetration is relatively low in Sri Lanka. However recent developments in the market including greater risk awareness post pandemic are pushing insurance penetration levels up.

Life Insurance - Key Indicators	2018	2019	2020	2021	2022
Penetration (%) (Premium of Long Term Insurance Business as a % of GDP)	0.56	0.59	0.69	0.74	0.78
Life Insurance Density (Rs.) (Total Life Premium Income / Population)	3,705	4,072	4,699	5,631	6,293

##### Competitive Landscape

The insurance industry in Sri Lanka consisted of 13 long-term insurers, 12 general insurers, and 3 composite insurers that provide both long-term and general insurance services as at the end of 2022. The Market is largely dominated by five main players who together accounted for 79% of GWP in 2022. Few larger players offering a wide range of products at competitive prices, have created a high degree of competition. In order to sustain in the market UA has taken measures to offer differentiated products and continue to adopt innovative marketing approach for product propositions.



##### Market Share Movement

(%)



	2022	2021	2020		2022	2021	2020
● AIA	12.89	13.24	13.64	● UAL	12.24	12.35	12.73
● CeylincoLife	21.40	20.49	21.43	● SLIC	15.36	17.62	18.70
● Softlogic Life	16.94	16.07	15.20	● Others	21.16	20.23	18.30

Year	Ceylinco Life	SLIC	Softlogic Life	AIA Life	UA	Others
2020	21.43	18.70	15.20	13.64	12.73	18.30
2021	20.49	17.62	16.07	13.24	12.35	20.23
2022	21.40	15.36	16.94	12.89	12.24	21.16

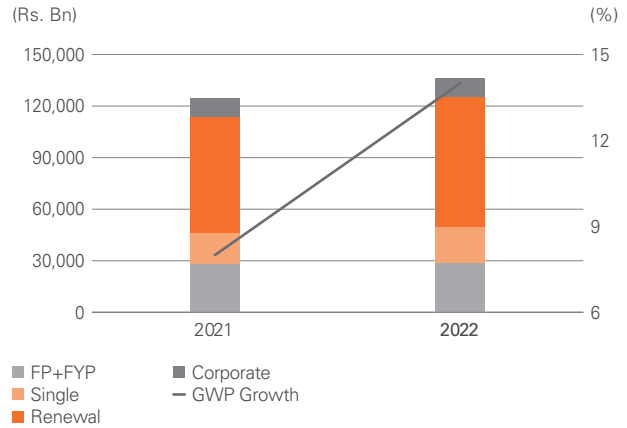


### Industry Performance (Life)

Gross Written Premium (GWP) of the industry grew by 9% to Rs. 136,225 Mn in 2022. Premium growth was supported by a 3% growth in regular new business premiums (FP+FYP), 17% growth in single premiums and 12% growth in renewal premiums. A heightened level of risk awareness and a greater need for protection as a result of pandemic induced concerns drove much of this demand growth. Furthermore, public confidence in insurance started to grow as many insurers implemented hassle-free claim settlement processes and provided extended benefits to customers affected by the pandemic.



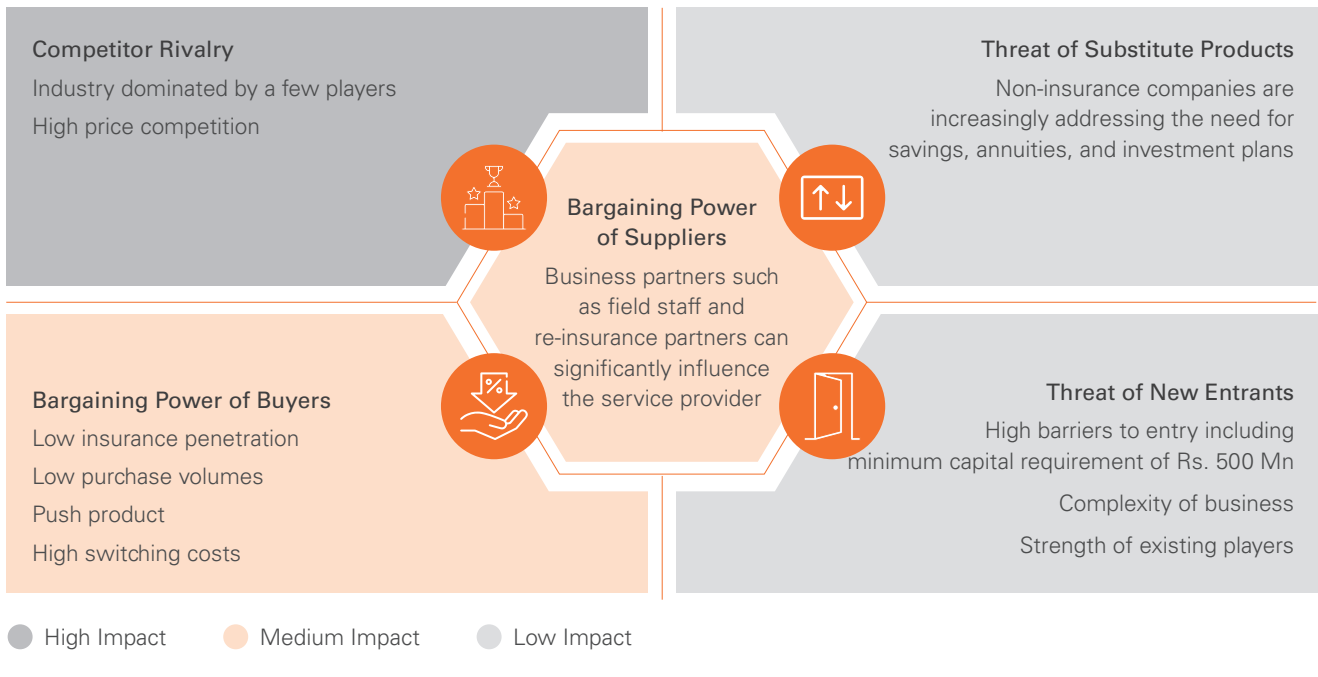
### GWP Growth



Year	FP and FYP	Renewal	Single	Corporate
2022 Growth	3%	12%	17%	-3%

### Industry Dynamics

Porters Five Forces model provides an insight into the evolving dynamics of the life insurance industry in Sri Lanka.



# VALUE CREATION FRAMEWORK

## OPERATING ENVIRONMENT

### Factors Impacting the Insurance Industry in 2022

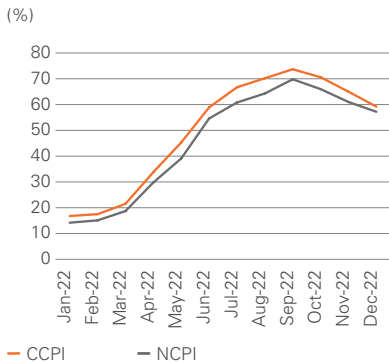


### Implications of Economic Developments

#### Inflation

Devaluation of the rupee, rising energy prices and a reduced harvest resulted in a sharp increase in consumer prices in 2022. Policy intervention targeted at stabilizing inflation has been effective in reducing inflation in 4Q of 2022 although it still remains high. The year 2022 ended with a 57.20% YOY inflation measured by Colombo Consumer Price Index (CCPI).

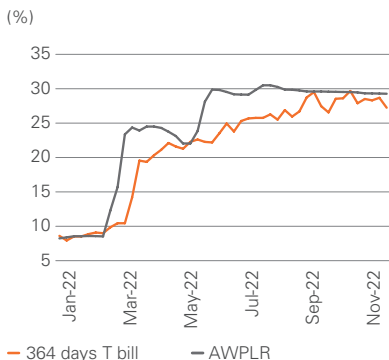
#### Inflation CCPI and NCPI



#### Interest Rates

The CBSL was compelled to implement painful, but unavoidable policy measures in 2022 aimed at restoring macroeconomic balance. Accordingly monetary policy was tightened by an unprecedented adjustment in interest rates to prevent inflationary pressures resulting in a sharp increase in interest rates.

#### Movement of Interest Rate



#### Impact on UA's Operation

Inflationary pressures and a sluggish economy impacted disposable income levels which in turn curtailed demand for insurance and premium payment capacities. High inflation rates impacted expenses then by profitability and devaluation of Rupee impacted foreign currency denominated IT vendor payments and consultancy payments.

Higher market interest rates keep consumers away from product such as insurance and switch to higher yielding savings products.

Lower performing equity market impacted our investment income.

#### Exchange Rate

The Sri Lankan Rupee depreciated by almost 80% in 2022 reflecting a widening trade balance and decline in inward remittances. Faced with a FOREX crisis the government imposed wide-ranging import restrictions and a temporary suspension of selected foreign debt. This has had an impact on the country's credit rating.

#### Equity Markets

ASPI declined by 31% in 2022. Uncertainty and volatility of earnings and higher interest rates locally and internationally lowered stock market activity during the year.

#### Global Growth

Global growth continued to decelerate in 2022, with the after effects of the global pandemic and ongoing conflict in Ukraine continuing to impact economies across the world. Rising global inflation triggered unexpectedly rapid and synchronous monetary policy tightening around the world to contain it. The impact of monetary tightening on economies is already visible worldwide but broader effects on demand and job markets will become more apparent over time.

#### Domestic Growth

Sri Lanka witnessed one of the worst economic crisis since independence with GDP contracting by 9.2% during the year. The Agriculture sector plunged 8.7%, industries 21.2%, and services 2.6% in Q3 2022. According to world bank country's GDP is expected to contract by 4.2% in 2023.

#### Opportunities

- + Demand for products combined with the income levels
- + Higher investment returns

#### Risks

- Inflationary pressures and the adverse impact on the customer buying behaviour
- Rupee devaluation and high inflation impacting cost and in turn profitability



## Implications of Regulatory Developments

### Impact on UA's Operation

The insurance regulatory framework was strengthened during the year with IRCSL issuing several new directions and circulars pertaining to corporate governance and reporting requirements. These were supported by the new Personal Data Protection Act of 2022.

The effective date of SLFRS 17 - Insurance Contracts was postponed to 01 January 2025.

As a part of fiscal consolidation Inland Revenue Act and VAT Act were amended during the year to increase both income tax rate and Value Added Tax (VAT) rate.

#### Opportunities

- Promotion of healthy competition and greater transparency

#### Risks

- Risk of non-compliance due to number of new directions and any legal enforcements
- Increase in income tax rate decrease the profitability
- Increase VAT rate is a cost to the Company due to inability to pass on the impact to customers

Developments During the Year

### Circulars and clarifications Issued by IRCSL in 2022

- Circular 1 of 2022 - Prohibition of providing different quotes (reduction in premium) to the same policyholder for the same insurance cover
- Clarification by IRCSL on Circular 40 issued in 2019 - Life insurers can issue stand-alone health insurance policies which are in effect for more than 5 years – insurers to disclose the monthly/quarterly/bi-annual/annual premium.

### Amendments to Determinations Issued by the IRCSL in 2022

- Amendments to Determination 14 and 15 - Amendments to the regulatory reporting formats for submission of Annual Returns to IRCSL via email.
- Amendments to Determination 12 - Revisions made to quarterly return templates and deadlines

### New Directions Issued by the IRCSL in 2022

- Direction 1 of 2022 - Requires insurers to provide insurance codes only to insurance agents and insurance brokers.
- Direction 2 of 2022 - Provides a Corporate Governance Framework for Insurers
- Direction 3 of 2022 - Requires Insurers to disclose the clauses in relation to cooling-off period, guaranteed and non-guaranteed benefits of the policy & applicable policy schedules in its insurance products, quotations and in the policy schedules/covers

### New Guidelines issued by the IRCSL in 2022

- Guideline issued on advertisements issued by insurers, brokers and agents- Insurers are required to seek prior approval from the IRCSL for product-related advertisements, maintain an advertisement register and quarterly reporting of a compliance certificate by the Principal Officer

### Regulations and Guidelines issued by The Financial Intelligence Unit of Sri Lanka (FIU) in 2022

- Circular 1 of 2022 - Provides guidelines for Financial Institutions on CCTV Operations for Anti Money Laundering (AML)/ Countering the Financing of Terrorism (CFT) Purposes.
- Circular 2 of 2022 - Emphasizes the timelines for reporting of Suspicious Transaction Reports (STRs)
- Circular 4 of 2022 - Informs financial institutes on the service that will be provided by the Department of Immigration & Emigration to authenticate customer identification details.

### Personal Data Protection Act No of 2022

- Provides the legal framework for the protection of personal data in Sri Lanka and provisions the establishment of a Data Protection Authority

### Amendments to IRD Act and VAT Act

- VAT rate was increased to 15% from 8% in two stages.
- Income tax rate was increased to 30% from 24%

# VALUE CREATION FRAMEWORK

## OPERATING ENVIRONMENT



### Implications of Environmental, Social and Technological Developments

#### Declining Income Levels

The current economic crisis has contributed to rising levels of unemployment, increased rural poverty levels and a widening income disparity. These factors negatively impact income levels which in turn impact the propensity to spend on insurance products.

#### Increased Migration Levels

Economic conditions in the country have resulted in a wave of migration, with significant numbers of migrating to more lucrative labour markets. In addition to labour market implications this also reduces the target market in the country for insurance products.

#### Increased Digital Adoption

Digital adoption has witnessed a monumental increase since the outbreak of the pandemic with e-commerce sites and mobile channels and social media channels growing in importance. Customers are increasingly seeking digital options in terms of products and product delivery.

#### ESG Focus

ESG is growing in importance and customers are increasingly factoring ESG considerations into purchase decisions.

#### Impact on UA's Operation

Evolving socio-economic conditions continue to impact the insurance industry in terms of the types of products demanded, delivery channels adopted and marketing method. Accelerating our digital journey is therefore of critical importance.

#### Opportunities

- ➕ Opportunities to develop innovative products and distribution channels

#### Risks

- ➖ Low new business volumes, surrenders and policy lapses

## RISKS AND OPPORTUNITIES

Key Trends	Commentary	Risks and Opportunities
<b>Market Dynamics and Capital Management</b>		
● Interest Rates	Central Bank of Sri Lanka increased its policy rates by 950 basis points to manage inflation in the FY 2022. As a result, Interest rates in fixed income securities picked up during the year especially the interest rates on treasury securities rose up.	<ul style="list-style-type: none"> <li>Higher interest rates generated a high investment income contributing positively to the bottom line.</li> <li>Negative impact on CAR as the higher yields negatively impacted the asset values</li> <li>High level of surrenders having a direct impact on the top and bottom line.</li> </ul>
● Inflation	High inflation has resulted in lower disposable income of people	<ul style="list-style-type: none"> <li>Difficulties in selling insurance policies due to lower disposable income</li> <li>Increase in surrenders and lapses</li> </ul>



### Implications of Global Trends

Demand for insurance has surged post pandemic, buoyed by an increased level of risk awareness, and an increased need for financial protection. Meanwhile the relatively low levels of social security systems in most emerging markets combined with changing demographics (aging population) continue to be key drivers of long term growth.

Insurance companies across the world are rapidly pivoting to digital channels in response to evolving conditions. This has proved to be a key success factor of the industry.

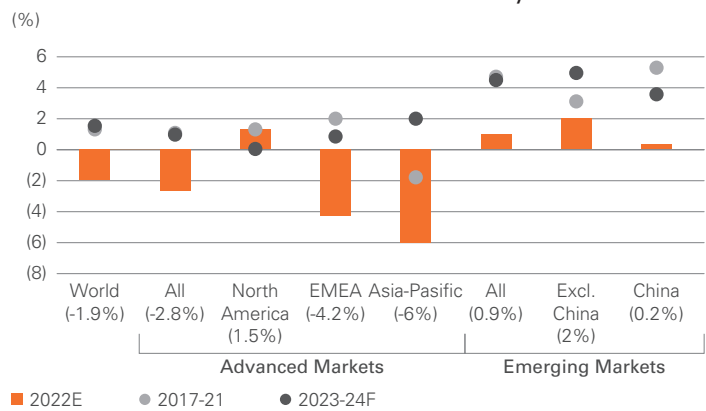
Key challenges going forward include rising global inflation, tighter monetary policy stances, rising loss costs; the looming threats of recession, climate change, and geopolitical upheaval; and competition from InsurTechs.

Swiss Re Institute predicts that Global life premiums are projected to rise by 2.7% in 2023. Protection-type products are expected to see strong demand, driven by higher risk awareness, a recovery in group business and increased digital interaction.

### Performance of Global Insurance Industry

Premiums of the long-term insurance businesses will contract by 19% in real terms in 2022. However, many advanced markets in Europe experienced a strong rebound in unit-linked businesses. Premium growth in emerging markets in Asia were driven by economic revival, enhanced risk awareness and the use of digital distribution channels.

### Performance of the Global Insurance Industry



(Source: Swiss Re Institute / Global economic and insurance market outlook 2023/24)

Impact on Key Strategic Pillars	Strategic Response
<ul style="list-style-type: none"> <li>Expand Agency Channel</li> <li>Optimize bancassurance partnerships</li> <li>Customer retention and capitalization on alternate channels</li> <li>A value Capturing Investment strategy</li> </ul>	<ul style="list-style-type: none"> <li>Invest in treasury assets that provide sufficient risk adjusted return</li> <li>Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates</li> <li> (Refer page 171 for more details on risk response strategies)</li> <li>Implement initiatives to discourage policy surrendering.</li> <li>Develop a product strategy suitable for current environment</li> <li>Implement policy conservation unit to revive lapse policies</li> </ul>
<ul style="list-style-type: none"> <li>Expand Agency Channel</li> <li>Optimize bancassurance partnerships</li> <li>Customer retention and capitalization on alternate channels</li> </ul>	<ul style="list-style-type: none"> <li>Develop a product strategy in line with current operating context</li> <li>Implement policy conservation unit to revive lapse policies.</li> <li>Introduce R&amp;R programmes to increase new business volumes</li> <li>Implement surrender discourage call mechanism</li> </ul>

# VALUE CREATION FRAMEWORK

## OPERATING ENVIRONMENT

### RISKS AND OPPORTUNITIES

Key Trends	Commentary	Risks and Opportunities
● Exchange Rate	<p>Foreign Exchange rate fluctuations and scarcity of foreign reserves causing inability settle payments of foreign vendors.</p> <p>Exchange rate movements has resulted in a significant increase in Information technology cost and consultancy service cost causing profitability pressure.</p> <p>Further delay in payment to reinsurance and reduction in reinsurers margins from the country has created risk of repricing of reinsurance facilities by reinsures</p>	<ul style="list-style-type: none"> <li>• Difficulties in making foreign exchange payments</li> <li>• De-valuing of rupee leading to higher cost of settlement</li> <li>• Risk of discontinuation of 3rd party service providers.</li> </ul>
● Labour Market	<p>Increased number of skilled migrations leading to a scarcity of resources in the labour market.</p>	<ul style="list-style-type: none"> <li>• High staff turnover</li> <li>• Difficulties in replacing the skilled staff</li> <li>• Knowledge gap</li> </ul>
● Equity Market Performance	<p>Due to the economic crisis, political uncertainty, social unrest and mainly due to fact that IMF executive board approval was not granted, there were drastic negative movements in the equity market.</p>	<ul style="list-style-type: none"> <li>• Risk of generating of mark to market losses due to equity prices falling</li> <li>• Opportunity to generate higher investment income from fixed income securities as the interest rates picked up during the 2nd half of the year</li> </ul>
● Debt Restructuring	<p>Sri Lanka entered into a staff level agreement with the IMF to obtain extended fund facility amounting to USD 2.9 Bn and due to the Possible debt restructuring there will be a negative impact on the fixed income portfolio and future cashflows.</p>	<ul style="list-style-type: none"> <li>• Risk of debt restructuring will negatively impact the future cashflows if there will be hair cut on coupons and will have an impact on the asset portfolio if a maturity extension is proposed</li> </ul>
● Low Industry Penetration	<p>Compared to other Asian markets, life insurance penetration in Sri Lanka remains to be lower as a percentage of GDP which maybe a result of untapped customer segments in the market.</p>	<ul style="list-style-type: none"> <li>• Ability to acquire a new customer base</li> </ul>
<b>Demographic Environment</b>		
● Increasing Ageing Population	<p>The life expectancy for Sri Lanka in 2022 was 77.39 years, a 0.22% increase from 2021.</p> <p>The infant mortality rate for Sri Lanka in 2022 was 6.665 deaths per 1000 live births, a 3.29% decline from 2021.</p>	<ul style="list-style-type: none"> <li>• Higher demand for insurance products as a whole and protection and retirement products specifically</li> </ul>
● Increased Urbanization	<p>Sri Lanka urban population for 2021 was 4,178,622, a 1.88% increase from 2020. Sri Lanka is considered as one of the countries to have the fastest rate of urban expansion</p>	<ul style="list-style-type: none"> <li>• Improved urbanization may allow the company to widen the branch network to cater new customer segments</li> </ul>

Impact on Key Strategic Pillars	Strategic Response
<ul style="list-style-type: none"> <li>• Cost Optimization and enhance customer value</li> <li>• A value capturing investment strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize foreign payments and follow up with banks on regular basis and obtain assistance from JKH Group Treasury when allocating funds for foreign payments</li> <li>• Regular review of the timing of foreign currency cash outflows</li> <li>• Negotiating different payment options with vendors, especially with Reinsurers such as net payment arrangements, installment payments arrangements, etc.</li> </ul>
<ul style="list-style-type: none"> <li>• People development</li> </ul>	<ul style="list-style-type: none"> <li>• Identification of staff functions which are vulnerable for poaching</li> <li>• Develop a sustainable retention plan</li> <li>• Identify succession for those critical positions and build development plans</li> <li>• Develop salary benchmarks and adjust remuneration</li> <li>• Improve employer brand</li> </ul>
<ul style="list-style-type: none"> <li>• A value capturing investment strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Outsourcing of the equity portfolio to a specialized fund management company to ensure the profits are realized at the right time</li> <li>• Changing of the equity mandate to a balanced mandate and allowing the fund management company to move into fixed income trading and realize the market gains.</li> </ul>
<ul style="list-style-type: none"> <li>• A value capturing investment strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in treasury assets that provide sufficient risk adjusted return - risk that factors in a possible restructure</li> <li>• Invest in corporate fixed income entities that have sufficient capital buffers to withstand external shocks caused due to adverse economic environment</li> </ul>
<ul style="list-style-type: none"> <li>• Expand agency channel</li> <li>• Bancassurance partnerships</li> <li>• Customer retention and capitalization on alternate channels</li> </ul>	<ul style="list-style-type: none"> <li>• Offering differentiated products and innovative marketing for product propositions to tapping new customer segments</li> <li>• Strengthening bancassurance partnerships</li> <li>• Expand and upgrade branch network to increase access in high potential areas</li> </ul>
<ul style="list-style-type: none"> <li>• Expand agency channels</li> <li>• Customer retention and capitalization on alternate channels</li> <li>• Customer centric, profitable and balanced product portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Develop retirement products and annuity return products to tap the ageing population</li> <li>• Encouragement to improve the sale of rider covers</li> </ul>
<ul style="list-style-type: none"> <li>• Expand agency channel</li> <li>• Optimize bancassurance partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Optimize the untapped geographical locations through new branch openings and relocations to acquire new customers</li> <li>• Enter into new bancassurance partnerships.</li> </ul>

# VALUE CREATION FRAMEWORK

## OPERATING ENVIRONMENT

### RISKS AND OPPORTUNITIES

Key Trends	Commentary	Risks and Opportunities
<ul style="list-style-type: none"> <li>Increase in GenZ in the Workforce</li> </ul>	<p>It is identified that the GenZ population is entering the workforce at early ages to gain experience for career progress</p>	<ul style="list-style-type: none"> <li>Increase in supply of labour market for young talents who are professionally qualified</li> <li>This is a new customer segment</li> </ul>
<h4>Disruptive Technologies</h4>		
<ul style="list-style-type: none"> <li>Growing Internet and Mobile Penetration and Increase in Technology Adoption</li> </ul>	<p>The population of Sri Lanka was stated at 21.54 million and out of which 11.34 million records as the total number of Internet users which is 52.6% of the total population.</p> <p>Active social media users record 38.1% of the total population. allowing Insurance companies capitalize on Online products and improve their brand visibility</p>	<ul style="list-style-type: none"> <li>Rise in Cyber-attacks and data theft</li> <li>Disruptive innovation leading to loss of market share</li> <li>Ability to capitalize on Online products</li> <li>Improve Brand visibility and customer engagement</li> </ul>
<ul style="list-style-type: none"> <li>Use of Big Data Analytics and Artificial Intelligence</li> </ul>	<p>Vast amount of data being used for analyzing purposes to develop data driven forecast and decisions.</p>	<ul style="list-style-type: none"> <li>Rise in Cyber-attacks and data theft</li> <li>Ability to understand customer needs and trends better to make informed decisions</li> <li>Reduce the time spent on routine activities of analyzing data</li> </ul>
<h4>Governance and Compliance</h4>		
<ul style="list-style-type: none"> <li>SLFRS 17 Implementation Readiness</li> </ul>	<p>The adoption of SLFRS 17 will be a significant change to the accounting and reporting process of the Company.</p> <p>The magnitude of work required to be carried out to be SLFRS 17 ready by 01 Jan 2025 could be a challenging transformation exercise for a life insurer.</p>	<ul style="list-style-type: none"> <li>The risk of not being able to source the right vendors for the Implementation</li> <li>Inability to be SLFRS-17 compliant by stipulated effective date</li> <li>Extending the deadline by 2 years providing additional time to enhance the knowledge of the project and effective implementation of SLFRS 17.</li> </ul>



Impact on Key Strategic Pillars	Strategic Response
<ul style="list-style-type: none"> <li>• People development</li> <li>• Customer centric, profitable and balanced product portfolio</li> </ul>	<ul style="list-style-type: none"> <li>• Recruiting right people for the right job roles at the right time</li> <li>• Optimize social media for recruiting purposes.</li> <li>• Develop new products to capture underserved needs of this market segment.</li> </ul>
<ul style="list-style-type: none"> <li>• Customer retention and Capitalize on Alternate channels</li> <li>• #1 Digital Insurer</li> <li>• Consolidate brand and secure key spaces</li> </ul>	<ul style="list-style-type: none"> <li>• The company has taken measures to move towards a bionic distribution strategy which embraces the technological advancements</li> <li>• Improve engagements through the ClickLife app by enhancing the user experience and enabling new features</li> <li>• Increase reach through social media marketing</li> </ul>
<ul style="list-style-type: none"> <li>• #1 Digital Insurer</li> <li>• Cost Optimization and enhance customer value</li> <li>• Customer centric, profitable and balanced product portfolio</li> <li>• People development</li> </ul>	<ul style="list-style-type: none"> <li>• Use of big data and data analytics to analyse customer data to identify untapped opportunities</li> <li>• Constantly replace manual work using power BI dashboards</li> </ul>
<ul style="list-style-type: none"> <li>• N/A</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding the magnitude of the implementation project, the Board has appointed a SLFRS 17 Steering Committee to ensure institutional readiness for SLFRS 17 implementation, both tactically and strategically.</li> <li>• An SLFRS 17 implementation project plan has been developed by the Company and the progress against the plans are monitored by the SLFRS 17 Steering Committee and regular updates are provided to the Board.</li> <li>• Due to the complexity and the specialized nature of the standard, the Company also has recognized the need of the involvement of specialized consultants to assist UA on the implementation and continue to work with them throughout the implementation project.</li> <li>• The company has also set up a dedicated SLFRS 17 project team which comprises members from various functions of the organization and is looking to expand the resource requirements based on necessity.</li> <li>• Based on the focused approach the Company is adopting, UA expects to be compliant and strategically ready to implement SLFRS 17 by the time the standard is effective</li> </ul>

# VALUE CREATION FRAMEWORK

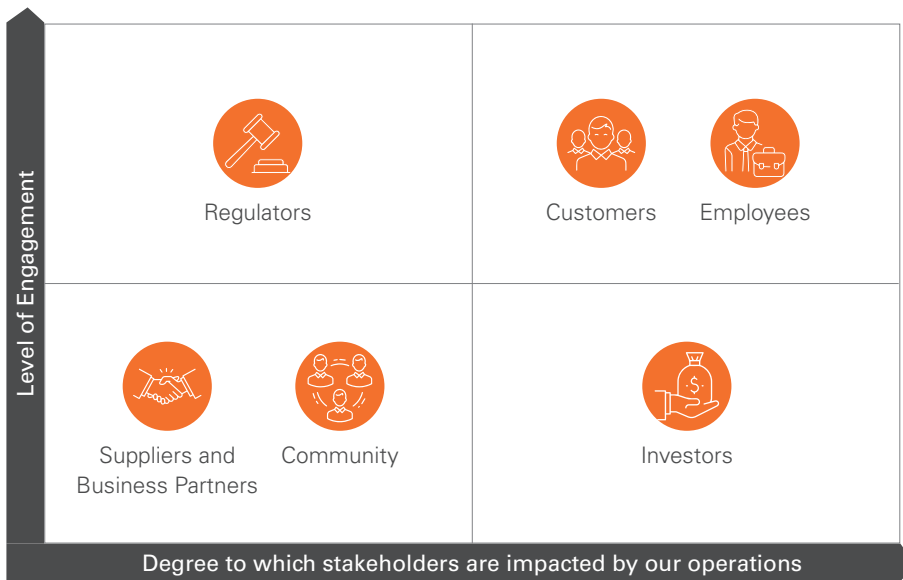
## STAKEHOLDER ENGAGEMENT AND MATERIALITY

### STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a critical aspect of our value creation process as it enables us to proactively identify, understand and address key concerns of our stakeholders. Stakeholder engagement has become even more important in the context of a rapidly evolving operating landscape. The robust engagement process in place at UA has been one of the key reasons for us to have been able to successfully navigate the previous two years.

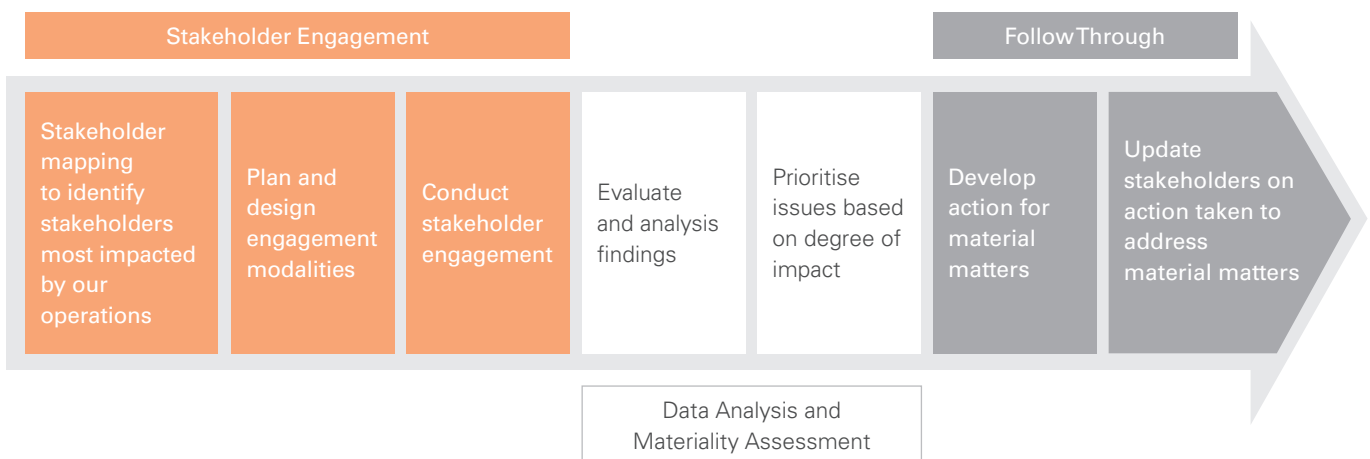
#### Stakeholder Mapping

Stakeholders are mapped based on the degree to which our operations and actions impact a particular stakeholder. The level of engagement with a particular stakeholder is thereafter decided based on the level of impact. Engagement modalities and methods are there after decided based on the stakeholder group.




#### Stakeholder Engagement Process

A structured seven step engagement process ensures transparency, accountability and follow-through at every stage of the engagement process. With channels of communication and interaction undergoing significant changes in the post pandemic era, we continue to assess the way in which we engage with our stakeholders and find innovative ways to deepen engagement levels.




Despite the disruptions caused during the year we continued to engage closely with our key stakeholders. A synopsis of the stakeholder engagement activities during the year together with issues and concerns identified and our response is provided below;



## Employees

Engagement Level High

How we Engage	Key Concerns in 2022	How we Responded
<ul style="list-style-type: none"> <li>Employee Surveys</li> <li>Extensive internal communications using multiple platforms</li> <li>One to one interaction between the employee and the line manager</li> <li>Rewards and recognition programs</li> <li>Brainstorming sessions</li> <li>Performance reviews and exit interviews</li> </ul>	<ul style="list-style-type: none"> <li>Job security</li> <li>Fair remuneration commensurate with market rates</li> <li>Career development opportunities</li> <li>Learning and development opportunities</li> <li>Performance and reward management</li> <li>Employee health and wellness</li> <li>Need for two-way communication</li> <li>Difficulties due to current economic crisis and tax reforms</li> </ul>	<ul style="list-style-type: none"> <li>Benchmarking remuneration practices against peer and industry companies and work to ensure remuneration practices are fair, transparent and equitable</li> <li>Support internal employee promotions when opportunities arise and encourage internal career growth</li> <li>Ongoing opportunities for learning and development</li> <li>Financial support</li> <li>Emotional support through our wellness programme</li> <li>Implementation of a hybrid work model</li> </ul>



## Customers

Engagement Level High

How we Engage	Key Concerns in 2022	How we Responded
<ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Communication through various platforms (E-mail, print and electronic media, call Centre, whistle-blower hotlines)</li> <li>Customer research</li> <li>Complaint management systems</li> </ul>	<ul style="list-style-type: none"> <li>Growing need for investment and protection</li> <li>Enhancing customer experience and satisfaction</li> <li>Grievance handling mechanism</li> <li>Performance reliability</li> <li>Affordability of the service and trust</li> </ul>	<ul style="list-style-type: none"> <li>Offering unique products</li> <li>Personalization of customer interactions through digitalization and simplifying customer journeys</li> <li>Measuring customer satisfactions and benchmarking with the Net Promotor Score.</li> <li>Regular review of service standards</li> <li>Customer service training for sales staff</li> </ul>



## Investors

Engagement Level High

How we Engage	Key Concerns in 2022	How we Responded
<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Extraordinary General Meeting</li> <li>CSE announcements</li> <li>Corporate website</li> <li>One to one meeting with executive management</li> <li>Annual &amp; Interim publications and press releases</li> </ul>	<ul style="list-style-type: none"> <li>Resilience amidst macro-economic uncertainties</li> <li>Sustained financial performance</li> <li>Market confidence and share price</li> <li>Financial stability</li> <li>Transparent reporting</li> </ul>	<ul style="list-style-type: none"> <li>Prudent financial management</li> <li>Transparent communication and engagement with investors</li> <li>Robust corporate governance</li> <li>Communication of long-term focus and strategy through annual report</li> </ul>

# VALUE CREATION FRAMEWORK

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

	<h3>Suppliers and Business Partners</h3>	Engagement Level <b>Moderate</b>
<p><b>How we Engage</b></p> <ul style="list-style-type: none"> <li>• Service level agreement management and service delivery feedback</li> <li>• Supplier onboarding programmes</li> <li>• Supplier feedback</li> <li>• Strategic sourcing opportunities</li> <li>• New supplier introduction</li> </ul>	<p><b>Key Concerns in 2022</b></p> <ul style="list-style-type: none"> <li>• Contract management</li> <li>• Supplier business sustainability</li> <li>• Supplier performance management</li> <li>• Timely payments</li> <li>• Conflict of interest management</li> </ul>	<p><b>How we Responded</b></p> <ul style="list-style-type: none"> <li>• Streamlined payment process to avoid delays in the settlements</li> <li>• Improve supplier rationalism to ensure quality suppliers and administrations</li> <li>• Continuously improved and develop communication platforms in line with the supplier expectations</li> <li>• Pursuing smarter and sustainable procurement opportunities</li> <li>• Ensuring principal discipline</li> </ul>
	<h3>Community</h3>	Engagement Level <b>Moderate</b>
<p><b>How we Engage</b></p> <ul style="list-style-type: none"> <li>• Corporate website and social media</li> <li>• Community forums</li> <li>• CSR projects</li> <li>• Press releases</li> <li>• Public events</li> <li>• Community representatives and institutes</li> </ul>	<p><b>Key Concerns in 2022</b></p> <ul style="list-style-type: none"> <li>• Contribution to the development of the communities.</li> <li>• Job creation</li> <li>• Conducting businesses in the responsible manner</li> <li>• Co-creating solutions</li> <li>• Need for impactful CSR activities</li> </ul>	<p><b>How we Responded</b></p> <ul style="list-style-type: none"> <li>• Investment on CSR activities</li> <li>• Enabling economic inclusion</li> <li>• Creation of job opportunities</li> <li>• Awareness building on longevity and retirement</li> <li>• On-time settlement of claims and benefits to relive the pressure on the social support</li> </ul>
	<h3>Regulators</h3>	Engagement Level <b>Moderate</b>
<p><b>How we Engage</b></p> <ul style="list-style-type: none"> <li>• Directives and circulars</li> <li>• Periodic returns</li> <li>• Onsite surveillance</li> <li>• Press Releases</li> </ul>	<p><b>Key Concerns in 2022</b></p> <ul style="list-style-type: none"> <li>• Compliance with all legal and regulatory requirements.</li> <li>• Active contribution to the industry and regulatory working groups.</li> <li>• Being a responsible taxpayer</li> </ul>	<p><b>How we Responded</b></p> <ul style="list-style-type: none"> <li>• Compliance with all the rules and regulations</li> <li>• Active participation in developing industry specific standards</li> </ul>





















## MATERIAL MATTERS

Our material matters are those issues that have the most significant impact on the economy, environment, and people, including impacts on their human rights. We assess our material matters on an annual basis to ensure relevance. The material matters identified drive our strategic priorities and form the basis of our reporting disclosures.

### Our Process of Determining Material Matters









































### Our Material Matters in 2022

Material Topic	Stakeholder/s impacted	Relative Importance		Changes in materiality compared to last year	Relevant GRI Indicator /SDG	Management of Material Topic
		Company	Stakeholders			
Financial Stability & Profitability	 Shareholders  Employees	H	H	No Change	GRI 413 UNSDG 1 & 2	 Managing Monetised Resources Page <b>66</b>
Geographical expansion	 Customers  Community	H	H	No Change	GRI 202 UNSDG 1,5 & 8	 Transforming Our Operational Footprint Page <b>78</b>
Corporate citizenship	 Community  Employees	H	H	No Change	GRI 203 UNSDG 1,3,5,8, 9 & 11	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Procurement Practices	 Suppliers and Business Partners	H	H	No Change	GRI 204 UNSDG 8	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Employment	 Community  Employees	H	H	No Change	GRI 401 UNSDG 8 & 5	 Operational Excellence Page <b>88</b>
Labour management	 Community  Employees	H	H	No Change	GRI 402 UNSDG 8	 Operational Excellence Page <b>88</b>
Retention, training and development	 Community  Employees	H	H	No Change	GRI 404 UNSDG 4 & 10	 Operational Excellence Page <b>88</b>

# VALUE CREATION FRAMEWORK

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

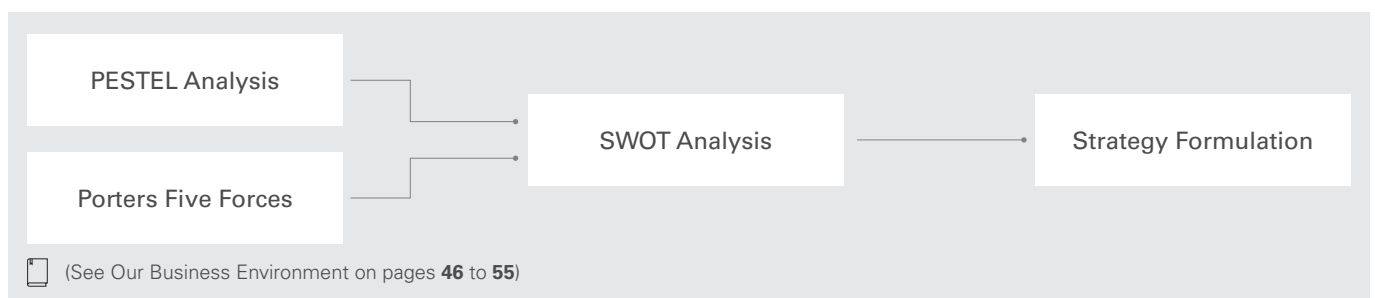
Material Topic	Stakeholder/s impacted	Relative Importance		Changes in materiality compared to last year	Relevant GRI Indicator /SDG	Management of Material Topic
		Company	Stakeholders			
Public Policy	 Community  Regulators	H	H	No Change	GRI 415 UNSDG 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Health and Safety	 Community  Employees	H	H	No Change	GRI 416 UNSDG 16	 Operational Excellence Page <b>88</b>
Marketing and Labelling	 Customers  Community	H	H	No Change	GRI 417 UNSDG 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Customer Privacy	 Customers	H	H	No Change	GRI 418 UNSDG 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Occupational Health and Safety	 Community  Employees	H	H	No Change	GRI 403 UNSDG 3,8 &16	 Operational Excellence Page <b>88</b>
Local Communities	 Community	M	M	No Change	GRI 413 UNSDG 1 & 2	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Socio-Economic Compliance	 Community	M	M	No Change	GRI 419 UNSDG 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Diversity and Equal Opportunity	 Community  Employees	M	M	No Change	GRI 405 UNSDG 5 & 8	 Operational Excellence Page <b>88</b>
Non-Discrimination	 Community  Employees	M	M	No Change	GRI 406 UNSDG 5 & 8	 Operational Excellence Page <b>88</b>
Anti-corruption	 Community  Regulators  Suppliers and Business Partners	M	M	No Change	GRI 205 UNSDG 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>
Environmental management	 Customers  Community	L	L	No Change	GRI 302,303,306,307 UNSDG 7,8,12 & 13	 Creating Positive Impacts Page <b>82</b>
Security Practices	 Community  Employees  Regulators  Suppliers and Business Partners	L	L	No Change	GRI 410 UNSDG 16	 Operational Excellence Page <b>88</b>
Supply chain management	 Community  Suppliers and Business Partners	M	M	No Change	GRI 414 UNSDG 5,8 & 16	 Differentiated Offering and Responsible Behaviour Page <b>96</b>

# VALUE CREATION FRAMEWORK

## STRATEGY AND RESOURCE ALLOCATION

### HOW WE DEVELOP OUR STRATEGY

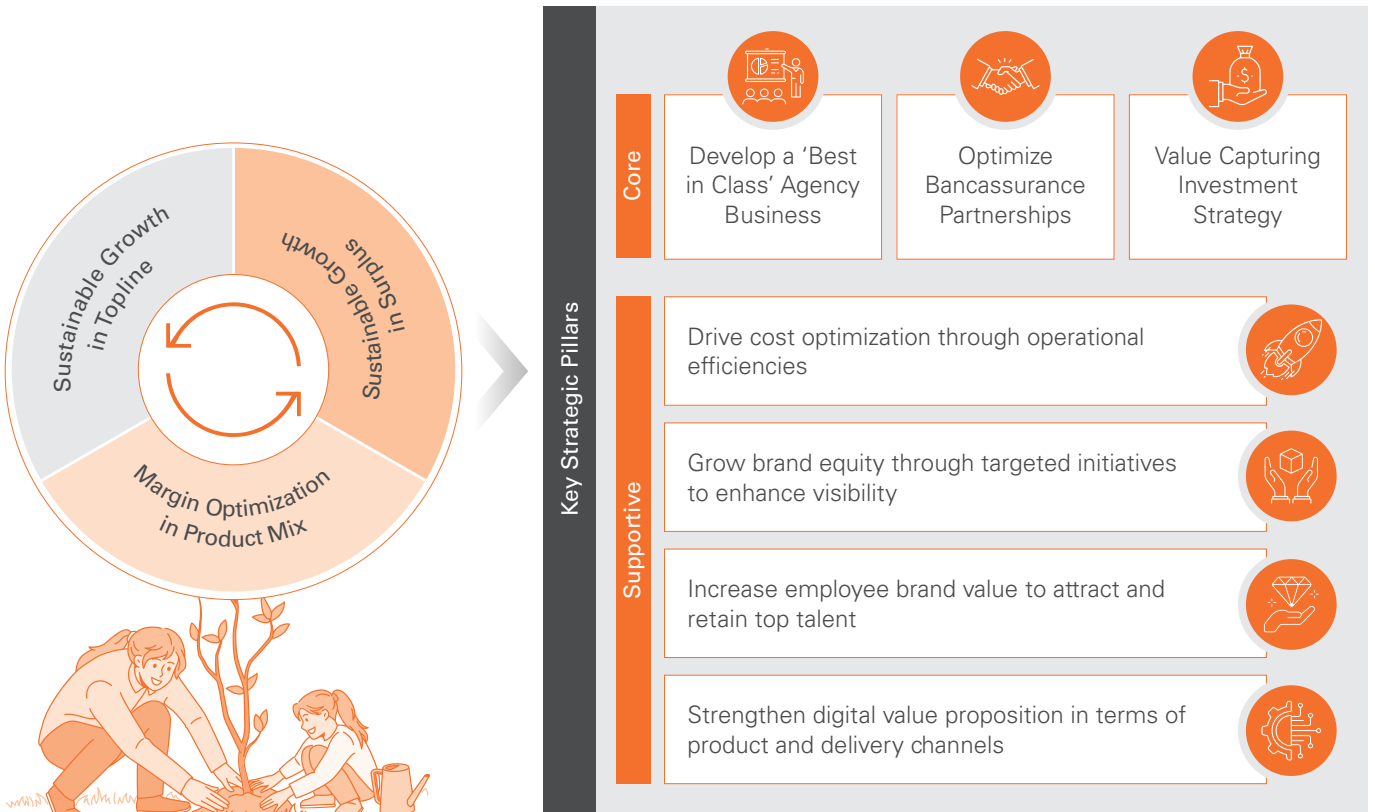
Strategy formulation at UA is a dynamic function that involves a detailed evaluation of its external environment and careful analysis of internal dynamics. A SWOT analysis is conducted annually to understand its strengths, weaknesses, opportunities, and threats in the context of the changes happening in operating environment. Meanwhile the Porters Five Forces theory is applied to understand emerging structural trends, risks and potential opportunities that will impact our financial strength and competitive position. The findings of these analyses feed into our strategy formulation process.



# VALUE CREATION FRAMEWORK




## STRATEGY AND RESOURCE ALLOCATION

### OVERARCHING STRATEGY - LONG TERM VALUE CREATION



Our strategic priorities are aimed at building a resilient, future-fit business that will continue to add value to our customers, shareholders, and other stakeholders. The strategic priorities for 2022 were based on a detailed analysis of our operating environment and takes into account dynamics of adverse macro economic conditions in the country.

### 2022 KEY STRATEGIC PILLARS












Strategic Priorities	Progress achieved during the year/ Key Initiatives	Resource Allocation	Way Forward
 <p>Develop a 'Best in Class' Agency Business</p> <p>Capitals impacted:</p>  	<ul style="list-style-type: none"> <li>Strategic incentivization focused on case values, productivity and sustained activation</li> <li>Enhanced digital and hybrid sales capabilities within sales force</li> <li>Selective industry focused recruitment drive</li> <li>Expanded business contribution from the Introducer activation model</li> <li>Continuous development of Need based protection selling capability of the channel</li> <li>Upgrade branch network in selected metro areas</li> </ul>	<p><b>Rs. 2,979 Mn</b></p> <p>Investment in training to agency sales force, upgrade branch network, reward and recognition programmes, product developments, etc.</p>	<ul style="list-style-type: none"> <li>Continued recruitment drive for Agency Sales Force</li> <li>Recruitment Reskilling</li> <li>Activity Management system roll out</li> <li>Leadership rotation and succession planning</li> <li>Introduce differentiated talent development platforms</li> <li>Expand branch network</li> <li>Optimise incentives, allowance, reward and recognition schemes to drive higher new business volumes</li> </ul>



Strategic Priorities	Progress achieved during the year/ Key Initiatives	Resource Allocation	Way Forward
 <p><b>Develop bancassurance channel through strategic partnerships</b></p> <p>Capitals impacted:</p> 	<ul style="list-style-type: none"> <li>Acquire new bancassurance partnerships</li> <li>Introduced new Short pay product and Retirement product to High Net Worth Clientele</li> <li>Conducted joint marketing campaigns and Customer engagement forums to create awareness</li> <li>Introduced dedicated call centre for different bank channels/ customer segments</li> <li>Enhanced data analytics capabilities</li> </ul>	<p><b>Rs. 1,192 Mn</b> Investment in reward and recognition, building relationship with banking partners, learning and development, etc.</p>	<ul style="list-style-type: none"> <li>Prioritization of strategic bancassurance partnerships</li> <li>Penetrate business banking segments in certain channels</li> <li>Continue to focus on performance-oriented sales team development</li> <li>Business Model development to cater channel issues</li> <li>Sales leadership development</li> <li>Acquire new bancassurance partnerships</li> </ul>
 <p><b>Value capturing investment strategy</b></p> <p>Capitals impacted:</p> 	<ul style="list-style-type: none"> <li>Invested in long term assets with above average yield</li> <li>Higher concentration in Government Securities</li> </ul>	<p><b>Rs. 28,460 Mn</b> Business and investment cashflows, system developments, fees to experts, etc.</p>	<ul style="list-style-type: none"> <li>5-6% of assets will be allocated to actively manage and fixed income trading</li> <li>Manage reinvestment risk</li> <li>Agile investment strategy align with economic and investment outlook</li> </ul>
 <p><b>Increase Employee Brand Value to attract and retain top talent</b></p> <p>Capitals impacted:</p> 	<ul style="list-style-type: none"> <li>Launching of a holistic Employee Wellness Drive</li> <li>Revision of the employee recognition platforms</li> <li>University and School engagement to create top of mind awareness (TOMA) of the employer brand</li> <li>Awareness building through employee brand ambassadors of the company</li> <li>Increasing Mobility and Growth</li> <li>0' Touch Process Optimization</li> </ul>	<p><b>Rs. 66 Mn</b> Investment in training and development, financial support in trying times, employee engagement activities, etc.</p>	<ul style="list-style-type: none"> <li>Key Talent Framework and ringfencing plan for critical Talent</li> <li>Automation of the overall agency life cycle management process</li> <li>Revising the overall policy process framework for both agency staff and employees</li> <li>Building a comprehensive 'Women Centric Platform' and leveraging on DE&amp;I</li> <li>Establishing culture leavers through the Employer/ Employee Value Proposition and communication</li> </ul>

# VALUE CREATION FRAMEWORK

## STRATEGY AND RESOURCE ALLOCATION

Strategic Priorities	Progress achieved during the year/ Key Initiatives	Resource Allocation	Way Forward
 <p><b>Strengthen digital value proposition in terms of product and delivery channels</b></p> <p>Capitals impacted:</p>  	<ul style="list-style-type: none"> <li>• Development of real-time dashboards to facilitate business decisions</li> <li>• Enhancing marketing automation</li> <li>• Financial need analysis product recommendation engine automation to ensure profitability improvements</li> <li>• Application of LIMRA based persistency calculation</li> <li>• Dynamic product management</li> </ul>	<p><b>Rs. 109 Mn</b></p> <p>Investment in upgrading digital infrastructure, license fees, maintenance fees, etc.</p>	<ul style="list-style-type: none"> <li>• Implement Advisor Activity Management Workspace</li> <li>• Implementation of Digital Advisor Onboarding Workspace</li> <li>• Automation of financial underwriting</li> <li>• Enhancing customer communication channels through digital means</li> <li>• Facilitate analytics-based lead creation</li> <li>• Financial underwriting automation</li> </ul>
 <p><b>Grow brand equity through targeted initiatives to enhance visibility</b></p> <p>Capitals impacted:</p>  	<ul style="list-style-type: none"> <li>• Increase brand visibility on ATL, social media, outdoor</li> <li>• Increased presence in Education space</li> <li>• Maintaining a strong corporate profile</li> <li>• Strengthened ecosystems with value added partner networks</li> <li>• Education support for kids in need through SOS, Child Care Services, Deaf &amp; Blind Schools, etc.</li> </ul>	<p><b>Rs. 165 Mn</b></p> <p>Investment in advertising, brand building activities, Clicklife app new features, etc.</p>	<ul style="list-style-type: none"> <li>• Expand use of 'Clicklife'</li> <li>• Scale up digital lead funnel and revenue generation</li> <li>• Usage of digital means to increase the reach</li> <li>• Expand top of the funnel strategies for awareness and downloads</li> <li>• Fully fledged media campaign on awareness</li> <li>• Internal campaign to drive behavioural change</li> <li>• Embed enterprise content management (ECM) culture across the organization</li> </ul>
 <p><b>Drive Cost optimization through operational efficiencies</b></p> <p>Capitals impacted:</p>    	<ul style="list-style-type: none"> <li>• Expense growth</li> <li>• Revenue growth</li> <li>• Investment in process automation</li> </ul>	<p><b>Rs. 22 Mn</b></p> <p>Investment in processes automation</p>	<ul style="list-style-type: none"> <li>• Improve the performance of the policy conversion unit to drive up revenue</li> <li>• Implement Field risk assessor scheme</li> <li>• Enhance customer value by on-the-spot policy issuance</li> <li>• Digitization and Automation of Minor Alteration through Click Life App and FAME</li> <li>• Cost optimization through reinsurance retention review</li> <li>• Automation of Cashless Claim Process</li> <li>• 50% straight through processing for Major Alterations</li> </ul>

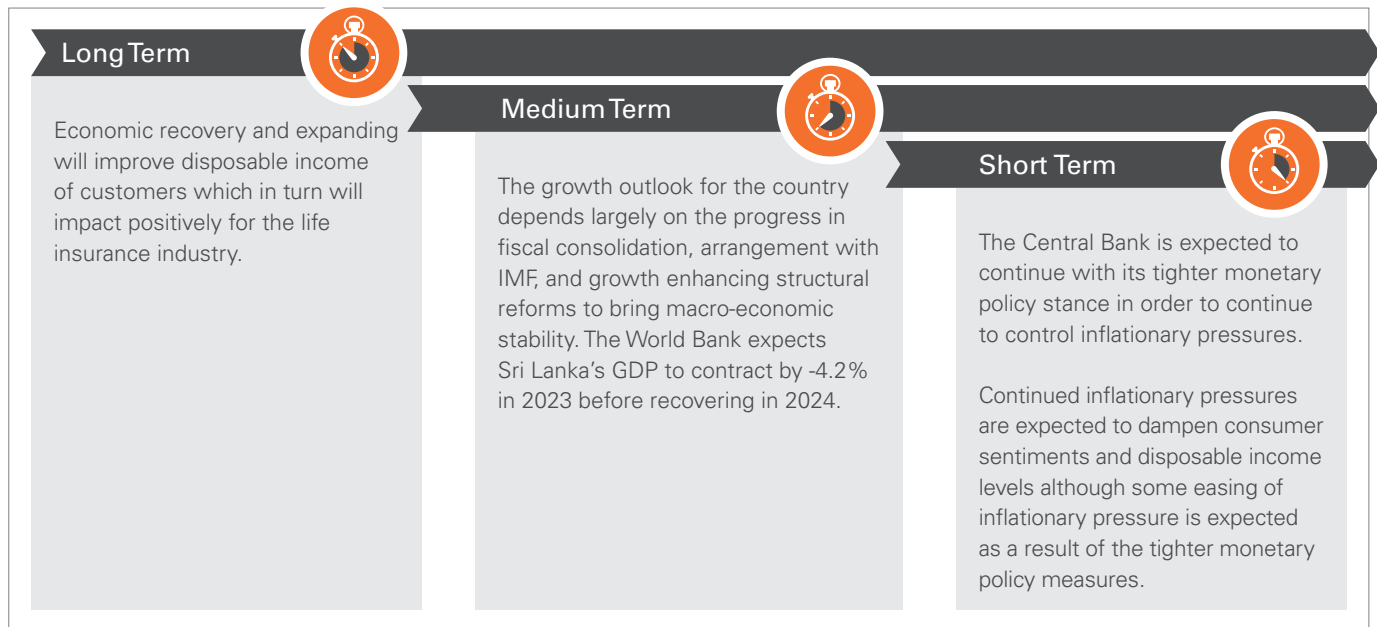
# VALUE CREATION FRAMEWORK

## FUTURE OUTLOOK

**We expect the operating environment to remain challenging with a constantly changing economic environment. Despite the prevailing climate of uncertainty, we see both opportunities and potential headwinds. We are creating agile responses to mitigate impact of immediate crisis and preparing ourselves to leverage the anticipated economic recovery in medium to long term.**

Fiscal consolidation by the government and the IMF extended fund facility anticipated during the first half of 2023 are expected to start stabilizing the economy towards the latter half of 2023. However, this depends largely on the progress of the ongoing debt restructuring programme, arrangement with IMF, and structural reforms. We continue to remain optimistic about our long term prospects given the relatively low insurance penetration levels in the country and significant upside potential of the sector stemming from positive trends in demographics.

### MACROECONOMIC FORECAST



### INDUSTRY FORECAST

Macro factors will impact performance of insurance industry. However due to performance of extremely positive market dynamics of the life insurance industry such effects will be moderated to a greater extent.

#### Positive Market Dynamics of the Industry

- Relatively low market penetration compared to the region.
- Rising Incidence of non-communicable diseases and an aging population expected to increase demand for insurance such as health and life covers.
- Increased demand for personalized, unbundled insurance products.
- Continued digitization of the industry enabled more access for customers and more opportunities to insurers in

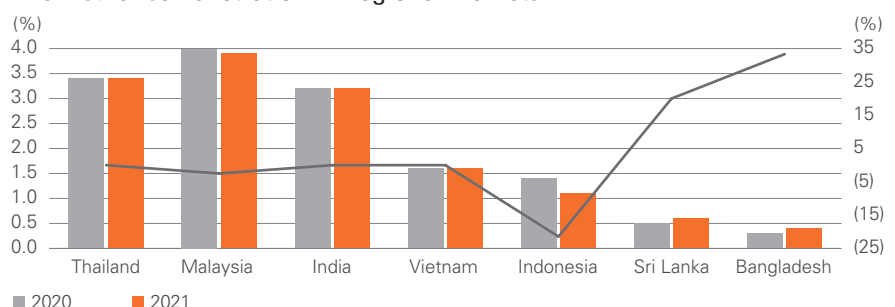
terms of innovate product development and new distribution channels.

### OUTLOOK FOR THE COMPANY

We expect operating environment to remain challenging with the constantly changing economic environment. Despite the prevailing climate of uncertainty, we see both opportunities and potential

headwinds. We are creating agile responses to mitigate the impact of immediate crisis and preparing ourselves to leverage the anticipated economic recovery in medium to long-term. Our overarching strategies on steady growth in topline, surplus and improve contribution from high margin products will enable us to achieve long term growth prospects.

### Life Insurance Penetration in Regional Markets



Source: Insurance penetration rate in Asia-Pacific by Atlas Magazine



# MANAGING MONETISED RESOURCES

Delivering sustainable value to our stakeholders by ensuring consistent returns have been the cornerstone of our success as one of Sri Lanka's leading life insurance providers. Our ability to meet stakeholder needs in a sustainable manner depends on the prudent management of our monetised resources.

## COMPOSITION OF OUR FINANCIAL CAPITAL



### Input

- Financial capital from shareholders
- Gross Written Premium generated
- Funds Under management
- Earnings retained after Dividend Distribution



### Process

- Investment Management
- Sales Management
- Budgetary Control, expense containment and optimization
- Cash flow, Solvency and Liquidity Management
- Sound risk Management, Compliance Framework and Internal Policies and Procedures



### Outcome

- GWP Growth
- Higher Investment Yield
- PAT Growth
- Policyholder Dividend Growth
- Strong Return on Equity
- Stable Capital Adequacy Ratio





**DRIVING STRATEGY**

**Key challenges and opportunities in 2022**

- Deteriorating disposable income levels negatively impacted demand for new insurance policies and renewal premium collection
- Sharp escalation of cost created pressure on profitability
- High interest rates impacted Capital Adequacy Ratio (CAR)
- Higher returns on investments due to high interest rate environment

**Strategic focus in 2022**

Focus Area	KPIs	Relevant GRI Material Topic
Improve new business volumes and renewal premium collection	<b>5%</b> Growth in regular new business premiums	-
	<b>15%</b> Growth in renewal premiums	-
Maximize investment yield while managing risk	<b>42%</b> Increase in investment income	-
Cost containment and optimization	<b>24%</b> Expense ratio	-
Maintaining healthy Capital Adequacy Ratio (CAR)	<b>194%</b> CAR	-
Ensure Financial Discipline	<b>40</b> Audits carried out on internal processes	-



**Value created during the year**





<p><b>Revenue</b></p> <p><b>8%</b> Increase in GWP</p> <p><b>5%</b> Increase in Regular New Business Premiums</p>	<p><b>Profitability</b></p> <p><b>44%</b> Increase in Surplus</p> <p><b>11%</b> Increase in Investment Yield</p> <p><b>42%</b> Increase in PBT</p> <p><b>34%</b> Increase in PAT</p> <p><b>39%</b> Increase in EBITDA</p> <p><b>45%</b> Increase in ROE</p>	<p><b>Margin Management and Efficiency</b></p> <p><b>13%</b> Increase in Cession Ratio</p> <p><b>14%</b> Increase in Claim Ratio</p> <p><b>2%</b> Increase in Net Acquisition Cost Ratio</p> <p><b>14%</b> Increase in Expense Ratio</p> <p><b>25%</b> Increase in ROA</p>	<p><b>Stability</b></p> <p><b>7%</b> Increase in Total Assets</p> <p><b>9%</b> Increase in Assets Under Management</p> <p><b>13%</b> Increase in Life Fund</p> <p><b>15%</b> Decline in CAR</p> <p><b>27%</b> Increase in Determination 1 – Admissible Assets over Liabilities</p>
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**Impact**



# MANAGING MONETISED RESOURCES

## Key Financial Risks during the Year and our Response

Risk	Response
 <p><b>Impact on Revenue Targets</b> GWP targets were impacted due to the deterioration of disposable income stemming from adverse macro-economic conditions.</p>	<ul style="list-style-type: none"> <li>Revised product strategy to meet current challenges</li> <li>Aligned reward and recognition to drive new business volumes</li> <li>Focused on collection of renewal premiums</li> </ul>
 <p><b>Higher Claims Ratio</b> Higher Claims ratio due to surrender claims outgoings and increase in claims cost.</p>	<ul style="list-style-type: none"> <li>Established the policy conservation unit with the purpose of reactivating lapsed policies</li> <li>Surrender discourage calls approach was implemented to control surrender payouts</li> <li>Repriced certain insurance solutions to improve competitiveness</li> </ul>
 <p><b>Higher Overhead Expenses</b> Increase in overhead costs due to high inflation rates, devaluation of rupee, administrative price adjustments and tax reforms.</p>	<ul style="list-style-type: none"> <li>Cost rationalization and optimization across all departments</li> <li>Setting ceilings on budget utilization to better align with business growth and reviewing monthly utilization</li> <li>Spend control committee scrutinized all overhead expenses before processing and recommended cost containment and optimization initiatives</li> </ul>
 <p><b>Stressed Capital Adequacy Ratio (CAR)</b> CAR was negatively impacted by high interest rates that impacted the risk free curve</p>	<ul style="list-style-type: none"> <li>Analysed parameters relating CAR to identify and better manage parameters which could be controlled internally</li> <li>Projected CAR on different stressed scenarios and took necessary remedial actions</li> <li>Engaged closely with IRCSL to address the issue of high interest rates and its impact on CAR computation</li> </ul>

## FINANCIAL PERFORMANCE

The financial performance indicators below reflect the revenue and investment income generated and costs incurred by our business activities. Material income statement line items are explained in further detail below.

Rs. Mn	2022	2021	Growth	2020
Gross Written Premium (GWP)	16,675	15,406	8%	13,109
Regular new business premium	4,666	4,436	5%	3,156
Premium ceded to the reinsurers	(888)	(726)	22%	(590)
Surplus	2,300	1,600	44%	825
Net investment income	7,479	5,276	42%	5,032
Net insurance benefits and claims	(5,699)	(4,610)	24%	(3,794)
Underwriting and net acquisition cost	(3,152)	(2,844)	11%	(2,145)
Other operating, administrative and selling expenses	(3,967)	(3,210)	24%	(3,256)
Profit from operations	3,490	2,476	41%	1,677
Profit before tax	3,720	2,627	42%	1,794
Profit for the year	2,747	2,054	34%	921
EBITDA	4,255	3,063	39%	2,184

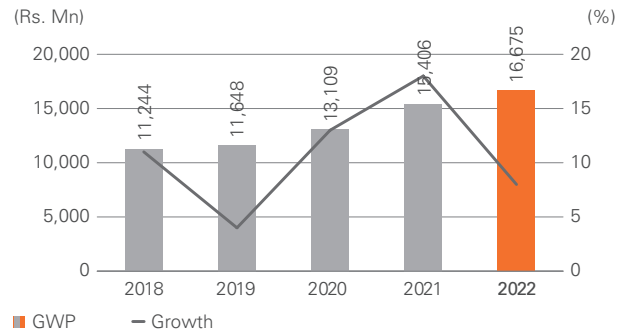
### Gross Written Premium (GWP)

Gross Written Premium is the total premium paid by the policyholders to the insurance company before deducting reinsurance and ceding commission.

#### Performance During the year

Despite the challenging operating environment, GWP recorded a commendable growth of 8% to Rs. 16.7 Bn in 2022. The growth was attributable to a 15% growth in renewal premiums, 5% growth in regular new business premiums, and 47% growth in the corporate business segment. The impact was however offset to an extent by the performance in the Decreasing Term Assurance (DTA) segment which witnessed a moderation of 39% due to lower uptake in loans as a result of the high interest environment.

#### Gross Written Premiums (GWP)



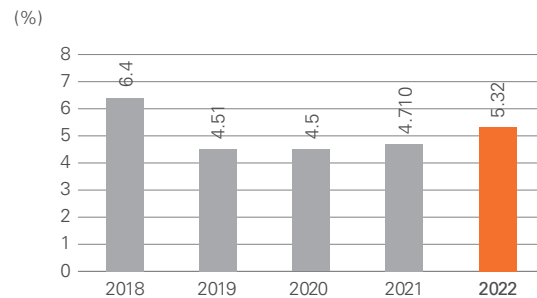
### Premium Ceded to Reinsurers

Premium ceded is the charge for portion of risk that UA transfers to reinsurers. This enables UA to reduce its exposure to insurance risk whilst providing access to different market segments through competitive pricing. As a part of Companies Risk management policy, we have partnered with 4 reinsurers who support us in protecting our balance sheet, reduce the earnings volatility and make better use of capital.

#### Performance During the year

The premium ceded to reinsurers increased by 22% to Rs. 887 Mn from Rs 726 Mn in 2021. The increase stemmed from the change in the product mix to focus more on protection based products and the increase in the corporate segment of business. As a result, cession ratio also increased from 4.7% in 2021 to 5.3% in 2022.

#### Cession Rate



# MANAGING MONETISED RESOURCES

## Net Investment and Other Income

Net Investment and Other Income comprise of the income generated from the investment portfolio that the Company manages in order to settle liabilities of the Company.

### Performance During the year

Net investment income increased by 42% to Rs. 7.5 Bn. The strong growth was attributable to high interest rate environment and efficient fixed income management strategy implemented by the Company. The strategy focused on reallocating assets to maximize yields in a high interest environment while managing risks within tolerance levels.

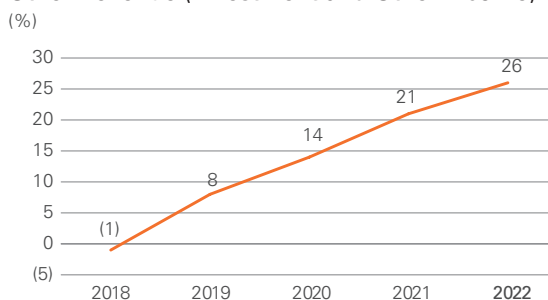
Net realized gains however decreased when compared with 2021 mainly due to the reduction in disposal gains from government securities and unit trusts by Rs. 112 Mn and Rs. 59 Mn respectively.

The Company also witnessed a net fair value loss on account of the decrease in unrealized gains from equity shares by Rs. 405Mn and unit trust by Rs.107 Mn as a result of negative performance of the equity market. Unrealized losses from government securities also increased by Rs. 23 Mn during the period due to higher interest rates.

Impact of possible Domestic Debt Restructure is discussed under Business Review to the Annual Report.

Rs. Mn	2022	2021	Growth	2020
Net investment income	7,479	5,276	42%	5,032
Net Realized gains	266	431	(38%)	(402)
Net fair value gains/(losses)	(304)	235	(229%)	277

### Other Revenue (Investment and Other Income)



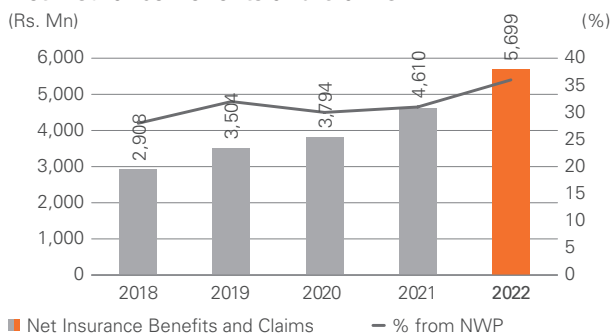
## Net Benefits of Claims and Benefits

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. As per reinsurance agreement the company has the right to recover part of their claims expense from their reinsurance partners.

### Performance During the year

Net benefits and claims expenses which is one the main costs of the insurance business stood at Rs 5,699 Mn, a 24 % increase against the previous year. This reflects the expansion of the product portfolio, mature insurance policy portfolio and increase in surrenders stemming from the adverse macro-economic factors.

### Net Insurance Benefits and Claims





## Underwriting and Net Acquisition Cost

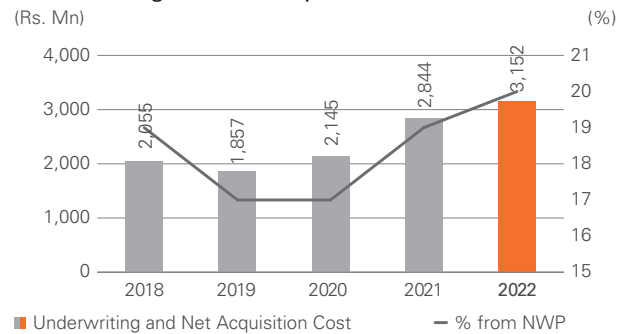
Acquisition costs are direct costs incurred by the company to acquire premiums. This is the amount of commissions and incentives paid to intermediaries to acquire business less any commission income due to reinsurers for placing business with them.

### Performance During the year

The company's net acquisition cost amounted to Rs 3,152 Mn in 2022, a 11% increase against the previous year. The increase is in line with the growth in First year premiums and GWP. Incentives and allowances are paid based on regular new business premium earned during the month. Therefore, incentive and allowance are linked with cash inflow.

Underwriting and new acquisition cost amounted to 68% of regular new business premium earned compared to 64% in 2021.

### Underwriting and Net Acquisition Cost



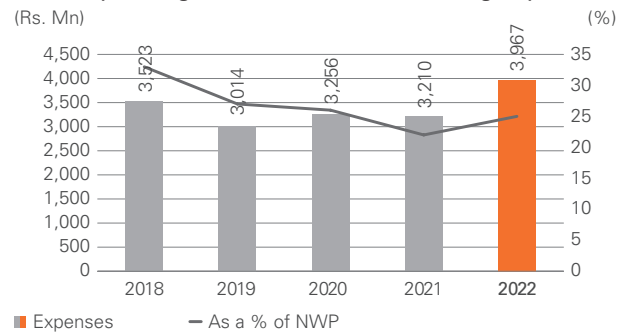
## Other Operating, Administrative and Selling Expenses

Costs that are incurred to manage the business and generate future and current revenues.

### Performance During the year

Operating, administrative and selling expenses increased by 24% to Rs, 3,967 Mn in 2022 as a result of cost escalations brought on by external factors such as the depreciation of the rupee, tax increases and continued inflationary pressures etc. and internal factors such as more than planned salary increment percentage to staff, one of relief packages to staff during the trying times, additional staff insurance cost as a result of increasing medical limits etc. Prudent expense management and cost containment and optimization initiatives implemented however enabled the company to curtail the recurrent operating, administrative and selling expenses growth to 10% during the year.

### Other Operating, Administration and Selling Expenses



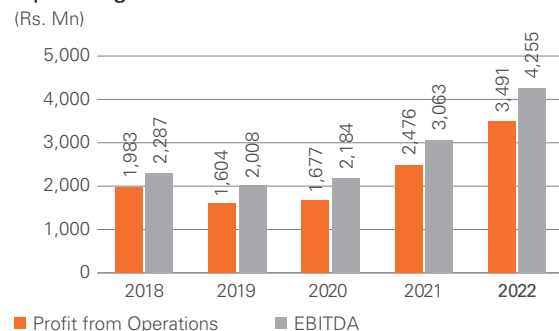
## Operating Profits and EBITDA

### Performance During the year

Profit before tax increased to Rs. 3,720 Mn in 2022; a 42% increase over 2021. A Rs. 2,300 Mn surplus transfer from the life fund to the shareholder fund (compared to the Rs. 1,600 Mn in 2021) and a Rs. 1,190 Mn increase in investment income from shareholders contributed to this increase. The increase in surplus is mainly due to increase in GWP, increase in Net investment income and curtailment of expenses. The increase in shareholder investment income is due to efficient asset allocation to higher yielding instruments.

Consequently EBITDA grew by 39% to Rs. 4,255 Mn compared to Rs. 3,063 Mn in 2021.

### Operating Profits and EBITDA



# MANAGING MONETISED RESOURCES

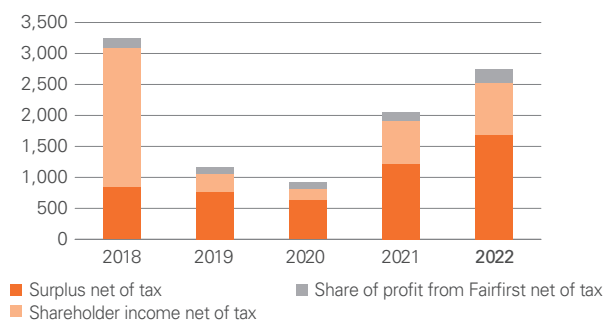
## Profit After Tax (PAT)

### Performance During the year

The company posted a PAT of Rs. 2,747 Mn in 2022 compared to Rs. 2,054 Mn in 2021. The 34% increase in PAT is not proportionate to the 42% increase in PBT due to the higher tax expense on account of the increase in the income tax rate from 24% to 30%.

### Profit After Tax

(Rs. Mn)



## Changes in Insurance Contract Liabilities

The change in insurance contract liabilities reflects amounts set aside during the year by the Company to facilitate future claims and benefits.

The change in contract liabilities declined by 9% to Rs. 6,473 Mn.

Rs. Mn	2022	2021	2020	2019	2018
Change in insurance Contract Liabilities before the surplus transfer	8,773	8,676	7,032	5,983	5,005
Surplus transfer as recommended by the appointed Actuary	2,300	1,600	825	1,000	1,100
Change in insurance contract liabilities after the surplus transfer	6,473	7,076	6,207	4,983	3,905

## Other Comprehensive Income

Other comprehensive income during the year which amounted to negative Rs. 2,702 Mn, included losses arising from Available for Sale (AFS) assets of the Company and equity accounted investees as a result of the increase in market interest rates of government securities by 2,100 basis points during the year.

## FINANCIAL POSITION

Statement of financial position shows the position of the company's assets, liabilities, and equity as at 31.12.2022. Material line items have been discussed below.

Rs. Mn	2022	2021	Growth	2020
Total assets	75,969	70,761	7%	62,600
Financial Investments	64,455	59,329	9%	52,356
Total Liabilities	61,755	55,306	12%	47,491
Insurance Contract Liabilities	55,430	48,918	13%	41,881
Shareholder funds	14,213	15,455	-8%	15,108
Capital Adequacy Ratio (CAR)	194%	228%	-15%	341%
Determination 1 – Admissible assets over liabilities	4,762	3,739	27%	7,764

### Total Assets

#### Performance During the year

Total assets crossed Rs. 75 Bn as at 31.12.2022 reflecting a growth of 7% against last year. The growth was fuelled by a 9% increase in financial investments resulting from fund inflows from business and investment return cashflows during the year.

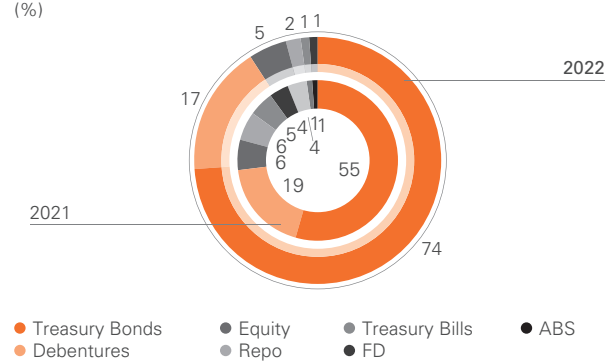
### Financial Investments

#### Performance During the year

Financial investments which account for 85% of total assets grew by 9% to Rs 64 Bn during the year. The company's financial investments comprise of a well diversified asset mix segregated into different funds. A significant percentage of the life insurance fund is invested in counterparties with high quality credit ratings. The key assets held under these funds are Treasury bills and bonds (75%), corporate debt(17%), equities (5%), fixed deposits (1%) and other assets (2%). Growth in revenue, along with efficient expense management and investment maturities enabled the company to have a stable fund inflow for investment during the year.

#### Asset Allocation

(%)



### Total Liabilities

Total Liabilities of the Company increased by 12% to Rs 61.8 Bn in 2022 compared to Rs. 55.3 Bn in 2021. The increase was driven mainly by the 13% growth in Insurance Contract Liabilities which account for 90% of total liabilities.

# MANAGING MONETISED RESOURCES

## Insurance Contract Liabilities

Insurance Contract Liabilities (“Life Fund”) 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). Insurance contract liabilities are maintained to ensure that future obligations of the policyholders are met and serve as the reserves set aside to meet future claims and maturities of policyholders.

### Performance During the year

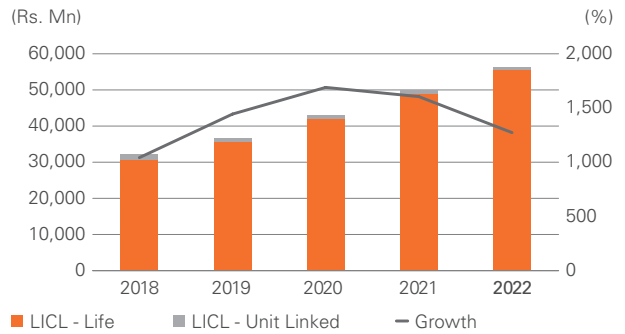
Life insurance contract liabilities including unit linked fund grew by 13% to Rs. 56,177 Mn in line with the increase in contract liabilities (by Rs. 6,473 Mn) during the year. The value of insurance contract liabilities is determined by a qualified actuary, Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd

Necessary provisions, including amount set aside for future claims and benefits, risk margin and other required reserves have been made in the Long Term Insurance Fund as recommended by the Company’s Appointed Actuary.

The Company maintained a proper segregation of assets and liabilities for all three sub funds of the Life Fund; Participating, Non-Participating and Universal Life Funds as per the Direction 15 issued by the Insurance Regulatory Commission of Sri Lanka.

Life fund passed the liability adequacy test as required by SLFRS 4.

### Insurance Contract Liabilities



## Shareholders’ Funds

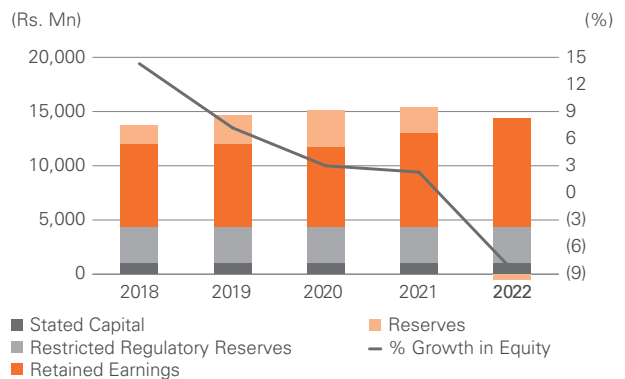
### Performance During the year

UA is a fully equity funded Company and retained profits are the main source of capital for future expansions. Retained earnings increased during the year supported by the current year profit of Rs 2,747 Mn.

Available for Sale (AFS) reserve declined during the year due to the downward trend in market prices of government securities classified under AFS.

The restricted regulatory reserve reflects the one off surplus arising due to change in life fund valuation basis from Net Premium Value (NPV) to Gross Premium Value (GPV) as per Risk Based Capital regime. The restricted regulatory reserve is included in shareholders equity in line with the directions of the IRCSL.

### Shareholders' Funds

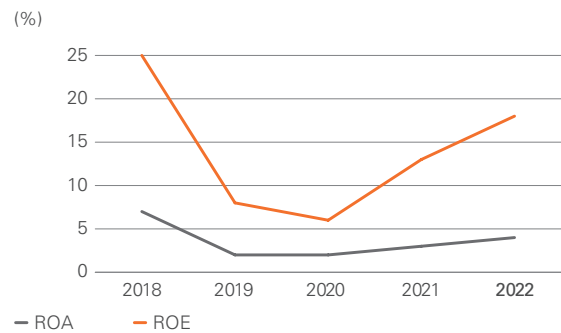


## Return on Assets (ROA) and Return on Equity (ROE)

### Performance During the year

ROA and ROE during the year stood at 4% and 19% respectively compared to 3% and 13% in 2021. Growth in profits supported the improvement of these ratios.

### ROA & ROE



## CASH FLOW

Cash flow depicts cash generated from operating activities, cash deployed in investing activities and cash used in financing activities. The analysis of cashflow indicates the ability to adapt and survive in changing operating contexts and generate sufficient cash for future expansions.

Rs. Mn	2022	2021	Growth	2020
Net cash flows generated from operating activities	8,279	9,256	-11%	8,264
Net cash flows used in investing activities	6,808	8,376	-19%	6,653
Net cash used in financing activities	1,467	958	53%	1,275
Cash and cash equivalents at the end of the year	724	720	0.5%	799

## Cash Flow Analysis

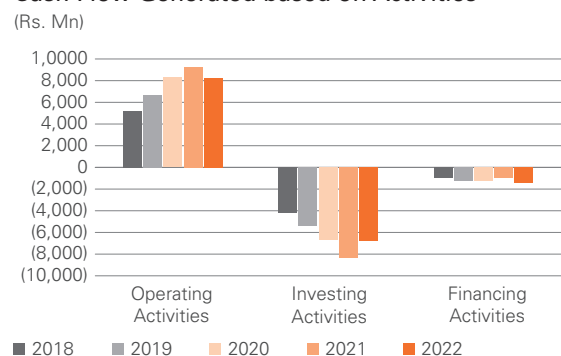
The unprecedented effects of the adverse economic condition reiterated that cash is the key for survival. Cash and liquidity position was trust in to spotlight with sudden changes in the administrative policies. Fixed cash outflows such as payroll costs, rent and utilities, etc. and claims and benefits for customers needed to be incurred and immediate attention was given to scrutinize our cash management initiatives.

Cash and cash equivalents in the statement comprises cash in hand and at bank and investments in short term investments with the maturity of three months or less net of bank overdraft. The net Cash Position slightly improved to Rs. 724 Mn by 0.5% compared to Rs. 720 Mn as at 31.12.2021 mainly due to the increased investment income and revenue collection.

Net cash flows from operating activities experienced a degrowth by 11% to Rs. 8,279 Mn as at 31.12.2022 from Rs. 9,256 Mn mainly on account of increased benefits and claims arising from surrenders and maturities during the year.

Net cash flow from investment activities indicated an outflow of Rs. 6,808 Mn compared to the outflow of Rs. 8,376 Mn, the improved position is mainly on account of improved maturity proceeds of financial investments during the year. Cash flow from financing activities too was an outflow of Rs. 1,467 Mn. The outgo has declined by 53% mainly due to the dividend payment of Rs. 1,296 Mn made in relation to 2021.

### Cash Flow Generated based on Activities



# MANAGING MONETISED RESOURCES

## SLFRS 17 IMPLEMENTATION

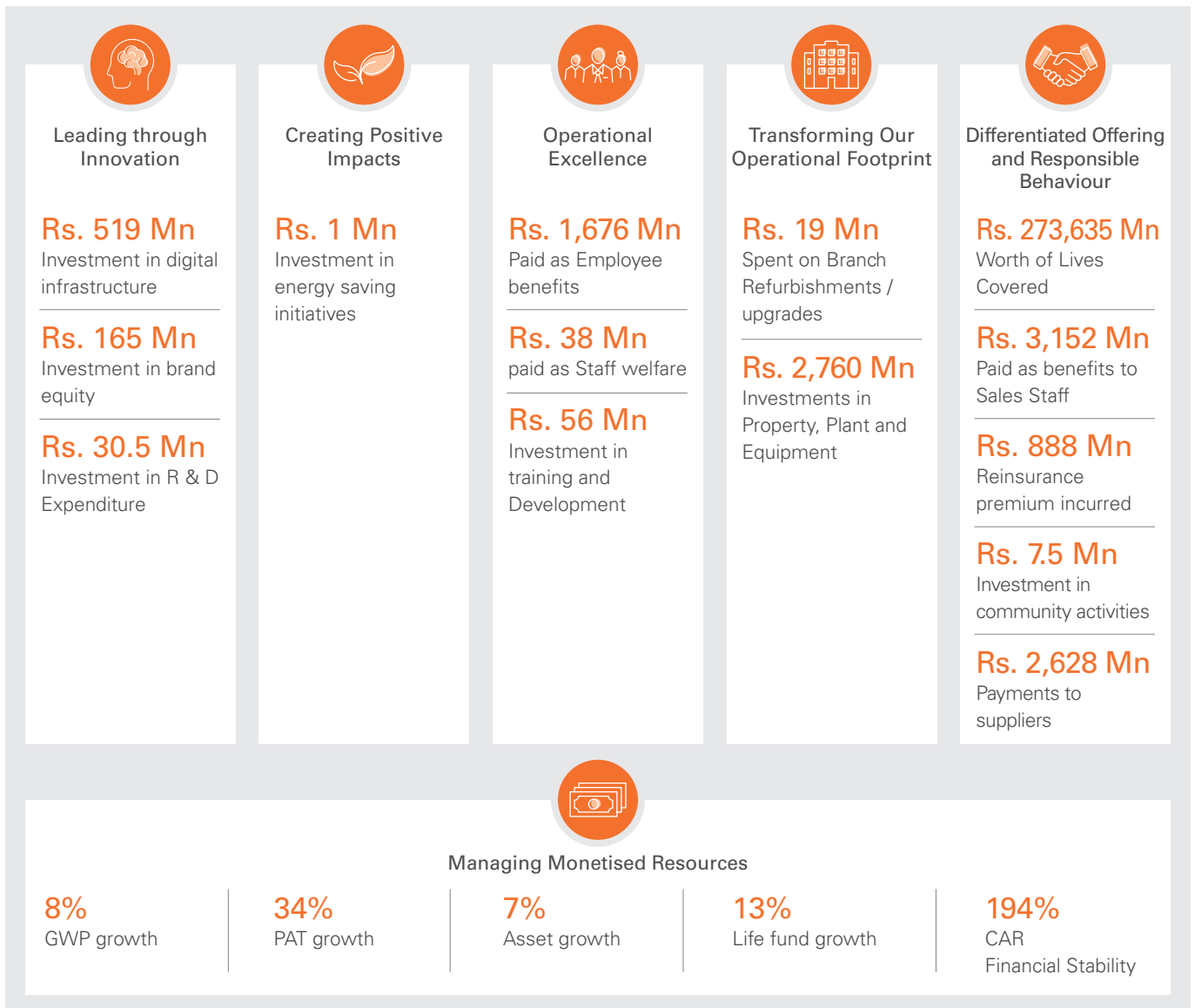
During the year, 'SLFRS 17 implementation Steering Committee', a Board sub-committee examined the SLFRS 17 implementation road map in order to meet the new effective date of 1st January 2025. The committee also reviewed the SLFRS 17 implementation, vendor evaluations conducted by SLFRS 17 implementation project team and assessed the company's strategic readiness.

The Company made a steady progress in SLFRS 17 implementation journey and awarded Proof of Concept (POC) to a selected vendor during the year.

More information about our approach to SLFRS 17 implementation can be found on page 125 of the Corporate Governance section.

## CAPITAL TRADE-OFFS

We consider the trade-offs between the various capitals with the aim of maximizing the positive outputs and outcomes and limiting value erosion. To ensure a future-fit organization, we assess the availability and quality of capital inputs, balance the short and long term and take tough decisions to create long-term value and to limit near-term negative impacts. Impact on each stakeholder group should be measured and should look at the trade-offs.



## WAY FORWARD

Strengthening our financial capital is key to ensuring sustainable wealth creation for our shareholders while also fulfilling the diverse needs of our other stakeholders. While remaining optimistic that Sri Lankan economy will start recovering from second half of 2023, we are cognizant of the significant downside risks involved and will continue to adopt a prudent and agile financial strategy to ensure strong financial performance and stability in years to come.

## Objectives for 2023 and Beyond

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
GWP	15%+	12%+
ROE	15%+	17%+
Capital Adequacy Ratio	190%+	200%+
Expense Ratio	Improve via cost optimisation	Improve via cost optimisation
Investment Yield	Improve via effective and efficient asset allocation	Improve via effective and efficient asset allocation

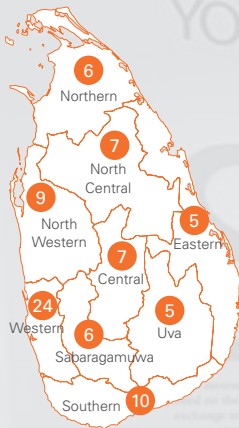


# TRANSFORMING OUR OPERATIONAL FOOTPRINT

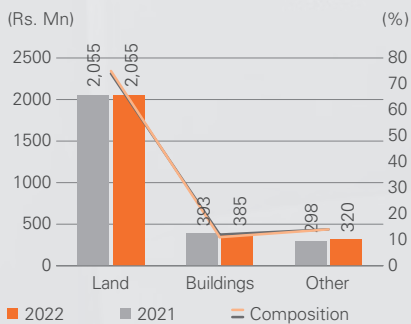
Strategic investments in our physical and digital infrastructure enable us to expand our reach while achieving operational and product excellence. We continued to enhance our manufactured capital investing a total of Rs. 200 Mn in our physical and digital infrastructure during the year.

## COMPOSITION OF OUR MANUFACTURED CAPITAL

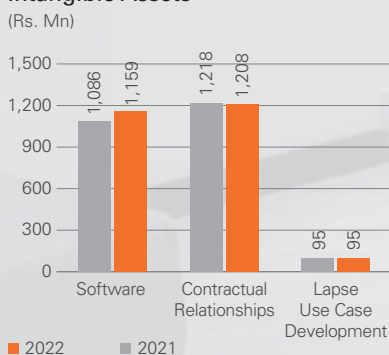
Our Branch Infrastructure



### NBV as at 31.12.2022



### Intangible Assets







### DRIVING STRATEGY

#### Key challenges and opportunities in 2022

- Rising building maintenance costs and scarcity of imported materials / resources
- Greater opportunities for digital alliances

#### Strategic focus in 2022

Focus Area	KPIs	Relevant GRI Material Topic
Tech innovation	<b>Rs. 2,238 Mn</b> IT Spend	-
Branch Optimization	<b>Rs. 729 Mn</b> Revenue from new / relocated / refurbished branches	-

#### Value created during the year



##### Digital Customers

**6,324**  
Newly registered Clicklife customers



##### Optimization of Building Space

**58%**  
Reduction of maintenance cost per square feet



##### Brand Visibility

All our touch points have been upgraded to reflect our brand

#### Impact

Our physical and digital infrastructure have enabled us to reach a wider segment of customers across Sri Lanka.

# TRANSFORMING OUR OPERATIONAL FOOTPRINT

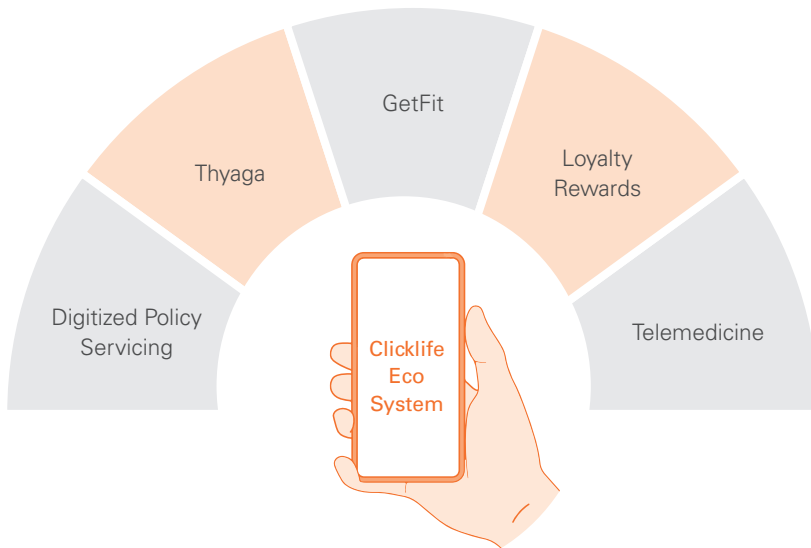
## STRENGTHENING OUR DIGITAL INFRASTRUCTURE

Our customer focused digital agenda that addresses customer pain points, eliminates operational complexities, and provides customized solutions to the new age customer, continues to enhance our customer value proposition and strengthen our customer relationships. UA provides customers with an end-to-end digital platform to obtain protection for their loved ones with straight-through-processing and thus offering protection from the comfort of their homes, with zero paperwork, and minimal physical interaction.

Far thinking investments in IT infrastructure and an ongoing focus on enhancing IT capabilities facilitated a smooth transition to a digital operating model, enabling 100% of our permanent cadre to work from home during the pandemic. Since the emergency phase of the COVID-19 pandemic appeared to be over, the Company shifted into a hybrid working model from a work from home model.

We remain committed to our digital vision of re-imagining traditional Life Insurance and continue to invest in the cutting edge technology and systems to achieve this vision. During the year we continued to invest in the "Clicklife eco system" adding new features such as 'Thyaga – a digitized rewards system and the 'Get fit' an AI powered calorie counter available through the Clicklife App. We also entered into a digital alliance with FriMi by Nations Trust Bank to make the Clicklife Online Product available through FriMi. Apart from these developments we are actively working on developing next generation underwriting technology which will become the core of the Company's integrated digital operating model.

We have made significant progress in our bionic distribution strategy. Streamlining internal sales platforms to track Key sales KPIs and end to end digitalizing of sales force administration on agent on boarding are some of the key initiatives during year.



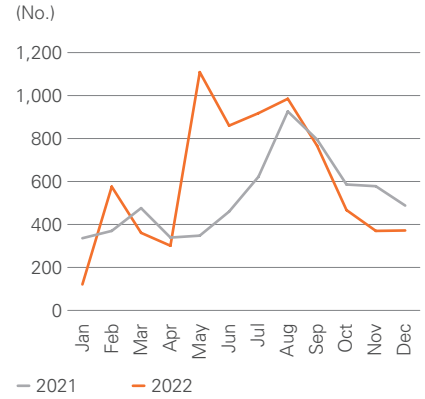
## ENHANCING OUR BRANCHES

Our branch network serve as our main customer touch points. We continue to upgrade our branches to better reflect our brand identity and create safe and attractive work spaces for our employees. A total of Rs. 126.90 Mn was invested in upgrading and maintaining our physical infrastructure during the year.

## MAINTENANCE & CERTIFICATIONS

We ensure that our assets are been maintained on a regular manner to facilitate proper performance. We have obtained all the certification related to each class of assets in order to ensure performance validity. All the assets are recorded as per the date of purchase and some of them are subject to service maintenance.

Clicklife New Registration Growth



- 1**  
New Branches

---

- 1**  
Branch Upgrades

---


- 6**  
Branch Relocations

---


- 0**  
Branch Closures

**1** UA provides customers with an end-to-end digital platform to obtain protection for their loved ones with straight-through-processing and thus offering protection from the comfort of their homes, with zero paperwork, and minimal physical interaction. **1**

**WAY FORWARD**



We will continue to invest in creating the best mix of physical and digital infrastructure that can provide us the widest reach and enable us to meet the evolving needs of a new generation of customers.



**Objectives for 2023 and Beyond**

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
Strategic branch upgrade and expansion	As per annual plan	Assess annually
Ongoing investments on state-of-the-art technology	As per annual plan	Assess annually



# CREATING POSITIVE IMPACTS

As a responsible corporate entity, we are committed to taking meaningful steps towards achieving the global climate agenda by promoting environmentally-friendly behaviour in our operations and in the wider society.

## COMPOSITION OF OUR NATURAL CAPITAL



Energy Consumption  
**5,284 GJ**



Paper Recycled  
**6,620 Kg**



Water Consumption  
**15,062 m<sup>3</sup>**





### DRIVING STRATEGY

#### Key challenges and opportunities in 2022

- Rising energy costs
- Impact of climate risk on underwriting and claims

#### Strategic focus in 2022

Focus Area	KPIs	Relevant GRI Material Topic
Identify areas in which energy efficiency could be increased	<b>1</b> No. of energy saving initiatives	GRI 302
Monitor and reduce emission levels	<b>1</b> No. of emission control initiatives	GRI 305
No. of digital initiatives conducted to reduce paper consumption and printing	<b>3</b> No. of initiatives	-

#### Value created during the year

 <b>Energy Management</b> <b>0.32 GJ</b> Energy consumption per Rs. 1 Mn of revenue <hr/> <b>0.06 tCo<sub>2</sub>e</b> Emissions per Rs. 1 Mn of revenue	 <b>Water Management</b> <b>0.9 m<sup>3</sup></b> Water withdrawal (m <sup>3</sup> ) per Rs. 1 Mn of revenue	 <b>Waste Management</b> <b>7%</b> Increase in paper recycled
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#### Impact



We continue to propagate practices of responsible consumption within and outside our operation to achieve climate action goals

# CREATING POSITIVE IMPACTS

## CLIMATE ACTION

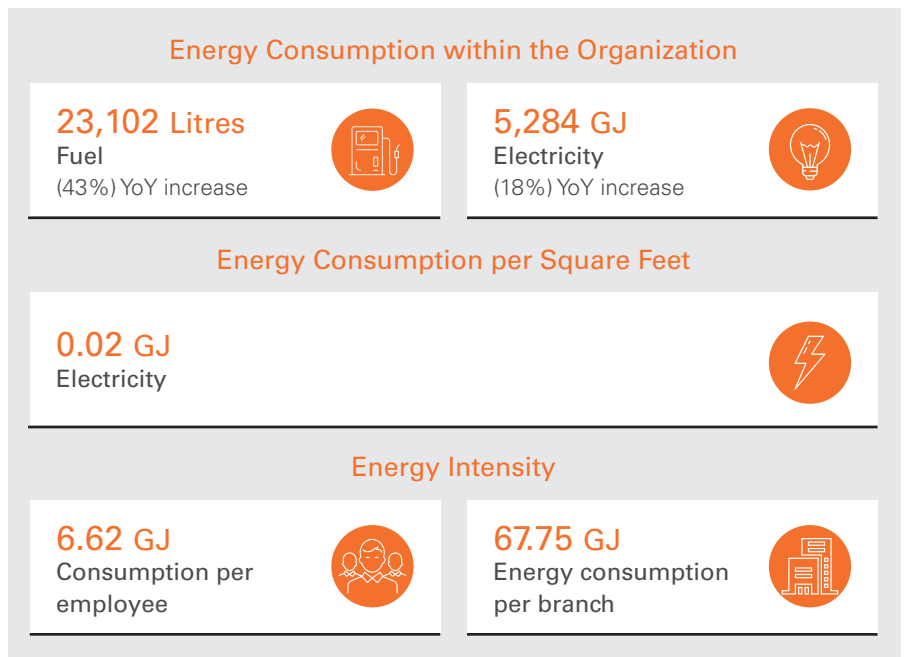
Climate action has become a business imperative due to the far reaching implications of climate change on businesses, economies and society. We are committed to proactively identifying climate risks impacting our operation and taking meaningful actions to manage these risks. We are equally focused on identifying climate risks arising directly and indirectly from our operations in order to take mitigative action. We have developed a three pronged approach based on recommendations of Task Force on Climate Related Financial Disclosures (TCFD).



## ENERGY MANAGEMENT

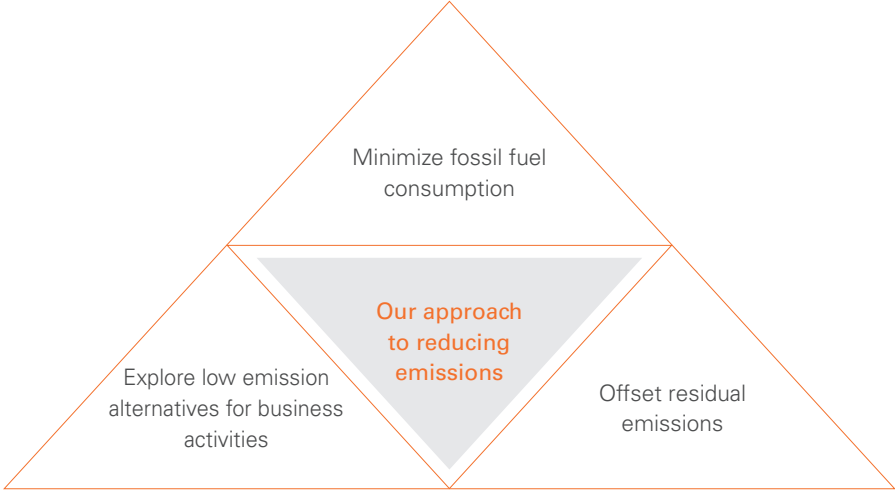
With the easing of the pandemic and operations reaching a normal level, the company shifted to a hybrid-work model from the work-from-home model due to the significant energy savings brought on by the work-from-home model.

We remain committed to driving energy efficiency across our locations. In addition to investing in energy saving technology such as timer switches for air conditioners, LED lights, and master key switches across our locations energy utilization and efficiency is closely monitored to identify areas for improvement. Meanwhile rationalizing of our branch network and upgrading our Head Office building also has led to an improvement in overall energy efficiency levels.



**EMISSION MANAGEMENT**

We have been monitoring our direct and indirect emission levels since 2013 through an annual organizational greenhouse gas (GHG) assessment carried out by Carbon Consulting Company (Pvt) Ltd. While ensuring that emission levels stay within the acceptable levels, we are actively taking steps to further reduce both indirect and direct emissions arising from our business activities by driving energy efficiency within our operations.



**WASTE MANAGEMENT**

As a service organization our waste is primarily non-hazardous waste such as paper waste, food waste and plastic waste. Hazardous waste comprises mainly of e-waste such as used computers and other related equipment. We ensure that all waste is responsibly disposed of and the waste to landfill is minimized. Waste segregation is practiced at all our locations and reputed third party recyclers are contracted to dispose of recyclable waste. Waste management awareness programs are conducted for employees and the 5R concept of refusing, reducing, reusing, re-purpose and recycling is practiced across the organization.

	tCo2e	Reduction/ increase compared to 2021
Direct (SCOPE 1) GHG Emissions	67.16	62%
Indirect (SCOPE 2) GHG Emissions	837.45	45%
Indirect (SCOPE 3) GHG Emissions	81.54	-45%
Total Carbon Footprint	986.15	28%
Emission Intensity (Emissions per Employee)	1.24	26%

**Waste Generated**

**10,766 Kg**  
Non- Hazardous Waste

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**Waste by Disposal Method**

<b>6,620 Kg</b> Recycling	<b>4,146 Kg</b> Landfill
------------------------------	-----------------------------

Paper Saving Initiatives	Impact
<p>Paper waste accounts for almost 74% of our total waste.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: #ccc; padding: 5px; border: 1px solid #ccc;">Digitization</div> <div style="font-size: 2em; color: #f4a460;">+</div> <div style="background-color: #ccc; padding: 5px; border: 1px solid #ccc;">Awareness</div> <div style="font-size: 2em; color: #f4a460;">+</div> <div style="background-color: #ccc; padding: 5px; border: 1px solid #ccc;">Recycling</div> </div>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Trees Saved</p> </div> <div style="text-align: center;"> <p>Oil Conserved</p> </div> <div style="text-align: center;"> <p>Energy Savings</p> </div> </div>

# CREATING POSITIVE IMPACTS



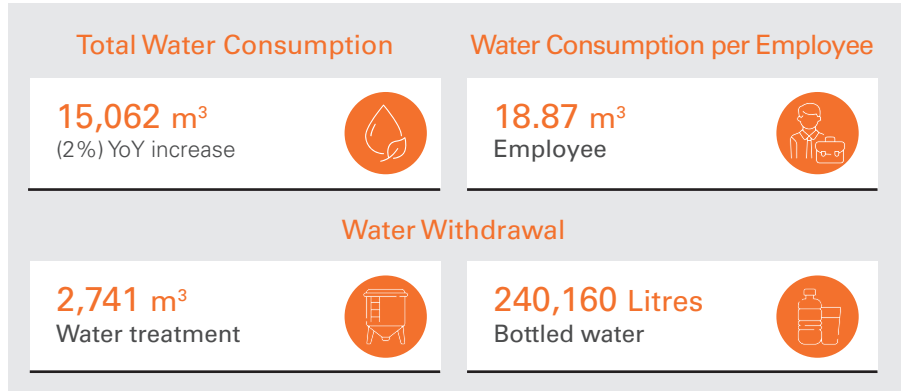
## WATER MANAGEMENT

We ensure responsible consumption of water by installing water efficient technology such as sensor taps and vacuum-type syphons. Water consumption patterns are monitored across our branches and head office and information on the importance of water conservation and water saving tips are widely publicized through awareness sessions.

## DRIVING BEHAVIOURAL CHANGE

As part of our broader commitment to create awareness on environmental best practices, we engage with our employees, customers and business partners on a regular basis to create awareness and understanding on the importance of environmentally responsible behaviour.

While ensuring that emission levels stay within the acceptable levels, we are actively taking steps to further reduce both indirect and direct emissions arising from our business activities by driving energy efficiency within our operations.



### WAY FORWARD

We strongly believe in the strength in collective action towards climate action goals and will continue to contribute to achieving these goals by driving responsible resource consumption within and outside our operation. While continuing to integrate environmental concerns into every aspect of our operation, we will also focus on strengthening our governance structures and reporting mechanisms to accurately monitor our impact. Beyond our internal operations, we remain committed to ensuring sustainable business practices in all of our dealings with customers, partners, and suppliers.

### Objectives for 2023 and Beyond

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
Reduce carbon footprint as a % of revenue	Implement emission management initiatives	Implement emission management initiatives
Optimise use of resources	Implement initiatives to improve efficient use of resources	Implement initiatives to improve efficient use of resources



CERTIFICATE OF CARBON FOOTPRINT



24/02/2023

**Certificate of Assessment – Greenhouse Gas Emissions Inventory**

This is to certify that **The Climate and Conservation Consortium (CCC)** has conducted an Organisational Greenhouse Gas (GHG) Assessment for the 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 the Organisational Operations of Union Assurance PLC for the calendar year 2022 is **986.15 tonnes of Carbon Dioxide Equivalents (tCO<sub>2</sub>e)**.

Reporting Scope	Emissions Source	Emissions Activity	Emissions Total (tCO <sub>2</sub> e)
Scope 1 – Direct Emissions	Stationary Combustion	Generator Fuel	22.14
	Mobile Combustion	Long-term Leased Vehicles (Operational)	45.01
<b>SCOPE 1 TOTAL EMISSIONS</b>			<b>67.16</b>
Scope 2 – Indirect Emissions	Purchased Electricity	Electricity Consumption	837.45
<b>SCOPE 2 TOTAL EMISSIONS</b>			<b>837.45</b>
Scope 3 – Indirect Emissions	Purchased Electricity	Electricity Transmission and Distribution Losses	80.00
	Waste Transportation	Third-party Outbound Waste Transportation	0.01
	Waste Disposal	Waste Disposal	0.06
	Employee Commuting	Employees Commuting to and from Work	1.47
<b>SCOPE 3 TOTAL EMISSIONS</b>			<b>81.54</b>
<b>TOTAL SCOPE 1, 2 &amp; 3 CARBON FOOTPRINT OF UNION ASSURANCE PLC</b>			<b>986.15</b>

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,

**Kanishka Jayasinghe**  
Chief Operating Officer  
The Climate and Conservation Consortium

Company Registration  
PV 74495

Correspondence Address

185/1, Srimath Anagarika  
Dharmapala Mawatha,  
Colombo 00700

Registered Address

104/11 Grandpass Road,  
Colombo 01400

Climate & Conservation Consortium (Pvt) Ltd

T: +94 (0) 11 720 8208  
W: www.climateconservv.com  
E: info@climateconservv.com

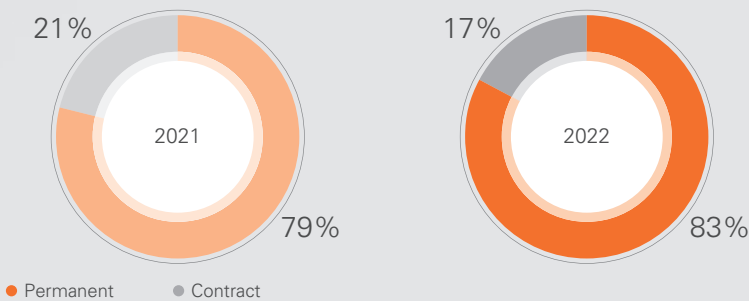


# OPERATIONAL EXCELLENCE

Our brand promise is as successful as the people who believe in it. We therefore allocate significant time and resources to ensure that our employees are engaged and aligned to serve our purpose.

## COMPOSITION OF OUR HUMAN CAPITAL

### Employees by Employment Contract



### Employees by Gender



\*2021 figures have been restated

### Employees by Region

	2022	2021		2022	2021
Western	55%	58%	Northern	5%	4%
Southern	9%	9%	Sabaragamuwa	5%	4%
Central	8%	7%	North Central	4%	4%
Eastern	4%	4%	Uva	3%	3%
North Western	8%	7%			

### Recruitment and Turnover

	New Recruits		Exits			New Recruits		Exits	
	No.	Rate	No.	Rate		No.	Rate	No.	Rate
<b>By Gender</b>					<b>By Region</b>				
Male	156	49%	145	48%	Central	37	12%	34	11%
Female	165	51%	157	52%	Eastern	16	5%	15	5%
<b>By Age</b>					North Central	14	4%	13	4%
Under 30	236	74%	204	68%	North Western	23	7%	16	5%
30-50	83	26%	95	31%	Northern	9	3%	7	2%
Over 50	2	0.6%	3	1%	Sabaragamuwa	21	7%	16	5%
					Southern	28	9%	31	10%
					Uva	10	3%	4	1%
					Western	163	51%	166	55%





### DRIVING STRATEGY

#### Key challenges and opportunities in 2022

- Increased levels of labour migration
- Increased demand for flexible work models
- Changes in skill profile required for the future of work
- Increasing socio economic concerns of employees
- Evolving expectations of employees

#### Strategic focus in 2022

Focus Area	KPIs	Relevant GRI Material Topic
Improve diversity	<b>18%</b> Women in senior management	GRI 401 GRI 405 GRI 406
Training	<b>15</b> Training hours per employee	GRI 404
Engagement	<b>6</b> No. of engagement activities carried out during the year	GRI 402
Employee retention	<b>61%</b> Employee retention ratio	-
Improve employer brand	<b>12%</b> Increase in GPTW score	-

#### Value created during the year



#### Employee Development

**Rs. 8 Mn**

Investment in training and development activities



#### Gender Diversity

**12**

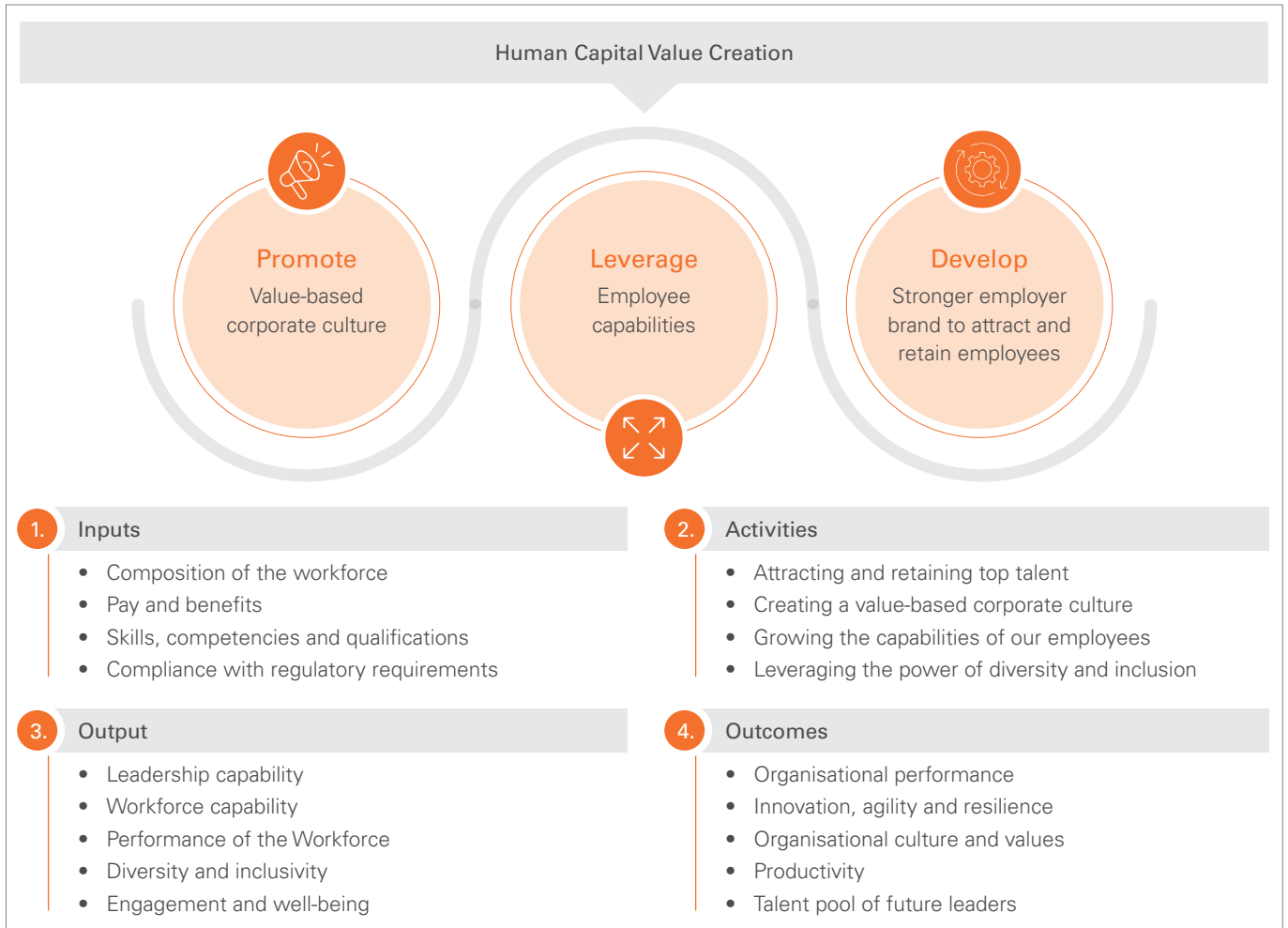
No. of diversity awareness programmes conducted during the year

#### Impact



# OPERATIONAL EXCELLENCE

## HR GOVERNANCE



### CREATING A CULTURE OF DIVERSITY, EQUITY AND INCLUSION

Diversity, Equity, and Inclusion (DE&I) is a key focus area within the JKH group and we at UA remain committed to fostering a culture that embraces all forms of diversity, ensures equal treatment of all employees and encourages inclusivity at all levels. During the year the company launched the Diversity, Equity and Inclusion (DE&I) policy, the overarching policy that underlies the Company's overall commitment to DE&I. The DE&I policy is based on the key principles of empowerment and inclusion, zero tolerance for discrimination, equal opportunity, equal participation, and diverse value chains. We encourage women to join and stay in the workforce and as part of our efforts to encourage more women to stay in the workforce introduced Equal

100 days of Parental Leave, which provides both parents 100 days of paid parental leave. This is a revolutionary policy aimed at supporting families with young children. A wide range of programs were also conducted throughout the year to address unconscious bias and create awareness. There were no reported Incidents of discrimination during the year.

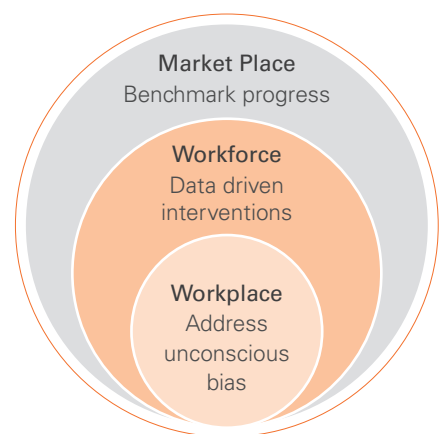


**217**  
Female staff received bonus during the year  
Rs. 45.8 Mn



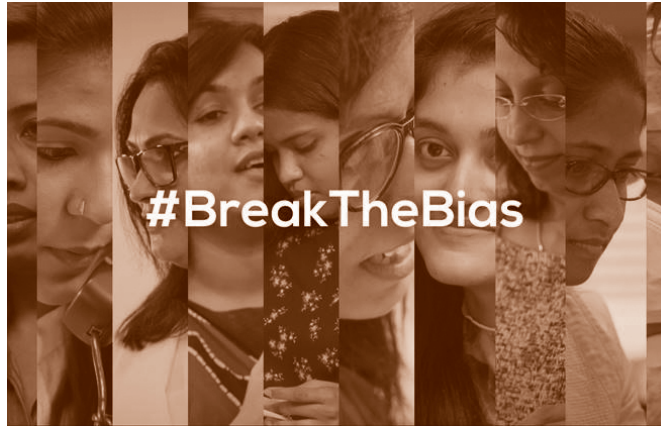
**42%**  
Proportion of Women in IT and operation related activities

### Our Three Pronged Approach to driving DE & I





**World language day**  
Awareness campaign to celebrate diversity of languages



**"Break the Bias"**  
Women's day Awareness campaign



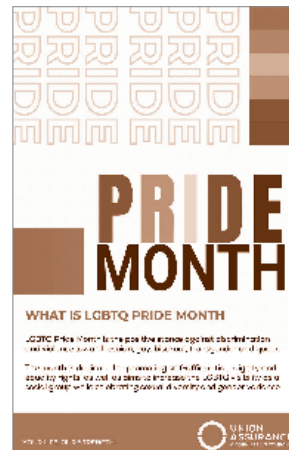
**Autism Awareness**



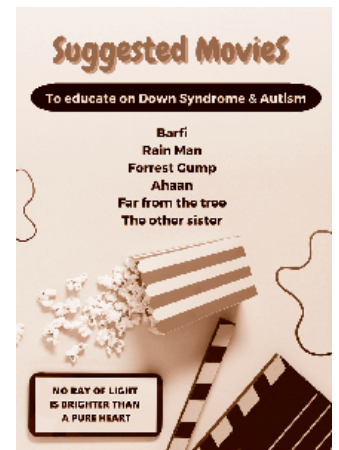
**Mother's Day celebration**  
To celebrate working mothers and create awareness about the support services available to women



**Inspire series**  
Experience and knowledge sharing sessions with the women leaders of the company



**Pride month**  
Lesbian, gay, bisexual, transgender, queer or questioning persons (LGBTIQ) awareness



**Down syndrome awareness programme**

**Progress Achieved**

**Diversity of governance bodies and employees**

6	Board	-
47	Senior Management	10
85	Middle Management	10
283	Executives and below	363

**Ratio of basic salary and remuneration of women to men**



**Parental leave**



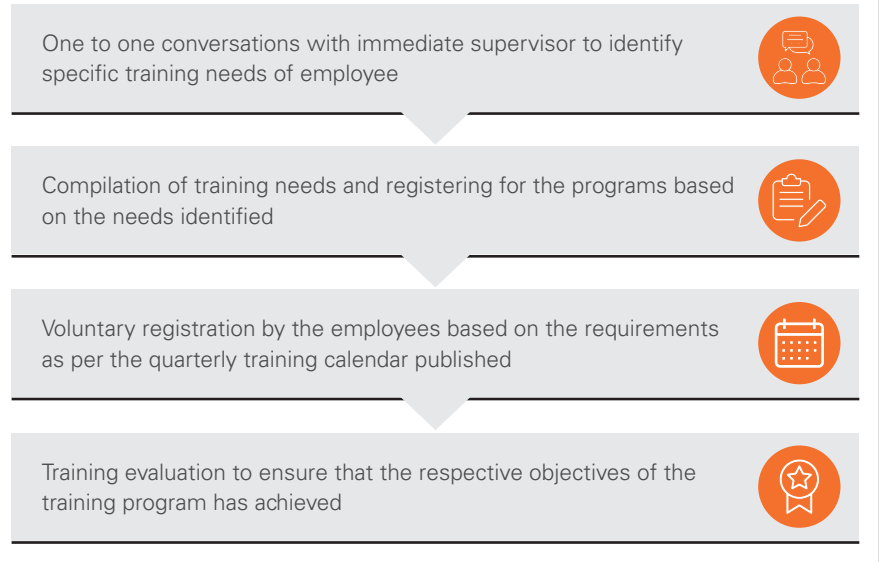
# OPERATIONAL EXCELLENCE

## LEARNING AND DEVELOPMENT

We continue to offer our employees learning and development opportunities aimed at supporting personal and professional growth. Training needs are identified based on the strategic goals of the organization and personal aspirations of the individual. A systemic process (depicted alongside) is in place to ensure that training needs are accurately identified, relevant training is efficiently and effectively delivered and the impact of training initiatives is monitored and quantified. Multiple training modalities are in place to deliver training including on the job training, digital learning, workshops, mentorship and coaching and structured management training programs.

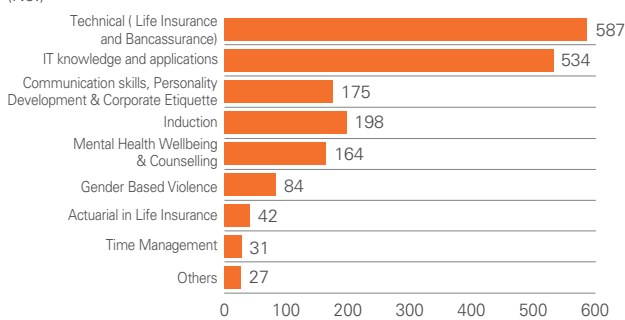
Over 11,982 hours of training were provided through 51 training programs during the year. An analysis of the training offered is provided below.

### Process for Identifying Training Needs

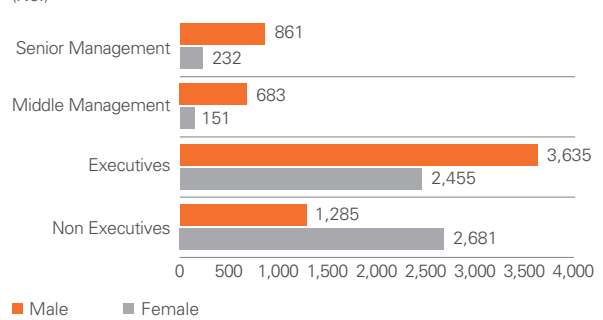


### Analysis of Training Provided

#### Training Programs by Training Area (No.)



#### Training Hours by Gender and Employment Category (No.)



**48%**  
of Women Received Training (2021: 48%)

**Rs. 9,931**  
Training Cost per Employee (2021: Rs. 8,406)

**Rs. 9,373**  
Social Welfare Cost per Employee (2021: Rs. 13,695)

### Leadership Development

Leadership development and succession planning is part of our learning and development process. We have in place a well-structured leadership development program where potential leaders are identified and required knowledge and skills provided in a structured manner. During the year Personality Development & Corporate Etiquette program was conducted with 16 participants to improve the soft skills of our employees.

## REMUNERATION AND BENEFITS

We are committed to ensuring that our remuneration and benefits schemes are fair, equitable and that they reflect our performance-based culture. Remuneration includes basic salary, performance-based bonus and statutory payments and a range of other benefits including medical benefits.



**Rs. 21 Mn**

**Revenue per Employee**  
(2021: Rs. 20 Mn)



**Rs. 152 Mn**

**Contribution to Defined  
Benefit Plan**  
(2021: Rs. 140 Mn)



**Rs. 1,676 Mn**

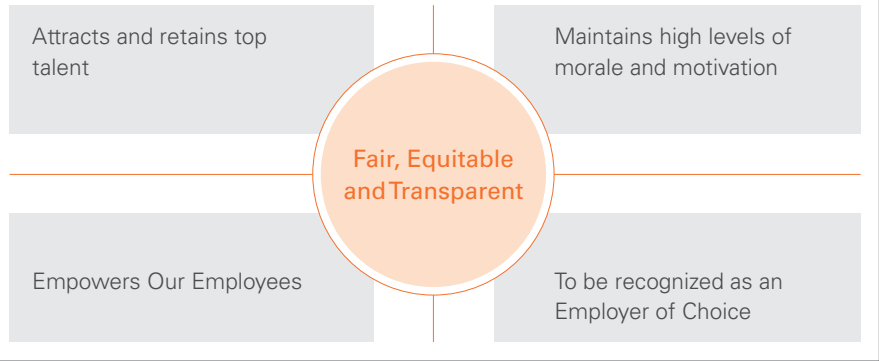
**Payment to Employees**  
(2021: Rs. 1,161 Mn)

The Company has taken several initiatives to limit the gap in difficulties faced by our employees due to current adverse economic conditions. During the year the Company provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible employees, during the month of April 2022. This was complemented with other non-financial and indirect financial support. Employee categories most impacted by the unprecedented increase in cost of living were offered additional financial support while a distress allowance was offered to employees impacted by the imposition of the high advance personal income tax scheme. The Company also took effective measures to increase the insurance limits of all employees during the year.



### Performance Management

Our robust performance management system ensures that employees are kept motivated. All employees receive performance and career development reviews on an annual basis. We improved our performance management practices this year, by bringing in closer alignment between the company's business objectives and individual performance and productivity. Accordingly we are evolving our reward philosophy and practices to increase alignment to our ambitions by using both financial and non-financial metrics to evaluate performance.

### Objectives and Guiding Principles of our Remuneration Policy



### Parental Leave

		
415	Employees entitled to parental leave	383
-	Employees that took parental leave	21
-	Total number of employees that returned to work in the reporting period after parental leave ended	14
-	Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	18



"Shine like a Diamond" UA Ball 2022



**15**

**Positions filled in by  
internal talent**



**35%**

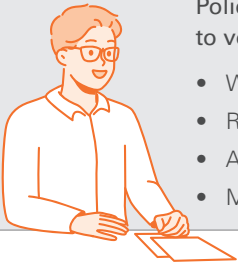
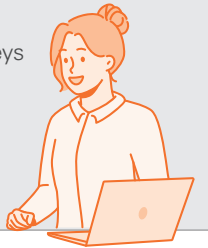
**Rate of Attrition**  
(2021: 24%)

# OPERATIONAL EXCELLENCE


## EMPLOYEE ENGAGEMENT

Regular and meaningful engagement with employees has helped our employees to remain connected to our purpose. We continue to find innovative ways of engaging with our employees and are increasingly using digital means to improve engagement levels.

**Employee Engagement Mechanisms at UAL**


 <p><b>Policies and Procedures to encourage employees to voice their concerns</b></p> <ul style="list-style-type: none"> <li>Whistle blowing policy</li> <li>Robust Grievance Handling Procedure</li> <li>Appeals process in Annual performance appraisal</li> <li>Mid year/year end performance feedback process</li> </ul>	<p><b>One-to-one Engagement</b></p> <ul style="list-style-type: none"> <li>Periodic Employee Surveys</li> <li>Annual Performance Appraisals</li> <li>Skip level discussions</li> </ul>	
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**Opportunities to Interact with Management**



Townhall meetings
Department meetings
CEO sessions

**Opportunities to Build a Community**

 <p>Virtual Talent Shows</p>	<p>Happy Hour sessions with movie nights and other activities</p>	<p>“Time to shine” programs give employees the opportunity to highlight creative talents and interests</p>	<p>Recreation club activities including annual staff party “Union Ball”</p>
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## EMPLOYEE HEALTH AND SAFETY

Ensuring the health and safety of our employees goes beyond providing a safe work environment to include ensuring both physical and mental wellbeing of employee. A comprehensive employee health and safety policy is in place to ensure that health and safety standards are strictly adhered to. Employees are also offered a range of services including counselling, financial assistance and medical benefits. Meanwhile we have stressed the importance of mental wellbeing particularly during the trying times we are currently facing and continue to implement initiatives to improve the mental wellbeing of our employees. There were no work related injuries or reported instances of work related ill health during the year.

**WAY FORWARD**

Creating a future-ready work force will be our priority going forward. To do this we will continue to enhance our employee value proposition in order to be able to attract and retain the best in class employees while providing opportunities and motivation to improve and grow.



**11** The Company has taken several initiatives to limit the gap in difficulties faced by our employees due to current adverse economic conditions.<sup>11</sup>



## SUCCESSION

As per the planned organizational leadership transition, Mr. Senath Jayathilake, previously the Chief Distribution Officer, assumed duties as the Deputy Chief Executive Officer on 1 January 2023 and he will take over reigns as the Chief Executive Officer with effect from 1 January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer, on the 31st of December 2023.



### Objectives for 2023 and Beyond

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
Improve diversity	25% women in leadership	25% women in leadership
People satisfaction survey score	80% to 90%	85%+
Training per employee	16+ training hours per employee	18+ training hours per employee
Delivery of planned staff engagement activities	Deliver as planned	Deliver as planned
Internal successors against identified positions	Plan and identify for key positions	Plan and identify for key positions



# DIFFERENTIATED OFFERING AND RESPONSIBLE BEHAVIOUR

We are committed to create value to our customers, business partners and community by nurturing mutually beneficial relationships based on trust, transparency and accountability.

## COMPOSITION OF OUR SOCIAL AND RELATIONSHIP CAPITAL



**Over 260,000**  
Customer Relationships



**3,177**  
No. of Agents



**7**  
No. of Bank Partners



**1,838**  
No. of Suppliers



**4**  
No. of Reinsurers



Business Relationships with Agency Force, Bancassurance Partners, Reinsurance Partners and Vendors



Community Relationships





### DRIVING STRATEGY

#### Key challenges and opportunities in 2022

- Increased demand for innovative insurance products
- Increased focus on responsible corporate behavior
- Increased Expectations of our partners

#### Strategic focus in 2022

Focus Area	KPIs	Relevant GRI Material Topic
New customer acquisition	<b>44,326</b> No. of New customer Acquisitions	-
Customer retention	<b>82%</b> Premium Persistency	-
Synergies through partnerships	<b>2</b> New Bancassurance Partnerships	-
Quality of agents	<b>257</b> MDRTs	-

#### Value created during the year

 <p><b>Customer Satisfaction</b></p> <p><b>91%</b> One day claims settlement ratio</p> <p><b>Rs. 3,643 Mn</b> Revenue from new customers</p>	 <p><b>Supplier Relations</b></p> <p><b>Rs. 2,628 Mn</b> Total payments made to local suppliers</p>	 <p><b>CSR Projects</b></p> <p><b>Rs. 7.5 Mn</b> Invested in CSR initiatives</p> <p><b>0.045%</b> CSR as a % of revenue</p>	 <p><b>New Business Market Share</b></p> <p><b>16.21%</b> 2022</p> <p><b>15.84%</b> 2021</p>
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#### Impact

Stronger relationships enable us to strengthen our brand value by creating sustained value for our customers, business partners and community.

# DIFFERENTIATED OFFERING AND RESPONSIBLE BEHAVIOUR

## CREATING VALUE FOR CUSTOMERS



**7** We continue to create value to our customers by consistently delivering product, delivery and service excellence. **7**

### Comprehensive Product Portfolio

Our deep understanding of the industry combined with insights obtained from our data analytics capabilities enable us to offer our customers innovative and relevant solutions that meet an individual's insurance needs throughout their life span.

During the year UA developed two new products to cater to the evolving needs of our customers.

#### Union Sarumaga

A bundled product developed from the existing Union Life Plus to support bank partners

#### Smart Wealth Builder

A fund accumulation universal life product with a loyalty bonus at maturity

#### Group Life

- Union Protect

#### Health

- Health 360
- Union Smart Health Premier

#### Retirement

- Union Pension Advantage

#### Protection

- Union Loan Protector
- Union Smart Investor Life Plus

#### Investment

- Investment Plus
- Union Super Investor
- Union Single Premium Advantage
- Union Smart Investor
- Smart Life

#### Education

- Sisumaga Plus

Product Excellence

### Product Responsibility



#### Product Information

We ensure that our product offerings conform with all applicable laws and regulations and meets high ethical standards. Information on product features, terms and conditions are clearly communicated to clients and multiple channels are available for customers to contact us for clarifications on any product or service.



#### Data Privacy

We place the highest priority on protecting customer information and have in place stringent controls and IT security measures to ensure the confidentiality of customer data. Our IT processes are aligned to ISO 27001:2013 information security management system controls and CIS critical security controls to minimize the information security risks and ensure IT governance. Regular awareness and training sessions are carried out among employees to communicate the importance of data security.



#### Accountability

Incidents of non-compliance concerning product and service information and labelling

0

Incidents of non-compliance concerning marketing communications

0

Substantiated complaints concerning breaches of customer privacy and losses of customer data

0



**Rs. 63,749**

Revenue per Customer

Delivery Excellence

### Multiple Delivery Channels

We continue to expand our delivery channels to ensure greater accessibility and convenience to our customers. We have also tied up with multiple service providers to make available a wide array of payment channels to our customers. Meanwhile with customers increasingly moving towards digital channels we continue to strengthen and expand our digital value proposition.

Our group life and surgical channel catered 263 policies within the FY2022

**Group Life**

**Agency Channel**

No. of branch locations: 78  
Advisor cadre: 3,177

Customized online portal, clicklife self service app

**Digital Channels**

**Banca Channel**

Partnerships with 7 banks to offer services to bank customers

Service Excellence

### Speedy Complaint Management

We have in place a fully-fledged Complaint Management Unit to ensure all complaints are resolved speedily and efficiently. Multiple channels including a dedicated customer service hotline and e-mail are available. This is 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 Complaint Management System and reviewed weekly by the CFS Committee consisting of Senior Management. Progress of complaint management is also reviewed by Board Audit and Compliance Committee (BACC).

<b>390</b> 2021	Complaints Received	<b>225</b> 2022
<b>390</b> 2021	Complaints Resolved	<b>225</b> 2022
<b>100%</b> 2021	Resolve Rate	<b>100%</b> 2022

#### Complaint Management Process

Acknowledgement

Reviewing

Investigation

Resolution

Action

Recording

Service Excellence

### Customer Engagement

We engage with our customers through multiple channels enabling us to maintain a constant dialogue and always remain accessible to our customers. Ongoing engagement also enables us to proactively identify evolving needs of our customers.

#### Channels for Customer Engagement

Trilingual 24/7 hour Call Centre

A dedicated Customer Care Unit located at Head Office

Chatbot option on website with two dedicated agents for live chat

Clicklife App, a fully fledged customer serving app

#### Leveraging digital mediums to connect with our customers

We continue to actively engage on social media platforms and witnessed a notable increase in activity across platforms during the year.

 <b>162,974</b> Corporate website visits	 <b>187,000+</b> Facebook likes	 <b>4,566</b> Instagram followers
 <b>3,570</b> YouTube subscribers	 <b>16,622</b> LinkedIn followers	

# DIFFERENTIATED OFFERING AND RESPONSIBLE BEHAVIOUR

## OUR BRAND IMAGE AND REPUTATION

For over three decades, Union Assurance has continued to be recognized as one of Sri Lanka’s most prominent brands. The company has been lauded both domestically and internationally for its product innovations, service excellence and groundbreaking innovations providing unparalleled customer experiences in the industry. With the goal of empowering Sri Lankan dreams, Union Assurance brand ethos is based on three tenants; ‘Protecting Lifestyles,’ ensuring our customers can enjoy life to its fullest despite the unexpected; ‘Protecting Relationships,’ by Insuring the lives and futures of our customers and their loved ones against losses; and ‘Protecting Ambitions’ by supporting the dreams and goals of everyone who aspires to be the best version of themselves.

## CREATING VALUE FOR OUR BUSINESS PARTNERS



Our business partners are an integral part of our value creation process as they provide the support services required to deliver exceptional value to our customers. We ensure that our relationships with our business partners are based on trust and mutual respect and strive to ensure fair and equitable treatment of business partners at all times.

### Continuity of Supply

We ensure partner relationships to be sustainable through the mutual trust and respect, Transparency and fair treatment. Strategies such as having continuous dialogues with partners to identify mutual synergies, prompt payments and assessing the performance of our partners are implemented to secure the long-term commitments.

### Fair and Equitable Treatment of Business partners

UA ensures that all interactions and relationships with our business partners are governed by our internal code of conduct, rigorous policies and procedures related to selection criteria, dispute resolution and Internal laws on fair and equitable treatment. Managing and monitoring regulatory compliance shall enable us to conduct fair, unbiased interactions with our devoted partners.

### Our Business Partners

Agency Force of <b>3,177</b> non-permanent sales agents	<b>7</b> Bancassurance Partners	<b>4</b> Reinsurance Partners
<b>15</b> Insurance Brokers	<b>Over 1,816</b> Local vendors and service providers	

## Agency Force

Our Agency force plays a critical role in taking our brand to customers and building strong relationships with customers. During the year a total of 1,683 new Agents were onboarded further strengthening our Agency Force. We continue to create value for our Agency Force by providing ongoing opportunities for personal and professional growth.

### Training Opportunities

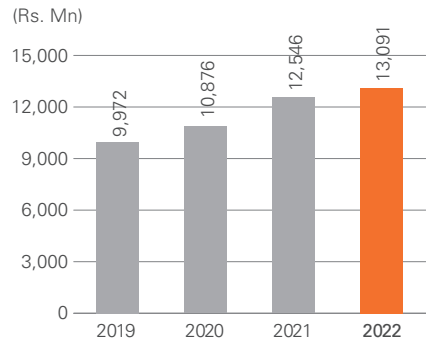
- The MDRT and Premier club members development training series run by our L&D team produced 257 MDRT’s and 75 UA Premier club members.
- Personalized coaching opportunities to improve sales performance
- Introduction of Sales management & Sales support staff development path for agency force
- A fully-fledged training tracking mechanism was introduced to create a data driven learning culture.

### Performance-based Career Progression

During the year 210 advisors and 27 team leaders were promoted based on performance.

Qualifying Category	2022	2021
TOT Qualifiers	2	5
COT Qualifiers	19	21
MDRT Qualifiers	236	273
<b>Total</b>	<b>257</b>	299

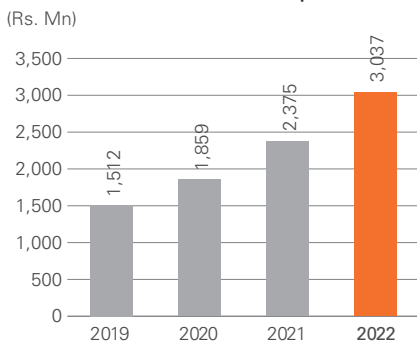
### Revenue Generated by the Agency Force



### Bancassurance Partners

We continued to strengthen and expand our Bancassurance partnerships during the year. Union Assurance currently maintains banca partnerships with 7 banks including Nation Trust Bank and Union Bank as preferred partnerships. During the year we built our relationships with Pan Asia Bank and Standard Chartered Bank allowing the bank to offer its customers a full suite of financial services, including Life Insurance solutions for savings, protection, and investments. Given the high banking penetration level in Sri Lanka, we see this as a channel with significant growth potential and will continue to explore new relationships in the banking sector and optimise existing partnerships.

### Revenue Generated from Bancassurance Partnerships



### 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 continued to 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.

	Financial Rating	Rating Agency
Munich Re	AA-	Standard & Poors
Hannover Re	AA-	
Partner Re	A+	
RGA	AA-	

### Insurance Brokers

Insurance brokers play a vital role in facilitating us to access corporate market segment. We have strengthened our relationship with insurance brokers during the year through making their commissions promptly and by supporting initiatives which improve business performance with our aim of expanding corporate channel with profitable and sustainable new business acquisitions, insurance brokers play a key role for us.

### Vendors and Service Providers

We engage with over 1,838 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 formalized 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 initiatives.

**1,816**  
Total number of local suppliers

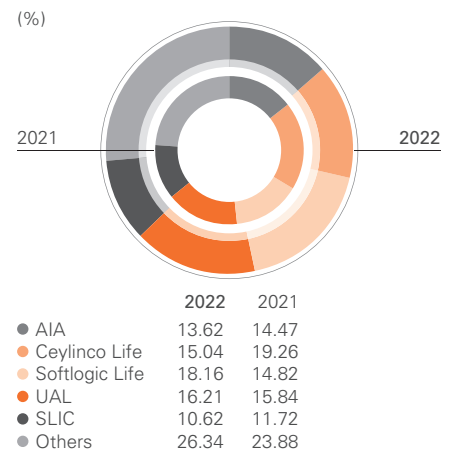
**22**  
Foreign Suppliers

### Competitors

The competition in the Sri Lankan Life insurance market is intense given the fact the market is dominated by five main players. The top five players including Union Assurance accounted for 79% of GWP in 2022 contributing to a growth of 9% during the year. The low industry penetration in the market has given the opportunity for these main players to grow within the market which has again contributed towards the competitive landscape along with the high price competition. In order to sustain in the market UA has taken measures to offer differentiated products and innovative marketing for product propositions.

**Ethical Competition:** Union Assurance believes vigorous but fair competition obtained through open-minded, Impartial and lawful means is a success factor of competitive advantage. We take measures to behave openly and fairly when competing for customers business and when securing contracts with business partners by embracing our competencies such as innovation, efficiency and customer service rather than being influential on external factors.

### New Business Market Share



### Industry

As a leading player in Sri Lanka's insurance industry, we closely engage with numerous industry stakeholders. In addition to closely interacting with the Insurance Regulatory Commission of Sri Lanka and other Government Institutions for regulatory reporting we also actively participate in policy dialogue and other industry initiatives. UAL is a regular member of IASL Technical Committees and has obtained membership in number of key associations. These engagements with industry have enabled us to actively contribute to the betterment of the industry.

Memberships in Associations
<ul style="list-style-type: none"> <li>The Ceylon Chamber of Commerce</li> <li>Insurance Association of SL</li> <li>Employees Federation of Ceylon</li> <li>Life Insurance and Market research Association</li> </ul>

# DIFFERENTIATED OFFERING AND RESPONSIBLE BEHAVIOUR

## CREATING VALUE FOR OUR COMMUNITIES



### Social License to Operate

The community and the society at large are of paramount importance to Union Assurance as they provide the social license to operate. Throughout the decades of operational excellence, UA has been known to be a responsible corporate citizen due to the devotion towards ethical behaviour and unwavering commitment to social development. As a company, we believe our success does not only limit to operational and financial excellence but also to make a difference in people's lives in the community we operate in regardless of the size of the commitment. Union Assurance has taken measure over the years to develop our community in terms of education, mental health, financial assistance and wellbeing.

### Promoting Socially Responsible Behaviour

We continue to set the standards for responsible corporate behaviour through our governance structures, policies and procedures. Progressive policies convey our stance on certain moral aspects while how we conduct our operations are a reflection of our commitment to socially responsible behaviour.

#### Anti-Corruption Policy

A comprehensive anti-corruption policy holds all employees accountable for ethical behaviour and provides clear guidelines for employees to adhere to the code of ethics and standards in their respective area of work. Employees are required to sign off on the policy and code of conduct periodically ensuring that all employees are well versed and updated on new developments pertaining to ethical behaviour.

Anti-Corruption Policy and procedures are based on the following guidelines;

- Each member of UA is responsible individually to set up and maintain a high standard of business conduct in compliance with anti-corruption practices specified by applicable laws and regulations.
- Every member has a deep understanding in respect of the content, scope and importance of the policy.

#### Integrity

UA takes measures to secure the trust of our Stakeholders by complying with laws and regulations, establishing a strong governance structure, adopting effective internal policies, implementing internal controls, adhering to a code of conduct and independent audit review

#### Transparency

We ensure transparency in all our dealings. Information on products are readily available to customers while information on company including our performance is regularly communicated to our stakeholders through our annual report, corporate website and other updates. In instances where claims are repudiated, the company clearly states the reasons for such action

#### Responsibility

We take responsibility for our actions. Product development follows a stringent process governed by the regulatory guidelines and monitored by our Exco. Meanwhile we ensure that marketing of our products are done ethically and responsibly.

#### Environmental and Social Concern

We ensure that our operations do not pose a social environmental risk and strive to make a meaningful impact on the wider society.

### Accountability to Community (Claims and Law Suits)

The UA Code of Conduct guides our interactions with community and our CSR activities ensuring that all dealings are ethical and transparent. There were no instances of non-compliance with laws and regulations in the social and economic area during the year.

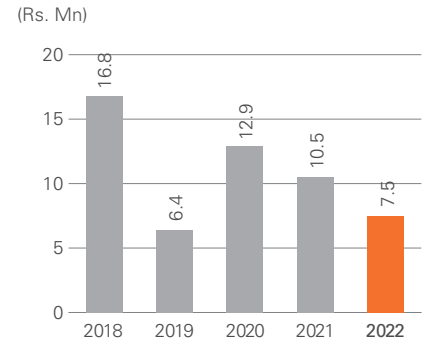


### Contribution To SDG

UA believes that sustainability goals are the blueprint of achieving a better and sustainable future, which focuses on global challenges we all as a community face including poverty, inequality, climate change, environmental degradation, peace and justice. UA is committed to supporting the UN SDGs and we operate in

a community who appreciate our actions to develop a sustainable future. As a part of our SDG strategy, UA has identified the most relevant goals for the company and has aligned action-based targets in our overall strategy to ensure effective contribution to the development of the society.

### Total CSR Spend



### CSR Initiatives

We continue to create value in our communities through meaningful CSR interventions that address pressing needs of deserving groups. A majority of our projects were aimed at supporting youth and children.



#### Helping to Feed 10,000 Orphan Children in Sri Lanka

UA Partnered with Department of Probation and Child Care Services and Colombo Expats Cultural Association to provide 100 days of rice to 10,600 children living in 379 orphanages across Sri Lanka.



#### Donation of Essential Medicine to Lady Ridgeway Hospital

Essential items including 100 Baby Bloodlines sets and 200 units of Sodium Bicarbonate were donated by company employees to the Lady Ridgeway Hospital in Colombo, as part of project Hope.



#### Donation of Sports Equipment to Underprivileged school

Donated sports equipment to Handaganawa Maha Vidyalaya in Mahiyanganaya in support of one teacher's remarkable efforts to showcase his students' tremendous potential through rugby.



#### Professional Grooming Sessions for University Students

A series of professional grooming seminars were conducted in partnership with universities for undergraduates to prepare them for the corporate world. Sessions were conducted collaborating with leading institutions such as NSBM, University of Sri Jayewardenepura & American National College and covered a range of topics including Personal Grooming, Corporate Etiquette, Email Etiquette, how to face an Interview & Career path for financial students.

### WAY FORWARD

We will continue to nurture our relationships with our customers, business partners and community through closer engagement and meaningful interventions that address their evolving needs.

### Objectives for 2023 and Beyond

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
One day claim settlement ratio	90%+	92%+
CSR spend	1% of PAT	1% of PAT
Premium Persistency	80%+	82%+
No. of MDRTs	5% of total agency cadre	5%+ of total agency cadre
Bancassurance and other alternative channels contribution to total GWP	24%	25%+



# LEADING THROUGH INNOVATION

Our intangible assets consisting of our robust systems and processes, tacit knowledge and brand equity continue to drive the organisation's earning potential, productivity and long-term sustainability.

## COMPOSITION OF OUR INTELLECTUAL CAPITAL



Robust Systems and Processes

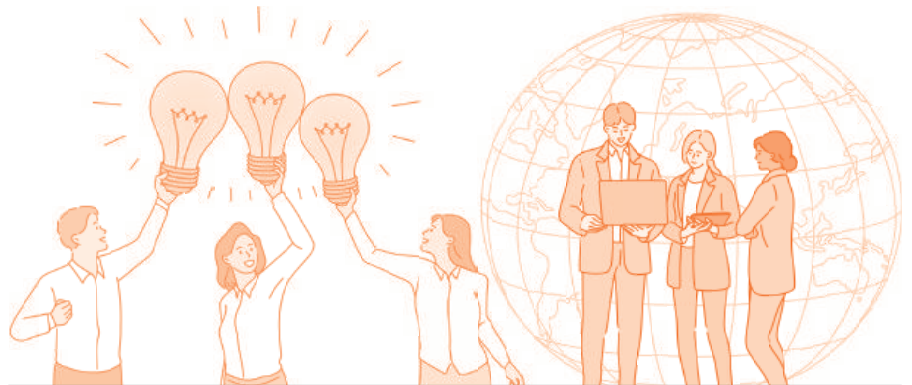


Tacit knowledge of  
**798**  
employees



Reputed brand with a brand equity of  
**Rs. 1,982 Mn**  
as at 2022





### DRIVING STRATEGY




#### Key challenges and opportunities in 2022

- Evolving customer needs
- Increasing operational costs
- Rising competitive pressures

#### Strategic focus in 2022

Focus Area	KPIs	Relevant GRI Material Topic
Digitization to drive process efficiencies and customer value	<b>Rs. 103 Mn</b> Expenditure on IT systems and infrastructure	-
Availability of realtime data for decision making	<b>99.95%</b> Average data centre availability	-
Create a culture of innovation, and continuous learning	<b>0.18%</b> R & D expenditure as a % of turnover	GRI 404- Training
Enhance brand equity by increasing market presence	<b>4<sup>th</sup> Position</b> PR rank (AEV)	-

#### Value created during the year

 <b>Systems and Processes</b> <b>100+</b> Power BI dashboards	 <b>Tacit Knowledge</b> <b>6</b> Experience sharing sessions <hr/> <b>11,982</b> Total training hours	 <b>Brand Equity</b> <b>10.5%</b> Increase in brand value
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#### Impact



We are revolutionizing the insurance industry in Sri Lanka and driving change through technology and innovative product offerings.

# LEADING THROUGH INNOVATION

## IT SYSTEMS AND PROCESSES

A key component of our intellectual capital is our systems and processes that have enabled us to remain agile and responsive to a rapidly evolving operating landscape. Digitalization of our processes has been a game-changer, enabling us to streamline processes, optimize resource utilization, capitalize on synergies across different departments to improve efficiencies and enhance the overall customer experience. We continued with our digitalization journey during the year, investing in IT infrastructure and capabilities in key areas of our operation.



### DRIVING DIGITIZATION

#### Enhancing our Digital Value Proposition for Customers

As the pioneer of digital transformation in Sri Lanka's life insurance industry, UAs digital value proposition is a key element of its intellectual capital. We were the first to introduce a digital APP "clicklife" where insurance customers can purchase, obtain real time updates and manage their insurance policies from the comfort of their homes. Since its launch in 2019 we have continued to enhance the user friendliness of the APP with several developments. Major developments in the app during 2022 were the launch of the new calorie counter feature where users can track their calorie intake and create a personalized fitness plan and the launch of Thyaga, a digitized reward scheme.

#### Bionic Distribution

We are in the process of implementing a bionic distribution strategy where human talent is blended with digital technologies to create fast, intuitive, and digitally enabled experience for customers. Key milestones achieved in this journey include;

- Streamlining internal sales platform of agents to track new business and renewals and allowing different payment methods for premium payments
- Enhanced monitoring of KPIs of agents on their day-to-day activities

#### Driving Process Automation

We continue to automate routine activities to eliminate time consuming and labour intensive bottlenecks, and paperwork.

- Ongoing development of automating the customer medical underwriting process
- Ongoing development of automating the customer claim process
- SAP Technical Upgrade with streamlined, scalable infrastructure on cloud
- Decommissioning of head office data centre devices
- Developing outbound call centre operations and implement Tele sales process
- Automation of daily/monthly reports through Power BI

#### Strengthening IT Security

We continued to strengthen our cyber security systems and IT risk management practices in response to heightened levels of cyber risks.

- Aligned IT process to ISO 27001:2013 information security management system and CIS critical security controls
- Implemented zero trust-based access management policy to ensure confidentiality, integrity and availability of data.
- Quarterly workshops were carried out for employees to create awareness on cyber risk management.

#### Strengthening of Business Continuity Plan

The critical importance of a strong Business Continuity Plan ( BCP) was highlighted during the pandemic. During the year we focused on further strengthening of our BCP, to be able to effectively face future uncertainties. Key initiatives in this regard include

- Reviewed and updated BCP document in line with emerging requirements
- A series of incident command drills, simulated drills and call tree drills were conducted to increase awareness and readiness for BCP implementation.

### Strengthening Data Analytics Capabilities

We are increasingly relying on data analytics and power BI to better understand customer needs. During the year our data analytics team completed over 100 PowerBI dashboards and reports and developed 454 data pipelines on average over the years to manage workload on data extraction, data for FAME and PowerBI dashboards. Our data analytics capabilities include;

- Automated GoAML (UN) reporting as required by Financial Intelligence Unit (FIU)
- Lapsed analysis Dashboard on Power BI

### Compliance with IT related Global Standards

- ISO 27001:2013 certification
- Center of Internet security benchmarking

### Expenditure on standards and certifications on processes and quality to strengthen internal controls



Rs. 0.8 Mn

### Total expenditure on cyber security and internal controls related to IT

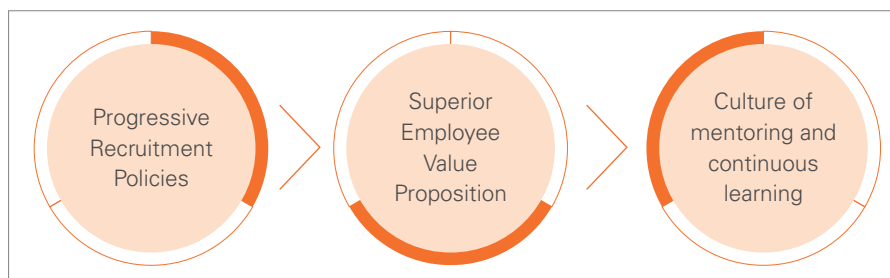


Over Rs. 1 Mn

## ORGANIZATIONAL TACIT KNOWLEDGE

Our organizational tacit knowledge comprises of the in-depth industry knowledge, skills, experiences as well as research and development capabilities of our diverse employee base. We nurture our organizational tacit knowledge by continuing to recruit individuals that bring diverse skill sets and experiences and by creating a culture of mentoring and continuous learning. Meanwhile our employee value proposition ensures that employees are retained within the organization further enabling us to retain our tacit knowledge within the organization.

### Nurturing Our Organizational Tacit Knowledge



- “Inspire” is an initiative by HR which takes place monthly where inspirational women share knowledge, experience and best practices with the UA community. The series had special editions for events such as Battling breast cancer along with a Banca special edition which focused on females in the salesforce.
- “Tea Sips with Shey” which is a feature show that was launched in a form of a talk show where guest speakers are invited on a quarterly basis to discuss inspirational topics that are applicable for both personal and professional development of an employee

## BRAND EQUITY

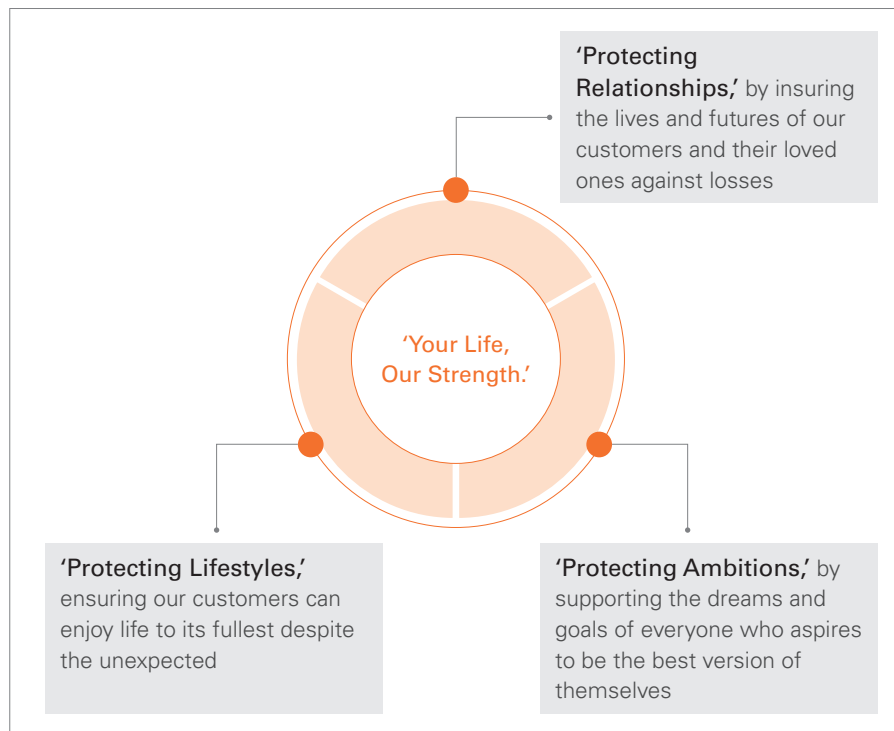
UAs brand equity is built on a long-standing reputation of product innovation, service excellence and trustworthiness. We remain committed to enhancing our brand equity by staying true to our brand ethos and by revolutionizing the life insurance industry in Sri Lanka through cutting edge technology and innovative product offerings.

Cognizant of the evolving aspirations of our consumers we recently launched a corporate campaign to reiterate the unique experience UA delivers to its stakeholders and highlight our customer value proposition to a new generation of policyholders.



# LEADING THROUGH INNOVATION

## UA Brand Ethos



**1** Union Assurance is a progressive and futuristic Life Insurance and Bancassurance solutions provider in the country, empowering Sri Lankans to achieve their dreams with peace of mind, by providing a financial safety net.<sup>1</sup>

**Rs. 169.5 Mn**  
Investment in marketing and branding activities

## Research and Development Capabilities

The company embraces a continuous innovative culture which involves R&D to generate new knowledge that is used to create new technology, products, services, or systems that will either be used or sold. An ongoing focus on research and development and continuous new product development has enabled UA to remain at the forefront of the competitive landscape.

### Key objectives of research and development Initiatives

- Develop new and improved products to meet the ever-evolving customer needs
- Improve operational efficiencies by providing insights in to increasing productivity
- Cost Optimization throughout the overall organization
- Ensure secure investment plans are carried out

During the year, we strengthened our internal research and development capabilities by diverting additional resources to R & D. As a result, we were able to successfully

develop several timely solutions to address emerging market needs. We also continued with our product development activities and introduced few new products to the market during the year and conducted different repricing strategies to existing products along with adding new features.

### Union Sarumaga

A bundled product developed from the existing Union Life Plus to support bank partners

### Smart Wealth Builder

A fund accumulation universal life product with a loyalty bonus at maturity

## Contractual Relationships

The company takes continuous measures in strengthening its distribution channel by optimizing bancassurance partnerships and leveraging on technology to widen the reach. UA has secured 7 bancassurance partnerships to better perform in bringing in revenue to the company.

UA extended its bancassurance partnerships with Pan Asia bank during the year significantly strengthening its banca channel. While securing banca partnerships, UA took measures to further tighten the relationship through contractual relationships. Contractual relationships are rights which provide access to distribution networks. There are two such contractual relationship agreements with two financial institutions.



**COMMITMENT TO EXCELLENCE**

Our commitment to excellence in every aspect of our operation has contributed in no small measure to our brand value and acceptance as one of Sri Lanka’s leading insurance providers. During the year we continued to push boundaries receiving awards and accolades in a number of areas.



**Reporting Excellence**

**CMA Excellence in Integrated Reporting Awards 2022** organized by the Institute of Certified Management Accountants of Sri Lanka

- Ranked among the 10 Best Integrated Reports for the third consecutive year,
- Special award for Best Disclosure on Capitals

**Transparency International Sri Lanka’s (TISL) 2022 report**

- Union Assurance became the first insurer to reach the Top 10 in Transparency in Corporate Reporting. UAs ranking improved 8 places to be ranked 8th in 2022.

**CATAGS awards 2022**

- Awarded the silver award - Insurance sector for Gross Written Premium above RS 10 billion

**ACCA Sustainability Reporting Awards 2022**

- Awarded Runner up in the Financial services sectors for sustainability reporting.

**HR Practices**

**Great Place to Work (GPTW)**

- Recognized as a Best Workplace, ranking among the top 10 in the Banking, Financial Services, and Insurance Industry in Sri Lanka.



**Satynmag CIMA Women Friendly Workplace Awards 2022**

- Recognized as ‘One of Sri Lanka’s Most Outstanding Women-Friendly Workplaces’
- Category winner of the ‘She Thrives Award’ in acknowledgment of the Company’s female-friendly culture

**Brand Excellence**

**LMD Business Magazine in association with the world’s leading brand valuation consultancy Brand Finance**

- Ranked among the top three Most Loved Life Insurance brands in Sri Lanka.

**Product Excellence**

**The Global Business Magazine**

- Best Digitizing Life Insurance Sri Lanka 2022
- Best New Insurance Product Sri Lanka 2022
- Most Innovative Education Insurance Plan in Sri Lanka 2022
- Best CSR Insurance Company Sri Lanka 2022



**World Economic Magazine**

- Fastest Growing Life Insurance Company Sri Lanka
- Most Admired Insurance Company Sri Lanka
- Best Bancassurance Provider Sri Lanka
- Best CEO of the year (Life Insurance)
- Most Innovative Bancassurance Rewards Program in Sri Lanka
- Union Assurance’s Distribution Division was awarded Gold Awards in the National Forum of Life Insurance Advisors under the National and the Large Company categories.
- Ranked second for CUSTOMER SERVICE EXCELLENCE 2022 in the life insurance Industry based on an online survey conducted by LMD.

**WAY FORWARD**

As the insurance industry rapidly transforms in response to evolving demand dynamics, we will continue to focus on key areas that will set us apart from our competition. Our digital journey will be a key area of focus as we streamline our processes, extend our reach and deliver a more customer centric value proposition. We will also focus on increasing brand visibility particularly in new market segments.

	2023 Short Term Target	Beyond 2023 Medium to Long Term Target
STP rate	Not set due to prevailing economic conditions	65%+
Increase brand visibility	Increase in brand equity	Increase in brand equity
Product innovation	2 new products	2 new products
New features in Clicklife App	Assess and update inline with market requirements	Assess and update inline with market requirements

# SHARE INFORMATION

**ii** The number of shares in issue increased to 589,285,720 from 58,928,572 after the sub-division of each existing ordinary share of the Company into ten (10) new shares during the year.<sup>ii</sup>

## VALUE CREATED FOR SHAREHOLDERS

UA continued to deliver value to shareholders despite the prevailing extremely challenging operating context. The following measures depict the values thus created.



**Rs. 16.4 Bn**  
Market Capitalisation

## SHARE PERFORMANCE

UA is listed on the CSE (UAL.N0000) with a market capitalization of Rs.16.4 Bn as of 31 December 2022. The number of shares in issue increased to 589,285,720 from 58,928,572 after the sub-division of each existing ordinary share of the Company into ten (10) new shares during the year. Highlights of the UA share performance are depicted below;

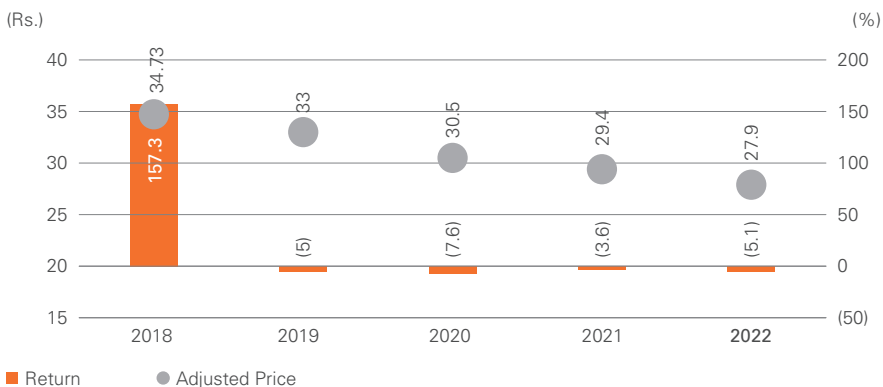


**Rs. 4.66**  
Earning Per Share

## ASPI vs UA Share Performance



UA's share price declined by 5% in 2022 to close at Rs. 27.90 and traded throughout the year with an average daily volume of 25,340 shares. The shares traded between a low of Rs.17.3\* and a high of Rs. 405 before share subdivision. The shares beta which reflects UA share movement against the movement in ASPI stood at 0.35 as of the fourth quarter of 2022.

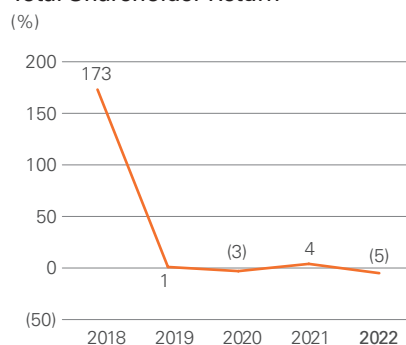


\*Adjusted share price after the share subdivision (1:10)

## TOTAL SHAREHOLDER RETURN

The total shareholder return (TSR) of UA's share stood at negative 5% for the period under review, while the total return index of the S&P SL20 recorded a return of negative 34.41%.

## Total Shareholder Return



## TRADING STATISTICS

During the year 5,650,712 UA shares traded through 6,349 trades. The average daily turnover of the UA shares was Rs. 1,206,087 in 2022 in comparison to Rs. 234,197 recorded in the previous year.



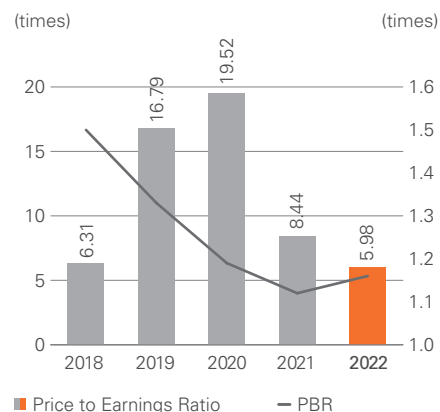
	2022	2021
Number of transactions	6,349	2,023
Number of shares traded	5,650,712	169,798
Value of shares traded	268,957,402	50,586,560
Shares traded as a percentage of total shares in issue (%)	0.73%	0.29%
Market Capitalization (Rs. Mn)	16,441	17,325
Percentage of Market Capitalization (%)	0.43%	0.32%
Gross Dividend (Rs. Mn)	-	1,296

### PRICE EARNINGS RATIO (PER) AND PRICE TO BOOK RATIO

UA's PER stood at 5.98 times as of 31 December 2022. It was lower than the 8.44 times recorded in 2021 mainly due to increase in EPS. The sector and market PE stood at 6.99 times and 4.95 times respectively.

The price to book value ratio as of 31 December 2022 was 1.16 times compared to 1.12 times the previous year due to the decline in net assets. The sector and market price to book value stood at 0.98 times and 0.91 times respectively.

### Price Earnings Ratio (PER) and Price to Book Ratio

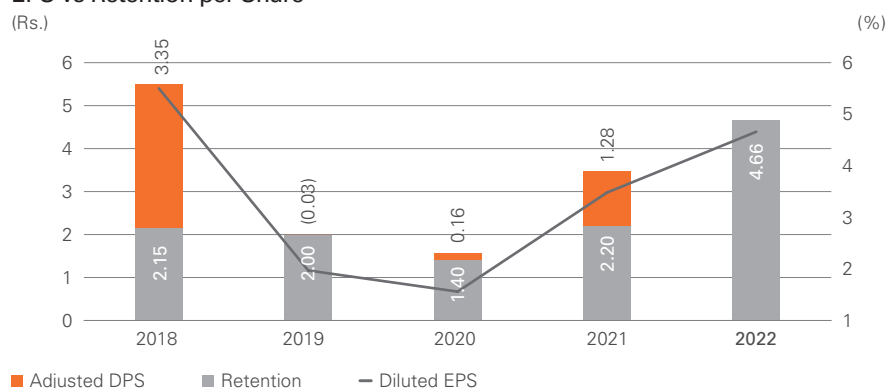


### EPS VS. RETENTION PER SHARE

The fully diluted earnings per share (EPS) for the financial year increased by 34% to Rs.4.66 per share [2021: Rs.3.48\*] due to an increase in profit during the year.

\*Adjusted for share sub-division of 1:10 shares in 2022.

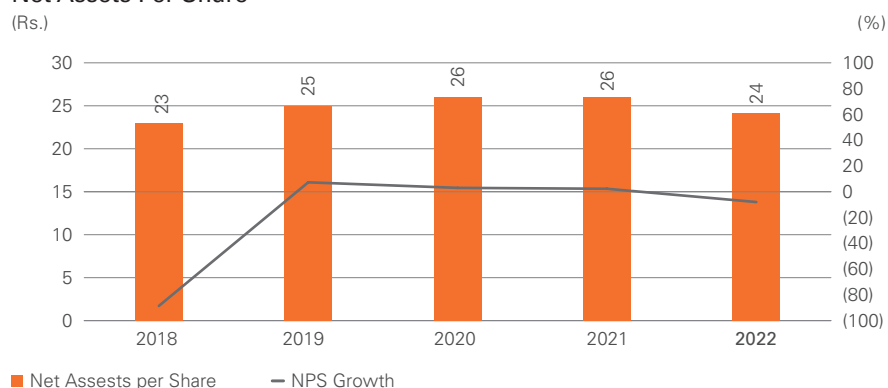
### EPS vs Retention per Share



### NET ASSETS PER SHARE (NPS)

Net Assets per Share decreased by 8% to Rs. 24.12 due to decline in Available for Sale Reserves. This was due to the unrealized losses of the available for sale treasury assets held that resulted due to high interest rates.

### Net Assets Per Share

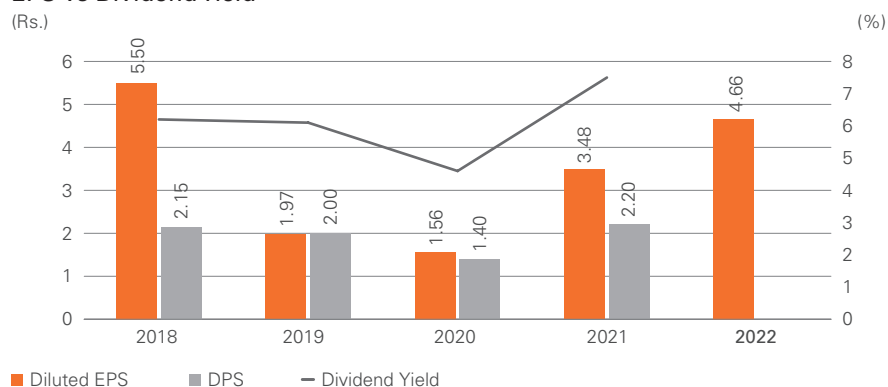



### DIVIDEND YIELD

UA's dividend policy aims to provide a dividend distribution that is correlated with the rise in earnings and ensures maintaining a healthy Capital Adequacy Ratio.

# SHARE INFORMATION

## EPS vs Dividend Yield



 **Rs. 5.01**  
Cash Earning

 **1.16**  
Price to Book Ratio

Note: EPS and DPS of previous years were adjusted for share sub-division of 1:10 shares in 2022.

Summary Company Indicators		2022	2021	2020
Market Capitalization	(Rs.Billion)	16,441	17,325	17,973
Diluted EPS	(Rs.)	4.66	3.48	1.56
PER	(Diluted)	5.98	8.44	19.52
Price to Book Value	(Times)	1.16	1.12	1.19
Price/Cash Earnings	(Times)	5.01	6.96	13.71
Dividend Yield	(%)	-	7%	5%
Dividend Payout Ratio	(%)	-	63%	90%
Net Assets Per Share	(Rs.)	24.12	26.23	25.64
TSR	(%)	-5%	4%	-3%

## 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 Company has 1,691 registered individual shareholders representing 93.68% of the shareholders. A majority of the individual shareholders are residents of Sri Lanka and 6.32% of the company shareholdings consists institutional shareholding. The top 20 shareholders hold 96.28% of UA's share capital. The directors do not hold any share in their capacity as of 31st December 2022.

## COMPOSITION OF SHAREHOLDERS

	31-Dec-22				31-Dec-21			
	No. of Shareholders	%	No. of shares	%	No. of Shareholders	%	No. of shares	%
Directors & spouses:	-	-	-	-	-	-	-	-
<b>Resident:</b>								
Individuals	1,676	6.23	37,072,610	6.23	1,385	6.14	3,619,638	6.14
Institutions	109	91.74	545,524,153	91.74	92	92.76	54,654,991	92.75
<b>Non-Resident:</b>								
Individuals	15	1.01	673,190	1.01	13	0.11	66,649	0.11
Institutions	5	1.01	6,015,767	1.01	3	1.00	587,294	1.00
<b>Total</b>	<b>1,805</b>	<b>100.00</b>	<b>589,285,720</b>	<b>100.00</b>	<b>1,493</b>	<b>100.00</b>	<b>58,928,572</b>	<b>100.00</b>

**DISTRIBUTION OF SHAREHOLDERS**

Range of Shareholders	31-Dec-22				31-Dec-21			
	No. of Shareholders	%	No. of shares	%	No. of Shareholders	%	No. of shares	%
Less than 1,000	780	0.04	214,109	0.04	1,117	74.82	256,604	0.44
1,001 to 10,000	616	0.45	2,661,282	0.45	315	21.10	1,021,739	1.73
10,001 to 100,000	346	1.95	11,484,378	1.95	53	3.55	1,450,666	2.46
100,001 to 1,000,000	56	2.52	14,874,017	2.52	6	0.4	1,763,848	2.99
1,000,001 to 10,000,000	5	2.66	15,694,784	2.66	1	0.07	1,400,000	2.38
Over 10,000,001	2	92.38	544,357,150	92.38	1	0.07	53,035,715	90.00
<b>Total</b>	<b>1,805</b>	<b>100.00</b>	<b>589,285,720</b>	<b>100.00</b>	<b>1,493</b>	<b>100.00</b>	<b>58,928,572</b>	<b>100.00</b>

**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 capitalization is as given below;

Range of Shareholders	31-Dec-22				31-Dec-21			
	No. of Shareholders	No. of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)	No. of Shareholders	No. of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)
Public Shareholding	1,805	58,923,570	10%	1.6	1,493	5,892,357	10%	1.7

**DIRECTORS' SHAREHOLDING**

No. of Shares as at	31.12.2022	31.12.2021
Mr. Krishan Niraj Jayasekara Balendra - (Chairperson)	Nil	Nil
Mr. Suresh Rajendra	Nil	Nil
Mr. Daminda Prabhath Gamlath	Nil	Nil
Mr. Dumith Hemantha Fernando	Nil	Nil
Mr. Stephen Anthony Appleyard	Nil	Nil
Mr. Warnage Malinga De Fonseka Arsakularatne	Nil	Nil

**CEO'S SHAREHOLDING**

No. of Shares as at	31.12.2022	31.12.2021
Mr. Jude Gomes	5,000	500

# SHARE INFORMATION

## TWENTY LARGEST SHAREHOLDERS

Name of Shareholder	As at 31 December 2022		As at 31 December 2021	
	No. of shares	%	No. of shares	%
John Keells Holdings PLC	530,357,150	90.00%	53,035,715	90.00%
Mr. S. N. P. Palihena	14,000,000	2.38%	1,400,000	2.38%
Citibank Newyork S/A Norges Bank Account 2	5,802,940	0.98%	580,294	0.98%
Hatton National Bank PLC / Suktam Holdings (Pvt) Ltd	5,168,750	0.88%	-	-
People's Leasing & Finance PLC / Mr. L. P. Hapangama	1,844,414	0.31%	102,882	0.17%
Corporate Holdings (Private) Limited	1,493,730	0.25%	149,373	0.25%
Captain D. V. H. Palihena	1,384,950	0.24%	138,495	0.24%
Mrs. A. Selliah	1,000,000	0.17%	102,882	0.17%
People's Merchant fiannce PLC / P.T.S. De Silva	827,109	0.14%	82,100	0.14%
People's Leasing & Finance PLC / Mr. L. H. L. M. P Haradasa	805,325	0.14%	78,494	0.13%
Mr. J.D.Bandaranayake & Miss. N. Bandaranayake & Dr. (Mrs.) V.Bandaranayake	590,190	0.10%	59,019	0.10%
Mr. J.D. Bandaranayake & Miss. I. Bandaranayake & Dr. (Mrs.) V. Bandaranayake	590,190	0.10%	59,019	0.10%
Mr. J. W. Nanayakkara	562,500	0.10%	56,250	0.10%
Mr. H. A. D. Ratnapala	562,500	0.10%	56,250	0.10%
Dr. S. Selliah	500,000	0.08%	50,000	0.08%
Mr. V. Sharda	442,000	0.08%	44,200	0.08%
People's Leasing & Finance PLC / Dr. H. S. D. Soysa & Mrs. G.Soyasa	403,500	0.07%	73,135	0.12%
Mr. N. D. Kurukulasuriya	390,000	0.07%	39,000	0.07%
Mrs. L. Amaradasa	337,500	0.06%	33,750	0.06%
Mr. M.N. Aththas	306,450	0.05%	-	-
Others	21,916,522	3.72%	1,994,910	3.39%
<b>Total number of shares issued</b>	<b>589,485,720</b>	<b>100.00%</b>	<b>58,928,572</b>	<b>100%</b>

## 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	(26,785,714)	-
2015	Capital re-organization		-	(125,000,020)
2022	Share subdivision	10:01	530,357,148	-
			589,285,572	1,000,000,000

# PROCESSES TO STAY AHEAD OF THE CURVE

## Stewardship

118 Corporate Governance

165 Enterprise Risk Management



# CORPORATE GOVERNANCE

## BOARD OF DIRECTORS

### KRISHAN BALENDRA

Chairperson/Non-Executive Director

(Member of the Board since 01 January 2019)

**Board Sub-Committees:** Member of the Nominations Committee and the Project Risk Assessment Committee of John Keells Holdings PLC.

**Skills and Experience:** Krishan is a former Chairperson 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:** Krishan is the Chairperson of John Keells Holdings PLC and Chairperson of many listed companies in the John Keells Group.

**Others:** He is the Deputy Vice Chairperson of the Ceylon Chamber of Commerce, and also the Hon. Consul General of the Republic of Poland in Sri Lanka. Krishan is the Chairperson 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 the Board Audit and Compliance Committee and SLFRS 17 Steering Committee.

**Skills and Experience:** Suresh has over 30 years of experience in the fields of Finance, Property Development and 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, U.K.

**Other Current Appointments:**

**Listed Companies:** Suresh serves as a Director of Asian Hotels & Properties PLC, Trans Asia Hotels PLC and John Keells Hotels PLC.

**Others:** Suresh is a member of the Group Executive Committee and President of the Leisure Group of the John Keells Group. He is also responsible for both John Keells Information Technology (Pvt) Limited and John Keells Stockbrokers. Further he serves as a Director in many unlisted companies of the John Keells Group.

### DUMITH FERNANDO

Independent Non-Executive Director

(Member of the Board since 03 August 2018)

**Board Sub Committees:** Member of the 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 over 26 years of experience in international and Sri Lankan capital markets, having spent much of his career in the global financial centres of 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, Dumith was the Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific and a Member of that firm's Global Leadership Council.

**Other current appointments:**

**Listed Companies:** Dumith holds the position of an Independent Director of Singer (Sri Lanka) PLC.

**Others:** Dumith is the Chairperson 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 clients. He is a member of the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.



## STEPHEN ANTHONY APPEYARD

Independent Non-Executive Director

(Member of the Board since 01 January 2019)

**Board Sub Committees:** The Chairperson of the SLFRS 17 Steering Committee.

**Skills and Experience:** Stephen has over 26 years of experience in the Life Insurance industry across Europe, US and Asia. He has held the Country Manager/CEO role at AIA (Indonesia), Allianz (Ayudhya Allianz C.P. Thailand), SCB Life (Thailand), as well as holding

the office of Regional CEO partnerships at AIA (Hong Kong), and is currently the Head of Distribution for AXA Asia (Life and Non-Life Insurance). Stephen has served as a Consultant to Direct Money (Vietnam) on Telco-assurance start-ups and is an Advisor to many Fintech companies. He has deep experience in Strategy, Distribution, Marketing, Finance and Operational Transformation.

Stephen holds a Bachelor of Science from Sheffield Hallam University and an MBA from the University of Manchester.

**Other Current Appointments:**

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

**Others:** None

## DAMINDA GAMLATH

Non-Executive Director

(Member of the Board since 10 June 2020)

**Board Sub Committees:** None

**Skills and Experience:** Daminda holds a BSc. in Engineering from the University of Moratuwa and an MBA from the University of Colombo. He is a passed finalist of CIMA U.K. His areas of specialisations are Financial Accounting, Management Accounting, Business Analysis, Sales, Marketing and General

Management. Daminda currently serves as the 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 John Keells Group, Daminda was with Hayleys Electronics Ltd and Hayleys Industrial Solutions (Pvt) Ltd.

**Other current appointments:**

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

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

## MALINGA ARSAKULARATNE

Independent Non-Executive Director

(Member of the Board since 14 July 2020)

**Board Sub Committees:** Chairperson of the Board Audit and Compliance Committee.

**Skills and Experience:** Malinga has over 25 years of experience in Investment Management, Corporate Finance, Business Strategy and General Management. He has held several roles during his 16 year 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, U.K. 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:** hSenid Business Solutions PLC.

**Others:** Malinga is a Director of Acorn Partners (Private) Limited, Acorn Ventures (Private) Limited, Acorn Air Services (Private) Limited, Acorn Management Services (Private) Limited, Acorn Travels (Private) Limited, Diethelm Travel Lanka (Private) Limited, Air Services Maldives Pvt Ltd, LTU Asia Aviation Services Co Ltd, Thailand, Discover the World (Thailand) Co Ltd, Fortiz Logistics International (Pvt) Ltd, Asia International Academy Holdings (Pvt) Ltd, British Institute of Engineering and Technology (Pvt) Ltd, Ifinity (Pvt) Ltd, Digital Healthcare Solutions (Private) Ltd, Asian Elite Holiday (Pvt) Ltd.

# CORPORATE GOVERNANCE

## EXECUTIVE COMMITTEE

### JUDE GOMES

Chief Executive Officer

Jude joined Union Assurance on 01 December 2019. He has over 30 years of experience in Financial Services, working across key Asian markets. Previously, he was heading Manulife China Bank Life Assurance Co., Philippines as the CEO and President. Jude has been with Manulife Group since 2012, pioneering Alternate Distribution in Vietnam as Vice President. He was a founder member of Canara HSBC OBC Life Insurance Co., as Senior Vice President and was subsequently seconded to Hong Kong at HSBC Insurance Asia-Pacific (APAC) 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 CBOP. 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 prestigious titles of 'CEO of the Year' in 2020 by CEO monthly magazine, U.K., 'CEO of the Year' and 'Visionary Leader of the Year' in 2021 at the Business Leader of the Year Awards organized by the World Leadership Congress.

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 a certified Associate of the Indian Institute of Bankers (CAIIB-1), Mumbai. He is also a Fellow Member of The Institute of Chartered Professional Managers of Sri Lanka.

### SENATH JAYATILAKE

Deputy Chief Executive 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 Senior

Vice President of the John Keells Group and accounts for over 14 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 (U.K.), an MBA from the University of Sri Jayewardenepura and is an Associate Member of the Chartered Institute of Management Accountants, U.K.

### HARSHA SENANAYAKE

Chief Information Officer

Harsha joined Union Assurance in October 2016.

He has been with the John Keells Group for more than 16 years, where he has gained experience in IT and Management. During Harsha's tenure at John Keells, he was instrumental in the implementation of SAP and also promoting it as an ERP

solution to many leading organizations in Sri Lanka. Harsha also plays a pivotal role in the Group's digitization initiatives and in driving technology innovation to all areas of business.

In addition to his current role at Union Assurance, he oversees the IT functions of John Keells Stockbrokers and serves as

the Head of Business Systems, Financial Services Sector of the Group.

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 finance responsibilities in the Apparel industry. Asha also serves as a Senior Vice President of John Keells Holdings

PLC, with multi sectoral experience in Information Technology, Leisure, and Plantation services, and has an overall tenure of 17 years and 26 years of professional experience respectively.

Asha holds a Master of Business Administration (MBA) from the Post

Graduate Institute of Management (PIM), a BSc. in Management (Human Resource Management) from the University of Sri Jayewardenepura - Sri Lanka and is an Associate Member of the Chartered Institute of Management Accountants, U.K.

**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 12 years of experience in the fields of Insurance, Finance, Reinsurance, product

development, Life Operations, customer service and Alternate Sales & marketing.

Rumesh holds a Master's in Business Administration (MBA) from the Postgraduate Institute of Management (PIM) – the University of Sri Jayewardenepura, an Associate

Member of the Chartered Institute of Management Accountants U.K. – CIMA, a Fellow Member of the Chartered Insurance Institute U.K. (FCII), and a Chartered Insurer.

**IMTIYAZ ANIFF**
**Chief People Officer**

Imtiyaz joined Union Assurance in September 2021.

Prior to joining Union Assurance, he was with Dialog Axiata PLC as the Head of Digital Organization and Culture Transformation. Imtiyaz is a Senior HR specialist with 18 years' experience in the Banking, IT, FMCG and

Telecommunications sectors across both Multinational Companies and leading local Conglomerates. He has provided leadership for many projects globally and was presented with the HR Leadership Award, by the World HRD Congress in 2020. Imtiyaz holds an MBA (Merit) from the University of Wales, a Chartered

Qualification in Human Resources Management from Chartered Institute of Personnel Management, Sri Lanka a Senior Certified Professional IPMA-HR (USA), a Certified Coach – Results Coaching Systems, a Certified Assessor – SHL and a Member of the Australian Human Resources Institute.

**MAHEN GUNARATHNA**
**Chief Marketing Officer**

Mahen joined Union Assurance in November 2021.

He is a marketing professional with over 17 years of experience in local and international markets, and has

worked with multinational companies such as Hilton, AVIVA and AIA. Mahen holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a

qualified member of CIM-UK and SLIM and a Certified Professional Marketer of the Asia Marketing Federation. Mahen is also a lecturer and examiner at CIPM and IIHS.

**SHUBHAM JAIN**
**Chief Actuarial Officer**

Shubham was appointed as the Chief Actuarial Officer of Union Assurance in May 2022.

His extensive experience includes providing actuarial services to various life insurance companies across multiple geographies including Sri Lanka, India, UK, Germany, Indonesia, Japan

and other south-east Asian markets. His knowledge spans across various aspects including actuarial valuations, financial risk management, product development and pricing, embedded value, mergers and acquisitions, IFRS 17, strategic asset allocation and development of governance framework for participating businesses.

Shubham is a fellow of Institute and Faculty of Actuaries (IFoA) and the Institute of Actuaries of India (IAI). He is also a Certified Enterprise Risk Actuary (CERA) and a member of the CERA global association. Shubham holds an honours degree in Science (Statistics) from the University of Delhi.

# CORPORATE GOVERNANCE

## THE CHAIRPERSON'S STATEMENT ON CORPORATE GOVERNANCE



We strongly believe that a comprehensive corporate governance framework is important as it creates a system of rules and practices that determine how the organization operates and how it aligns with the interest of all its stakeholders. This Report demonstrates the framework and our approach towards Corporate Governance, to ensure the highest standards of governance and compliance within the Company.

### GOVERNANCE ATTITUDE

The highest standards of transparency, reliability and ethical business conduct are well established guiding principles within the Company, which are articulated in a comprehensive policy framework and via a Code of Conduct, that is communicated and understood by all employees. Further, the Company's policy framework embraces international best practices and complies with voluntary frameworks, providing a solid foundation for performance as well as effective risk management. The governance structure serves to ensure judicious empowerment, and to create an appropriate balance of authority and responsibility within the Company.

### 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 the Company, with clearly defined mandates and authority levels whilst maintaining its accountability.

The Board maintains an independent and diverse composition, to provide guidance on strategic direction and for efficient decision making. A self evaluation of the Board's performance is conducted annually.

### 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 up a robust system of internal controls and risk management processes is a key responsibility of the Board, and we are assisted in this endeavour 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. Please refer to the report of the BACC on pages 137 to 139.

### ENGAGEMENT WITH STAKEHOLDERS

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.

### GOVERNANCE DURING ADVERSE ECONOMIC CONDITIONS

Our role as a Life Insurance provider became even more challenging with socio-economic downturn and economic crisis impacting all the key sectors in the economy. Faced with new challenges as a result of the economic crisis, the Board of Directors while ensuring that good governance discipline was maintained, remained committed to delivering our values with remarkable resilience, combined with vital support from the Company Management. Further details are provided on page 124.

### WAY FORWARD

We will continue to monitor the macro-economic developments and remain proactive to drive growth and improve returns, while continuing to invest in our people.

Furthermore, the Board through the SLFRS 17 Steering Committee, will ensure institutional readiness for SLFRS 17 implementation, both technically and

strategically. The current progression and expected future plans of the governance framework for SLFRS 17 are provided on page 125.

### SUCCESSION

As per the planned organizational leadership transition, Mr. Senath Jayathilake, previously the Chief Distribution Officer, assumed duties as the Deputy Chief Executive Officer on 1 January 2023 and he will take over reigns as the Chief Executive Officer with effect from 1 January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer, on the 31st of December 2023.

### STATEMENT OF DECLARATION

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics in the Code of Best Practice on Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and work-related situations.

*Krishan Balendra*

Krishan Balendra  
Chairperson

28 February 2023

## CORPORATE GOVERNANCE COMMENTARY

### KEY CORPORATE GOVERNANCE INITIATIVES FOR THE YEAR 2022



The Company launched the diversity, equity and inclusion (DE&I) policy, the overarching policy that underlies the Company's overall commitment to DE&I. The Company recognises that organisations that constitute diverse and inclusive workforces are best placed to innovate, retain talent and deliver better overall results, and firmly believes that it can achieve its highest potential through bringing together diverse perspectives and backgrounds. The DE&I policy launched is based on the key principles of:

- Empowerment and inclusion
- Zero tolerance for discrimination
- Equal opportunity
- Equal participation
- Diverse value chains



The cyber security resilience was strengthened by implementing the Center of Internet security (CIS) benchmark, set of globally recognized and consensus-driven IT security best practices and further improved ISO:27001 controls.



Certain preliminary and key measures were taken by the Company for ensuring compliance with the Personal Data Protection Act (PDPA) which will be rolled out in a staggered manner, during which the different parts of PDPA would come into operation. Among those measures, undertaking a data flow mapping, identification of key data processors, initiating execution of data processing agreements with key data processors, and raising awareness on PDPA with key stakeholders, were the key measures implemented during the year.



Seamlessly integrated "goAML" reporting requirement with the Financial Intelligence Unit of Sri Lanka in compliance with the United Nations Anti-money-laundering system. This project was successfully completed ahead of the regulatory timelines.



The Audit, Risk and Compliance division together with the support of the cross-functional teams, continued to make a significant contribution towards strengthening the control environment of the Company, having enhanced several independent audits and reviews, awareness and training sessions on Audit and Compliance aspects, along with facilitating and implementing several new initiatives.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE COMMENTARY

### CORPORATE GOVERNANCE AND ECONOMIC CRISIS

The phenomenon of “Sri Lankan Economic crisis” has entered the corporate risk and the board has taken stringent and timely controls over it to battle and combat the situation. The crisis has been grounded in Sri Lankan perspective almost all throughout the financial year and the risks have been best understood and governance was in place up to an admirable degree in this critical atmosphere. Our emphasis below is profoundly focused and concentrated on how the corporate governance played its main role tackling the current condition in an economic turmoil.

#### Economic Crisis in Sri Lanka

Sri Lankan Economy has been facing multiple challenges, rather some are more perilous than some of other parts and have greater gravity of disturbing the health and stability of insurance industry as a whole. The economic slowdown coupled with extremely high inflation, rising interest rates, decrease in foreign exchange reserves were some of the key issues faced during the period.

### Corporate Governance in the Face of Economic Challenges

The board has faced one of the most challenging periods in history however, managed to overcome the difficulties in a stormy economy. The collective leadership response at an economic downturn is quite remarkable specially in mitigating risks. The concept of economic crisis heads-on with the corporate governance agenda. The board has perceived their strategic direction in line with the external challenges in both local and global context. Issues such as inflation, recession, as we discussed earlier along with executive retention, regulatory enforcement to name a few are being addressed in a methodical manner.

As far as remuneration is concerned the steering group has rolled out competitive remuneration/incentive schemes that encourage long term performances and instrumental in adjusting related risks. The corporate leadership has focused on a fundamental driving force in business and entrepreneurship to ensure the risks are understood, managed and when

appropriate communicated. The board has always treated every segment, every unit of the business separately and has always been overseeing the risk management structure. The board is constantly reviewing and provide guidance on the alignment of the corporate strategy that has already been set up.

Customer support has been a critical focus area for the Board throughout this period. The Board along with Management, facilitated the provision of Insurance services to customers, which were accessible from the safety, comfort and convenience of their homes.

The Board considered employee wellbeing to be paramount throughout the crisis in safeguarding to the extent possible the financial status of employees. The Board took into account employee survey results on how employees were coping throughout the year, and considered the appropriateness of Management’s support in assisting employees to cope with some of the challenges as a result of the economic crisis.

### COMPLIANCE BY THE COMPANY WITH MANDATORY AND VOLUNTARY CODES OF GOVERNANCE

Requirement/Standard/Principle/Code	Adherence	Compliance Status	Page Reference
1 Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL), under Section 96 (A) of the regulation of Insurance Industry Act No. 43 of 2000	Mandatory	Complied	158
2 Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure	Mandatory	Complied	159
3 Statement of Compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)	Mandatory	Complied	160 to 161
4 Code of Best Practice on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory	Complied	161

Requirement/Standard/Principle/Code	Adherence	Compliance Status	Page Reference
5 Content of the Annual Report as per Section 168 of the Companies Act No. 7 of 2007	Mandatory	Complied	161
6 Code of best practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied	-
7 Code of best practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied with the code to the full extent of business exigency	162 to 164

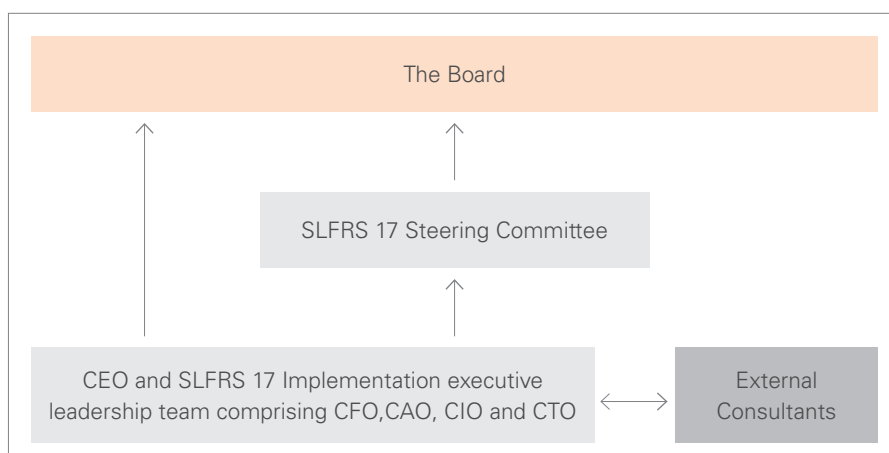
### IMPLEMENTATION OF SLFRS 17

In July 2022 the Chartered Institute of Sri Lanka approved to defer the effective date of SLFRS 17 – Insurance Contracts till periods beginning 01st of January 2025. There deferral of the effective date of SLFRS 17 will further help UA in understanding the fundamental changes that SLFRS 17 will require in insurance activities and the complexity of applying the standard’s requirements.

The Company has recognized the necessity for strong project management and an appropriate governance structure for successful implementation. Understanding the importance of the SLFRS 17 implementation project, the Board appointed a SLFRS 17 Steering Committee to assist the Company through a review, restructuring and transition process, and to advise the Board on the institutional readiness for SLFRS 17, both tactically and strategically.

The role and the functions of the SLFRS 17 Steering committee is explained in page 136.

#### SLFRS 17 Implementation Project Governance Structure



**7**  
The Company has recognised the necessity for strong project management and a sound governance structure for successful implementation of SLFRS 17. **7**

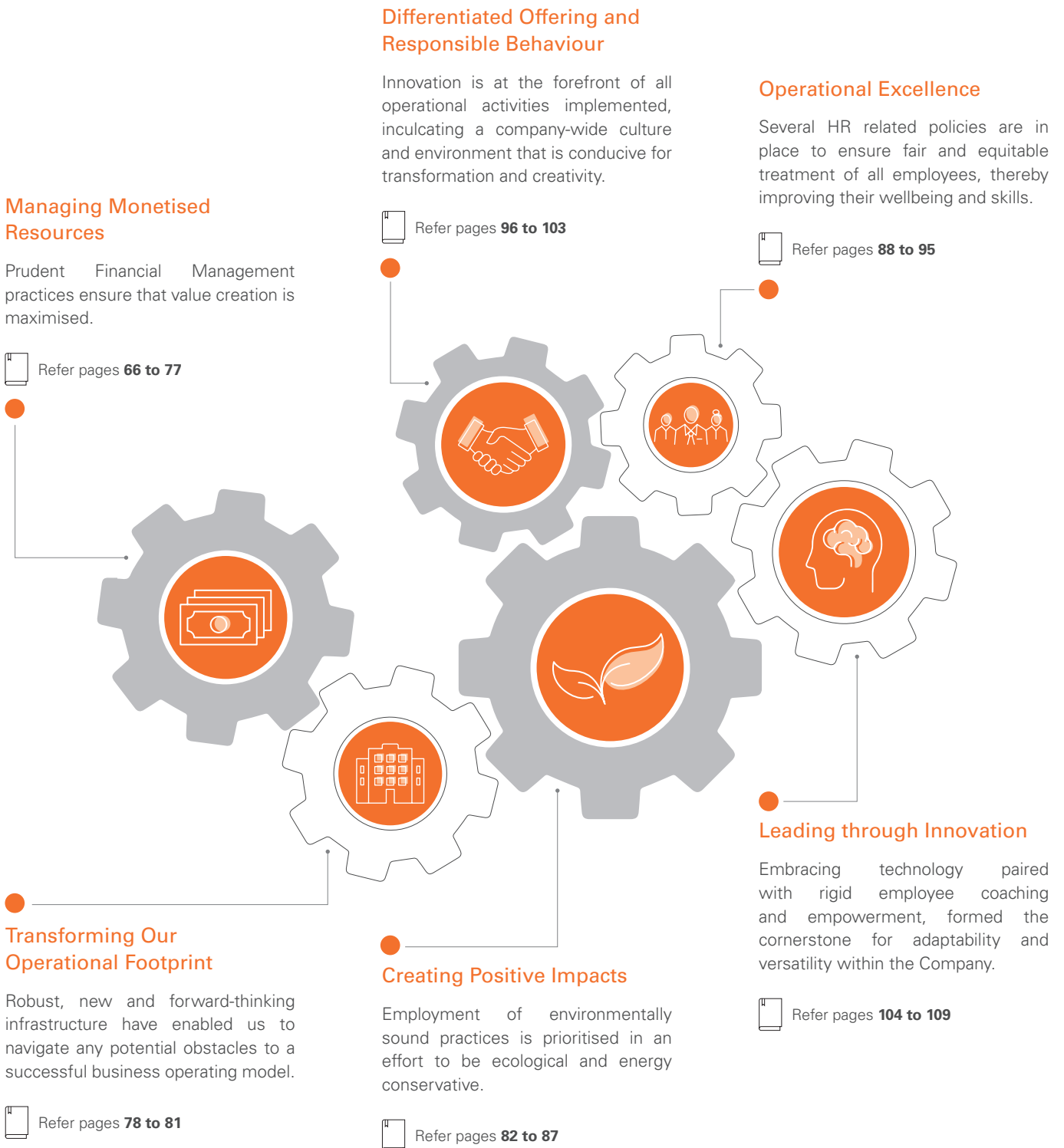
The SLFRS 17 implementation project team is represented by members across multiple functions including Finance, Actuarial, IT and Technical. The project team follows the SLFRS 17 implementation project plan and have regular meetings to discuss the progress of the project, risks, challenges and resource requirements.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE COMMENTARY

### How Corporate Governance Uplifts our Value Creation Process:

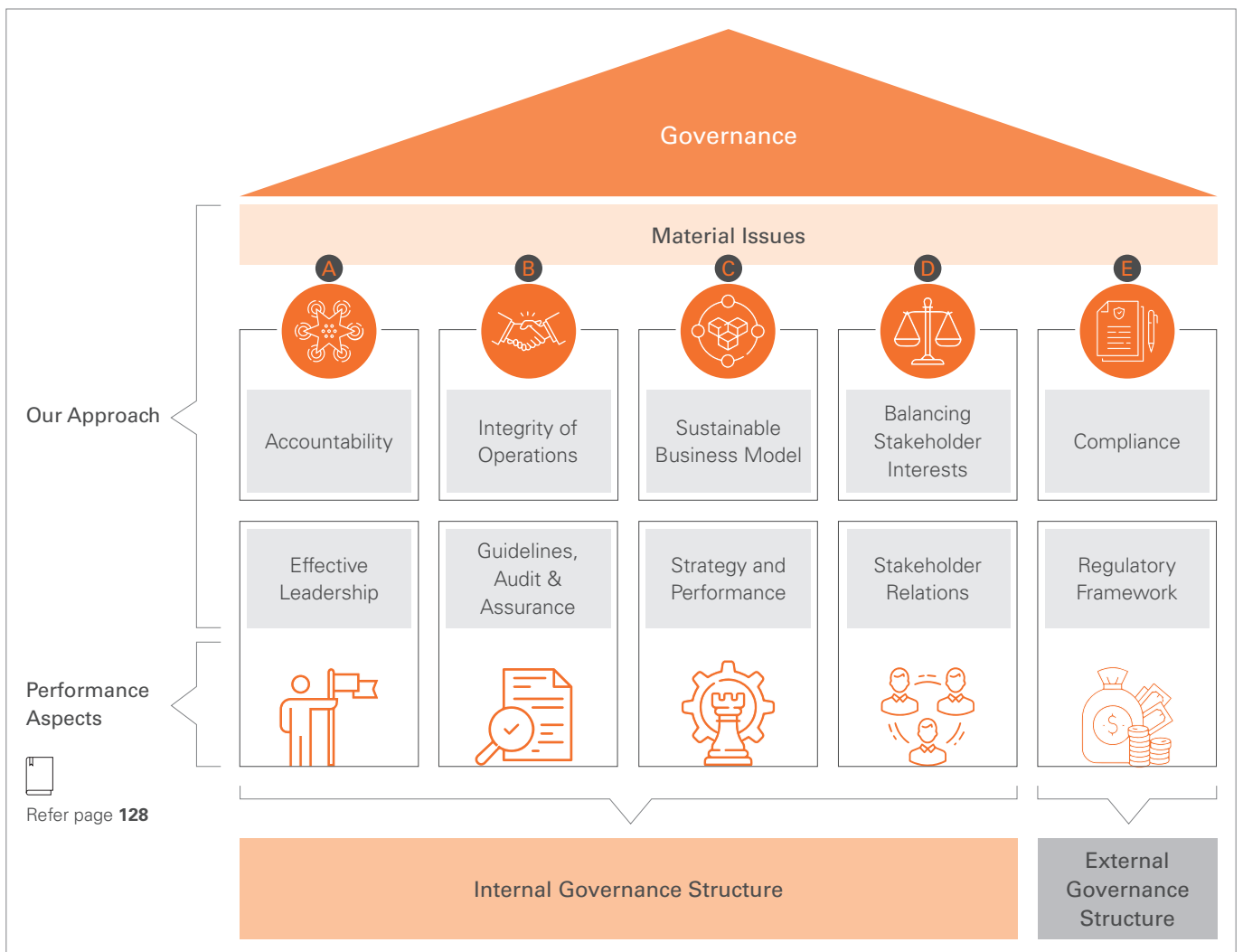
Corporate Governance is at the core of our Value Creation process, and is connected to the organisational Capitals as depicted below;





# HOW WE ADMINISTER CORPORATE GOVERNANCE

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



## INTERNAL GOVERNANCE STRUCTURE

The structure in place focuses on the responsibility of the Board of Directors, Board sub-committees, and Senior Management 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 internal control systems, including risk controls, compliance and internal audit. A summary of the elements of the internal and external governance structures are highlighted in the Company’s Corporate Governance model.


# CORPORATE GOVERNANCE

## HOW WE ADMINISTER CORPORATE GOVERNANCE


### Performance Aspects




EFFECTIVE LEADERSHIP		
Section Number	Description	Page Ref.
1.1	• Our Internal Governance Structure	129
1.2	• Composition of Board, and Skills and Diversity	130
1.3	• Board Responsibilities	131
1.4	• Chairperson & Chief Executive Officer	131 - 132
1.5	• Board Meetings	132
1.6	• Board Appointment & Re-election	133
1.7	• Board Independence	133 - 134
1.8	• Supply of Information	134
1.9	• Access to Independent Professional Advice	134
1.10	• Board Induction & Training	134
1.11	• Board Appraisal	134
1.12	• Appraisal of CEO	134
1.13	• Fair Remuneration	135
1.14	• Board Sub-Committees	135 - 142
1.15	• Investment Committee	144 - 146
1.16	• Corporate Senior Management Committee	146
1.17	• Executive Committee of UA & its Sub-committees	146 - 147
1.18	• Company Secretary	147




STRATEGY AND PERFORMANCE		
Section Number	Description	Page Ref.
3.1	• Risk Management and Internal Controls	151
3.2	• ESG Factors	151
3.3	• Succession Planning	152
3.4	• Business Continuity Plan	152 - 153
3.5	• IT Governance & Cyber Security	153 - 154
3.6	• IT Controls over Financial Reporting	155
3.7	• Innovation	155
3.8	• Inspired employees	155



STAKEHOLDER RELATIONS		
Section Number	Description	Page Ref.
4.1	• Stakeholder Engagement	155
4.2	• Communication Channels	155
4.3	• The Annual General Meeting	156
4.4	• Annual and Interim Reports	156
4.5	• Gender Parity	156



GUIDELINES, AUDIT & ASSURANCE		
Section Number	Description	Page Ref.
2.1	• Charters & Policies	148
2.2	• Systems, Controls & Assurance	148 - 149
2.3	• Code of Business Conduct & Ethics	149 - 150
2.4	• Related Party Transactions and Conflict of Interest	150 - 151
2.5	• Assurance by Internal Auditors	151
2.6	• Assurance by External Auditors	151



REGULATORY FRAMEWORK		
Section Number	Description	Page Ref.
5.1	• Compliance framework and self-regulatory checklists	157
5.2	• Statutory and regulatory compliance	157

**(A) ACCOUNTABILITY**

**1.0 Effective Leadership**

**The Board of UA (BoD) & Board Sub-committees**

The Board is appointed by the Shareholders, and has ultimate responsibility and accountability for the performance of the Company and its affairs. The Board seeks to provide effective leadership in driving sustainable value while balancing the interests of all stakeholders. The Board determines the strategic direction of the Company, manages risk and sets in place a sound Governance framework.

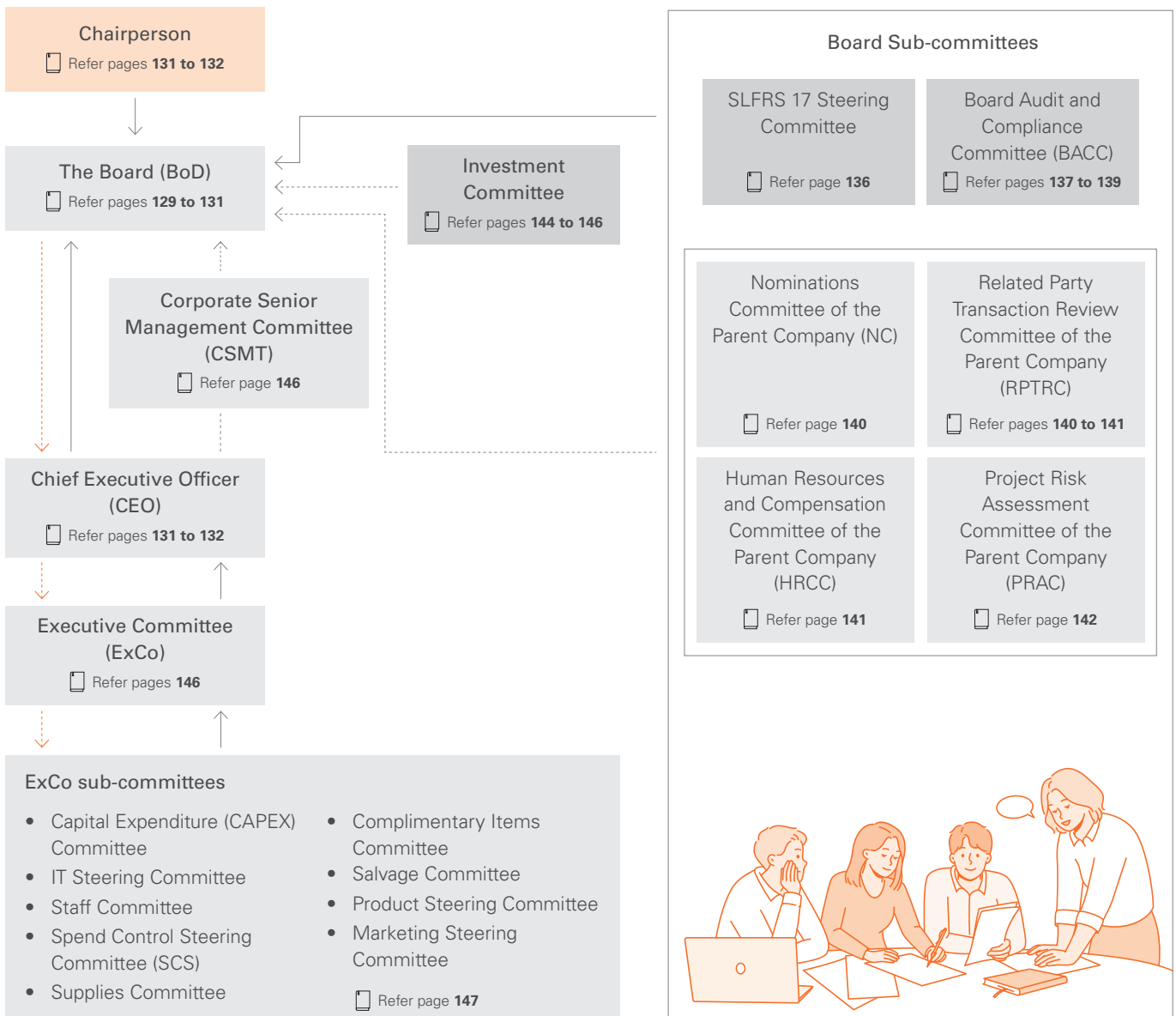
Certain responsibilities of the Board have been delegated to Board sub-committees and the Executive Management of UA, which is explained in detail through this report.

The Nominations Committee, the Human Resources and Compensation Committee, the Related Party Transaction Review Committee and the Project Risk Assessment Committee of John Keells Holdings PLC being the Parent Company of UA ("Parent Company"), serve as sub-committees for the Board of UA. Details of the sub-committees and their reports are provided on pages 135 to 142.

**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 core responsibilities between the Chairperson and CEO. Our internal governance structure is depicted below;



# CORPORATE GOVERNANCE

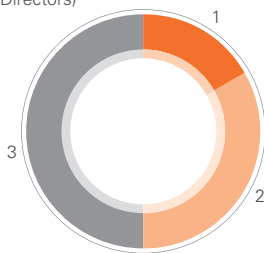
## HOW WE ADMINISTER CORPORATE GOVERNANCE

### 1.2 Board Composition, Skills and Diversity

The Board of Union Assurance consisted of six Directors as at 31 December 2022. All the Directors are Non-Executive Directors and three of them are Independent Directors. The Board is diverse in its experience, expertise and age, contributing varied perspectives to boardroom deliberations whilst exercising independent judgement to bear on all matters. Brief profiles of the six Board members are given on pages 118 to 119 of this report. The following illustrates the key skills, composition and personal attributes of the Directors of Union Assurance PLC.

#### Board Composition

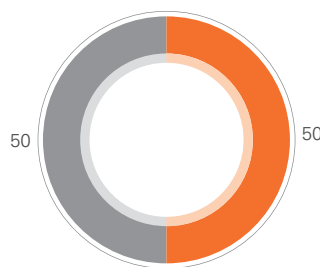
(No. of Directors)



- Chairperson (Non-Independent Non-Executive Director)
- Non-Independent Non-Executive Directors
- Independent Non-Executive Directors

#### Independence

(%)



- Independent Non-Executive Directors
- Non-Executive Directors

#### Diversity - Age

(%)



- 40-50
- 50-60

#### Nationality

##### United Kingdom

1 Director -  
Mr. S. Appleyard



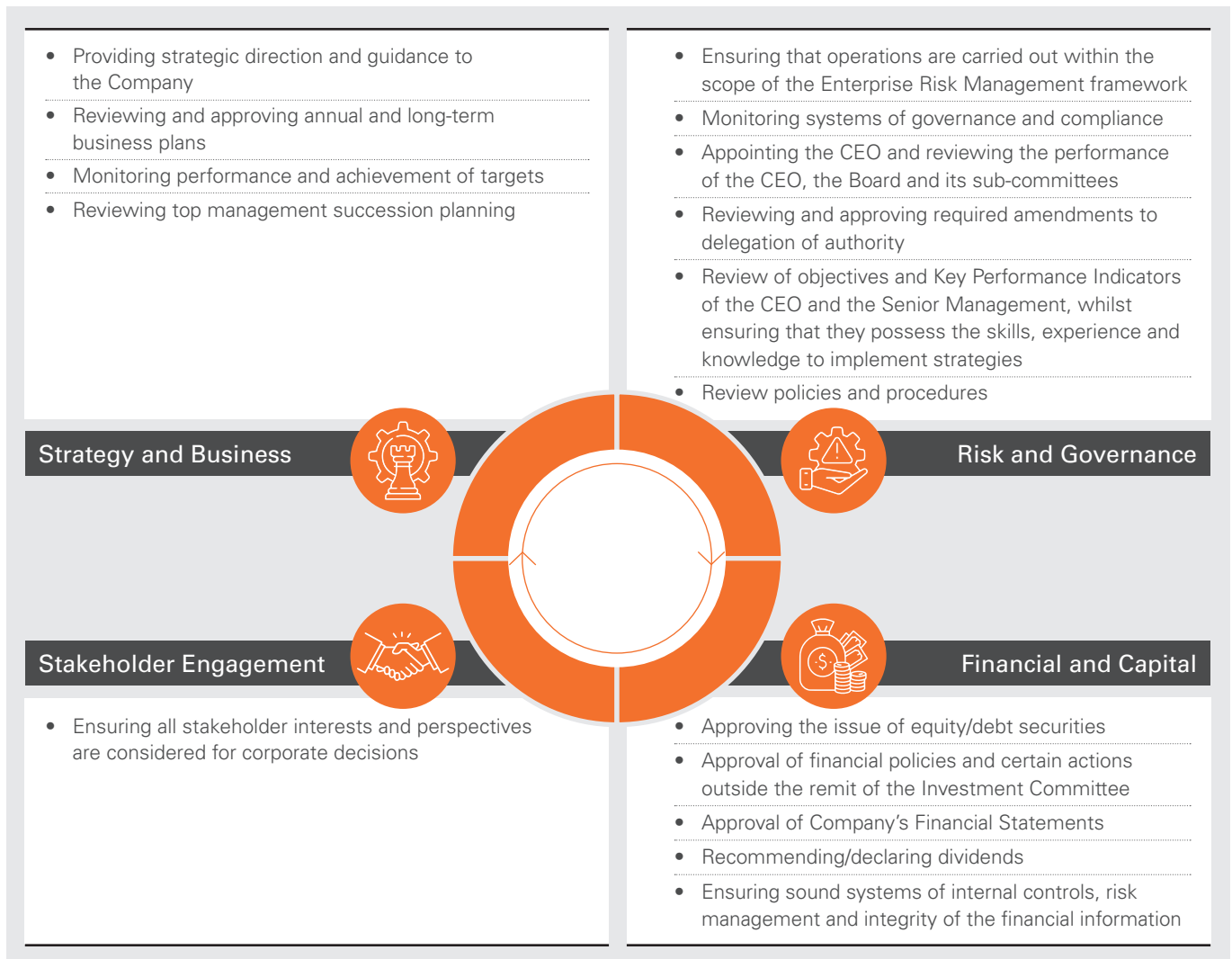
##### Sri Lanka

5 Directors -  
Mr. K. Balendra  
Mr. S. Rajendra  
Mr. D. Gamlath  
Mr. D. Fernando  
Mr. M. Arsakularatne

**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, while creating value to all stakeholders.

Board’s key responsibilities include:



**1.4 Chairperson and Chief Executive Officer (CEO)**

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

Chairperson	
<p><b>Role:</b></p> <p>Critical to preserving good Corporate Governance, the Chairperson provides leadership to the Board, preserving order and facilitating the discharge of duties.</p>	<p><b>Responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Ensuring the effective participation of all Directors at meetings.</li> <li>• Maintaining open lines of communication with Key Management Personnel.</li> <li>• Ensuring constructive working relations between the Executive and Non-Executive Directors.</li> <li>• Ensuring with the Board Secretary’s assistance, that the Board procedures are followed and information is disseminated in a timely manner to the Board.</li> </ul>

# CORPORATE GOVERNANCE

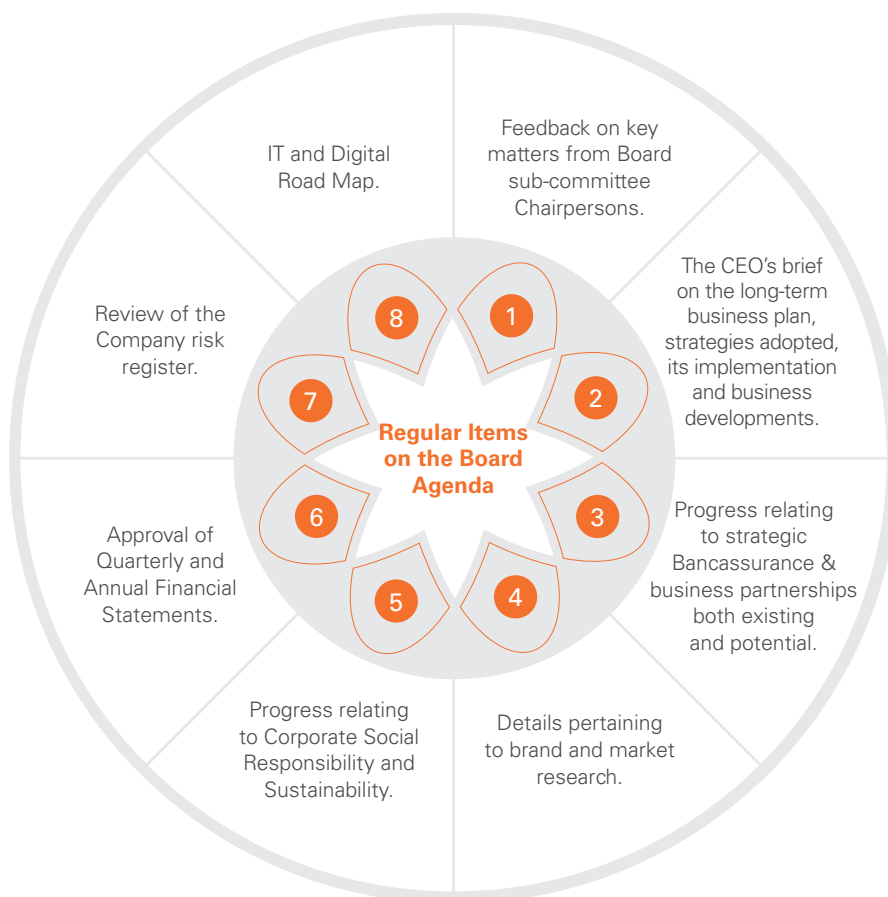
## HOW WE ADMINISTER CORPORATE GOVERNANCE

CEO	
<p><b>Role:</b></p> <p>Provides executive leadership and expertise in the implementation of plans and achievement of strategic objectives.</p> <p>The CEO is held accountable to the Board for the performance of the Company.</p>	<p><b>Responsibilities:</b></p> <ul style="list-style-type: none"> <li>• Execution of strategies and policies set by the Board.</li> <li>• Ensuring efficient management of business.</li> <li>• Ensuring the operating model is aligned with short and long-term strategies of the Company.</li> <li>• Succession planning of Senior Management.</li> </ul>

### 1.5 Board Meetings

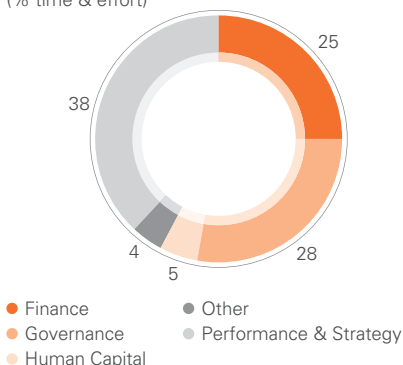
The Board is well engaged and dedicates adequate time and effort for addressing Company matters. Board meetings are usually held once in every two months, unless business exigencies demand the convening of additional meetings. During the year 2022, the Board met on six (06) occasions.

The Board agenda is prepared by the Company Secretary, and reviewed and approved by the Chairperson, where necessary in consultation with the CEO and members of the Board. The agenda and Board papers are generally shared seven (07) days prior to the Board meeting, allowing sufficient time for review of the same.



### Key Focus Areas of the Board during 2022

(% time & effort)



The attendance of Board meetings in 2022 is given below;

Name of Director	Date of Appointment	Eligibility	Attendance
<b>Non-Executive Directors</b>			
Krishan Balendra	01.01.2019	6	6
Suresh Rajendra	16.08.2011	6	6
Daminda Gamlath	10.06.2020	6	6
<b>Independent Non-Executive Directors</b>			
Dumith Fernando	03.08.2018	6	6
Stephen Appleyard	01.01.2019	6	6
Malinga Arakularatne	14.07.2020	6	6



# CORPORATE GOVERNANCE

## HOW WE ADMINISTER CORPORATE GOVERNANCE

- ✓ (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 such relationship 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 part of the Key Management Personnel in the Company.
- ✓ (D) Does not have a significant shareholding in the Company (shareholding carrying 10% or more of voting rights in 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 of the six Directors.

Name of Director	Total Number of Directorships held in other companies	Number of Board seats held in Listed Companies		Number of Board seats held in Unlisted Companies
		Executive Capacity	Non-Executive Capacity	
Krishan Balendra (Chairperson)	17	1	7	9
Dumith Fernando	16	-	1	15
Stephen Appleyard	-	-	-	-
Suresh Rajendra	19	-	3	16
Malinga Arakularatne	15	-	1	14
Daminda Gamlath	19	1	1	17

### 1.8 Supply of Information

The Board pack is circulated at least seven days in advance and provides comprehensive qualitative and quantitative information on issues to be discussed at the meeting, ensuring robust discussions, informed deliberations and effective decision making.

The Chairperson ensures that all Directors are briefed on the same, by requiring the presence of members of the Senior Management of the Company where necessary. Directors have independent access to Senior Management and unrestricted access to organisation information/resources, to discharge their duties. 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 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.

### 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 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 better understanding of the business.

The Board of Directors recognises the need for continuous training, expansion of knowledge and undertakes such professional development as they may 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 January 2023, 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 01st of February 2023.

### 1.12 Appraisal of the 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 and 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 is 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.

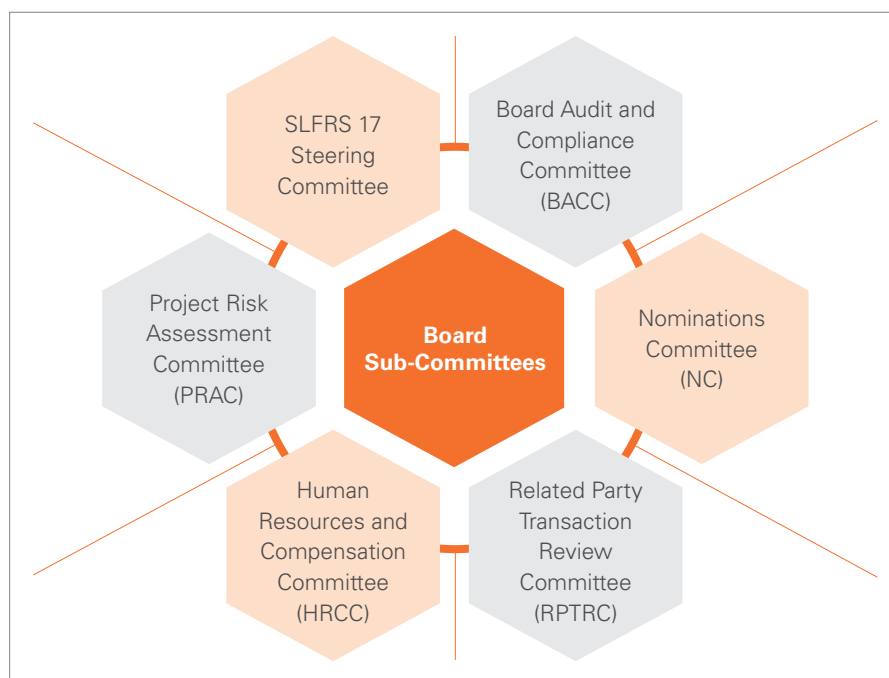
Due care is taken to ensure that the remuneration paid to Board members is commensurate with their skills, knowledge, competencies and involvement in Board activities. Director remuneration is determined in reference to that of other comparable companies and additional fees are paid to Directors for either chairing or being a member of a Board Sub-Committee. Such remuneration is reviewed and adjusted as deemed necessary in keeping with the complexity of the business of the Company. Director fees for nominee Directors of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual Directors.

The break-up of remuneration paid to Directors is disclosed among the other disclosures regarding remuneration in Note 21 on page 239 of the Annual Report.

### 1.14 Board Sub-committees

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/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 of UA are as follows:



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

Board Committee	Areas of Oversight	Detailed Information and the Committee Report
<b>SLFRS 17 Steering Committee (SLFRS 17 Steer. Co.)</b>	<ul style="list-style-type: none"> <li>Review the SLFRS 17 project roadmap &amp; the strategic way forward.</li> <li>Keep the BACC and the Board apprised of the progress made, on the transition to SLFRS 17</li> </ul>	Report of the SLFRS 17 Steer. Co. on page <b>136</b>
<b>Board Audit and Compliance Committee (BACC)</b>	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Internal controls &amp; Risk management</li> <li>Internal &amp; External Audits</li> </ul>	Report of the BACC on pages <b>137 to 139</b>
<b>Nominations Committee (NC)</b>	<ul style="list-style-type: none"> <li>Appointment of Key Management Personnel</li> <li>Succession planning of the Board</li> <li>Effectiveness of the Board and its Committees</li> </ul>	Report of the NC on page <b>140</b>
<b>Related Party Transaction Review Committee (RPTRC)</b>	<ul style="list-style-type: none"> <li>Disclosure and review of Related Party Transactions</li> </ul>	Report of RPTRC on Page <b>140 to 141</b>

# CORPORATE GOVERNANCE

## HOW WE ADMINISTER CORPORATE GOVERNANCE

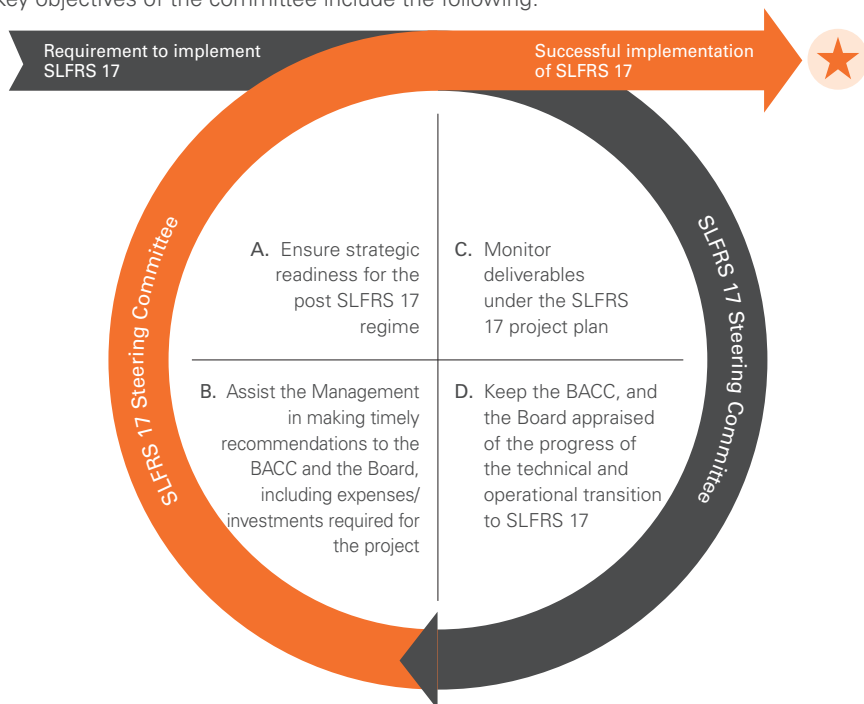
Board Committee	Areas of Oversight	Detailed Information and the Committee Report
Human Resources and Compensation Committee (HRCC)	<ul style="list-style-type: none"> <li>Review remuneration policy</li> <li>Succession planning of Key Management Personnel</li> <li>Review and recommend performance-based payment plans</li> </ul>	Report of the HRCC on page <b>141</b>
Project Risk Assessment Committee (PRAC)	<ul style="list-style-type: none"> <li>Review and assess large scale investments and projects</li> <li>Evaluate project risks</li> </ul>	Report of the PRAC on page <b>142</b>

## SLFRS 17 STEERING COMMITTEE REPORT

### PURPOSE AND KEY OBJECTIVES OF THE COMMITTEE

The Terms of Reference (ToR) of the SLFRS 17 Steering Committee aim to assist the Management of the Company, the Board Audit & Compliance Committee (BACC) and the Board of Directors (the Board), by overseeing the SLFRS17 implementation.

Key objectives of the committee include the following.



### Key Highlights for 2022 in Brief

In July 2022 the Chartered Institute of Sri Lanka approved to defer the effective date of SLFRS 17 – Insurance Contracts till periods beginning 01st of January 2025. The committee evaluated the SLFRS 17 implementation roadmap prepared by the management to meet the new effective date and the committee also deliberated

on the SLFRS 17 implementation vendor evaluations carried out by the management in addition to assessing the strategic readiness of the Company.

Further, the management has conducted two reference checks in relation to the short-listed vendors and plans to carry out a Proof of Concept around May 2023.

The senior management is kept updated on the project status and the impact of execution through periodic knowledge-sharing sessions.

### Composition of the Committee as at 31 December 2022:

**Stephen Appleyard (Chairperson)**  
Independent Non-Executive Director  
Appointed w.e.f. 01.06.2021

**Suresh Rajendra (Director)**  
Non-Executive Director  
Appointed w.e.f. 01.06.2021

**Sherin Cader (CFO – Sector)**  
Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC  
Appointed w.e.f. 01.06.2021

### Permanent Invitees

The CEO, CFO, CIO and the CAO are regular attendees for meetings. The other members of the Executive Committee of the Company attend meetings by invitation on a need basis.

### Secretary to the Committee

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

### Meetings

Five (05) meetings were held during the year 2022.

Name of Committee Member	Eligibility to attend/ Attended
Stephen Appleyard	5/5
Suresh Rajendra	5/5
Sherin Cader	5/5

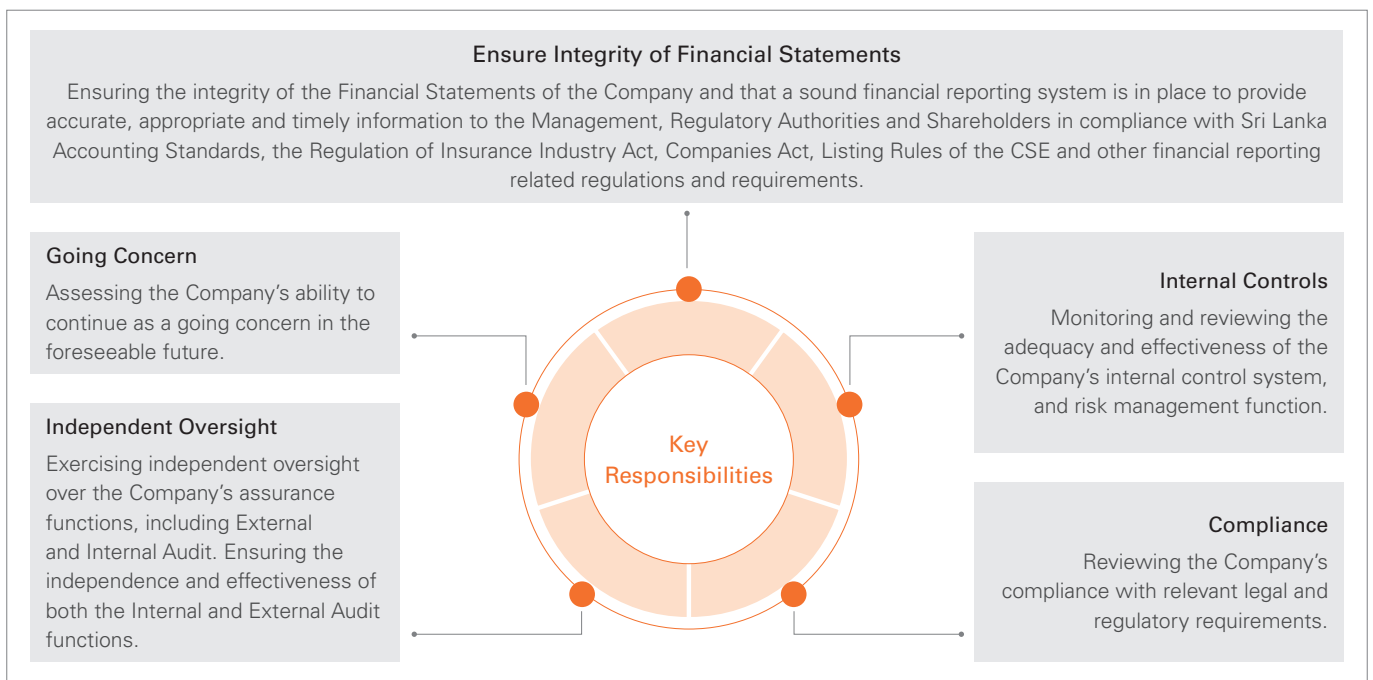
# REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

## 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 over financial reporting, internal controls and risk management, compliance with legal and regulatory requirements, external audits and the adequacy and performance of the Internal Audit function of the Company.

## KEY RESPONSIBILITIES OF THE BACC



## AUTHORITY OF THE BACC

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

The Committee seeks external professional advice as and when required.

The Chairperson and the members of the Committee were in regular contact with the Management of the Company, through numerous meetings and communications to oversee the audit and control aspects of various initiatives the Company undertook during the year.

## KEY FOCUS AREAS AND FUNCTIONS 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, 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) any significant adjustments arising from the External Audit,
  - (iv) the validity of the going concern assumption,
  - (v) the impact of the current social and macro-economic situation of the country on the business and possible impact on the financials, and
  - (vi) compliance with all applicable regulatory provisions, including the Sri Lanka Financial Reporting Standards, the Companies Act, the Insurance Industry Act and amendments thereto, and other legal requirements.
- 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.

# CORPORATE GOVERNANCE

## REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

### Internal Controls and Risk Management

- The Committee satisfied itself that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Company's assets are safeguarded.
- The Audit & Compliance Division with the guidance of the Sustainability and Enterprise Risk Management division of JKH assessed and reinforced to the Committee on the process of identification, evaluation and management of all significant risks faced by the Company. The risk register reported, covered the overall risk profile of the Company and the Committee reviewed the risk register on a quarterly and ongoing basis, illustrating the foreseeable risks the Company faces together with mitigatory actions. The Committee reviewed the risk register taking the socio and macro-economic situation prevailed in the country and resultant risks factors and emerging trends.
- Further, the Committee reviewed the effectiveness of the Company's internal controls and risk management processes, through audit findings and recommendations by the External Auditors and Internal Auditors, as per the annual audit plan. Further specific focus area reviews and audits were conducted by the Audit, Risk and Compliance division of the Company.
- Data protection and Cyber Security are regularly addressed during the BACC.

### 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, methodology, and effectiveness of the Internal Audit function. 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 40 Internal Audit reports during the year, covering operations of 36 Branch locations and several Head Office functions including Underwriting, Claims, Re-insurance, 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.
- Met the Internal Auditors without the presence of Key Management Personnel during the year.
- The Audit, Risk & Compliance Division updated the BACC frequently on the progress of outsourced Internal Audits, significant audit observations, progress on routine & specific audits conducted by the Division, the status of previously reported audit observations, and the BACC sought clarifications on any concerns which may warrant the attention of the BACC.

### Composition of the Committee as at 31st December 2022

The Audit Committee comprises of Non-Executive Directors, where majority are Independent Directors. Further the composition of the committee complies with the requirement of having at least one member with significant, recent and relevant Financial Management and Accounting experience, along with a Professional Accounting qualification. Please refer to the BoD profiles on pages 118 to 119.

#### Malinga Arsakularatne (Chairperson)

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 Committee

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

### BACC Meetings

Seven (07) meetings were held during the year. Minutes of the BACC meetings are regularly reported to the Board.

Name of Committee Member	Eligibility to attend/ Attended
Mr. Malinga Arsakularatne	7/7
Mr. Suresh Rajendra	7/7
Mr. Dumith Fernando	7/6

### 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 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 by CA 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, reviewing alignment of the systems and procedures in place to ensure compliance with such requirements.

Further, the BACC continued to monitor and oversee the bottom-up compliance sign off process, to ensure compliance of all functions within the Company. This process provides comfort to Senior Management and the 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 internal auditors as part of the Audit scope. Please refer further details on the structure of the bottom-up compliance signoff process on page 149.

### 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 Code of Ethics and Whistle-Blower Charter, ensures all members of staff are encouraged to resort to Whistleblowing, if they suspect wrong doings or other improprieties.

All appropriate procedures are in place to conduct independent investigations, into incidents reported through Whistle-Blowing or identified through other means. The Whistle-Blower Charter guarantees strict confidentiality of the identity of Whistle-Blowers. The Committee reviewed the whistleblowing arrangements for the Company 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 CEO, CFO and the Secretary of the Committee. The outcome of the evaluation was presented to the Board and it 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 2023, 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**  
Chairperson  
Board Audit and Compliance Committee

28 February 2023

# CORPORATE GOVERNANCE

## REPORT OF THE BOARD NOMINATIONS COMMITTEE (NC)

### TERMS OF REFERENCE

- Define and establish the nomination process for Non-Executive Directors (NEDs), pilot the process of Board appointments and make recommendations to the Board on the appointment of Non-Executive Directors.
- Assess what skills are required on the Board, given the needs of the business.
- Prepare a clear description of the role/capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure that 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 formal Board meetings, participation in Committees amongst others.
- Ensure that every appointee undergoes an induction to the John Keells Group.

### Composition of the Committee

Majority of the members of the Committee are Non-Executive Directors. The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2022:

#### Amal Cabraal (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

#### Krishan Balendra

Executive Director/Chairperson 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

### Secretary to the Committee

The Secretary to the Board of John Keells Holding PLC is the Secretary of the Committee.

### Meetings

Two (2) were held during the year 2022.

Name of Committee Member	Eligibility to attend/ Attended
Amal Cabraal*	1/1
Ashroff Omar**	1/1
Krishan Balendra	2/2
Premila Perera	2/2
Hans Wijayasuriya	2/2

\*Appointed w.e.f. 27.06.2022

\*\* Resigned w.e.f. 27.06.2022

The self-review of the mandate and scope of the Committee, reaffirmed that it exists:

- To recommend to the Board, the process of selecting the Chairperson and Deputy Chairperson. The appointment of the Chairperson and Executive Directors is a collective decision of the Board.
- 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.
- Review the structure, size, composition and skills of the Board of Directors.
- Make recommendations on matters referred to it by the Board.

## 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 within 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, periodic reporting by the relevant entities and Key Management Personnel (KMP), with a view to ensuring that:

- There is compliance with the Code and the Listing of the CSE;
- Protection of Shareholder interests; and
- Maintenance and preservation of fairness and transparency.

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

Recurrent RPTs were reviewed annually by the Committee.

Further, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/ sectors of the Group have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed 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 2022:

#### Premila Perera (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

#### Amal Cabraal

Independent Non-Executive Director of John Keells Holdings PLC

#### Nihal Fonseka

Independent Non-Executive Director of John Keells Holdings PLC

### Regular Attendees by Invitation

#### Krishan Balendra

Executive Director/Chairperson and CEO of John Keells Holdings PLC

#### Gihan Cooray

Executive Director/Deputy Chairperson/ Group Finance Director 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 on a quarterly basis during the year 2022.

Name of Committee Member	Eligibility to attend/ Attended
Pramila Perera	4/4
Amal Cabraal	4/4
Nihal Fonseka	4/4

### 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 the overall remuneration philosophy, strategy, policies, practices, and performance - based pay plans for the Group.
- Determine and agree with the Board on a framework for remuneration of the Chairperson and Executive Directors, based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of the Key Management Personnel.
- Determining the compensation of Non-Executive Directors, will not be covered under the scope of this Committee.
- The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive level.

### Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2022:

#### Amal Cabraal (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

#### Nihal Fonseka

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 / Chairperson / CEO of John Keells Holdings PLC (unless Chairperson / CEO / Executive Director remuneration is under discussion)

#### Gihan Cooray

Executive Director / Deputy Chairperson / Group Finance Director of John Keells Holdings PLC (unless Executive Director Remuneration is under discussion)

#### Premila Perera

Independent Non-Executive Director of John Keells Holdings PLC

### Secretary to the Committee

Deputy Chairperson / Group Finance Director is the Secretary of the Committee.

### Meetings

Two (2) meetings were held during the year 2022.

Name of Committee Member	Eligibility to attend/ Attended
Amal Cabraal	2/2
Nihal Fonseka*	2/2
Hans Wijayasuriya	2/2
Ashroff Omar**	N/A

\*Appointed w.e.f. 27.06.2022

\*\*Ashroff Omar resigned w.e.f. 27.06.2022

# CORPORATE GOVERNANCE

## REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE (PRAC)

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

### PURPOSE

- Identifying, reviewing and assessing risks associated with large-scale investments and the mitigatory plans thereto
- Ensuring that stakeholder interests are aligned, as applicable in making investment decisions.
- Where appropriate, obtaining the specialised expertise required from external sources to evaluate the risks, in consultation with the Group Finance Director.
- Recommending to the Board, any necessary actions required to mitigate risks that are identified during 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 2022:

#### Hans Wijayasuriya (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

#### Premila Perera

Independent Non-Executive Director of John Keells Holdings PLC

#### Krishan Balendra

Executive Director/Chairperson and CEO of John Keells Holdings PLC

#### Gihan Cooray

Executive Director/Deputy Chairperson/ 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 Chairperson and the Group Finance Director. The Committee Chairperson must be a Non-Executive Director.

### Secretary to the Committee

Deputy Chairperson/Group Finance Director is the Secretary of the Committee.

### Meetings

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

One (1) meeting was held during the year 2022.

Name of Committee Member	Eligibility to attend/ Attended
Hans Wijayasuriya	1/1
Pramila Perera	1/1
Krishan Balendra	1/1
Gihan Cooray	1/1

## DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' statement on Internal Controls, as per the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the Internal Controls System at UA. 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 controls set by the Board, and are accountable to the Board for monitoring and providing assurance as to their effectiveness. The Company has commissioned Messrs. PricewaterhouseCoopers (PwC) as the independent Internal Auditors to ensure the effectiveness of the Internal Control Systems. Several processes have been improved during the year and in the past, 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 key responsibilities to Board sub-committees, where the members of these Committees have adequate expertise to assist in discharging the Board's duties and to improve governance.



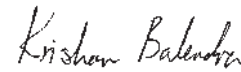
- Maintained an effective Board Audit and Compliance Committee (BACC), and an independent Internal Auditor to review and report on the Internal Control Environment of the Company.
- The minutes of the BACC meetings are tabled at regular Board meetings. The BACC reviews and approves the Internal Audit plan for each year, and the plan is structured on a matrix based on key risk areas and delivery dates. The report of the BACC provided on pages 137 to 139 of the Annual Report, provides details of the oversight responsibilities of the BACC, which are 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/are being implemented where required.
- The Audit, Risk and Compliance division which oversaw the functions of Internal Audit, Compliance and Risk Management, independently reported the progress on relevant matters to the BACC. The Division also updated the BACC on the progress of its independent audits and process/system control reviews conducted, along with the progress of new initiatives taken towards improving controls and to strengthen the compliance function.
- Concerning 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 both processing and privacy 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, which is an ongoing process for identifying, evaluating and managing 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 by the Audit, Risk and Compliance division. Quarterly updates also include new risks, mitigating actions and modifications of the risk statuses 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.
- The Business Continuity Plan (BCP) was tested during the year under review, and the BCP was updated with the support of an external consultant in a rapidly changing operating environment.
- The BACC continued to monitor the progress of the bottom-up compliance sign off process, which strengthens the control environment.

## CONCLUSION

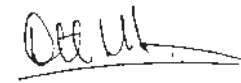
The Board having implemented the above, is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance against material misstatements of loss.

The Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting. The 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, subsequent amendments and the listing rules of the Colombo Stock Exchange.



**Krishan Balendra**  
Chairperson



**Dumith Fernando**  
Director



**Malinga Arsakularatne**  
Chairperson  
Board Audit and Compliance Committee

28 February 2023

# CORPORATE GOVERNANCE

## 1.15 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.



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

### Composition

The Chairperson of the Committee, Gihan Cooray has extensive knowledge and experience in the fields of Accounting, Taxation, Corporate Finance and Strategy, Treasury and Information Technology. He is the Deputy Chairperson/Group Finance Director of John Keells Holdings PLC and Chairperson 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 - (Chairperson)

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

#### Malinga Arsakularatne

Independent Non-Executive Director (appointed w.e.f. 27/01/2022)

#### Jude Gomes

Chief Executive Officer

#### Asha Perera

Chief Financial Officer

#### Shubham Jain

Chief Actuarial Officer (appointed w.e.f. 21.07.2022)

#### Jayaraman Muthukrishnan

Chief Actuarial Officer (resigned w.e.f. 21.06.2022)

#### 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

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

External Fund Manager who manages an allocation for the company.

### Meetings

Eleven (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.

Name of Committee Member	Eligibility to attend/ Attended
Gihan Cooray	11/11
Jude Gomes	11/11
Asha Perera	11/11
Jayaraman Muthukrishnan	5/5
Shubham Jain	6/6
Malinga Arsakularatne	11/8

## Summary of Key Activities of the Key Focus Areas

	<b>Strategic planning</b>	<ul style="list-style-type: none"> <li>• Perspective on current economic variables such as interest rates, inflation, equity return, etc, the expectations in the medium to long term, how this will impact investments and based on these trends what opportunities/ threats to consider when investing</li> <li>• Provide directions to formulate the annual investment plan, arrive at the planned investment income and evaluate different scenarios that could possibly materialize during the year</li> <li>• Advise on the optimum interim dividend rate for policyholders</li> </ul>
	<b>Policies and Guidance</b>	<ul style="list-style-type: none"> <li>• Ensure timely updating of investment related mandates in order to comply with the regulatory requirement</li> <li>• Provide guidance on policies and processes when creating new partnerships with external asset managers</li> </ul>
	<b>Asset Allocation</b>	<ul style="list-style-type: none"> <li>• Guidance and approval setting up a long term strategic asset allocation and develop tactics to reach those levels</li> <li>• Ensure asset allocation directed towards the high level of risk return balance</li> <li>• Provide recommendation on new asset classes to take exposure</li> </ul>
	<b>Assess portfolio performance</b>	<ul style="list-style-type: none"> <li>• Review monthly portfolio performance against plan and the benchmark</li> <li>• Review monthly portfolio performance of the external fund manager</li> </ul>
	<b>Manage investment risk and regulatory compliance</b>	<ul style="list-style-type: none"> <li>• Advice on exposure limits</li> <li>• Provide inputs on possible risk that can materialize and recommend actions to be taken</li> </ul>

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

### 1. Efficient planning during time of uncertainty

- Given the increased uncertainty, adequate planning was crucial in 2022. UA obtained the service of a consultant who is specialized in the areas of investment and treasury management to develop a prudent annual plan and investment strategy.
- Developed the investment philosophy that provides insight into the operations carried out by the investment division.

### 2. Developing suitable investment strategies in a rapidly changing macro environment

- Introduced changes to the active portfolio allocation managed by the external asset manager. The pure

equity allocation was converted to a balanced mandate to capture opportunities in the fixed income market.

- Converted certain short term assets to long term assets efficiently and thereby increased the duration of portfolios.
- Followed an active long term investment strategy by continuously monitoring the economic variables and the expectations for future.

### 3. Transparency enabled through process improvement and automation

- Developed a new reporting structure which followed a net asset based methodology and provided detailed reports for each segregated fund. These reports are automated combining SAP and advanced excel query.

- Automated transactions recording in SAP, which saved significant amount of time and reduced the possibility of human error in recording deals. The investment division uses the SAP treasury module to record transactions.

### 4. Continuous assessment of the external environment in order to adjust asset allocation decisions to take advantages of volatilities

- Detailed discussions were held monthly on the economic climate and the potential impact on investments.
- Reviewed scenario testing on asset allocation and duration given the uncertainty around a possible domestic debt restructuring.

# CORPORATE GOVERNANCE

## 5. Improved internal control mechanisms relating to investment activities

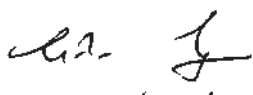
- a. Processes in place to ensure the integrity of the investment activities. Front Office, Middle Office and Back Office functions have been segregated to ensure proper workflow segregation.
- b. Strictly enforced authority and dealing limits via the Manual of Financial Authority (MOFA).

## 6. The Middle Office function

- a. The Middle Office monitors and controls the treasury activities of UA, through enforcement of procedures which are defined by the Investment Committee and the IRCSL. The Middle Office is responsible for daily valuation, monitoring & reconciliation of investment assets and collateral management. Regular checks are carried out and controls are further strengthened to ensure compliance of investment transactions.

## 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 management of the invested funds.



**Gihan Cooray**  
Chairperson  
Investment Committee

28 February 2023

## 1.16 Senior Management Committee (CSMT)

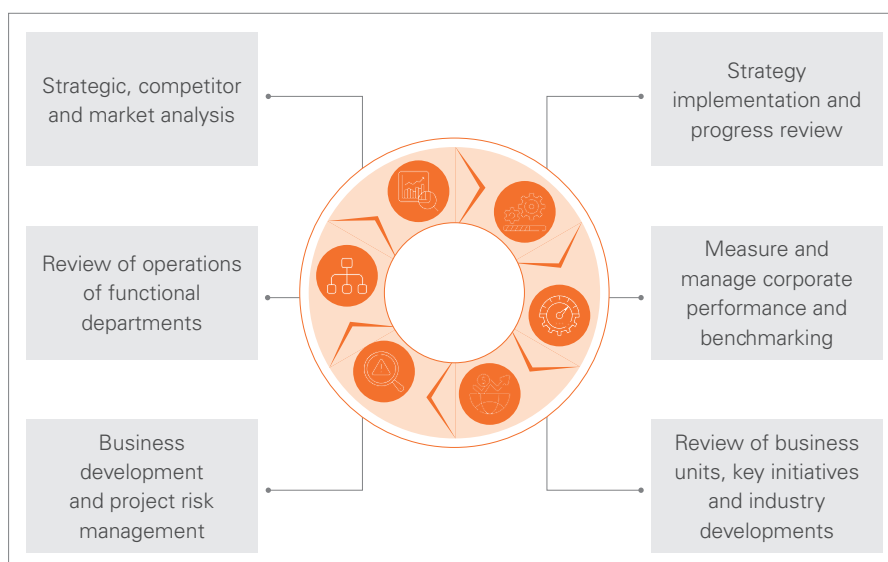
The CSMT Committee is chaired by Suresh Rajendra, Non-Executive Director, and this Committee continues to ensure a well devolved Executive Committee structure. The role, key focus areas and activities of the CSMT are given below;



## 1.17 Executive Committee (ExCo) of Union Assurance

The ExCo consist of eight members of the Senior Management team, including the Chief Executive Officer of the Company. 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.

### Key Focus Areas of the ExCo



### ExCo Sub Committees

In addition, the below specific Committees comprising of Senior Management personnel have been set up to manage operations of UA in an efficient, transparent and effective manner. Their objectives and functions are depicted below;

<b>Capital Expenditure (CAPEX) Committee</b>	<b>Spend Control Steering Committee</b>	<b>Staff Committee</b>
<ul style="list-style-type: none"> <li>Review and rationalise CAPEX (excluding IT related) expenses.</li> </ul>	<ul style="list-style-type: none"> <li>The purpose of the Committee is to manage and monitor expenditure and cashflows, to ensure effective and efficient utilisation of funds.</li> </ul>	<ul style="list-style-type: none"> <li>Review cadre increases in line with expected volume growth and required service standards.</li> <li>Recommend staff promotions based on an annual performance appraisal process and review any organisational requirements outside this cycle.</li> </ul>
<b>IT Steering Committee</b>	<b>Product Steering Committee</b>	<b>Complementary Items Committee</b>
Review and rationalise IT-related capital and revenue expenditure in order to: <ul style="list-style-type: none"> <li>Improve the overall productivity, efficiency and the effectiveness across distribution and service functions.</li> <li>Provide secured, quality and uninterrupted IT facilities.</li> <li>Ensure IT resource readiness for future advancements, while optimising the usage of existing IT resources.</li> </ul>	<ul style="list-style-type: none"> <li>Provide direction to prioritise the new product requirements based on strategic objectives</li> <li>Support business objectives enabling growth in various channels with new products developments</li> <li>Product rationalisation by monitoring product profitability KPIs</li> <li>Foster innovation and adapt to market changes, and ensure regulatory soundness</li> </ul>	<ul style="list-style-type: none"> <li>Complementary items procured meet the expected quality benchmarks and compliance with brand criteria.</li> <li>Ensure that all procurement is as per Company policies and procedures.</li> </ul>
<b>Supplies Committee</b>	<b>Supplies Committee</b>	<b>Marketing Steering Committee</b>
<ul style="list-style-type: none"> <li>Transparent supplier registration.</li> <li>Optimise purchases and ensure quality, reliability and Value for Money (VFM).</li> </ul>	<ul style="list-style-type: none"> <li>Transparent supplier registration.</li> <li>Optimise purchases and ensure quality, reliability and Value for Money (VFM).</li> </ul>	Review ongoing marketing efforts in order to; <ul style="list-style-type: none"> <li>Monitor and improve UA brand movement.</li> <li>Measure and improve customer satisfaction.</li> <li>Ensure continued assistance provided to other support functions.</li> </ul>
<b>Salvage Committee</b>		
<ul style="list-style-type: none"> <li>Transparent salvage process.</li> </ul>		

#### 1.18 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 0112306245 during working hours from 8.30 a.m. to 4.30 p.m., for any Company related information requirements.

#### Key responsibilities include:

- Guiding the Board and all 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.
- Retaining and maintaining minutes, registers and similar records of the Company.

- Induction of new Directors.
- Assisting the Chairperson and the Chief Executive Officer in determining the Annual Board plan.
- Making necessary disclosures on Related Party Transactions, as required by laws and regulations.
- Acting as a channel of communication with Shareholders, to ensure a robust relationship with Shareholders

# CORPORATE GOVERNANCE

## (B) INTEGRITY OF OPERATIONS

### 2.0 Guideline, Audit & 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 (BACC), supported by the Audit, Risk and Compliance division of UA, ensuring the integrity of operations.

These include compliance with applicable laws and regulations (explained under External Governance Structure – page 156), adoption of appropriate internal policies, implementation of sound systems of internal control, adherence to a Code of Conduct, management of conflicts of interest, Internal Audit reviews 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:



### 2.2 Systems, Controls & Assurance

Corporate Management together 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.

Key areas of process controls at UA, include the following:



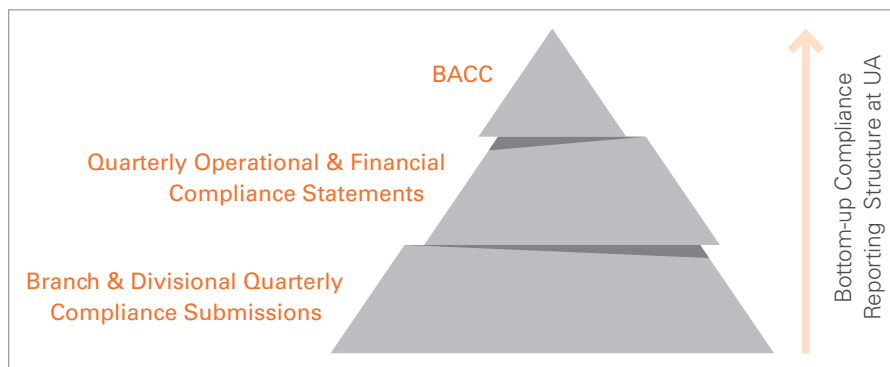
**i. Compliance Assurance**

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

The financial and operational compliance statements for the Company 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. Complaints relating to policyholder premium misappropriation, mis selling, etc. are channelled to and reviewed by a separate committee.

Further, 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



**ii. Employee Participation in Assurance**

While an Open-Door Policy is maintained, formal channels such as exit interviews, employee surveys, skip level meetings and a Whistle Blower Policy provide opportunities to employees to report in good faith, any genuine suspicions of wrongdoing 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). 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 changes in the organisation structure and operating environment.

**iv. Fraud Risk Assessment and Internal Audits**

The Company has set up a separate unit to manage customer complaints channelled through the Customer Feedback System. A well-structured process has been set up to handle customer complaints, as well as to detect fraud risks related to customer premiums. A summary of all complaints and their resolution status is reported to the BACC each quarter

**v. IT Governance**

IT Governance is a subset discipline of Corporate Governance, focused on Information Technology (IT), 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 pages 153 to 154 IT Governance and Cyber Security

**2.3 Code of Conduct & Ethics and Policies related to Anti-Bribery & Corruption, Anti-Fraud and Whistleblowing**

**Code of Conduct and Ethics**

Our evolving culture is governed by the Code of Conduct and Ethical Frameworks of the Company, which articulate the impeccable standards and conduct expected of the Directors and Employees in discharging their official duties. The Code of Conduct is regularly reviewed and updated to ensure that it remains relevant to the rapidly evolving business environment.

As a responsible corporate citizen, we govern our interactions with business partners by enforcing stringent guidelines outlined in the selection criteria, dispute resolution mechanisms, and compliance criteria.

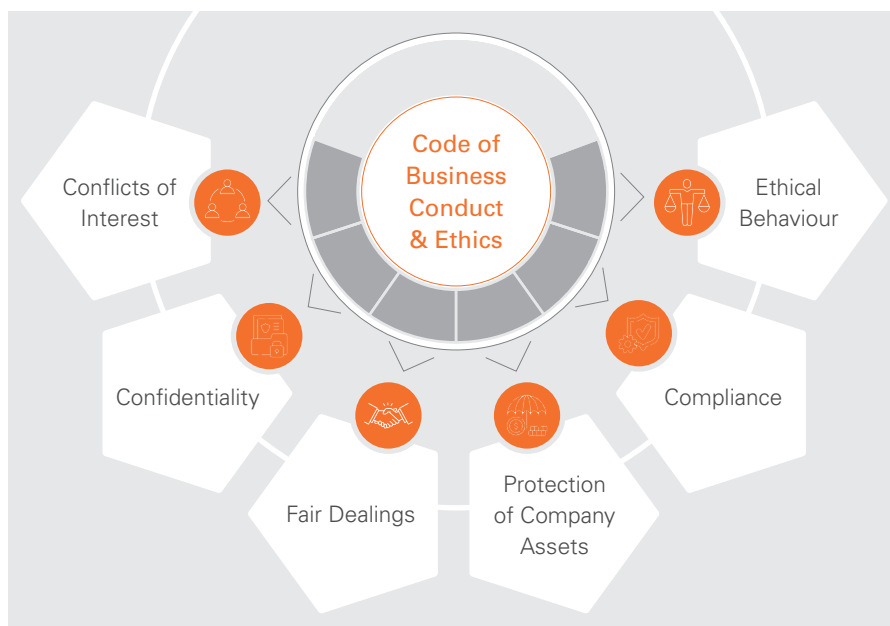
The Company has also enacted a Code of Conduct for the Agents who function as independent contractors, outlining their responsibility, commitment, and the required to serve our customers.

The Code of Conduct entails conformance to all policies, including policies on gifts, entertainment, and facilitation payments, among others;

- Anti-bribery controls to prevent payments and contributions from being made with the intent of obtaining an improper business benefit from any party, including, but not limited to, clients, service providers, customers, business associates, and political parties.
- Controls on gifting and offering favours. Giving or accepting gifts or offering favours in any form, including from clients, service providers, customers, business associates, political parties, and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if a 'reasonable person' could conclude that such gifts or favours could directly or indirectly affect one's independence

# CORPORATE GOVERNANCE

in decision-making and conduct as an employee, and/or if it could be seen by others as a conflict of interest. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.



## Anti-Fraud, Anti-Corruption and Anti-Bribery

The Company always endeavour to ensure that ethical business practices are in place, from all employees within each business unit, and has promulgated a zero-tolerance policy for corruption and bribery in its transactions, as well as any form of harassment or discrimination, and fosters transparency throughout the Company while adhering to core areas of the governance framework. The Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, amongst many others, outline the principles to which the Company is committed in terms of preventing, reporting, and managing fraud and corruption.

**Anti-fraud Policy** - It is our policy to consider that all forms of fraud, misconduct, and irregularity to be extremely serious and to violate the Values. It includes inter alia, theft, embezzlement, overriding controls, giving or receiving kickbacks,

bribery, allowing oneself to be placed in situations of conflict of interest, and making dishonest and reckless statements (financial or non-financial) contrary to the factual position.

All suspected, alleged, and proven frauds will be thoroughly investigated, and any proven fraud will be subjected to appropriate disciplinary and legal actions. All cases of fraud will be reported to the Board Audit and Compliance Committee of the Company.

**Anti-corruption & Bribery Policy** - The comprehensive Anti-corruption policy holds all employees accountable for ethical behaviour and provides clear guidelines for employees to adhere to the code of ethics and standards in their respective areas of work. Employees are required to sign off on the policy and code of conduct periodically, ensuring that all employees are well-versed and updated on new developments pertaining to ethical behaviour.

The Anti-corruption Policy and procedures are based on the following guidelines;

- Each member of UA is individually responsible for establishing and maintaining a high standard of business conduct in compliance with the Anti-corruption practices specified by applicable laws and regulations.
- Each member has a thorough understanding of the content, scope, and importance of the policy.

## Whistleblowing Policy

A comprehensive Whistleblowing Policy is in place, allowing employees to report on concerns of illegal or dishonest fraudulent activity. The policy entails procedures to ensure confidentiality and is reviewed on an ongoing basis. The Company maintains anonymity and protects employees who raise concerns of malpractices of unethical behaviour. Such communication and feedback from employees are recorded by the Management, irrespective of the level of anonymity, and is then discussed and followed up on. The respective outcomes are duly recorded. In this regard, the Company aims to promote a healthy workplace that practices good governance at all levels of the organisation.

We will continue to foster an environment in which employees are engaged and involved in decision making by ensuring transparent communication. While an Open-door Policy is maintained, formal channels such as exit interviews, employee surveys, impartial grievance management, skip level meetings, and the Whistleblower Policy enable employees to report any genuine suspicions of wrongdoing or other improprieties in good faith.

## 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



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 conflict 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 within the JKH Group, of which Union Assurance PLC is a member. The Related Party Transactions Review Committee report is given on pages 140 to 141.

**2.5 Assurance by the Internal Auditors**

The Internal Audit function of the Company has been outsourced to Messrs. 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**

Messrs. KPMG, the Company's External Auditors performed an audit at the year end to obtain assurance that the internal controls and processes which are in place for the 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 who actively exploit 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.

A detailed overview of the process is outlined on pages 165 to 179 of this report, under the Enterprise Risk Management section.

Through the BACC, the Board assesses the adequacy and effectiveness of Internal Control Systems at UA, and is satisfied that adequate controls and procedures are in place to provide reasonable assurance to the effect that Company's assets are being safeguarded. Refer pages 137 to 139 for the BACC report.

**3.2 Environmental, Social and Governance Factors (ESG)**

Environmental, Social and Governance factors 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 on pages 66 to 109.

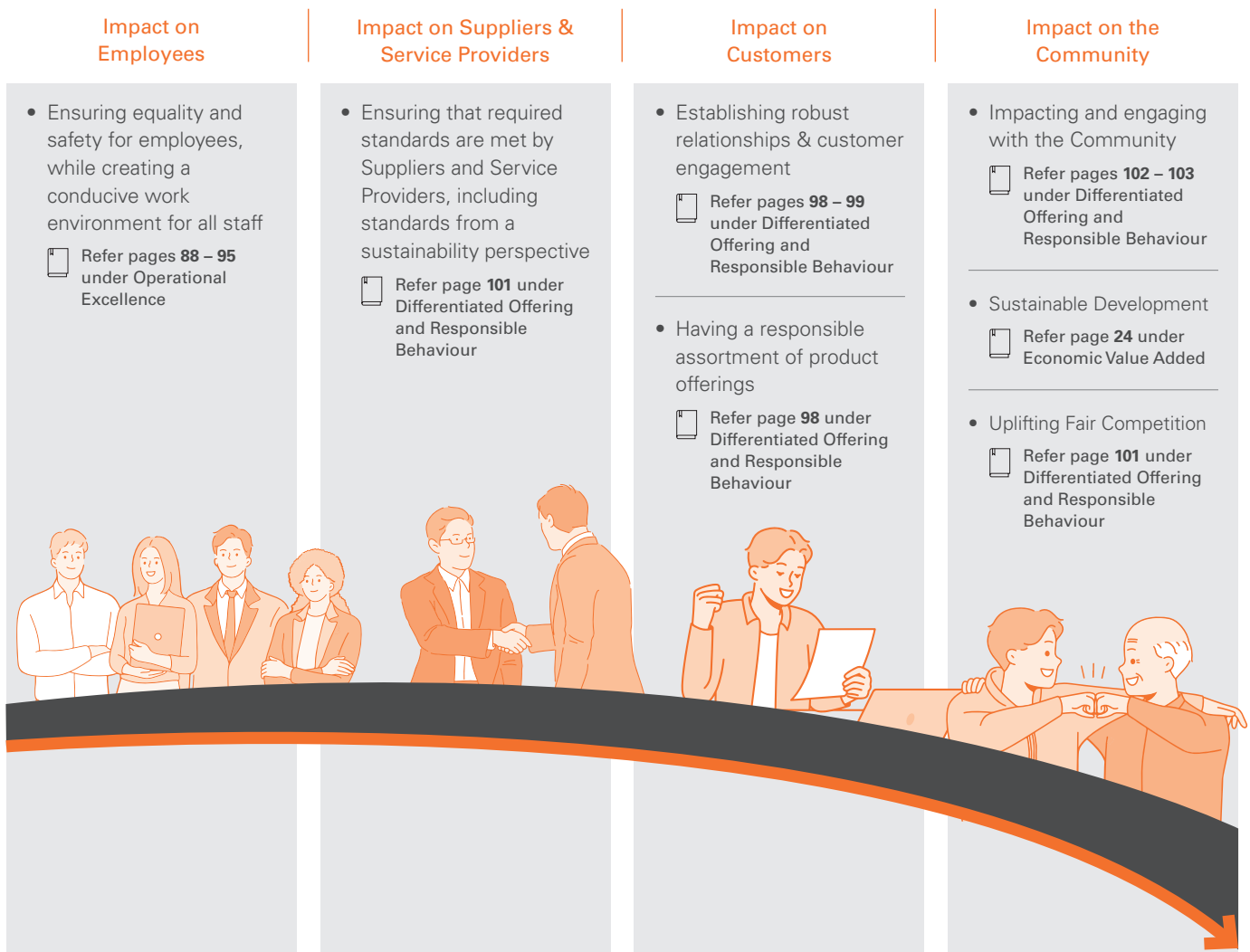
# CORPORATE GOVERNANCE

## Reporting on Environmental Sustainability

The Company is aware of its obligations to environmental sustainability, and has taken several measures to reduce its impact and avert detrimental effects on the environment. Further details are available under Creating Positive Impacts on pages 82 to 87.

## Reporting on Social Sustainability

The Company considers the social impact of its activities on all its stakeholders, in an effort to be socially responsible and sustainable. The below diagram entails the aspects of Social Sustainability addressed by the Company, together with references to relevant Annual Report sections in this regard.



### 3.3 Succession Planning

Successor Development Plans: Jobs at risk and successors for these jobs are identified during the Career Committee meetings. Further, talents within us will be trained and developed over a period for future leadership in the organization.

### 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.

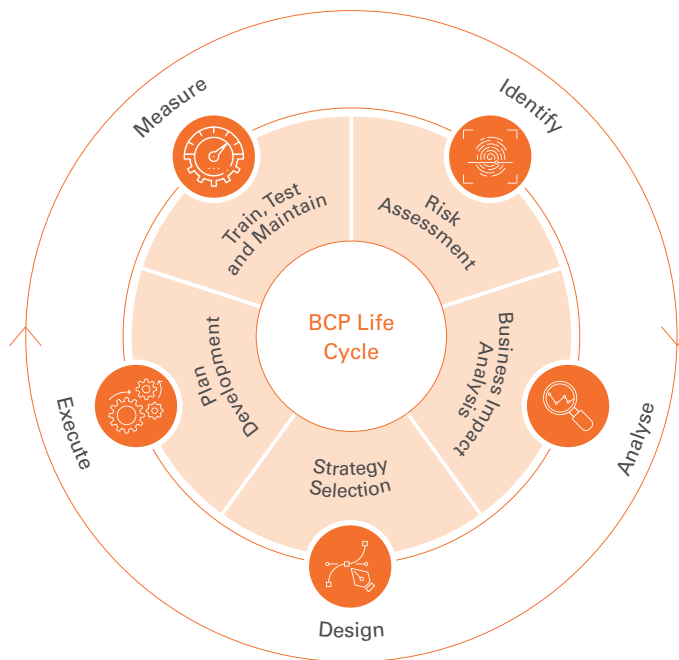
The BCP is designed to be in compliance with the Disaster Recovery Institute International's professional practices, ISO 22301: 2019 International Standard and Business Continuity Guidelines of the Insurance Regulatory Commission of Sri Lanka.

To be in line with these requirements, during the year we conducted a series of interventions which included;

- (a) review Risk Assessment, Business Impact Analysis and Recovery Objectives,
- (b) a review of the Business Continuity Plan covering all functions,
- (c) a round of desktop drills and call tree drills and
- (d) simulated drills and IT systems recovery.

The desktop drills were performed by each Division and were designed to assess the organization's capability to support its time-critical processes, for a prolonged outage of its 'Line of Business Applications'. Subsequently, simulated drills were carried out targeting the line of business applications round, which covered IT recovery and business units' operations focusing on prolonged outages.

The drills conducted also included desktop and simulated drills, covering crisis communications. BCP review covered two cycles. Cycle one conducted an in-depth revisit of the business continuity management system, and a second cycle was carried out to verify the adaptability of the system to the changing external factors. Interventions planned by the organization also incorporated a second review of the BCP documentation and a round of simulated drills.



### 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;

	<b>Alignment with Business</b>	Continuous reviews ensure that IT objectives are aligned with business objectives, by defining them in business terms. IT policies were updated to align with the CIS Critical Security Controls, ISO27001 Information security management system controls, and zero trust framework to safeguard the information assets.
	<b>IT Risk Management</b>	Focuses on IT risks based on the severity of impact and probability of occurrence. Risk management processes are designed to identify, analyse, evaluate and implement controls to effectively manage them, as well as techniques for minimizing risk exposure and embedding risk management responsibilities into the organization.
	<b>Resource &amp; Performance Measurement</b>	Necessary emphasis is placed on monitoring strategic implementations, project completion, resource utilisation, 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 the use of security dashboards are also included.

# CORPORATE GOVERNANCE

	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 by seamless integration with assurance activities. This is done by enabling the processes to operate as intended from end-to-end, while minimizing hidden risks.
	Compliance	Regulatory and compliance requirements are embedded to the IT policies and manage through the implementation of appropriate IT controls in systems, and conducting periodic reviews of the same to ensure effectiveness. Implemented ISO 27001:2013 information security management system controls, ISO 27701:2019 privacy information management system controls and most of the CIS (Center of Internet Security) cyber security controls to safeguard the IT assets and ensure confidentiality, integrity and availability of information.

## 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 the security of information assets i.e., all 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) security intelligence platform, to further strengthen Cyber Resilience.

Other initiatives also include the data classification and rights management initiatives of data, and two factor authentication for employee accounts as an extra layer of security. UA also conducts periodic vulnerability assessments for all applications, and IT general control assessments to ensure adequate information security.

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 unauthorized access. Further UA is in the process of implementing a Center for Internet Security (CIS) framework to calibrate IT services and products, thereby ensuring the highest standards of Cyber Security.

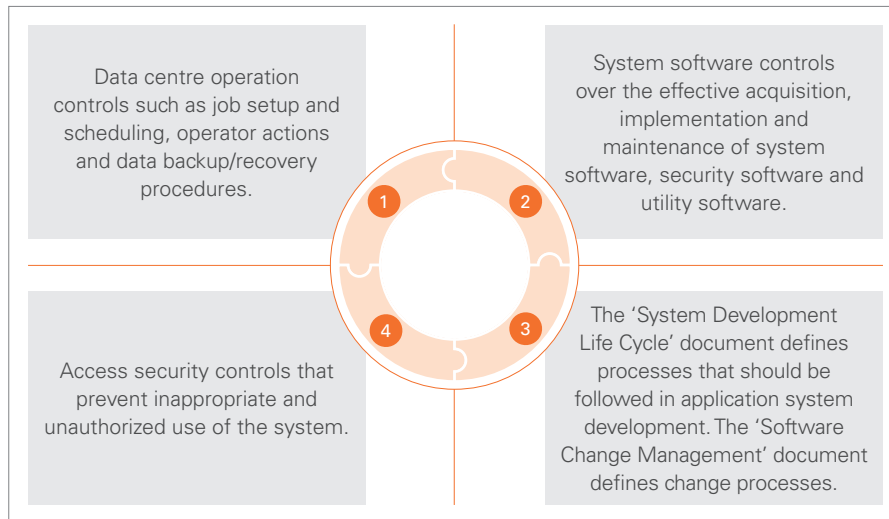
The Cyber security posture was further strengthened by implementing a secure DevOps process, Multifactor Authentication across all digital systems, and Center for Internet Security (CIS) benchmarking in line with ISO 27001.

## Center for Internet Security (CIS) Controls

<b>Control</b> <b>01</b> Inventory and Control of Enterprise Assets	<b>Control</b> <b>02</b> Inventory and Control of Software Assets	<b>Control</b> <b>03</b> Data Protection
<b>Control</b> <b>04</b> Secure Configuration of Enterprise Assets and Software	<b>Control</b> <b>05</b> Account Management	<b>Control</b> <b>06</b> Access Control Management
<b>Control</b> <b>07</b> Continuous Vulnerability Management	<b>Control</b> <b>08</b> Audit Log Management	<b>Control</b> <b>09</b> Email and Web Browser Protections
<b>Control</b> <b>10</b> Malware Defenses	<b>Control</b> <b>11</b> Data Recovery	<b>Control</b> <b>12</b> Network Infrastructure Management
<b>Control</b> <b>13</b> Network Monitoring and Defense	<b>Control</b> <b>14</b> Security Awareness and Skills Training	<b>Control</b> <b>15</b> Service Provider Management
<b>Control</b> <b>16</b> Application Software Security	<b>Control</b> <b>17</b> Incident Response Management	<b>Control</b> <b>18</b> Penetration Testing

### 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;



### 3.7 Innovation

Operating in a dynamic 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 the competition. Please refer pages 104 to 109 under Leading through Innovation, for corporate initiatives on driving innovation.

### 3.8 Inspired Employees

Our employees play a pivotal role in achieving the goals, objectives and long-term strategies of the business. Pages 88 to 95 Operational Excellence on Capital Management Review describe 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.

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 stakeholder interests.

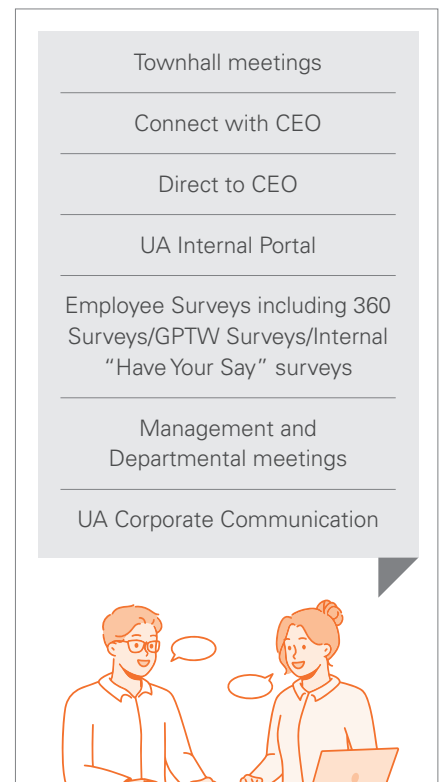
### Charters



### 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 stakeholders.



# CORPORATE GOVERNANCE

## Shareholder Communications

UA uses the following communication 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](http://www.unionassurance.com)
- Press notices

Shareholders may also contact;

- The Chief Executive Officer, Union Assurance Centre, 20, St. Michael's Road, Colombo 3, Sri Lanka.
- The Chairperson, Union Assurance PLC, 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
- Investor relations Hotline on 011-2990314 or email to [investorrelations@unionassurance.com](mailto: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 the meeting and related documents are circulated 15 working days prior to the AGM. The Chairperson ensures that the Chairperson 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 along with the Annual Report to Shareholders who are unable to be physically present at the AGM, to cast their votes.

**Highlights of the 35th Annual General Meeting Held on 31 March 2022**

- Mr. S. Rajendra who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as Director of the Company.
- Mr. S. A. Appleyard who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as Director of the Company.
- Re-appointment of Auditors Messrs. KPMG, Chartered Accountants, as the External Auditors of the Company.

### 4.4 Annual and Interim Reports

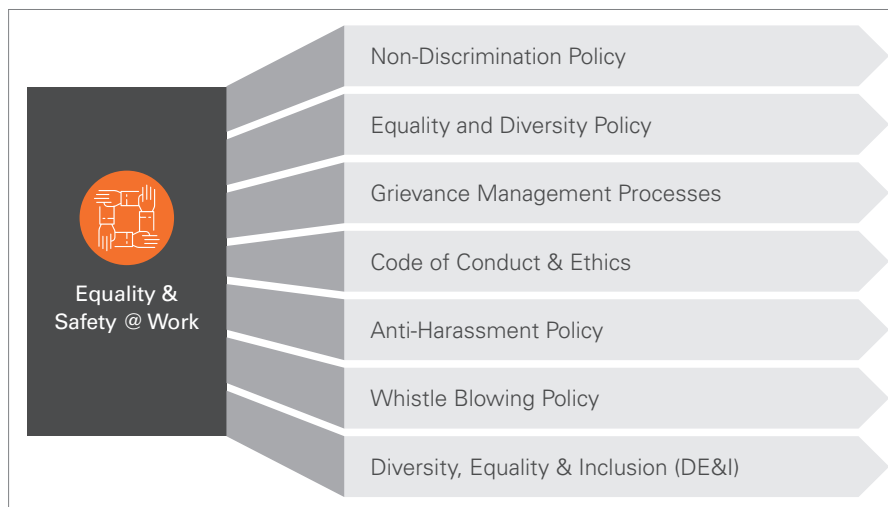
These comprehensive reports contain sufficient information for investors and other stakeholders to carry out their own analysis, and make informed judgements regarding the performance and position of the Company. The Board of Directors take reasonable steps in ensuring that all Financial Statements are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

accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by CA Sri Lanka, 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 female representation of 48% of the workforce. Please refer the Operational Excellence report on pages 88 to 95 for policies, practices and gender representative data. Furthermore, female representation on the Executive Committee stands at 12%.

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



## EXTERNAL GOVERNANCE STRUCTURE

External mechanisms are often imposed on the Company by external stakeholders in the form 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

Compliance statements are signed off on a quarterly basis for ensuring compliance with regulatory requirements and internal policies. Changes to regulations are updated in the checklists on a regular basis, with relevant evidence of compliance.

#### 5.2 Statutory and Regulatory Compliance

Requirement	Compliance
As required by the IRCSL, the Company submits compliance Certificates (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.	<p>Compliance Certificate A - Certifies that the Company has;</p> <ul style="list-style-type: none"> <li>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,</li> <li>Complied with terms and conditions pertaining to re-insurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000,</li> <li>Complied with conditions pertaining to co-insurance issued by IRCSL and complied with all applicable circulars issued by IRCSL</li> </ul> <p>Compliance Certificate B - Certifies that the Company has;</p> <ul style="list-style-type: none"> <li>Complied with all applicable provisions in the Financial Transactions Reporting Act No 6 of 2006</li> <li>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</li> <li>Complied with guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL.</li> </ul>
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 2022 is 194% and the minimum regulatory requirement is 120%.
Actuarial Valuation of Insurance Liabilities	Life Insurance liabilities have been valued by an independent External Actuary in accordance with the RII Act. Refer Actuarial Report on page 189.
Re-Insurance Arrangements	The IRCSL has stipulated that Insurance Companies must enter into re-insurance arrangements with companies which at a minimum having a rating of BBB. As per details on page 101 all of our re-insurance arrangements are with companies that have been assigned a healthy credit rating by international rating agencies.
Capital Structure	As of 31 December 2022, 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) under Section 96 (A) of the regulation of insurance industry Act no 43 of 2000

Requirement	Complied	Reference	Pages
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.	Compliant with almost the entire 2017 Code, to the extent of business exigency and as required by the John Keells Group	Corporate Governance Report	162 to 164
B. 1. The Board must comprise a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka.	Yes	Corporate Governance Report	130
2. 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.	Yes	Board of Directors	118 to 119
3. (i) The age of a person who serves as Director shall not exceed 75 years.	Yes	Corporate Governance Report	130
(ii) Notwithstanding above, a person who serves as a director and is over 75 years or above as at 1st July 2019, such director may continue to serve as a director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	N/A	N/A	N/A
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	160 to 161
5. A person shall be disqualified to be a Director of an Insurer if such person is a Director of more than 20 companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, 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	134
6. Insurers are required to demonstrate compliance with the IRCSL Direction No. 17 on Corporate Governance Framework for insurers by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE.	Yes	Corporate Governance Report	158 and 160 to 161
7. The Insurer shall rectify its non-compliance in respect of items B1 to 6 above within three months from the date of non-compliance and inform IRCSL immediately after 3 months.	N/A	N/A	N/A
8. a) The Insurer should provide a certification from the Company Secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a General Meeting in terms of Section 211 of the Companies Act No. 7 of 2007.	N/A	N/A	N/A
b) The Insurer shall also provide a written confirmation from the Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association.	N/A	N/A	N/A



### 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	118 to 119
(ii) Principle activities of the entity and its subsidiaries during the year and any changes therein	Yes	Notes to the Financial Statements - Note 1	203
(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	Share Information	114
(iv) Public holding percentage	Yes	Share Information	113
(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	Share Information	113
(vi) Information pertaining to material foreseeable risk factors of the Company	Yes	Enterprise Risk Management	165 to 179
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Operational Excellence	88 to 95
(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 27	249 to 253
(ix) Number of shares representing the entity's stated capital	Yes	Notes to the Financial Statements - Note 36	270
(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	Share Information	133
(xi) List of ratios and market price information	Yes	Share Information	110 to 112
(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 27	249 to 253
(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 40	272 to 274
(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	160, 161, 137 and 141
(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 48	284 to 288

# CORPORATE GOVERNANCE

## Statement of compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)

Requirement	Complied	Reference	Pages
<b>7.10 COMPLIANCE WITH CORPORATE GOVERNANCE RULES</b>			
<b>7.10.1 Non-Executive Directors (NED)</b>			
(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	130
(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	130
(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
<b>7.10.2 Independent Directors</b>			
(a) Two or one-third of NEDs, whichever is higher, should be independent.	Yes	Board Composition	130
(b) The Board shall require each NED to submit signed declaration of independence/non-independence annually	Yes	Corporate Governance Report	133 to 134
<b>7.10.3 Disclosures Relating to Directors</b>			
(a) Names of Independent Directors should be disclosed in the Annual Report	Yes	Board of Directors	118 to 119
(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	118 to 119
(d) A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	N/A	Corporate Governance Report	133
<b>7.10.4 Criteria for Defining Independence</b>			
(a to h) Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance	133 to 134
<b>7.10.5 Human Resources and Compensation Committee (HRCC)</b>			
A Listed Entity shall have a HRCC	Yes	HRCC Report	141
(a) The remuneration Committee shall comprise of NEDs a majority of whom shall be independent	Yes	HRCC Report	141
(b) Functions of the HRCC shall be to recommend the remuneration of the CEO and the Executive Directors	Yes	HRCC Report	141
(c) The Annual Report shall set out: The names of the Directors that comprise the HRCC. A Statement of Remuneration Policy. Aggregate remuneration paid to Executive and Non-Executive Directors.	Yes	HRCC Report Notes to the Financial Statements - Note 21	141 239
<b>7.10.6 (A) Composition and role of the Audit Committee</b>			
7.10.6 A listed Company shall have an Audit Committee	Yes	BACC Report	137 to 139
(a) The Audit Committee shall comprise Non-Executive Directors a majority of whom shall be independent The Chairperson or one member of the Committee should be a member of a recognised professional accounting body	Yes	BACC Report BACC Report	138 138

Requirement	Complied	Reference	Pages
<b>7.10.6 (B) Audit Committee - Functions</b>			
(b) The functions of the Audit Committee shall include;  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.	Yes	BACC Report	137 to 139
(c) The Annual Report shall set out; the names of the Directors who comprise the Audit Committee  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.	Yes	BACC Report	138

**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 48	284 to 288
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	140 to 141
(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	Annual Report of the Board of Directors on the affairs of the Company	186

**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	203
168 (1) (b) Signed Financial Statements of the Company	Yes	Financial statements	196 to 289
168 (1) (c) Auditors' Report on Financial Statements	Yes	Independent Auditors' Report	191 to 194
168 (1) (d) Accounting policies and any changes therein	Yes	Notes to the Financial Statements	203 to 289
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	185

# CORPORATE GOVERNANCE

Rule	Complied	Reference	Pages
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements - Note 21	239
168 (1) (g) Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the affairs of the Company	186
168 (1) (h) Information on Directorate of the Company at the end of the accounting period	Yes	Board of Directors	118 to 119
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 21	239
168 (1) (j) Auditors' relationship or any interest with the Company	Yes	BACC Report	139
168 (1) (k) Acknowledgment 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	183 to 187

Code of best practice on corporate governance (2017) jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka

Code ref	Requirement	Complied	Reference	Pages
<b>A. DIRECTORS</b>				
A.1	Effective Board	Yes	Corporate Governance Report	129 to 136
A.1.1	Regular meetings	Yes	Corporate Governance Report	132
A.1.2	Role and responsibilities of the Board	Yes	Corporate Governance Report	131
A.1.3	Act in accordance with laws of the country. Obtain professional advice, when required.	Yes	Corporate Governance Report	108 and 186
A.1.4	Access to advice and services of Company Secretary	Yes	Corporate Governance Report	147
A.1.5	Independent judgement	Yes	Corporate Governance Report	131
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Corporate Governance Report	132
A.1.7	One-third of the Directors can call for a resolution	Yes	Corporate Governance Report	133
A.1.8	Board induction and training	Yes	Corporate Governance Report	134
A.2	Division of responsibilities between Chairperson and CEO	Yes	Corporate Governance Report	131 and 132
A.3	Chairperson's role in preserving good Corporate Governance	Yes	Corporate Governance Report	131
A.4	Availability of financial acumen	Yes	Corporate Governance Report	118 to 119
A.5	Board balance	Yes*	Corporate Governance Report	130
A.6	Supply of timely information	Yes	Corporate Governance Report	134
A.7	Appointments to the Board	Yes	Corporate Governance Report	133
A.8	Re-election	Yes	Corporate Governance Report	133
A.9	Appraisal of Board performance	Yes	Corporate Governance Report	134
A.10	Disclosure of information in respect of Directors	Yes	Board of Directors	118 to 119
A.11	Appraisal of the Chief Executive Officer (CEO)	Yes	Corporate Governance Report	134

\* In compliance with most of the requirements.

Code ref	Requirement	Complied	Reference	Pages
<b>B.</b>				
B.1	Remuneration procedure	Yes	HRCC Report	141
B.2	The level and make up of remuneration	Yes	Corporate Governance Report Notes to the Financial Statements - Note 48	135 284
B.3	Disclosure of remuneration	Yes	Notes to the Financial Statements - Note 21	239
<b>C.</b>				
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	Yes	Notice of Meeting  Corporate Governance Report	318  156
C.2	Communication with Shareholders	Yes	Corporate Governance Report	156
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 48	284
<b>D.</b>				
D.1	Financial and Business Reporting Management Discussion and Analysis Annual Report of the Board of Directors Statement of Compliance Statement of Directors' Responsibility Statement of Going Concern of the Company is set out in the Statement of Directors' Responsibility Directors' Statement on Internal Control over Financial Reporting Independent Auditors' Report Managing Director's and Chief Financial Officer's Statement of Responsibility Related Party Transactions disclosure of the Statement of Compliance, Note 48 in the Financial Statements Process in place is described in the Report of the Related Party Transaction Review Committee	Yes		36 to 109 183 to 187 157 to 164 190 190 and 204 142 to 143 191 to 194 188 284 140 to 141
D.2	Risk Management and Internal Control	Yes	Enterprise Risk Management BACC Report Directors Report on Internal Controls	165 to 179 137 to 139 142 to 143
D.3	Audit Committee	Yes	BACC Report	137 to 139
D.4	Related Party Transaction Review Committee	Yes	RPTRC Report	140 to 141
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Report	149
D.6	Corporate Governance Disclosure	Yes	Corporate Governance Report	118 to 164

# CORPORATE GOVERNANCE

Code ref	Requirement	Complied	Reference	Pages
<b>E. INSTITUTIONAL INVESTORS</b>				
E.1	Shareholder Voting	Yes	Corporate Governance Report	156
E.2	Evaluation of Governance Disclosure 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	Yes	Stakeholders Relationship	56 to 58
<b>F.</b>				
F.1	Investing/Divesting decisions	Yes	Stakeholder Engagement Communication	56 to 58
F.2	Shareholder voting	Yes	Corporate Governance Report	156
<b>G.</b>				
G	Internet of things and Cyber Security	Yes	Corporate Governance Report	153 to 154
<b>H.</b>				
H.1	Environment, Social and Governance (ESG) reporting	Yes	Management Discussion and Analysis Corporate Governance Report	36 to 109 151

# ENTERPRISE RISK MANAGEMENT

**UA has proven its resilience over the political and economic challenges faced during the year. The financial and operational results and recognition gained through winning innumerable awards bear testimony to validate the success of the Corporate Risk Management Framework.**

## OVERVIEW

Enterprise risk Management (ERM) plays a crucial role in how we do business to ensure we attain our strategic goals by enabling a "Risk Ready" culture throughout the many layers of the organization. ERM allows us to take informed decisions within the accepted risk appetite by continuously and proactively Identifying, assessing, managing uncertain future events and monitoring the progress of risk management to protect and create value for the company's stakeholders. Despite many challenges faced by the country over the year, as a responsible corporate we have taken measures to improve our ERM Framework to be resilient over these challenging times. Measures such as frequent monitoring of Key risk indicators, projection of KPIs based on environment volatility and reviewing their performance, carrying out Sensitivity analysis and stress testing under different scenarios to understand the movement of KPIs were implemented to support the ERM process. During the year we prioritized further strengthening the steadiness of the liquidity and solvency of the company while solidifying the integration between asset allocation and KPIs of the company.

## OBJECTIVES OF RISK MANAGEMENT

UA has outlined objectives to ensure the effectiveness and efficiency of measures taken to manage risks the right way.

- Protect the capital base by continuous monitoring to ensure that risks are not taken beyond the Company's risk tolerance levels
- Transferring, minimizing and mitigating risks

- Enhance value creation, contribution 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

## ORGANIZATIONAL CULTURE TOWARDS RISK MANAGEMENT

### "Risk Ready" Culture at UA

UA believes the success of risk management lies on being proactive over the potential threats and opportunities on a continuous basis. Hence, a strong Risk ready culture, which involves risk aware attitudes, skills and values is embraced and inculcated among the individuals via communication and training. Being a part of a risk ready culture allows UA to adequately allocate resources to be well equipped with required knowledge and experience to better face uncertainty in the future. Every employee is responsible for managing risks in his/her working environment and is accountable for the implementation and oversight of risk policies.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK

UA incur risks in its route to gaining competitive advantage and to improve its financial performance. Therefore, UA takes measures to manage risks in an informed and disciplined manner and within a pre-determined risk appetite and tolerance.

Our ERM Framework is backed by the Strong Risk ready culture and control environment which is embedded in to our corporate strategy.

The framework sets out how UA organizes and applies its risk management practices to ensure that all activities are conducted in line with the principles and limits mandated by the Risk Policy.

The ERM framework comprises the following major elements:

- Risk governance and Risk reporting
- Risk appetite framework
- Key risk management principles/processes

### Risk Governance

The ultimate responsibility of the Risk management framework along with approval of strategy and defining the risk appetite remains with the board.

Responsibility to design, implement and monitor the risk management plan has been delegated to the CEO supported by Senior Management, and is quarterly evaluated.

UA's risk policy outlines the Company's risk tolerance, risk limits and authority limits, reporting requirements, procedures to approve any exceptions and procedures for referring risk issues to the Board Audit and Compliance Committee (BACC) and the Board of Directors.

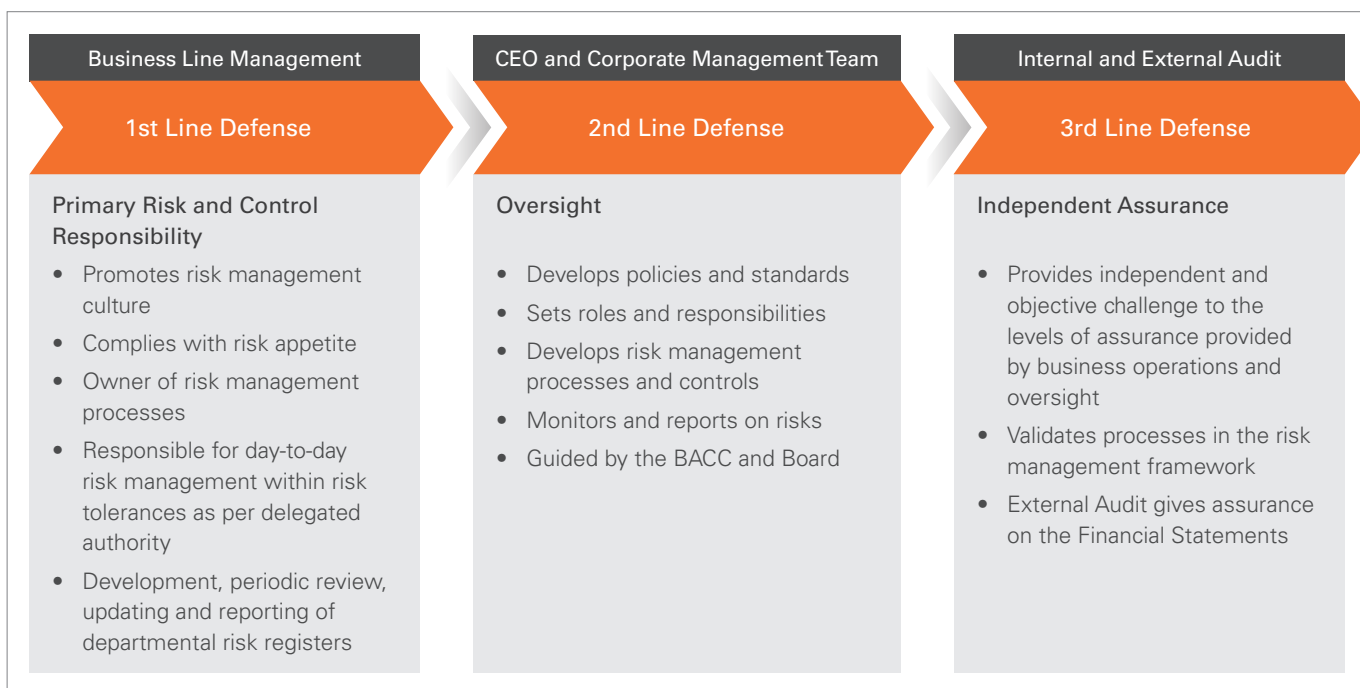
Furthermore, as a company within the John Keells Group, UA receives updates and feedback from Group Enterprise Risk Management on identification and rating of risks on a periodic basis.

# ENTERPRISE RISK MANAGEMENT

The Board oversight on risks takes place through reviewing of the risk register reports quarterly and by receiving additional updates where required. Furthermore, each department is responsible in making a risk register which facilitates the management oversight on risk factors.

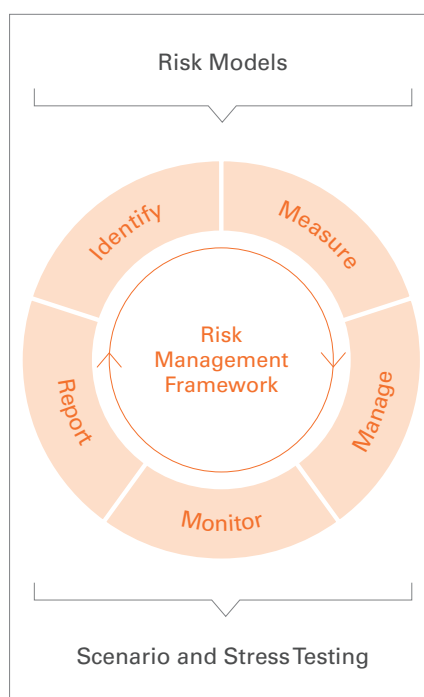
The ERM framework involves commitment from all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the Company.

The Company has adopted the Three Lines of Defense model to provide a consistent, transparent and clearly documented allocation of accountability



## Risk Appetite

This refers to the aggregate level and type of risk that UA is willing to accept to meet strategic objectives. It includes risks UA accepts but seeks to minimize, risks the Company seeks to avoid or transfer to third parties. The risk appetite acts as a common language and is embedded in day-to-day activities. The risk appetite can be used as a monitoring yardstick of the identified risk events.



## Risk Management Principles / Process

Risk Management process including risk models, stress and scenario testing enables UA to identify, measure, manage, monitor and report risks to confirm that the Company remains within the approved risk appetite. These processes facilitate dynamic risk-based decision-making and effective day-to-day risk management.

### 1. Risk Identification

The first step of the Risk management process is Risk Identification. Different types of risks may incur from various sources. Risks can be identified through,

- Periodic Risk assessments
- Direct observations of independent audits
- Brainstorming
- Scenario and sensitivity analysis



These risks can be identified mainly by the 1st, 2nd or 3rd line of defense. The risk factors identified can be relevant for each product line, department or the company as a whole. The process of risk identification allows management to draw attention to the root cause of such risks and take measures to mitigate or safeguard such areas.

**2. Risk Assessment / Measurement**

Each of the risks that were identified will be rated based on the significance of the impact on business goals and day to day activities along with its Likelihood of occurring. Low, medium and high ratings will be defined to each of these risks to ensure the management can prioritize the high significant risks and take measures to mitigate/reduce the medium-low risks by strengthening the internal controls. UA also tracks significant key risk indicators as a practice of risk measurement.

**KEY RISK INDICATORS**

**Capital Adequacy Ratio (CAR)**

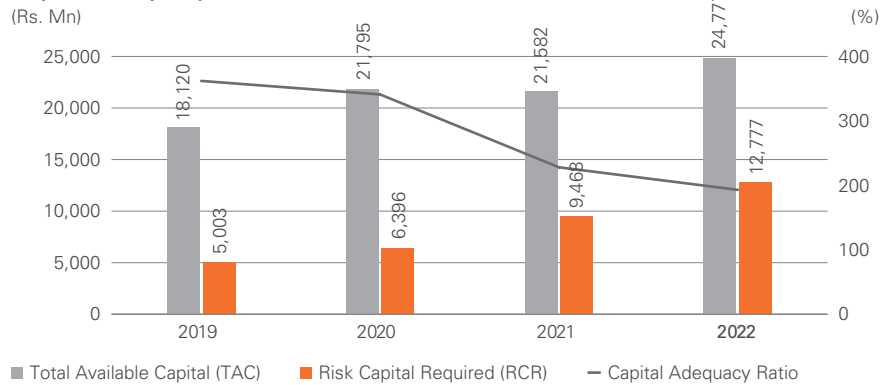
**194%**

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 is required to be consistently maintained in excess of 120%, with a significant margin above 160%, which is the level of 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 over the years. During the FY 2022 CAR was greatly stressed by many external factors such as, the high interest rates and complications and challenges in projecting the Risk-free rate to discount assets and liabilities when calculating CAR etc.

**Capital Adequacy Ratio (CAR)**



The table below shows the estimated impact on the Company's CAR under two scenarios

Objectives	Base case Rs. '000	One percentage point increase in the yield curve	Two percentage points increase in the yield curve
Total Available Capital (TAC)	24,777,213	24,602,031	24,432,758
Formula Risk-based Capital Required (FRCR)	9,472,265	9,632,286	9,788,682
Surrender Value Capital Charge (SVCC)	12,777,166	13,520,848	14,228,835
Risk-based Capital requirement (RCR)	12,777,166	13,520,848	14,228,835
Risk-based Capital Adequacy Ratio (CAR)	194%	182%	172%

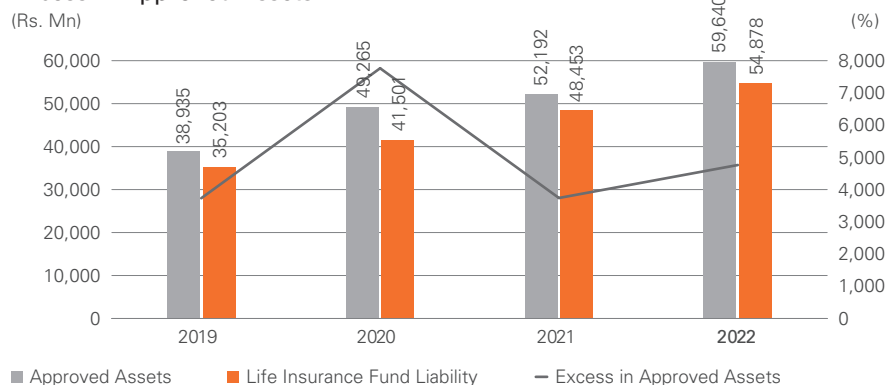
The scenarios are defined as events that have a very low probability of occurring but that could, if realized, negatively affect the CAR.

**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), 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 graphs below UA has maintained a significant excess in approved assets over the years.

**Excess in Approved Assets**

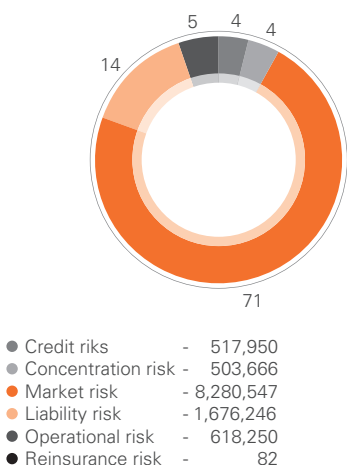


# ENTERPRISE RISK MANAGEMENT

## Risk Capital Required by Risk Type (Risk Based Capital)

The graph below shows UA's Risk Capital required by type of risk as of 31 December 2022. The largest proportion of UA Risk Capital requirement arose from market risk which comprised 71% of the total. Liability risk was the second largest, consisting of 14%.

Risk Capital Required by Type of Risk (%)



### 3. Risk Management / Response

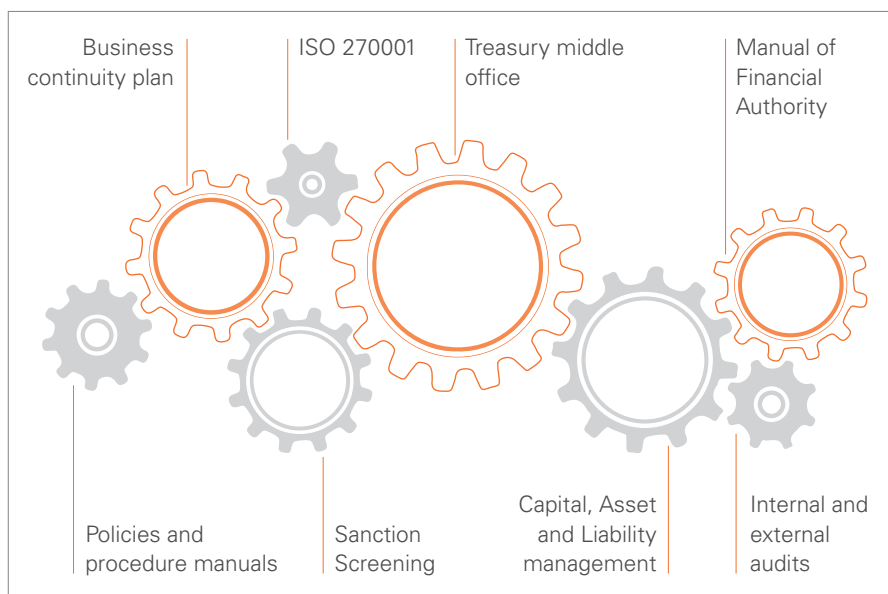
Once the risks are identified, measured and ranked, it is the responsibility of the departmental and senior management to action measures to control the risks. The management has the option of accepting the risk at instances where the risk impact and likelihood is low and has a low rating, transfer risks to third parties which has a high impact yet occurs rarely, reduce the risks through internal controls, policies and procedure at instances where the risk impact is low but occurs regularly and high impact risks which occur regularly can be avoided.

## Risk reduction through Internal Controls

The objectives of the Company's internal control system is to provide reasonable assurance that UA's financial statements and disclosures are materially correct, support reliable operations, and to ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks, which could impact the achievement of business objectives. Key controls are assessed for their design and operating effectiveness. The Company promotes risk awareness and understanding of controls through communication and training.

The management, as the first line of defense, is responsible for identifying, evaluating and managing risks, and designing, implementing and maintaining internal controls. Key processes and controls in the organization are subject to review by internal and external audit. Control issues of significance and associated mitigation actions are reported regularly to the Board Audit and Compliance Committee.

Some of the Internal control mechanisms Implemented by UA,



### 4. Risk Monitoring and Reporting

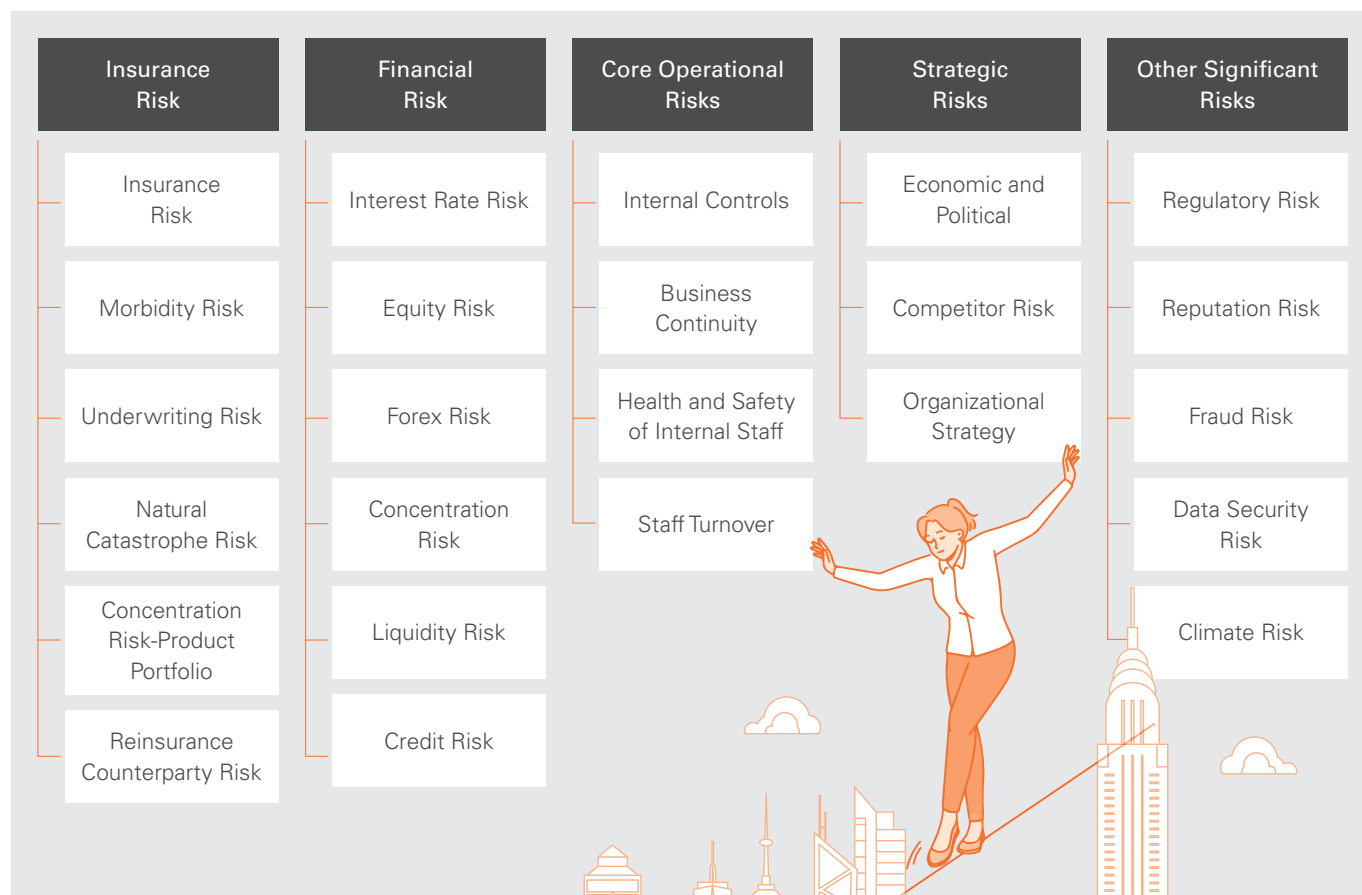
UA follows a continuous risk monitoring process to ensure the completeness of the ERM framework. Once the risk responses are implemented, the risk owners along with the 2nd line of defense will review the effectiveness of the internal controls implemented and if any new risks are arising.

The Board oversees business and strategic risk through review and approval of the business and strategic plans, and regularly discusses key themes, issues and risks emerging in connection with the design or implementation of these plans.

UA legal and compliance department along with the board reviews the risk register relevant for UA on a quarterly basis.

## RISK LANDSCAPE

UA takes measures to identify all possible future risks proactively along with systematically managing them. The risk directory laid below will provide an overview of all risks and opportunities Identified and what response strategies are implemented to reduce/mitigate risks and to improve the overall business standing and performance.



### Managing Risks Strategically





At UA, we have a stringent process in identifying, quantifying and mitigating risks that affects the business strategy, strategic objectives and strategy execution. We have a risk scoring mechanism where likelihood and impact are considered. Based on the score, the following ratings are derived.

#### Insurance Risk

Insurance risk is the risk resulting from having deviations in the timing, severity, or frequency of insured events from that expected, which leads to losses including causing adverse change in the value of Insurance liabilities. Which may mainly result from inherent uncertainty of insured events and losses, ineffective underwriting practices, inappropriate product development, pricing, claims management etc. We manage Insurance risk through,

- Complying with specific underwriting and claims standard and controls
- Robust and adequate reserving process
- External Reinsurance





# ENTERPRISE RISK MANAGEMENT

Key Risk	Rating	Risk Response												
<p><b>Mortality Risk</b> Risk of loss arising due to policy holders' death experience being different from expected</p> <p><b>Morbidity Risk</b> Risk of loss arising due to policyholders' health experience being different from expected</p> <p><b>Underwriting Risk</b> The risk of incurring losses when actual experience deviates from UA's best estimate assumptions on mortality, morbidity, policyholder behaviour, claims and expenses used to price products and establish technical provisions.</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• UA uses standard mortality tables with adjustments to reflect the expected accurate mortality and price products accordingly along with conducting regular stress analysis.</li> <li>• Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience and stress analysis is conducted to mitigate any discrepancies.</li> <li>• Establishing limits for underwriting authority</li> <li>• Ceding insurance risk through external proportional or non-proportional re-insurance treaties and facultative single-risk placements.</li> <li>• Providing relevant training for underwriting staff.</li> <li>• Carrying out independent reviews on the underwriting process</li> </ul>												
<p><b>Natural Catastrophe Risk</b> Impact from natural catastrophes and spread of contagious diseases on new business renewal, operations, and activities and health of stakeholders</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Retention of sufficient excess of loss limits per annum and per event.</li> <li>• Encourage submission of digital insurance proposals and documents in many departments such as claims servicing.</li> <li>• Implement health and safety and sanitization protocols as per Government guidelines at all premises, ensuring stakeholder health and safety</li> <li>• Periodic BCP trainings &amp; awareness for all departments</li> </ul>												
<p><b>Concentration Risk – Product Portfolio</b> Risk of losses due to not maintaining a balanced product portfolio</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Developing a proper product mix in line with Company strategy</li> <li>• Use of data analytics and big data to identify trending customers' needs to cater through appropriate products</li> <li>• Stress analysis is carried out to check the sensitivity of the business mix within the products</li> </ul>												
<p><b>Reinsurance Counterparty Risk</b> The inability or potential refusal of the reinsurer, to honour its obligations towards the ceding insurer.</p> <p>This is mainly measured using the credit rating of the Reinsurers.</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Reviewing and analyzing the adequacy of the reinsurance arrangements and reinsurance strategy based on the existing and potential risks.</li> <li>• We select reinsurers with a healthy credit rating from international rating agencies.</li> </ul> <table border="1" data-bbox="703 1659 1477 1883"> <thead> <tr> <th>Re-insurer</th> <th>Financial Strength Rating</th> <th>Rating Agency</th> </tr> </thead> <tbody> <tr> <td>MunichRe</td> <td>AA-</td> <td rowspan="4">Standard &amp; Poor's</td> </tr> <tr> <td>HannoverRe</td> <td>AA-</td> </tr> <tr> <td>PartnerRe</td> <td>A+</td> </tr> <tr> <td>RGA</td> <td>AA-</td> </tr> </tbody> </table>	Re-insurer	Financial Strength Rating	Rating Agency	MunichRe	AA-	Standard & Poor's	HannoverRe	AA-	PartnerRe	A+	RGA	AA-
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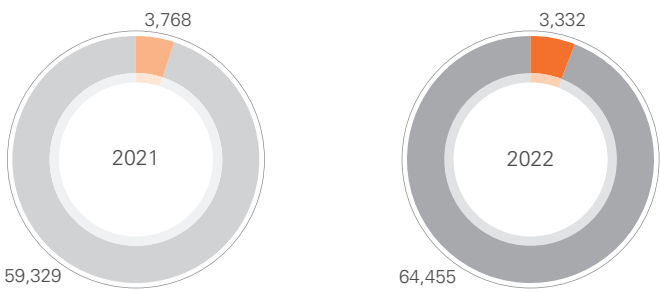

**Financial Risks**


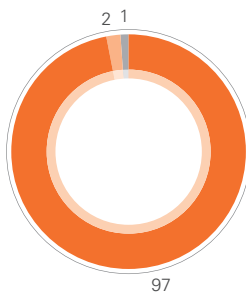
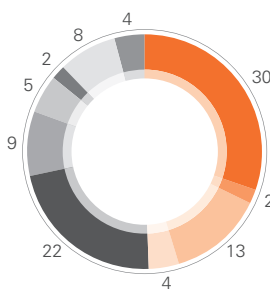

Financial risk is the probability of loss inherent in financing methods which may impair the ability to provide adequate returns. The Company is exposed to a range of financial risks through financial assets and financial liabilities. Financial risk comprises of,

- Market Risk – (Interest rate, Exchange rate, Equity risk volatility, Hyper Inflation)
- Liquidity Risk
- Concentration Risk
- Credit Risk


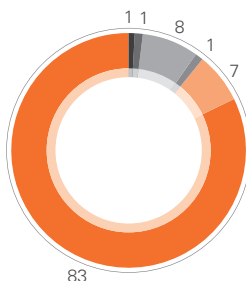
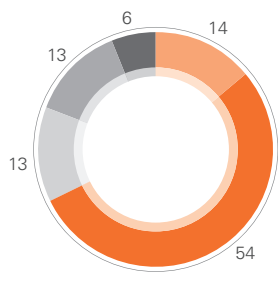
Key Risk	Rating	Risk Response
<p><b>Interest Rate Risk</b></p> <p>Risk of loss resulting from changes in interest rates, including changes in the shape of yield curves of instruments such as debt securities, reserves for insurance contracts, employee benefit plans, loans and receivables.</p> <p>Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values</p> <p> Please Refer page <b>50</b> for Commentary on Interest Rate</p>	 Ultra-High	<ul style="list-style-type: none"> <li>• Monitoring interest rate risk on a monthly basis by analyzing 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.</li> <li>• Treasury Middle office carries out sensitivity analysis on the interest rates movements and its possible impact on the financial asset portfolio.</li> <li>• Entering into forward trade agreements to ensure the maximum returns are obtained from business cashflows to avoid any impact from possible reduction in interest rates.</li> <li>• Initial recognition of investments is closely monitored.</li> <li>• Re-design of investment portfolio to keep in par with the interest rate movements while considering the reinvestment risk.</li> <li>• The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates</li> <li>• Invest in treasury assets that provide sufficient risk adjusted return - risk that factors in a possible Domestic Debt Restructure.</li> </ul>
<p><b>Equity Risk</b></p> <p>Risk of equity market price fluctuations affecting the bottom line of the Company</p> <p> Please Refer page <b>52</b> for Commentary on Equity Movement</p>	 Ultra-High	<ul style="list-style-type: none"> <li>• Actively managing the equity portfolio to ensure realized gains are capitalized and to protect the equity base from any possible mark to market losses.</li> <li>• The Company has partnered with an external outsourced Equity Fund Manager to manage the equity portfolio of the Company and continuous monitoring of the performance of external fund manager on the performance of the equity portfolio</li> <li>• 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</li> <li>• Decisions are based on in depth macroeconomic and industry analysis as well as research reports on company performance</li> <li>• Invest in corporate fixed income entities that have sufficient capital buffers to withstand external shocks caused due to adverse economic environment.</li> <li>• During the latter part of the year equity mandate to external fund manager was changed to a mixed mandate by incorporating both equity and fixed income securities to provide more flexibility to manage risk.</li> </ul>

# ENTERPRISE RISK MANAGEMENT

Key Risk	Rating	Risk Response												
		<p>UA equity portfolio against the total Investment portfolio</p> <table border="1" data-bbox="675 510 1481 663"> <thead> <tr> <th></th> <th>Total Investment Portfolio (Mn)</th> <th>Equity Portfolio (Mn)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>64,455</td> <td>3,332</td> <td>5%</td> </tr> <tr> <td>2021</td> <td>59,329</td> <td>3,768</td> <td>6%</td> </tr> </tbody> </table> <p>(%)</p> 		Total Investment Portfolio (Mn)	Equity Portfolio (Mn)	%	2022	64,455	3,332	5%	2021	59,329	3,768	6%
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<p><b>Forex Risk</b></p> <p>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.</p> <p>UA principal transaction currency is LKR and foreign currency exposure arises from the payments made to vendors outside the country such as Reinsurers, Service providers and software vendors.</p> <p>The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar during the year due to political and economic instability in the country.</p> <p>The exchange rate crisis has an impact on CAR ratio due to increase in reinsurance balances</p>	 <p>Medium</p>	<ul style="list-style-type: none"> <li>• Company does not carry foreign currency dominated assets or liabilities</li> <li>• UA collaborate with the parent company and monitors the timings of payments when making payments to foreign vendors to ensure payments are made promptly.</li> <li>• Negotiating different payment options with vendors, especially with Reinsurers such as net payment arrangements, installment payments arrangements, etc.</li> <li>• Periodic analysis to ascertain the impact due exchange rate movement</li> <li>• Closely collaboration with the industry to manage possible repricing of reinsurance by reinsurers to an acceptable level</li> </ul>												

Key Risk	Rating	Risk Response																														
<p><b>Concentration Risk</b></p> <p>The risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations.</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>Focus on diversification of Insurance portfolio across regions.</li> <li>Maintaining a diversified portfolio of assets</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>Corporate Debt Securities</b> (%)</p>  <table border="1"> <caption>Corporate Debt Securities (%)</caption> <tr><th>Category</th><th>Percentage</th></tr> <tr><td>Banking and Diversified financials</td><td>97</td></tr> <tr><td>Telecommunications</td><td>2</td></tr> <tr><td>Capital Goods</td><td>1</td></tr> </table> </div> <div style="text-align: center;"> <p><b>Quoted Equity</b> (%)</p>  <table border="1"> <caption>Quoted Equity (%)</caption> <tr><th>Category</th><th>Percentage</th></tr> <tr><td>Capital Goods</td><td>30</td></tr> <tr><td>Consumer Durables &amp; Apparel</td><td>22</td></tr> <tr><td>Telecommunication Services</td><td>13</td></tr> <tr><td>Materials</td><td>9</td></tr> <tr><td>Food, Beverage &amp; Tobacco</td><td>8</td></tr> <tr><td>Consumer Services</td><td>5</td></tr> <tr><td>Application Software</td><td>4</td></tr> <tr><td>Food &amp; Staples Retailing</td><td>2</td></tr> <tr><td>Energy</td><td>2</td></tr> <tr><td>Transportation</td><td>1</td></tr> </table> </div> </div> <ul style="list-style-type: none"> <li>Banking and Diversified financials</li> <li>Telecommunications</li> <li>Capital Goods</li> <li>Capital Goods</li> <li>Banks</li> <li>Consumer Durables &amp; Apparel</li> <li>Telecommunication Services</li> <li>Materials</li> <li>Food, Beverage &amp; Tobacco</li> <li>Consumer Services</li> <li>Application Software</li> <li>Food &amp; Staples Retailing</li> <li>Energy</li> <li>Transportation</li> </ul> <p>97% of UA corporate debt securities represent investments in the Banking and Diversified Financials. This is mainly due to credit quality and stability in the sector. However, down grading of banks has an impact on credit quality which leads to an additional risk charge on the Capital Adequacy Ratio. Yet it is still within the tolerance limit.</p> <p>30% of UA quoted equities are in Capital Goods sector. UA predominantly invested in equities of this sector as large conglomerates are considered.</p>	Category	Percentage	Banking and Diversified financials	97	Telecommunications	2	Capital Goods	1	Category	Percentage	Capital Goods	30	Consumer Durables & Apparel	22	Telecommunication Services	13	Materials	9	Food, Beverage & Tobacco	8	Consumer Services	5	Application Software	4	Food & Staples Retailing	2	Energy	2	Transportation	1
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<p><b>Liquidity Risk</b></p> <p>The risk where the Company although solvent 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.</p>	 <p>Medium</p>	<ul style="list-style-type: none"> <li>Regular forecasting of detailed liquidity requirements based on business input.</li> <li>Maintaining sufficient cash and cash equivalents and high-quality liquid investment portfolio as part of UA's liquidity management, to meet outflows under expected and stressed conditions.</li> <li>Monitoring the investment portfolio to maintain an appropriate level of liquidity by placing limits on assets not readily realizable.</li> <li>Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when claim events exceed a certain size.</li> <li>Availability of stand by overdraft facility to be used only in the event of an emergency.</li> <li>Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company.</li> <li>Monitoring cash flow of the company on weekly basis and actively managing expense escalations.</li> </ul>																														

# ENTERPRISE RISK MANAGEMENT

Key Risk	Rating	Risk Response																																										
<p><b>Credit Risk</b></p> <p>Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations</p>	 <p>Medium</p>	<ul style="list-style-type: none"> <li>Sources of credit risks are assessed and monitored, and the Company has policies to manage the specific risks within the various sub categories of credit risks.</li> <li>Use of ratings assigned by external rating agencies to assess counterparty credit worthiness.</li> <li>Active use of collateral to support credit risk.</li> <li>Prudent Credit Policy which limits investments to high grade corporate credit in line with the Investment policy and above regulatory minimum criteria.</li> <li>83% of the investment portfolio of UA is on risk free securities.</li> </ul> <p><b>Credit Risk Concentration</b></p> <p>There is no unapproved material exposure in excess of the Company's limits for counterparty aggregation as of year-end.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>Investment Portfolio</b> (%)</p>  </div> <div style="text-align: center;"> <p><b>Cash &amp; Bank</b> (%)</p>  </div> </div> <div style="margin-top: 10px;"> <ul style="list-style-type: none"> <li style="width: 33%;">● AAA+ to AAA- (ICRA)</li> <li style="width: 33%;">● A+ to A- (ICRA)</li> <li style="width: 33%;">● AAA</li> <li style="width: 33%;">● A-</li> <li style="width: 33%;">● BB+</li> <li style="width: 33%;">● AA+ to AA- (Fitch)</li> <li style="width: 33%;">● BBB+ to BBB- (Fitch)</li> <li style="width: 33%;">● AA-</li> <li style="width: 33%;">● BBB-</li> <li style="width: 33%;">● AA+ to AA- (ICRA)</li> <li style="width: 33%;">● Risk Free</li> <li style="width: 33%;">● A+</li> <li style="width: 33%;">● A</li> <li style="width: 33%;">● BBB+</li> <li style="width: 33%;">● A+ to A- (Fitch)</li> <li style="width: 33%;">● A-</li> <li style="width: 33%;">● Cash in hand</li> </ul> </div> <p>Downgrading of banks as stemming from the current economic crisis and downgrading of country rating has an impact on credit risk and it results in an addition risk capital charge on the Capital Adequacy Ratio, yet it is not a significant impact.</p> <p><b>Credit Risk Related to Policy Loans and Others</b></p> <p>Analysis of maximum exposure to credit risk related to life policyholder loans. However, policy loans are collateralized by the surrender value of the policy</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 48%;"> <p><b>Policyholder Loans</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">As at 31 December</th> <th style="text-align: right;">2022 Rs. '000</th> <th style="text-align: right;">2021 Rs. 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### Core Operational Risks

Risk of loss resulting from inadequate or failed internal processes, personnel related issues, systems or from external events such as outsourcing, natural catastrophes or legislation.




Key Risk	Rating	Risk Response
<p><b>Internal Controls</b></p> <p>The risk of not meeting service quality levels, potential losses of cash / inventory &amp; reputational damage.</p> <p>Due to current economic crisis in the country and hardships that people are undergoing, there is increase tendency on internal control break downs and misappropriation. Therefore, during the year, the Company strengthened the risk responses</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Periodical review of internal controls and improvements</li> <li>• Educate employees about internal controls</li> <li>• Implementation of a bottom-up compliance sign off process</li> <li>• Review of investment portfolio and related controls</li> <li>• SOPs are available for critical areas of operations</li> <li>• Reviews/audits conducted by internal and external auditors, and Audit &amp; Compliance division</li> <li>• Disciplinary procedures such as inquiries, warnings etc. are executed for any violation of procedures and/or non-compliances. The Compliance team conducts awareness sessions on areas of improvement</li> <li>• ML policy and monitoring, provide framework for AML compliance</li> </ul>
<p><b>Business Continuity</b></p> <p>The risk of occurrence of any detrimental events that would disrupt the operations of UA on a BAU basis.</p> <p>Fire risk, Terrorism attacks, Pro-long power disruptions, shortage/scarcity of fuel and social unrest/riots and strikes along were significant during the year</p>	 <p>Medium</p>	<ul style="list-style-type: none"> <li>• Test BCP on regular basis and constantly evaluate test scenarios and attempt to test likely / emerging scenarios.</li> <li>• Fire Drills and routine maintenance/upkeep of buildings, etc.</li> <li>• Availability of fire alarm system supported with smoke detectors and necessary First Aid Fire Appliances (FAFA) being available at premises.</li> <li>• Support both onsite and remote working to mitigate disruption to employee productivity and continuity of operations</li> <li>• Wherever possible, encourage staff to work from home and to use digital enablement tools to communicate and collaborate.</li> <li>• Knowledge sharing sessions and advanced Testing of the procedures are also carried out with the internal staff to mitigate disruptions caused</li> </ul>
<p><b>Health and Safety of Staff members</b></p> <p>Risk of accidents taking place during work hours inside the office premises among the staff members which may affect Loss of Productive Time &amp; Business, Damage to Brand Image and Impact on the service standards</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Continuously educate staff on health and safety aspects (e.g., Fire evacuation drills, safety videos etc.)</li> <li>• Ensure proper health and safety measures are implemented within company premises</li> <li>• Conduct periodic health and safety reviews for premises</li> </ul>
<p><b>Staff Turnover</b></p> <p>Loss of critical experienced staff members in distribution, technical and back-end functions and risk arising due to Intense poaching</p>	 <p>Ultra-High</p>	<ul style="list-style-type: none"> <li>• Implemented talent management program as a means to retain high potential employees. Various mentoring programs with inspiring figures at UA are in place to retain and develop high potential employees.</li> <li>• Defined, structured career paths for key employees</li> <li>• Use training, product expertise and service as means to retain key distribution staff</li> <li>• Market based salary adjustments are evaluated annually</li> <li>• Implemented a mentoring program for top talent as a retention tool</li> <li>• Analysis of attrition ratios</li> </ul>

# ENTERPRISE RISK MANAGEMENT






## Strategic Risks

Strategic risk arises due to internal and external events that may make it difficult, or even impossible, for Union Assurance to achieve our objectives and strategic goals. We have identified the below strategic risks to be material during the year,

- Economic and political Risks
- Competitor risk
- Inability to achieve strategic goals due to internal reasons

Key Risk	Rating	Risk Response
<p><b>Economic and Political Risks</b></p> <p>The risk arising due to instability in macro-economic &amp; political environment, high inflation, and lower disposable income of end-consumer.</p>	 Ultra-High	<ul style="list-style-type: none"> <li>• Regularly assess macro environmental factors and impact on business during senior management meetings</li> <li>• Scenario testing to understand the potential impact on the surplus as result of reduced premium income, increased claims and cost escalations.</li> <li>• Investment Committee meets on a monthly basis to discuss on the current economic and market conditions and decisions are collectively taken based on the economic outlook</li> <li>• Focused renewal campaign and the lapse prevention program for the agency channel</li> <li>• Creating awareness to sustain new business and renewals</li> <li>• Monitoring undertaken with the agency management to drive collection strategies for new business, pending business and renewals</li> <li>• Promoting digital proposal submission and policy issuance</li> <li>• Stringent expense management and cost savings</li> </ul>
<p><b>Competitor Risk</b></p> <p>The risk of being unable to remain competitive in the market due to high competitor pressure.</p> <p>Competitor rivalry is high in the industry where five players are dominating the market with high price competition.</p> <p>Competitor entry in the industry plays a medium effect due to the high cost of entry for risk-based capital requirement and low insurance penetration</p>	 Medium	<ul style="list-style-type: none"> <li>• Offering Differentiated products and innovative marketing for product propositions</li> <li>• Building a strong brand loyalty</li> <li>• Rigorous monitoring of company performance against competitor performance</li> <li>• Monitors company risk management framework in comparison to the industry risk factors</li> </ul>
<p><b>Organizational Strategy Related Risks</b></p> <p>Risk of UA being unable to achieve its strategic targets which arise from</p> <ul style="list-style-type: none"> <li>• Inadequate assessment of strategic plans</li> <li>• Ineffective implementation of strategic plans</li> <li>• Unexpected changes to assumptions underlying strategic plan</li> </ul>	 Low	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The management also carries out periodic reviews to ensure the effective implementation of strategic plans.</li> <li>• Making good progress in innovation and digital solutions to introduce efficiencies and to meet the challenge of evolving customer needs</li> <li>• Clear Communication of the Company's strategy and Business Objectives to all staff.</li> </ul>

## Other Significant Risks

Key Risk	Rating	Risk Response
<p><b>Regulatory and Compliance Risk</b></p> <p>Risk of being non-compliant to regulatory requirement which lead to penalties and reputational risks.</p> <p> Please Refer page <b>49</b> for Regulations in 2022 and trends</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>Monitoring of filing of returns to IRCSL and other regulatory authorities such as CSE, FIU</li> <li>Maintenance and monitoring of compliance by divisions</li> <li>Monitoring on time gratuity payments and statutory payments. Ensure payments done as per set SLA's</li> <li>Ensuring that capital adequacy requirements are always maintained/preserved so we can support clients and withstand adverse impact from unexpected outcomes</li> <li>Conduct successful Internal and External audits</li> </ul>
<p><b>Reputational Risks</b></p> <p>Risk of negative publicity regarding Company's business practices will lead to a loss of confidence amongst stakeholders.</p>	 <p>Low</p>	<ul style="list-style-type: none"> <li>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</li> <li>Avoid misappropriation / miss selling by field and permanent staff by training staff to encourage need base selling skills to avoid any miss-selling through proper fact finding.</li> <li>Strong process controls were adapted to streamline recruitment process</li> <li>AML policy and monitoring, provide framework for AML compliance</li> </ul>
<p><b>Fraud Risk</b></p> <p>Risk of unexpected financial, material or reputational loss as a result of fraudulent action of persons internal or external to the organization.</p> <p>Fraud risk has increased since people tend to take actions which are not within the code conduct of the Company due to hardship faced by them based on the current economic crisis.</p>	 <p>Medium</p>	<ul style="list-style-type: none"> <li>Strict MOFA control</li> <li>Adequate segregation of duties (SOD)</li> <li>Periodical asset/stock verification and reconciliation with ledger details</li> <li>Obtained sign off from staff on adherence to company ethics and code of conduct</li> <li>Work with screened and registered suppliers as far as possible</li> <li>comprehensive Whistle Blowing Policy provides a formal procedure for employees to report instances of corruption, illegal activities, or other wrong doing. Also, platforms such as "CEO Direct" enables employees to report instances of corruption, illegal activities etc.</li> </ul>
<p><b>Information Security Risk and Cyber Security Risk</b></p> <p>Cyber risks and threats to data security</p>	 <p>High</p>	<ul style="list-style-type: none"> <li>Firewalls in place with high availability to protect network attacks</li> <li>Information Security Management System policies, procedures and controls are in place as per ISO27001:2013 standard</li> <li>Conduct frequent IT end user security awareness sessions</li> <li>Update Operating system patches regularly</li> <li>Multi factor authentication is enabled for O365 accounts.</li> <li>Advanced threat protection available for emails for the executive and above category to safeguard email-based threats (O365)</li> <li>Virus guard protection available for all computers</li> <li>Implemented Cisco Umbrella to safeguard from fraudulent internet activities/ internet-based threats</li> <li>Implemented OneDrive &amp; SharePoint mechanism to safeguard critical documents</li> <li>Data labelling and classification implemented in Microsoft Office documents.</li> <li>With the implementation of WFH due to the Pandemic, the Company conducted extensive user awareness to address social engineering on an ongoing basis</li> </ul>

# ENTERPRISE RISK MANAGEMENT

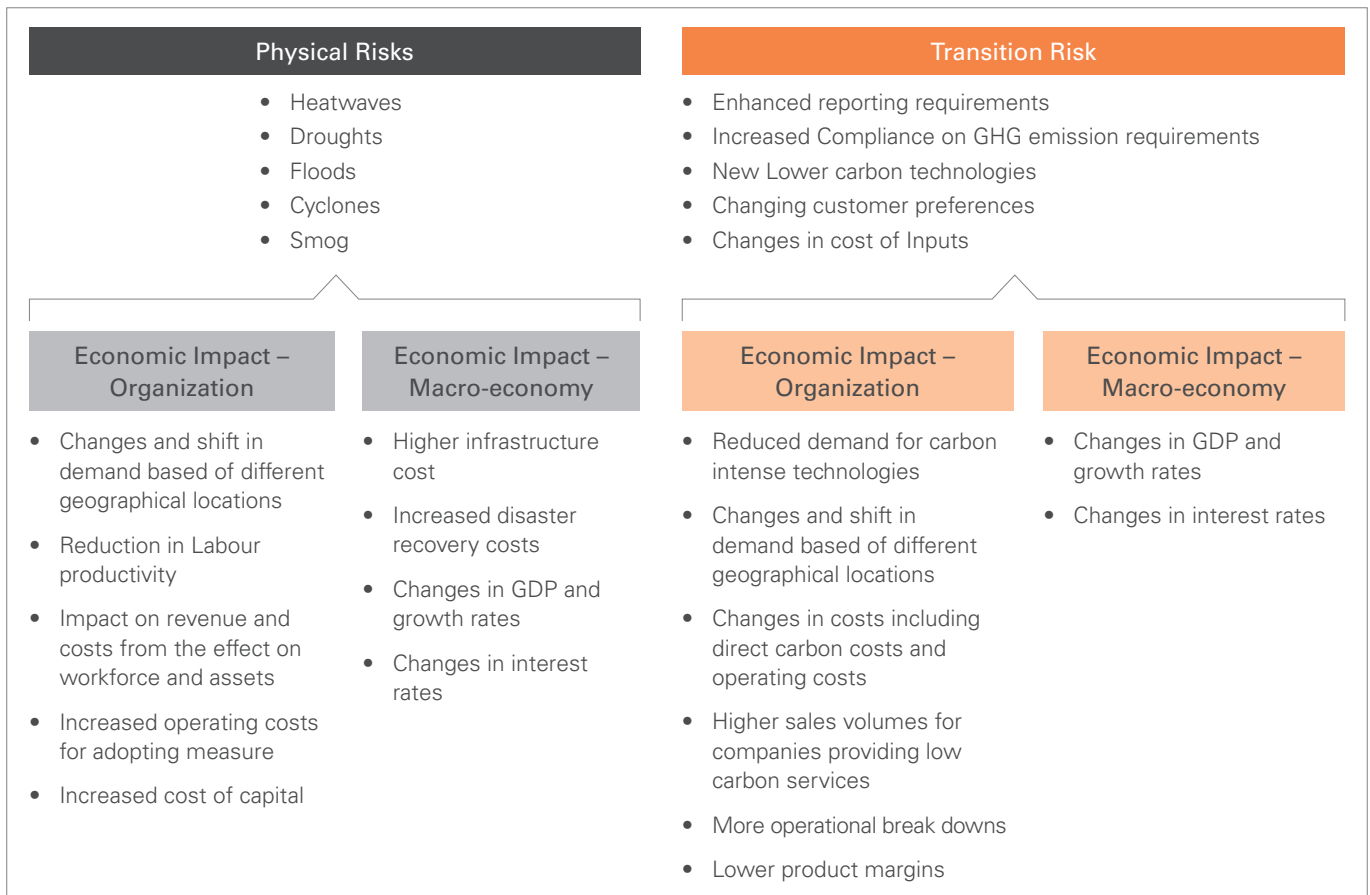
Key Risk	Risk Response
<p><b>New Technology and Data Analytics</b></p> <p>Failure to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products could potentially result in our business model becoming obsolete</p>	<ul style="list-style-type: none"> <li>We continue to develop our data analytics capabilities to enable improvements in the customer journey, our understanding of how customers interact with us and our underwriting disciplines</li> </ul>

**Integration of Climate related risks within the overall Risk Management Framework**

The risks and opportunities associated with climate change affect our products, services and operations. Understanding, measuring and managing these impacts while seizing the opportunities that arise from building a climate neutral world is important to create sustainable value

to our Stakeholders. We have identified that climate related risk is interrelated with other risks such as Market risk, Insurance risk and Natural catastrophe risk which we have already identified in our Risk landscape. UA approach to manage Climate related risks is embedded in our diverse risk management framework, following the same objectives of informed and disciplined risk taking and managing.


In order to be resilient over the climate related risk through identifying, assessing, managing, monitoring and reporting on climate related risk, we have identified such risks in our risk rating parameters which assess the materiality of the risk by analyzing the Impact and likelihood of occurrence of such risks. Further it supports the implementation of mitigating actions.



### Climate-related Risk Impact on Policyholder Health Conditions

With the understanding on climate related risk types such as air pollution, greenhouse gas emissions, physical risks and transition risk, It is evident the policyholders have an impact on their health. Air pollution could cause an increase in hospitalization and Morbidity risk whereas Physical risks such as increased weather events (Cyclones, Hurricanes, smog and floods) have an high impact on Mortality, Morbidity and hospitalization risk.

As a responsible corporate, it is our responsibility to provide a safety net to our policy holders and take initiatives to reduce/mitigate such climate risks. During the year, Union Assurance has taken efforts to invest in green investments. As a good practice, we have disclosed on our annual report climate related emissions in operations/products along with initial TCFD disclosures. We will also take measures to share knowledge with the wider population who are open to climate risks on prevention control and provide insurance cover in case of the risk materializing.

Key Risk	Rating	Risk Response
<p><b>Climate Related Risk</b></p> <p>The potential negative impacts of Climate Change on an organization.</p> <p>Impact through Natural catastrophes,</p> <ul style="list-style-type: none"> <li>• Impact on business continuity</li> <li>• Legal, Regulatory Compliance &amp; Privacy issues</li> <li>• Inaccessibility of customers to visit location to intimate claims, etc.</li> <li>• Inaccessibility of staff to service customers and perform duties</li> </ul>	 <p>Low</p>	<ul style="list-style-type: none"> <li>• Minimizing activities with a high carbon footprint such as fossil fuel consumption and air travel</li> <li>• Substituting these activities with low emission alternatives such as video conferencing, working from home, promoting hybrid and electrical car usage by employees</li> <li>• Offsetting residual emissions</li> <li>• Employee awareness on being vigilant about water, emission and waste management</li> <li>• Effective disposal of waste.</li> <li>• Test BCP on regular basis and constantly evaluate test scenarios and attempt to test likely / emerging scenarios.</li> <li>• Encourage submission of digital insurance proposals (currently 100%).</li> <li>• Periodic BCP trainings &amp; awareness for all departments</li> </ul>

# FOCUSED ON OUR CHAPTER AHEAD

## Financial Statements

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# FINANCIAL CALENDAR

	2022	2023
36 Annual General Meeting to be held on	N/A	30-Mar-23
35 Annual General Meeting held on	31-Mar-22	N/A
The first and final dividends for the year 2021 paid on	31-Mar-22	N/A
Audited financial statements of proceeding year authorized on	28-Feb-22	28-Feb-23
<b>Interim financial statements will be published as per rule 7.4 of the Colombo Stock Exchange</b>		
Interim results for the three months ended 31 March (Unaudited)	11-May-22	15-May-23
Interim results for the three months ended 30 June (Unaudited)	12-Aug-22	15-Aug-23
Interim results for the three months ended 30 September (Unaudited)	14-Nov-22	15-Nov-23
Interim results for the three months ended 31 December (Unaudited)	28-Feb-23	28-Feb-24



# 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 2022.

## 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 18 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 Reflection from our Chairperson, Reflection from our Chief Executive Officer 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.

## REVENUE

The total gross written premium generated by the Company for the year 2022 was Rs. 16,675 million (2021 – Rs. 15,406 million).

## FINANCIAL RESULTS AND APPROPRIATIONS

The net profit after tax of the Company was Rs. 2,747 million for the year (2021 – Rs.2,054 million).

A synopsis of the performance is presented below;

For the year ended 31 December Union Assurance PLC	2022 Rs. '000	2021 Rs. '000
Profit after tax	2,747,105	2,053,585
Balance brought forward from previous year	8,587,910	7,355,609
Profit available for appropriations	11,335,015	9,409,194
<b>Appropriations</b>		
Dividend paid for previous year	(1,296,429)	(825,000)
Transfer from revaluation reserve	4,247	3,716
Un-appropriated profit carried forward	10,042,833	8,587,910

## FINANCIAL STATEMENTS AND AUDITORS' REPORT

The financial statements for the year ended 31st December 2022 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 196 to 289 and the Auditors' Report on the financial statements is provided on pages 191 to 194 of this Annual Report.

## ACCOUNTING POLICIES

Details of accounting policies are presented on Pages 203 to 289 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 2022, 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

The Company will continue with its dividend policy that corresponds with sustainable growth in profits, whilst maintaining adequate funds for future expansion and business continuity in a volatile business environment.

Hence, given the high sensitivity of the CAR to interest rate, the Board of Directors are compelled to withhold shareholder dividends for 2022 despite the strong performance of the Company, until there is an improvement in the current economic conditions of the country.

The Board of Directors has not declared a shareholder dividend as at the reporting date (2021 – Rs. 22 per share).

## PROVISION FOR TAXATION

The Company is liable to income tax at 24% and 30% on 50%: 50% basis of taxable income in 2022 (2021 - 24%) in terms of the Inland Revenue Act No. 24 of 2017 and amendments thereto. The tax position of the Company is disclosed in Note 22 to the financial statements on page 240.

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group (Parent) as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021.

Accordingly, for UA a total Surcharge Tax liability of Rs. 39.2 million has been recognised as an opening adjustment to the 1 January 2022 Life fund balance in accordance with company policy and substance of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

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

The Company paid Rs. 39.2 million surcharge tax liability in two instalments on 20 April 2022 and 20 July 2022.

## PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 127 million. The carrying value of property, plant and equipment as at 31st December 2022 was Rs. 2,760 million (2021 - Rs. 2,746 million). The details of property, plant and equipment are shown in Note 27 to the financial statements on page 249.

## INTANGIBLE ASSETS

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 74 million. The carrying value of intangible assets was Rs. 1,311 million as at the reporting date (2021 - Rs. 1,546 million). The details of intangible assets are shown in Note 26 to the financial statements on page 247.

## 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 2021 to reflect its market value as per Company policy.

The revaluation was performed by Mr. P B Kalugalagedera and Associates, Independent Chartered Valuation Surveyor. The details of the revaluation and relevant accounting policies are provided in Note 27 to the financial statements on page 249.

## INVESTMENTS

Details of investments held by the Company are disclosed in Note 30 to the financial statements on page 259.

## 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 2022 was Rs. 1,000 million (2021 - Rs. 1,000 million) and the total capital and reserves was Rs. 14,214 million (2021 - Rs. 15,455 million).

Shareholders of the Company at its Extraordinary General Meeting held on 31st March 2022 approved that the number of ordinary shares of the Company in issue be increased by way of a split of shares with effect from April 05, 2022; whereby one (01) ordinary share was splitted into ten (10) ordinary shares. The resulting number of shares after the split were 589,285,720. There was no change to the stated capital of the Company subsequent to the said split of shares. The shares resulting from split of shares carry the same voting and distribution rights of the holders of such shares.

As explained in Note 39 on page 272, 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 fund and non unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF) through Income Statement as at 31st 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 110 to 115 of this report.

## SHARE HOLDINGS

There were 1,805 registered shareholders, holding ordinary voting shares as at 31st December 2022 (2021 – 1,493). The distribution of shareholding including the percentage held by the public is given on page 113 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 2022 is given on page 114 of this report, together with comparative shareholding as at 31st December 2021.

## 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 118 to 164.

## 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
- 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) to the extent of business exigency and as required by the John Keells Group.

#### BOARD AUDIT AND COMPLIANCE COMMITTEE

The composition of the Board Audit and Compliance Committee comprising of Non Executive Directors is provided on page 137. 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 137 to 139 of this report.

#### SLFRS 17 IMPLEMENTATION

A board subcommittee, 'SLFRS 17 steering committee' was established during 2021 to ensure the institutional strategic readiness in implementation of SLFRS 17. The Company made steady progress in SLFRS 17 implementation journey and awarded proof of Concept (POC) to a selected vendor during the year.

Details of the committee are outlined in the Corporate Governance section on page 136.

#### 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.

#### 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. The Board is satisfied that the process is sufficiently robust to identify and manage risks which have an impact on the Company's performance.

A detailed overview of the process is outlined in the Enterprise Risk Management report in the Corporate Governance section on page 165.

#### THE BOARD OF DIRECTORS

As at 31st December 2022 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 118.

#### RESIGNATION AND APPOINTMENT OF DIRECTORS

No new appointments / resignations were made to / from the Board during the year under review

#### RETIREMENT AND RE-ELECTION / RE-APPOINTMENT OF DIRECTORS

In terms of Article 84 of the Articles of Association of the Company, Mr. D. P. Gamlath and Mr. D. H. Fernando retire by rotation and are eligible for re - election. Brief profiles of the said Directors are given on pages 118 to 119.

#### 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 131.

#### REVIEW OF PERFORMANCE OF THE BOARD

The performance of the Board has been appraised through a formalized 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 135 to 142.

#### 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 disclosures 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 48 on page 284 to the financial statements, under related party transactions.

##### b) Directors' Interests in Shares

The Directors' individual shareholdings in the Company are provided on page 113 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 of the parent company. 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 21 of the financial statements.

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

## DIRECTORS' MEETINGS

Details of Board meetings and Board subcommittee meetings are presented on page 132 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 CASL, Companies Act No 07 of 2007, 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 CASL 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 48 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.

## 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 96 to 103.

## 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 158 to 164 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. In addition, the Company submitted monthly solvency requirements within the timelines from April 2020 as required by IRCSL guidelines due to the outbreak of COVID-19 pandemic. Refer pages 167 to 168 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.

## 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 88 to 95. The number of persons employed by the Company as at 31st December 2022 was 798 (2021 -770).

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 82 to 87. 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 2022, the payments of the Company amounted to Rs. 2,629 million (2021 - Rs. 1,785 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 51 to the financial statements, relating to contingent liabilities.

## CAPITAL COMMITMENTS

No significant capital commitments exist as at 31st December 2022.

## 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 50 to the financial statements.

## GOING CONCERN

After considering the financial position, operating conditions, regulatory and other factors including prevailing adverse macro-economic conditions 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 2022 and 2021 is presented below.

	2022 Rs. '000	2021 Rs. '000
Audit and audit related fees	5,940	5,311
Non audit fees	2,600	3,122

## 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 pages 191 to 194 of this annual report.


## APPROVAL OF FINANCIAL STATEMENTS

The audited financial statements were approved by the Board of Directors on 28 February 2023. 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 30 March 2023 at 2.00 p.m. The notice of the meeting relating to the 36th Annual General Meeting is given on page 318.

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



**K.N.J Balendra**  
Chairperson



**S.Rajendra**  
Director



**Keells Consultants (Private) Limited**  
Secretaries

28 February 2023

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

The financial statements of Union Assurance PLC as at 31st December 2022 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 CASL
- 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 jointly by the CASL and Securities and Exchange Commission (SEC).

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31st December 2022, together with the comparative data as at and for the year ended 31st December 2021, 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. 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 (PricewaterhouseCoopers) 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 at a close door meeting without the presence of the management 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

28 February 2023

# ACTUARY'S REPORT



28 February 2023

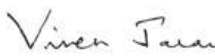

The Board of Directors  
Union Assurance PLC  
No 20, St. Michael's Road,  
Colombo 03,  
Sri Lanka

## Actuarial Valuation of the Long-Term Insurance Business as at 31 December 2022

In accordance with the engagement letter dated 10 August 2022, Willis Towers Watson India Private Limited ("WTW", "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 2022.

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 2022, 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 LKR48,878 million. The value of assets held in respect of conventional life business is LKR54,739 million. The surplus in respect of the conventional life business after making an allowance for a shareholder transfer of LKR2,300 million is LKR5,861 million. The cost of bonus for the participating business as at 31 December 2022 is LKR25 million and the shareholder transfer has been calculated as one-ninth of the cost of bonus. The remainder of the shareholder transfer for the conventional business has been made from the non-participating and universal life funds. The surplus in respect of the conventional business before shareholder transfer is LKR8,161 million.
4. The total long-term insurance provisions within the life fund for the non-unit liabilities in respect of unit-linked business is LKR20 million. The value of assets (other than assets backing unit-linked liabilities) held in respect of this business is LKR139 million. The surplus in respect of the unit-linked business before shareholder transfer is LKR120 million. Shareholder transfer in respect of Unit Linked business is nil as at 31 December 2022.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR12,777 million, and the Company's CAR (after allowing for the LKR2,300 million shareholder transfer) is 194%, 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 2022 is in excess of the liabilities computed in the above-mentioned manner.

Vivek Jalan, FIA, FIAI  
Head of Insurance Consulting & Technology, India  
WTW

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Unitech Business Park  
South City – 1, Sector 41  
Gurgaon - 122001  
Haryana, India

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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 191 to 194. 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.

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 51 to the financial statements, relating to contingent liabilities.

By order of the Board



**Keells Consultants (Private) Limited**  
Secretaries

28 February 2023



# INDEPENDENT AUDITOR'S REPORT



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
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, which comprise the statement of financial position as at 31 December 2022, and the 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 and other explanatory information as set out on pages 196 to 289.

#### Insurance Contract Liabilities

Refer to Note 42 (page 275) and Note 43 (page 280) to these financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its 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 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk Description	Our Response
<p>The Company has recognised insurance contract liabilities and insurance contract liabilities - unit linked amounting to Rs. 55,430 Mn and Rs. 746 Mn respectively as at 31 December 2022.</p> <p>The Company's insurance contract liabilities in total including unit linked fund represent 90 percent of the Company's total liabilities. This is an area that involves significant judgement and requires a number of key assumptions to be made 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, persistency and expenses assumptions, 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.</p> <p>Further, these liabilities are measured on a market-consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01 January 2016, issued under Sections 105 and 26 (I) of the Regulation of Insurance Industry Act, No. 43 of 2000.</p>	<p>Our audit procedures among others included;</p> <ul style="list-style-type: none"> <li>Assessing the competence, capabilities and objectivity of the Appointed Actuary and the Company's staff involved in the policyholders' liability valuation process.</li> <li>Assessing the controls adopted (including IT-related controls) by the Company to ensure that the data used for the valuation of the life fund is accurate and complete.</li> <li>Assessing the Company's methodology for calculating the policyholder liabilities to be in line with the guidelines of the Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015).</li> <li>Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds.</li> </ul>

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P. Y. S. Perera FCA  
W. J. C. Perera FCA  
W. K. D. C. Abeyratne FCA  
R. M. D. B. Rajapakse FCA  
M. N. M. Shameel FCA  
Ms. P. M. K. Sumanasekara FCA

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

T. J. S. Rajakarier FCA  
Ms. S. M. B. Jayasekara FCA  
G. A. U. Karunaratne FCA  
R. H. Rajan FCA  
A. M. R. P. Alahakoon ACA

**Principals:** S. R. I. Perera FCMA(UK), LLB, Attorney-at-Law, H. S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS, Ms. F. R. Zivard FCMA (UK), FTII

# INDEPENDENT AUDITOR'S REPORT



Risk Description	Our Response
<p>Current economic and market conditions also have a significant impact on the estimation uncertainty of the life insurance liability due to the factors such as high cost of claims, increased risk-free rates, changes in policyholder behavior, impact on solvency ratios etc. Accordingly, due to the value of the liability balance relative to total liabilities, subjectivity of the significant judgments involved and estimation uncertainty associated with the valuation, we considered insurance contract liabilities as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Assessing the accuracy and completeness of the data used in the valuation of life fund by agreeing the relevant data elements to the original policy documents.</li> <li>• Involving our actuarial specialist to assist us in assessing the key assumptions, including those for morbidity, persistency, expense, fund yield and bonus rate, dividend rates, and lapse ratio (including consideration of policyholder behavior) by performing the following audit procedures;               <ul style="list-style-type: none"> <li>» testing the management controls in the process of developing and reviewing the assumptions.</li> <li>» checking the management basis and approach for developing the assumptions.</li> <li>» assessing whether the relevant assumptions are consistent with relevant industry, regulatory and other external factors including current economic conditions.</li> </ul> </li> <li>• Independently re-calculating the Universal Life fund balances as at the reporting date for selected products of the Company.</li> <li>• 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.</li> <li>• Assessing the adequacy of the disclosures in the financial statements.</li> </ul>

## IT System and Controls

Risk Description	Our Response
<p>The financial reporting of the Company depends on the correct functioning of operational and financial IT systems. For example, interfaces between policy administration and financial reporting systems, 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.</p> <p>This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure and accordingly identified as a Key Audit Matter.</p>	<p>Our audit procedures among others included;</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Testing general IT controls involving restrictions on system access, permissions, and responsibilities of authorised users, the process for approving changes to the systems.</li> <li>• Obtaining an understanding and testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements.</li> <li>• Testing manual compensating controls, such as reconciliations between systems and other information sources.</li> </ul>



### 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 statements and our auditor's report thereon.

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'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'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 AUDITOR'S 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 'KAWJ'.

**CHARTERED ACCOUNTANTS**

Colombo, Sri Lanka  
28 February 2023

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# INCOME STATEMENT

For the year ended 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000	Change %
Gross written premium	9	233	16,675,053	15,406,161	8
Premium ceded to reinsurers	10	234	(887,546)	(725,809)	22
<b>Net written premium</b>			<b>15,787,507</b>	14,680,352	8
<b>Other revenue</b>					
Net investment income	11	234	7,479,013	5,276,130	42
Net realised gains	12	235	265,577	431,225	(38)
Net fair value gains / (losses)	13	236	(303,862)	235,848	(229)
Other income	14	236	87,973	27,528	220
<b>Total other revenue</b>			<b>7,528,701</b>	5,970,731	26
<b>Total net revenue</b>			<b>23,316,208</b>	20,651,083	13
<b>Benefits, claims and expenses</b>					
Net insurance benefits and claims paid	15	237	(5,199,269)	(5,001,938)	4
Net change in insurance claims outstanding	16	237	(499,390)	392,391	227
Change in contract liabilities - Life Fund	17	238	(6,473,179)	(7,076,481)	(9)
Underwriting and net acquisition costs (net of reinsurance)	18	238	(3,152,291)	(2,844,018)	11
Other operating, administrative and selling expenses	19	239	(3,966,674)	(3,209,731)	24
Depreciation and amortisation	26/27/28	247/249/254	(535,088)	(435,556)	23
<b>Total benefits, claims and expenses</b>			<b>(19,825,891)</b>	(18,175,333)	9
<b>Profit from operations</b>			<b>3,490,317</b>	2,475,750	41
Share of results of equity accounted investee, net of tax	29	256	229,642	151,557	52
<b>Profit before tax</b>	21	239	<b>3,719,959</b>	2,627,307	42
Income tax expenses	22	240	(972,854)	(573,722)	70
<b>Profit for the year</b>			<b>2,747,105</b>	2,053,585	34
<b>Earnings per share</b>					
Basic (Rs.)	23	242	4.66	3.48	34
Diluted (Rs.)	23	242	4.66	3.48	34

The notes to the financial statements as set out on pages 203 to 289 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	2022 Rs. '000	2021 Rs. '000	Change %
<b>Profit for the year</b>			<b>2,747,105</b>	2,053,585	34
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Net gains on revaluation of land and buildings	27.1	251	-	190,254	
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	29.1(a)	259	6,071	7,138	
Actuarial loss on defined benefit plan	40.2	272	(5,292)	(3,588)	
Related tax			-	-	
			<b>779</b>	193,804	(100)
<b>Items that are or may be reclassified to profit or loss</b>					
<b>Fair value reserve (available for sale financial assets)</b>					
Net change in fair value of available for sale financial assets	37	271	(1,282,052)	(566,990)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	29.1(a)	259	(45,584)	(32,656)	
Net change in fair value of available for sale financial assets transferred to the income statement	37.1	271	(9,837)	74	
Related tax			-	-	
			<b>(1,337,473)</b>	(599,572)	123
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	271	(1,404,906)	(400,388)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	37.1	271	39,981	(82,116)	
Related tax			-	-	
			<b>(1,364,925)</b>	(482,504)	183
			<b>(2,702,398)</b>	(1,082,076)	150
<b>Other comprehensive income, net of tax</b>			<b>(2,701,619)</b>	(888,272)	204
<b>Total comprehensive income for the year, net of tax</b>			<b>45,486</b>	1,165,313	(96)

The notes to the financial statements as set out on pages 203 to 289 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

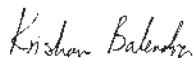
As at 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Assets</b>				
Intangible assets	26	247	1,311,217	1,545,529
Property, plant and equipment	27	249	2,759,687	2,746,114
Right of use assets	28	254	455,615	421,885
Investment in equity accounted investee	29	256	1,703,160	1,513,031
Financial investments	30	259	64,455,930	59,329,071
Loans to life policyholders	31	266	2,118,116	1,932,079
Reinsurance receivable	32	267	556,985	969,446
Premiums receivable	33	268	878,441	532,975
Receivables and other assets	34	268	777,524	801,758
Cash in hand and at bank	35	270	952,332	969,748
<b>Total assets</b>			<b>75,969,007</b>	<b>70,761,636</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Stated capital	36	270	1,000,000	1,000,000
Available for sale reserve	37	271	(2,564,622)	137,776
Revaluation reserve	38	271	2,267,979	2,272,226
Restricted regulatory reserve	39	272	3,381,934	3,381,934
Other reserves	40	272	85,665	75,247
Retained earnings	41	275	10,042,833	8,587,910
<b>Total equity</b>			<b>14,213,789</b>	<b>15,455,093</b>
<b>Liabilities</b>				
Insurance contract liabilities	42	275	55,430,893	48,918,147
Insurance contract liabilities - Unit Linked	43	280	746,484	916,192
Lease liabilities	44	281	448,719	421,300
Employee benefit liabilities	45	281	286,691	239,915
Reinsurance payables	46	283	636,154	1,038,267
Other liabilities	47	283	3,977,798	3,523,390
Bank overdraft	35	270	228,479	249,332
<b>Total liabilities</b>			<b>61,755,218</b>	<b>55,306,543</b>
<b>Total equity and liabilities</b>			<b>75,969,007</b>	<b>70,761,636</b>

The notes to the financial statements as set out on pages 203 to 289 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**  
Chairperson



**S. Rajendra**  
Director



# STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves					Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Other reserves			
						Available for sale reserve	Other capital reserves		
<b>Balance as at 1 January 2021</b>		1,000,000	3,381,934	2,085,688	16,752	1,219,852	48,654	7,355,609	15,108,489
Profit for the year		-	-	-	-	-	-	2,053,585	2,053,585
<b>Other comprehensive income for the year, net of tax</b>									
Net change in fair value of available for sale financial assets	37	-	-	-	-	(566,916)	-	-	(566,916)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	-	-	-	-	(482,504)	-	-	(482,504)
Revaluation gain on land and buildings	27.1	-	-	190,254	-	-	-	-	190,254
Actuarial loss on defined benefit plan	40.2	-	-	-	-	-	(3,588)	-	(3,588)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	37	-	-	-	-	(32,656)	-	-	(32,656)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	40.2	-	-	-	-	-	7,138	-	7,138
<b>Total other comprehensive income</b>		-	-	190,254	-	(1,082,076)	3,550	-	(888,272)
<b>Total comprehensive income for the year</b>		-	-	190,254	-	(1,082,076)	3,550	2,053,585	1,165,313
<b>Transactions with owners, transfers, recorded directly in equity</b>									
<b>Contributions and distributions</b>									
First and final dividend 2020	24.2	-	-	-	-	-	-	(825,000)	(825,000)
Share based payments	40.3(a)	-	-	-	-	-	6,291	-	6,291
Transfer from revaluation reserve to retained earnings	27.11	-	-	(3,716)	-	-	-	3,716	-
<b>Total contributions and distributions</b>		-	-	(3,716)	-	-	6,291	(821,284)	(818,709)
<b>Balance as at 31 December 2021</b>		1,000,000	3,381,934	2,272,226	16,752	137,776	58,495	8,587,910	15,455,093

The notes to the financial statements as set out on pages 203 to 289 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves					Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Other reserves			
						Available for sale reserve	Other capital reserves		
<b>Balance as at 1 January 2022</b>		1,000,000	3,381,934	2,272,226	16,752	137,776	58,495	8,587,910	15,455,093
Profit for the year		-	-	-	-	-	-	2,747,105	2,747,105
<b>Other comprehensive income for the year, net of tax</b>									
Net change in fair value of available for sale financial assets	37	-	-	-	-	(1,291,889)	-	-	(1,291,889)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	-	-	-	-	(1,364,925)	-	-	(1,364,925)
Revaluation gain on land and buildings	27.1	-	-	-	-	-	-	-	-
Actuarial loss on defined benefit plan	40.2	-	-	-	-	-	(5,292)	-	(5,292)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	37	-	-	-	-	(45,584)	-	-	(45,584)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax	40.2	-	-	-	-	-	6,071	-	6,071
<b>Total other comprehensive income</b>		-	-	-	-	(2,702,398)	779	-	(2,701,619)
<b>Total comprehensive income for the year</b>		-	-	-	-	(2,702,398)	779	2,747,105	45,486
<b>Transactions with owners, transfers, recorded directly in equity</b>									
<b>Contributions and distributions</b>									
First and final dividend 2021	24.2	-	-	-	-	-	-	(1,296,429)	(1,296,429)
Share based payments	40.3(a)	-	-	-	-	-	9,639	-	9,639
Transfer from revaluation reserve to retained earnings	27.11	-	-	(4,247)	-	-	-	4,247	-
<b>Total contributions and distributions</b>		-	-	(4,247)	-	-	9,639	(1,292,182)	(1,286,790)
<b>Balance as at 31 December 2022</b>		1,000,000	3,381,934	2,267,979	16,752	(2,564,622)	68,913	10,042,833	14,213,789

The notes to the financial statements as set out on pages 203 to 289 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Cash flows from operations</b>				
Insurance premiums received			16,329,586	15,361,145
Reinsurance premiums paid			(140,350)	(22,730)
Insurance benefits and claims paid	15	237	(6,309,729)	(5,014,304)
Reinsurance claims received	15	237	1,110,460	12,366
Payments to intermediaries to acquire insurance contracts			(3,096,038)	(2,836,536)
Cash paid to and on behalf of employees			(2,020,046)	(1,547,262)
Interest received			5,997,358	5,012,043
Dividends received			132,001	159,636
Other operating cash flows			(2,979,272)	(1,612,116)
<b>Cash generated from operating activities</b>	Note A	202	<b>9,023,970</b>	9,512,242
Income tax paid			(710,161)	(237,310)
Employee benefits paid	45.4(a)	282	(35,109)	(19,141)
<b>Net cash flow from operating activities</b>			<b>8,278,700</b>	9,255,791
<b>Cash flows used in investing activities</b>				
Purchase of investments			(28,856,699)	(19,958,137)
Maturity proceeds of investments			14,891,971	5,174,448
Proceeds from sale of investments			7,357,148	7,509,773
Purchase of property, plant and equipment			(126,903)	(178,732)
Purchase of intangible assets			(73,570)	(923,693)
Proceeds from sale of property, plant and equipment			270	443
<b>Net cash used in investing activities</b>			<b>(6,807,783)</b>	(8,375,898)
<b>Net cash inflow before financing activities</b>			<b>1,470,917</b>	879,893
<b>Cash flows used in financing activities</b>				
Dividends paid to equity holders of the Company			(1,296,429)	(825,000)
Settlement of lease liabilities			(171,051)	(133,942)
<b>Net cash used in financing activities</b>			<b>(1,467,480)</b>	(958,942)
<b>Net increase / (decrease) in cash and cash equivalents</b>			<b>3,437</b>	(79,049)
Cash and cash equivalents at the beginning of the year			720,416	799,465
<b>Cash and cash equivalents at the end of the year</b>	Note B	202	<b>723,853</b>	720,416

The notes to the financial statements as set out on pages 203 to 289 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>NOTE A.</b>				
<b>Reconciliation of profit before taxation with cash from operating activities</b>				
Profit before tax			3,719,959	2,627,307
<b>Non - cash items included in profit before tax</b>				
Depreciation and amortisation	26.1/27.1/28.1	249/251/255	535,088	435,556
Provision for employee benefits			74,904	57,664
Provision / (reversal) for doubtful debtors	34.1(a)/34.2(a)	269	(4,567)	(11,093)
Net realised gains	12	235	(265,577)	(431,225)
Net fair value (gains) / losses	13	236	303,862	(235,848)
Gain on sale of property, plant and equipment	14	236	(249)	(385)
Amortisation of financial investments			(322,823)	(23,100)
Amortisation of lease liabilities			46,381	61,485
Scrip dividend income			(9,722)	(33,439)
Share of results of equity accounted investee	29	256	(229,642)	(151,557)
Share based payment expenses	40.3(a)	274	9,639	6,291
<b>Profit before working capital changes</b>			<b>3,857,253</b>	<b>2,301,656</b>
<b>Net change in operational assets</b>				
Net change in reinsurance assets			412,461	(477,435)
Net change in premiums receivable			(345,466)	(45,016)
Net change in receivables and other assets			(1,104,906)	294,056
<b>Net change in operational liabilities</b>				
Net change in life insurance contract liabilities			6,343,038	6,890,981
Net change in reinsurance liabilities			(402,113)	505,244
Net change in other liabilities			263,703	42,756
<b>Cash generated from operating activities</b>			<b>9,023,970</b>	<b>9,512,242</b>
<b>NOTE B.</b>				
<b>Cash and cash equivalents at the end of the year</b>				
Cash in hand and at bank			952,332	969,748
Bank overdraft			(228,479)	(249,332)
<b>Cash and cash equivalents</b>			<b>723,853</b>	<b>720,416</b>

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.

The notes to the financial statements as set out on pages 203 to 289 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 Company during the year. Union Assurance PLC owns 22% stake of Fairfirst Insurance Limited (2021 - 22%). The registered office and principal place of business of the Company is located at Access Towers II (14th floor), 278/4, Union Place Colombo 02, Sri Lanka.

### Number of Employees

The staff strength of the Company as at 31 December 2022 is 798 (2021 – 770).

### Financial Statements

The financial statements for the year ended 31 December 2022, 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 Sri Lanka Accounting Standard LKAS 28 - Investments in Associates and Joint Ventures.

### Approval of Financial Statements

The financial statements for the year ended 31 December 2022 were authorised for issue by the Directors on 28 February 2023.

### 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 196 and 197);
- a Statement of Financial Position providing information on the financial position of the Company as at the year end (Refer page 198);
- a Statement of Changes in Equity depicting all changes in shareholders' funds of the Company during the year under review (Refer pages 199 and 200);
- 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 201 and 202);
- Notes to the financial statements comprising accounting policies and other explanatory information (Refer pages 203 and 289).

The Company has opted to defer full application of SLFRS 9 - Financial Instruments, until the adoption of SLFRS 17 - Insurance Contracts, exercising the temporary exemption provided to an insurance Company. (Refer Note 4.2).

# 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
<b>Financial assets</b>			
Non - derivative financial assets at fair value through profit or loss	Fair value	8	228
Available for sale financial assets	Fair value	8	228
Financial assets - Unit linked	Fair value	8	228
<b>Non-financial assets / liabilities</b>			
Freehold land and buildings	Fair value	27.7	252
Insurance contract liabilities	Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)	42	275
Net defined benefit liabilities	Actuarially valued and recognised at present value	45	281

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.

The amounts in the Financial Statements have been rounded to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

### 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.

### Going Concern

The Company has prepared the financial statements for the year ended 31 December 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 December 2022 based on available information, the Management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

The Management has formed judgment that the Company, has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength of the Company. Further, the Company has taken actions to mitigate the impact from adverse macroeconomic conditions such as expense management and curtailment, development of product strategy to meet new environment, digitalization and innovation, claims and surrender management, prudent asset allocation etc.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including sharp depreciation of currency, limited access to foreign exchange, rising inflation and interest rates have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

### 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 305 to 312, continuing the past practice which is a requirement of the Statement of Recommended Practice (SORP) for insurance contracts, 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	25	243
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	42	275
Equity accounted investee: whether the Company has significant influence over an investee	29	256
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	42	275

#### 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	25	243
Impairment of intangible assets	26	247
Determination of the fair value of financial instruments and investments and owner occupied properties with significant unobservable inputs	27	249
Measurement of defined benefit obligations: key actuarial assumptions	45	281
Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources	51	288
Impairment of non-financial assets: key assumptions underlying recoverable amounts	5.1	209
Measuring insurance and reinsurance contracts: key assumptions	42	275
Liability Adequacy Test	42	275
Measurement of GWP accrual adjustment	9	233
Revaluation of land and buildings	27	249

### 4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued and are effective for annual periods beginning after 1 January 2022, early application was permitted with transitional rules.

These standards have not been applied to these financial statements as explained below.

#### 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 the 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 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 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	2022 Rs. '000	2021 Rs. '000
Insurance contract liabilities	55,430,893	48,918,147
Insurance contract liabilities - Unit Linked	746,484	916,192
Reinsurance payables	636,154	1,038,267
<b>Liabilities connected with insurance</b>	<b>56,813,531</b>	<b>50,872,606</b>
<b>Total liabilities</b>	<b>61,755,218</b>	<b>55,306,543</b>
Predominance ratio	92%	92%

## 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	35,238,934	22,404,598	Amortised cost
Treasury bills	HTM	N/A	805,869	811,539	Amortised cost
Bank deposit	L&R	A	541,402	541,402	Amortised cost
Reverse repurchase agreements	L&R	N/A	1,539,255	1,539,255	Amortised cost
Debenture	L&R	Please refer Notes 30.3(a) & 30.4(a)	10,620,656	7,900,611	Amortised cost
Asset backed security	L&R	N/A	306,881	307,175	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	3,331,677	3,331,677	FVTPL
Debentures	FVTPL	104,574	104,574	FVTPL
Reverse repurchase agreements	FVTPL	158,369	158,369	FVTPL
Treasury bonds	FVTPL	103,919	103,919	FVTPL
Treasury bonds	AFS	11,704,394	11,704,394	FVTOCI



## 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 require 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 2025.

Early adoption along with the adoption of SLFRS 9 - Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers is permitted if the regulator permits. 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 Board established the SLFRS 17 Steering Committee to ensure strategic, tactical and operational readiness for the implementation of SLFRS 17. The Company made steady progress in SLFRS 17 implementation journey and awarded proof of concept (POC) to a selected vendor. The Company has made significant progress in the SLFRS 17 implementation Journey.

The Company is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective.

## 4.3 Classification of liabilities as current or non-current (amendments to LKAS 1)

The Amendments as issued in 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 1 January 2023. However, due to subsequently proposed amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 1 January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application.

## 4.4 Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences. Eg. Leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company does not recognise any deferred tax asset or liability on such single transactions.

## 4.5 Other Standards

- Disclosure of accounting policies (amendments to LKAS 1 and SLFRS practice statement 2)
- Definition of accounting estimates (amendments to LKAS 8)

## 5 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.

#### 5.1 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets (other than insurance and reinsurance contract 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

## 5.2 Foreign Currency

### 5.2 (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.

### 6.1 Basis for Segmentation

The Company is one legal entity however for Management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments are managed separately because they require different operational, risk management and marketing strategies. 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.

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 policyholder 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.

### 5.2 (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.

## 6 OPERATING SEGMENTS

### Accounting Policy

Operating segments are components of the Company that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to segments 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 segments as well as those that can be allocated on a reasonable basis.

## 6.2 Information about Reportable Segments

Information related to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance as 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	2022			2021		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
<b>Segment revenue</b>						
Gross written premium	16,675,053	-	16,675,053	15,406,161	-	15,406,161
Net written premium	15,787,507	-	15,787,507	14,680,352	-	14,680,352
Total investment income and Other revenue	6,277,385	1,251,316	7,528,701	5,033,187	937,544	5,970,731
<b>Total Net Revenue</b>	<b>22,064,892</b>	<b>1,251,316</b>	<b>23,316,208</b>	<b>19,713,539</b>	<b>937,544</b>	<b>20,651,083</b>
Total claims and expenses	(13,291,713)	(60,999)	(13,352,712)	(11,037,058)	(61,794)	(11,098,852)
Change in contract liabilities	(6,473,179)	-	(6,473,179)	(7,076,481)	-	(7,076,481)
Share of results of equity accounted investee, net of tax	-	229,642	229,642	-	151,557	151,557
<b>Segment Profit Before Tax</b>	<b>2,300,000</b>	<b>1,419,959</b>	<b>3,719,959</b>	<b>1,600,000</b>	<b>1,027,307</b>	<b>2,627,307</b>
Income tax expenses	-	(972,854)	(972,854)	-	(573,722)	(573,722)
<b>Segment Profit After Tax</b>	<b>2,300,000</b>	<b>447,105</b>	<b>2,747,105</b>	<b>1,600,000</b>	<b>453,585</b>	<b>2,053,585</b>

All revenues are from external customers. There is no revenue from transactions between operating segments.

As at 31 December Rs. '000	2022			2021		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment assets	61,411,556	14,557,451	75,969,007	58,292,322	12,469,314	70,761,636
Segment equity	495,186	13,718,603	14,213,789	1,869,650	13,585,443	15,455,093
Segment liabilities	60,916,370	838,848	61,755,218	54,802,201	504,342	55,306,543

Segmental cash flows have not been presented since the Company manages its cash flows at Company level.

## 6.3 Major Customer

The Company does not have any major single customer.

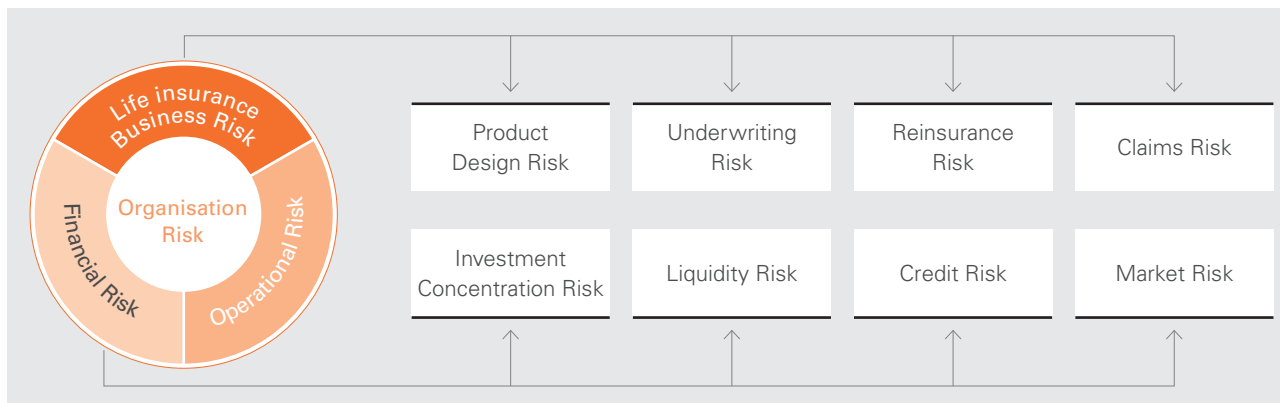
## 6.4 Geographic Information

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

## 7 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.

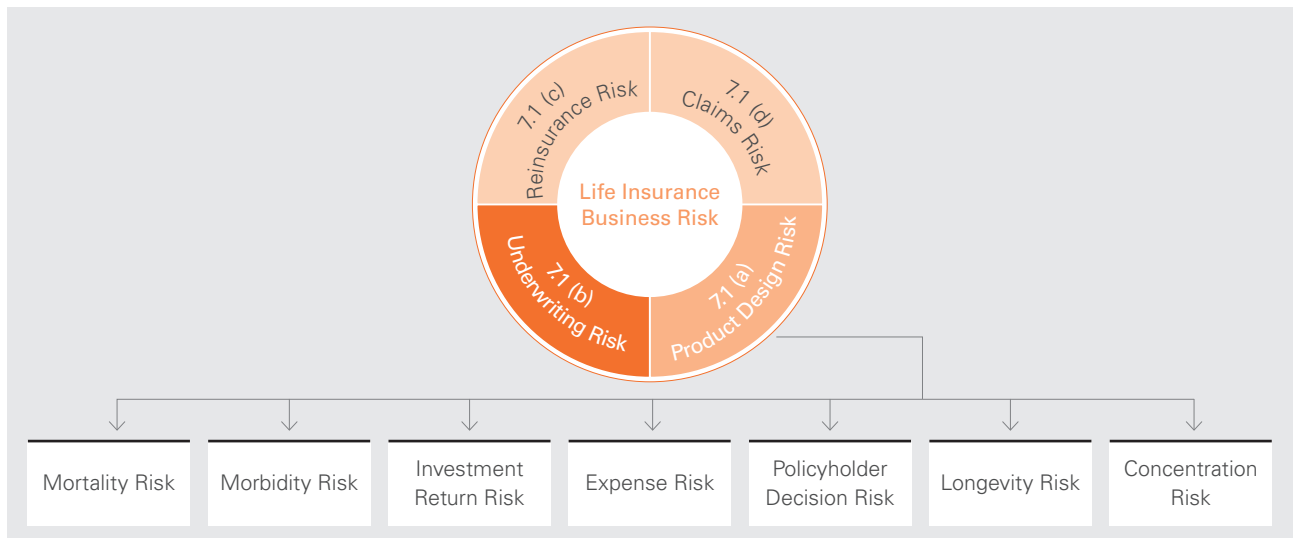
Details of our risk management framework, objectives and regulatory framework is provided under Corporate Governance and Enterprise Risk Management section.

### 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. 07 of 2007.

## 7.1 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 165 to 179.

### 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

## 7.1 (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	<ul style="list-style-type: none"> <li>Market risk: Investment return on underlying items falling below guaranteed minimum rates</li> </ul>	<ul style="list-style-type: none"> <li>Management discretion to determine amount and timing of policyholder bonuses (within limits)</li> </ul>
	<ul style="list-style-type: none"> <li>Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>Surrender penalties</li> </ul>
Non-participating	<ul style="list-style-type: none"> <li>Market risk: Insufficient fees to cover cost of guarantees and expenses</li> </ul>	<ul style="list-style-type: none"> <li>Derivative hedging programme</li> </ul>
	<ul style="list-style-type: none"> <li>Policyholder behaviour risk</li> </ul>	<ul style="list-style-type: none"> <li>Surrender penalties</li> </ul>
Universal life	<ul style="list-style-type: none"> <li>Interest rate risk: Differences in duration and yield of assets and liabilities</li> </ul>	<ul style="list-style-type: none"> <li>Matching of asset and liability cash flows</li> </ul>
	<ul style="list-style-type: none"> <li>Investment credit risk</li> </ul>	<ul style="list-style-type: none"> <li>Investing in investment grade assets</li> </ul>
Unit linked product	<ul style="list-style-type: none"> <li>Market risk: Insufficient fees to cover expenses</li> </ul>	<ul style="list-style-type: none"> <li>Surrender penalties</li> </ul>
	<ul style="list-style-type: none"> <li>Policyholder behaviour risk</li> </ul>	



### 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	2022		2021	
	Rs. '000	%	Rs. '000	%
Participating	8,023,060	15	8,579,121	18
Non-participating	47,156,729	85	40,169,850	82
Total traditional	55,179,789	100	48,748,971	100
Non-unit fund of linked insurance	251,104		169,176	
<b>Total value of insurance liabilities</b>	<b>55,430,893</b>		<b>48,918,147</b>	

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 2022 or 2021, based on the results of the liability adequacy test.

As at 31 December Assumption	Change %	Impact on liabilities %		Impact on liabilities Rs. '000	
		2022	2021	2022	2021
Mortality	+10	0.38	0.27	103,266	95,541
	-10	(0.39)	(0.27)	(104,382)	(95,829)
Discount rate	+1	(2.77)	(2.20)	(743,967)	(784,923)
	-1	2.93	2.35	786,383	838,824

# NOTES TO THE FINANCIAL STATEMENTS

## 7.1 (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 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.
- Interventions via advance data analytics to reduce lapse rates.

## 7.1 (c) Reinsurance Risk

Notwithstanding the advantages reinsurance provide, it can expose the Company 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 time lag 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 5% of gross written premium.

For the year ended 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Gross written premium	16,675,053		15,406,161	
Reinsurance	(887,546)	5	(725,809)	5
<b>Net Written Premium</b>	<b>15,787,507</b>		<b>14,680,352</b>	

The Company has recovered approximately 49% of gross claims from the reinsurers during the period under review.

For the year ended 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
*Gross claims expenses	1,433,062		1,092,303	
Claims recovered from reinsurers	(697,999)	49	(489,800)	45

\*Maturity, annuity and surrender claims are excluded from gross claims expenses

## 7.1 (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.

## 7.2 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;



### 7.2 (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	2022		2021	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	49,288,452	77	38,054,241	65
Corporate debt securities	10,620,656	17	10,884,491	19
Commercial papers	-	-	797,835	1
Fixed deposits	541,402	1	3,032,289	5
Unit trusts	-	-	2,141,257	4
Investment in quoted equity securities	2,960,435	5	3,192,497	5
Asset backed securities	306,881	-	306,908	1
<b>Total</b>	<b>63,717,826</b>	<b>100</b>	<b>58,409,518</b>	<b>100</b>

#### 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 and diversified financials sectors for which the Company believes, the credit risk and market risk is low.

As at 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Banking and diversified financials	10,311,091	97	10,574,892	97
Capital goods	104,510	1	104,538	1
Telecommunication	205,055	2	205,061	2
<b>Total</b>	<b>10,620,656</b>	<b>100</b>	<b>10,884,491</b>	<b>100</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Fixed Deposits

This includes investments made in fixed deposits issued by licensed commercial banks.

## Investment in Quoted Equity Securities

Considering the market return and risk, the Company has predominantly invested in Capital goods and Materials sectors and regularly reviews market risk of the portfolio to assess adequacy of diversification.

As at 31 December	2022		2021	
	Rs. '000	%	Rs. '000	%
Application Software	53,685	2	45,788	1
Banks	60,423	2	565,118	18
Capital Goods	900,636	30	1,330,317	42
Consumer Durables & Apparel	392,590	13	472,722	15
Consumer Services	149,521	5	54,869	2
Energy	222,522	8	-	-
Food Beverage & Tobacco	275,012	9	202,606	6
Household & Personal Products	-	-	3,191	-
Materials	654,852	23	235,875	7
Transportation	127,711	4	-	-
Telecommunication Services	123,483	4	282,011	9
<b>Total</b>	<b>2,960,435</b>	<b>100</b>	<b>3,192,497</b>	<b>100</b>

## 7.2 (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.

The 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 functioning of spend control committee for preserving and increasing liquidity to respond to possible future liquidity constraints arising from adverse economic condition.

## Risk Response

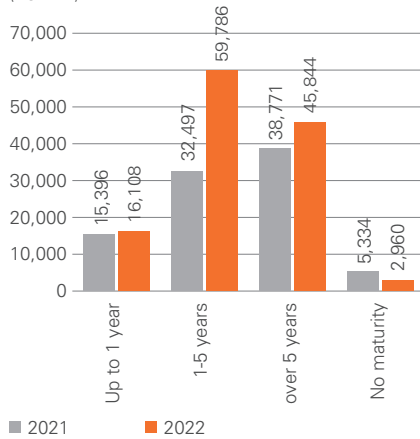
- The Investment Committee (IC) manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance 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.
- Reviewing the maturity mix of the investment portfolio by the Management and the Investment Committee (IC) 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	2022		2021	
	Rs. '000	%	Rs. '000	%
Up to one year	16,108,231	13	15,395,701	17
1 - 5 years	59,785,733	48	32,496,574	35
Over 5 years	45,844,413	37	38,770,689	42
No maturity	2,960,435	2	5,333,754	6
	<b>124,698,812</b>	<b>100</b>	<b>91,996,718</b>	<b>100</b>

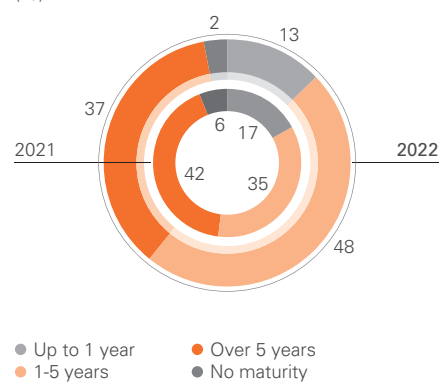
### Excess Liquidity Position

(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 2022	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
<b>Financial assets</b>						
Held to maturity	36,044,803	-	7,827,798	28,101,979	39,260,828	75,190,605
Loans and receivables	13,008,194	-	4,735,315	11,247,533	1,237,500	17,220,348
Available for sale	11,704,394	-	3,429,923	19,426,496	5,123,600	27,980,019
Fair value through profit or loss	2,960,435	2,960,435	-	-	-	2,960,435
Other financial assets	355,046	-	110,119	324,959	39,649	474,727
Loans to life policyholders	2,118,116	-	672,914	1,267,713	177,489	2,118,116
Reinsurance receivable	556,985	-	489,795	61,843	5,347	556,985
Premiums receivable	878,441	-	878,441	-	-	878,441
Cash and cash equivalents	952,332	-	952,332	-	-	952,332
<b>Total undiscounted assets</b>	<b>68,578,746</b>	<b>2,960,435</b>	<b>19,096,637</b>	<b>60,430,523</b>	<b>45,844,413</b>	<b>128,232,008</b>
<b>Financial liabilities</b>						
Reinsurance payables	636,154	-	542,595	93,559	-	636,154
Lease liabilities	448,719	-	140,926	394,231	-	535,157
Other financial liabilities	2,183,379	-	2,076,406	157,000	-	2,233,406
Bank overdraft	228,479	-	228,479	-	-	228,479
<b>Total undiscounted liabilities</b>	<b>3,496,731</b>	<b>-</b>	<b>2,988,406</b>	<b>644,790</b>	<b>-</b>	<b>3,633,196</b>
<b>Total excess liquidity</b>	<b>65,082,015</b>	<b>2,960,435</b>	<b>16,108,231</b>	<b>59,785,733</b>	<b>45,844,413</b>	<b>124,698,812</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
<b>Financial assets</b>						
Held to maturity	28,941,570	-	6,038,016	14,119,121	34,089,318	54,246,455
Loans and receivables	17,078,442	-	7,767,237	11,337,643	2,419,572	21,524,452
Available for sale	7,055,752	-	1,931,904	5,902,015	1,916,416	9,750,335
Fair value through profit or loss	5,333,754	5,333,754	-	-	-	5,333,754
Other financial assets	393,305	-	146,413	312,579	125,513	584,505
Loans to life policyholders	1,932,079	-	339,147	1,370,826	222,106	1,932,079
Reinsurance receivable	969,446	-	525,888	443,558	-	969,446
Premiums receivable	532,975	-	531,716	1,259	-	532,975
Cash and cash equivalents	969,748	-	969,748	-	-	969,748
<b>Total undiscounted assets</b>	<b>63,207,071</b>	<b>5,333,754</b>	<b>18,250,069</b>	<b>33,487,001</b>	<b>38,772,925</b>	<b>95,843,749</b>
<b>Financial liabilities</b>						
Reinsurance payables	1,038,267	-	597,440	440,827	-	1,038,267
Lease liabilities	421,300	-	128,940	380,600	2,236	511,776
Other financial liabilities	1,985,077	-	1,878,656	169,000	-	2,047,656
Bank overdraft	249,332	-	249,332	-	-	249,332
<b>Total undiscounted liabilities</b>	<b>3,693,976</b>	<b>-</b>	<b>2,854,368</b>	<b>990,427</b>	<b>2,236</b>	<b>3,847,031</b>
<b>Total excess liquidity</b>	<b>59,513,095</b>	<b>5,333,754</b>	<b>15,395,701</b>	<b>32,496,574</b>	<b>38,770,689</b>	<b>91,996,718</b>

The table below sets out the availability of the Company's financial assets to support future funding.

As at 31 December Unencumbered Rs. '000	2022			2021		
	Restricted as collateral	Available as collateral	Total	Restricted as collateral	Available as collateral	Total
Held to maturity	31,376,502	4,668,301	36,044,803	24,753,852	4,187,718	28,941,570
Loans and receivables	12,358,785	649,409	13,008,194	15,806,389	1,272,053	17,078,442
Available for sale	7,625,317	4,079,077	11,704,394	3,172,089	3,883,663	7,055,752
Fair value through profit or loss	3,698,539	-	3,698,539	5,972,601	280,706	6,253,307
Loans to life policyholders	2,118,116	-	2,118,116	1,932,079	-	1,932,079
Reinsurance receivable	556,985	-	556,985	969,446	-	969,446
Premiums receivable	878,441	-	878,441	532,975	-	532,975
Other financial assets	69,461	285,585	355,046	74,943	318,362	393,305
Cash in hand and at bank	943,134	9,198	952,332	954,827	14,921	969,748
<b>Total</b>	<b>59,625,280</b>	<b>9,691,570</b>	<b>69,316,850</b>	<b>54,169,201</b>	<b>9,957,423</b>	<b>64,126,624</b>

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 2022.

## 7.2 (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	2022		2021	
	Rs. '000	%	Rs. '000	%
Financial investments	60,757,391	93	53,075,764	91
Loans to life policyholders and others	2,460,843	4	2,413,587	4
Reinsurance receivable	556,985	1	969,446	2
Premiums receivable	878,441	1	532,975	1
Cash in hand and at bank	952,332	1	969,748	2
<b>Total</b>	<b>65,605,992</b>	<b>100</b>	<b>57,961,520</b>	<b>100</b>

### Credit Risk Related to Financial Investments

The Company is exposed to credit risk from counterparties where the Company holds securities issued by those entities.

Credit ratings of counterparties were downgraded during the year following downgrading of the country's overall credit rating as a direct result of suspension of servicing foreign debt. However, there is no significant impact to the financial statements stemming from downgraded debenture investments of the Company.

Sri Lanka's debt to GDP ratio is approximately 121% and the government suspended its payment for International sovereign bonds in 2022. Possible domestic debt restructure (DDR) will improve the sustainability of Sri Lanka's debt and this was discussed at various forums. Depending on the form of DDR, there will be an impact to local financial system in turn the Company's financial statement as a large part of the portfolio carries government securities. As at the reporting date nature and probability of a DDR is not known. Hence, impact cannot be quantified.

### 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.

The 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.

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

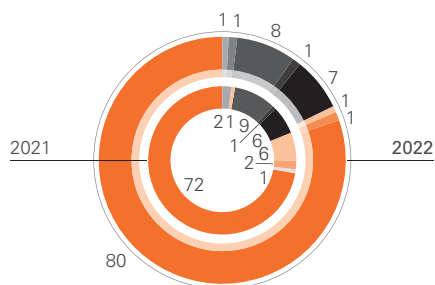
As at 31 December 2022 Rs. '000	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
<b>Maximum exposure to credit risk, carrying amount</b>	<b>36,044,803</b>	<b>13,008,194</b>	<b>11,704,394</b>	<b>-</b>	<b>60,757,391</b>	
<b>Government securities and related institutions</b>						
Treasury Bonds	35,238,934	-	11,704,394	-	46,943,328	76
Treasury Bills	805,869	-	-	-	805,869	1
Reverse Repo	-	1,539,255	-	-	1,539,255	3
<b>Corporate debt securities</b>						
AAA+ to AAA - N/A	-	-	-	-	-	-
AA+ to AA - Fitch	-	324,720	-	-	324,720	1
AA+ to AA - ICRA	-	551,841	-	-	551,841	1
A+ to A- Fitch	-	4,823,448	-	-	4,823,448	8
A+ to A- ICRA	-	514,624	-	-	514,624	1
BBB+ to BBB- Fitch	-	4,196,146	-	-	4,196,146	7
Unrated	-	209,877	-	-	209,877	-
<b>Fixed deposits</b>						
Deposit with Licensed Commercial Banks	-	541,402	-	-	541,402	1
Deposit with Licensed Finance Companies	-	-	-	-	-	-
Asset Backed Securities	-	306,881	-	-	306,881	1
Commercial Papers	-	-	-	-	-	-
<b>Total</b>	<b>36,044,803</b>	<b>13,008,194</b>	<b>11,704,394</b>	<b>-</b>	<b>60,757,391</b>	<b>100</b>
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

As at 31 December 2021 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	%
<b>Maximum exposure to credit risk, carrying amount</b>	<b>28,941,570</b>	<b>17,078,442</b>	<b>7,055,752</b>	<b>-</b>	<b>53,075,764</b>	
<b>Government securities and related institutions</b>						
Treasury Bonds	25,716,804	-	6,622,007	-	32,338,811	62
Treasury Bills	3,008,379	-	433,745	-	3,442,124	6
Reverse Repo	-	2,273,306	-	-	2,273,306	4
<b>Corporate debt securities</b>						
AAA+ to AAA - ICRA	-	154,904	-	-	154,904	-
AA+ to AA - Fitch	-	1,285,452	-	-	1,285,452	2
AA+ to AA - ICRA	-	534,815	-	-	534,815	1
A+ to A- Fitch	216,387	4,728,868	-	-	4,945,255	10
A+ to A- ICRA	-	574,894	-	-	574,894	1
BBB+ to BBB- Fitch	-	3,179,271	-	-	3,179,271	6
Unrated	-	209,900	-	-	209,900	-
<b>Fixed deposits</b>						
Deposit with Licensed Commercial Banks	-	1,285,100	-	-	1,285,100	2
Deposit with Licensed Finance Companies	-	1,747,189	-	-	1,747,189	3
Asset Backed Securities	-	306,908	-	-	306,908	1
Commercial Papers	-	797,835	-	-	797,835	2
<b>Total</b>	<b>28,941,570</b>	<b>17,078,442</b>	<b>7,055,752</b>	<b>-</b>	<b>53,075,764</b>	<b>100</b>
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	



### Exposure To Credit Risk Rating Class Wise

(%)



- AAA+ to AAA- (ICRA)
- AA+ to AA- (Fitch)
- AA+ to AA- (ICRA)
- A+ to A- (Fitch)
- A+ to A- (ICRA)
- BBB+ to BBB- (Fitch)
- Unrated
- Fixed deposits
- Commercial Papers
- Asset Backed Securities
- Government guaranteed

#### 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. The Company held collateral for reverse repo investments above its investment value at all times during the year. As at the reporting date, the Company held Treasury bonds and Treasury bills worth Rs. 1,604 million as collateral for reverse repo investments amounting to Rs. 1,539 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	2022 Rs. '000	2021 Rs. '000
-------------------	------------------	------------------

#### Neither past due not impaired

0 - 60 days	65,614	62,708
61 - 90 days	35,025	30,524
91 - 180 days	91,363	98,655
181 days +	1,926,114	1,743,045
Past due but not impaired	Nil	Nil
	<b>2,118,116</b>	<b>1,934,932</b>

Provision for impairment	-	(2,853)
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#### Total - Maximum exposure to credit risk

	<b>2,118,116</b>	<b>1,932,079</b>
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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. 2,118 million (2021 - Rs. 1,932 million) and its related surrender value is Rs. 3,401 million (2021 - Rs. 3,112 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	2022		2021	
	Rs. '000	%	Rs. '000	%
Reinsurance receivables on outstanding claims	239,371	43	129,623	13
Reinsurance receivables on settled claims	317,614	57	839,823	87
<b>Total reinsurance receivables / maximum exposure to credit risk</b>	<b>556,985</b>	<b>100</b>	<b>969,446</b>	<b>100</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2022, 100% (2021 - 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	2022		2021	
			Reinsurance receivables	%	Reinsurance receivables	%
Munich Re	Fitch	AA	496,110	89	939,825	96
Hannover Re	Standard & Poor's	AA-	53,199	10	25,465	3
RGA	Standard & Poor's	AA-	7,676	1	4,156	1
<b>Total</b>			<b>556,985</b>	<b>100</b>	<b>969,446</b>	<b>100</b>

## 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 2022 is Rs. 878 million (2021 - Rs. 533 million).

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Neither past due nor impaired</b>		
0 - 30 days	846,213	506,905
More than 30 days	32,228	26,070
Pass due but not impaired	Nil	Nil
<b>Total - maximum exposure to credit risk</b>	<b>878,441</b>	<b>532,975</b>

## 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 35% of funds are deposited in banking institutions backed by the government of Sri Lanka.

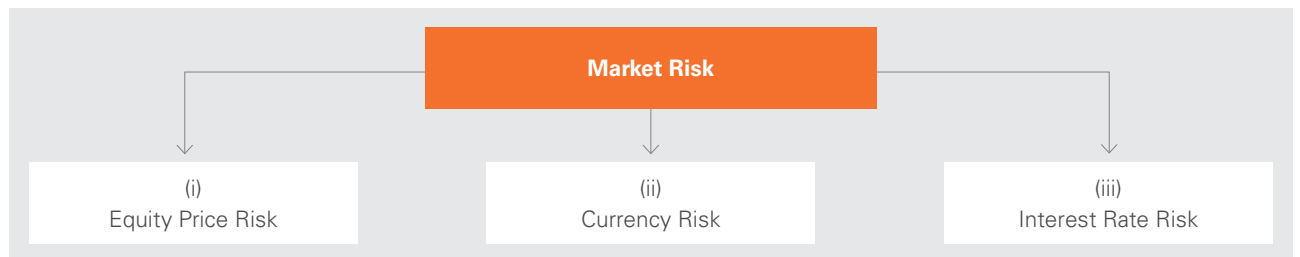
As at 31 December Bank	2022		2021	
	Amount Rs. '000	%	Amount Rs. '000	%
Bank of Ceylon	292,502	31	372,912	39
Commercial Bank of Ceylon PLC	101,063	11	96,412	10
Deutsche Bank AG	53,670	6	21,387	2
DFCC Bank PLC	77	-	31	-
HDFC Bank of Sri Lanka	7	-	7	-
Hatton National Bank PLC	14,262	1	74,648	7
National Development Bank PLC	4,942	1	19,392	2
National Savings Bank	22,612	2	13,351	1
Nations Trust Bank PLC	108,761	11	161,617	17
Pan Asia Bank	736	-	-	-
People's Bank	20,313	2	25,599	3
Sampath Bank PLC	82,039	9	65,151	7
Standard Chartered Bank	114,141	12	10,351	1
Seylan Bank PLC	11,635	1	8,030	1
Union Bank of Colombo PLC	121,847	13	96,777	10
<b>Total cash at bank</b>	<b>948,607</b>	<b>100</b>	<b>965,665</b>	<b>100</b>
Cash in hand	3,725		4,083	
<b>Total cash in hand</b>	<b>3,725</b>		<b>4,083</b>	
<b>Total cash in hand and at bank</b>	<b>952,332</b>		<b>969,748</b>	

The Company held cash in hand and at bank of Rs. 952 million as at 31 December 2022 (2021 - Rs. 970 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BB+ or better as at 31 December 2022.

As at 31 December Rating	2022		2021	
	Rs. '000	%	Rs. '000	%
AAA	136,753	14	23,703	2
AA-	510,179	54	634,721	65
A+	77	-	19,424	2
A	125,338	13	169,646	18
A-	-	-	21,387	2
BBB+	53,670	6	-	-
BBB-	122,583	13	96,777	11
BB+	7	-	7	-
Cash in hand	3,725	-	4,083	-
<b>Total</b>	<b>952,332</b>	<b>100</b>	<b>969,748</b>	<b>100</b>

#### 7.2 (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.

Market prices of listed equity securities witnessed a sharp decline during the first half of 2022 on the back of economic downturn but showed some stability towards the latter part of the year largely owing to political stability, tight monetary policies, and gradual increase in investor sentiment. During the year, the Company has constructed a fixed and equity trading portfolio to capitalise the opportunities given in the current extraordinary economic environment.

##### 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 price fluctuation of equity portfolio has been developed and significant deviations are identified and discussed with the external asset manager.
- Outsourced management of the equity portfolio to a third party to leverage on expert knowledge and optimise return and manage risk.
- Reviews were carried out on a continuous basis by the Investment Committee with the help of industry specialists to identify red flags due to the economic downturn.

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2022, the Company has invested 3% (2021 - 4%) in equity as shown in the table below.

As at 31 December Rs. '000	2022		2021	
	Value	% of allocation	Value	% of allocation
Application Software	53,685	-	45,788	-
Banks	60,423	-	565,118	1
Capital Goods	900,636	1	1,330,317	2
Consumer Durables & Apparel	392,590	1	472,722	1
Consumer Services	149,521	-	54,869	-
Energy	222,522	-	-	-
Food Beverage & Tobacco	275,012	-	202,606	-
Household & Personal Products	-	-	3,191	-
Materials	654,852	1	235,875	-
Transportation	127,711	-	-	-
Telecommunication Services	123,483	-	282,011	-
<b>Total value of equity</b>	<b>2,960,435</b>	<b>3</b>	<b>3,192,497</b>	<b>4</b>
<b>Total value of investments</b>	<b>63,717,826</b>		<b>58,409,518</b>	

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	2022		2021	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
10% increase in equity prices	296,044	296,044	319,250	319,250
10% decrease in equity prices	(296,044)	(296,044)	(319,250)	(319,250)

## 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 Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar from March 2022 as a result of adopting measured adjustment exchange rate due to increase in pressure in the domestic foreign exchange market. Exchange rate remains stable as a result of introduction of daily permissible band in May 2022 to control the movement. Further, Sri Lanka faces a severe shortage of dollar reserves and took a series of measures including imposing restrictions on imports, stipulations for currency conversions, initiating negotiations on foreign debt restructuring and reaching a staff level agreement with International Monetary Fund for an Extended Fund Facility of about US Dollar 2.9 billion. The Country is expecting executive board level approval from the IMF in first half of 2023 as per government sources.

The Company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk primarily arises when transacting with professional service providers and software vendors who operate outside the country. Further, due to prevailing foreign currency shortage there is a delay in settling rupee denominated reinsurance payments.

## Risk Response

- The Company does not carry foreign currency dominated assets or liabilities and any foreign payment is promptly processed.
- Prioritising critical foreign currency payments with bank partners to ensure continuous settling of foreign currency payments.
- As agreed with reinsurers settling net reinsurance payment after setting off reinsurance receivable against reinsurance payable.

## 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 Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted

in strong actions by the CBSL on monetary policy. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. Government security yields which have a direct bearing on the Company's investment income, increased correspondingly during the year. The Company proactively changed the asset allocation to capitalise on high interest rate environment. However, higher interest rate environment has a negative impact on capital adequacy ratio (CAR) of the Company and the Company has taken various measures to mitigate the impact on capital adequacy ratio to the possible extent.

The actions undertaken by the Company are discussed under page 167 of Risk Management section of the annual report.

The following provides details of the quantum of investment exposed to fluctuations in fair values and cash flows.

As at 31 December Rs. '000	2022			2021		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest Bearing
<b>Instruments</b>						
Government securities	49,288,452	-	-	38,054,241	-	-
Corporate debts	9,977,058	643,598	-	10,265,481	619,010	-
Fixed deposits	541,402	-	-	3,032,289	-	-
Asset Backed Securities	306,881	-	-	306,908	-	-
Commercial Paper	-	-	-	797,835	-	-
Unit Trust	-	-	-	-	-	2,141,257
Equity instruments	-	-	2,960,435	-	-	3,192,497
<b>Total</b>	<b>60,113,793</b>	<b>643,598</b>	<b>2,960,435</b>	<b>52,456,754</b>	<b>619,010</b>	<b>5,333,754</b>

### 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	2022		2021	
	Impact on fund inflow	Impact on equity	Impact on fund inflow	Impact on equity
+100 basis points	(273,725)	(2,529)	(185,835)	(2,745)
-100 basis points	289,162	2,664	194,826	2,857

### 7.3 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:

### Risk Response

- The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates and corresponding impact on the investment portfolio.
- Monthly review of upcoming cash flows and established suitable investment strategies to take advantages of the increasing interest rate.
- Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- Initial recognition of investments is closely monitored.
- Re-design of investment portfolio to keep in par with the interest rate movements.

- 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.

# NOTES TO THE FINANCIAL STATEMENTS

- Reporting of operational losses and proposed remedial actions.
- 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.

## 7.4 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 based 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) or Surrender Value Capital Charge (SVCC) whichever is higher.

## Summary Quantitative Data

As at 31 December	2022 Rs. '000	2021 Rs. '000
Total Available Capital (TAC)	24,777,213	21,582,364
Formula Risk Based Capital Required (RCR)	9,472,265	9,468,422
Surrender Value Capital Charge (SVCC)	12,777,166	932,135
Risk based Capital requirement (RCR)	12,777,166	9,468,422
Risk based Capital Adequacy Ratio (CAR)	194%	228%

## 8 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 27
Financial instruments (including those carried at amortised cost)	Note 30

'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 instrument's value.

Valuation techniques include net present value and discounted cash flow model 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.

The following note explains the methodology for valuing our financial and non-financial assets and provides an analysis of these according to the 'fair value hierarchy'.

Instrument Category	Fair value basis	Fair value hierarchy
<b>Government Securities</b>		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
<b>Investment in Shares</b>		
Investment in Listed Shares	Closing Market prices	Level 1
<b>Unit Trusts</b>	Closing Unit prices	Level 1

# NOTES TO THE FINANCIAL STATEMENTS

Instrument Category	Fair value basis	Fair value hierarchy
<b>Corporate Debt</b>		
Listed	Published Market Prices	Level 1 / Level 2*
<b>Fixed and Term Deposits</b>		
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
<b>Land and Building</b>	Market Comparable Method	Level 3

\*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.

### 8.1 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.

- 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 year.

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.

### 8.2 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							
		2022				2021			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Non-Financial Assets</b>									
<b>Property, Plant &amp; Equipment</b>									
Land and Building	27.1	-	-	2,439,901	2,439,901	-	-	2,448,162	2,448,162
<b>Total Non-Financial Assets at Fair Value</b>		-	-	2,439,901	2,439,901	-	-	2,448,162	2,448,162
<b>Financial Assets</b>									
<b>Financial assets at FVTPL</b>									
<b>Financial assets held for trading:</b>									
Equity securities	30.6	2,960,435	-	-	2,960,435	3,192,497	-	-	3,192,497
Unit trusts	30.6	-	-	-	-	2,141,257	-	-	2,141,257
<b>Designated at FVTPL</b>									
<b>Investments for the benefit of Life insurance policyholders who bear the investment risk</b>									
Equity securities	30.6	371,242	-	-	371,242	575,523	-	-	575,523
Debt securities	30.6	-	104,573	-	104,573	-	138,771	-	138,771
Government securities	30.6	103,919	158,369	-	262,288	22,018	172,497	-	194,515
Fixed deposits	30.6	-	-	-	-	-	10,744	-	10,744
		3,435,596	262,942	-	3,698,538	5,931,295	322,012	-	6,253,307
<b>AFS financial assets:</b>									
Treasury bills	30.5	-	-	-	-	433,745	-	-	433,745
Treasury bonds	30.5	11,704,394	-	-	11,704,394	6,622,007	-	-	6,622,007
		11,704,394	-	-	11,704,394	7,055,752	-	-	7,055,752
<b>Total of financial assets carried at fair value</b>		15,139,990	262,942	-	15,402,932	12,987,047	322,012	-	13,309,059
<b>Total of assets carried at fair value</b>		15,139,990	262,942	2,439,901	17,842,833	12,987,047	322,012	2,448,162	15,757,221

Valuation techniques and significant unobservable inputs for level 3 valuation are disclosed under Note 27 on page 249.

### 8.3 Transfer Between Levels

There were no transfers in 2022.

# NOTES TO THE FINANCIAL STATEMENTS

## 8.4 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	2022 Rs. '000	2021 Rs. '000
<b>Financial Assets</b>		
Reinsurance receivable	556,985	969,446
Premiums receivable	878,441	532,975
Receivables and other assets	355,046	393,305
Loans to life policyholders*	2,118,116	1,932,079
Cash in hand and at bank	952,332	969,748
<b>Financial Liabilities</b>		
Reinsurance payables	636,154	1,038,267
Lease liabilities	448,719	421,300
Other financial liabilities	2,183,379	1,985,077
Bank overdraft	228,479	249,332

\*The fair value of policyholder loans are equal to its carrying value as those are given at competitive market rates.

## 8.5 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									
		2022					2021				
		Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
<b>HTM financial assets</b>											
Debentures	30.3	-	-	-	-	-	216,387	-	223,819	-	223,819
Treasury bonds	30.3	35,238,934	22,404,598	-	-	22,404,598	25,716,804	24,910,206	-	-	24,910,206
Treasury bills	30.3	805,869	811,539	-	-	811,539	3,008,379	3,007,769	-	-	3,007,769
		36,044,803	23,216,137	-	-	23,216,137	28,941,570	27,917,975	223,819	-	28,141,794
<b>L &amp; R financial assets</b>											
Asset backed securities	30.4	306,881	-	307,175	-	307,175	306,908	-	307,175	-	307,175
Commercial Paper	30.4	-	-	-	-	-	797,835	-	798,252	-	798,252
Bank deposits	30.4	541,402	-	541,402	-	541,402	3,032,289	-	3,032,289	-	3,032,289
Debentures	30.4	10,620,656	77,543	7,823,068	-	7,900,611	10,668,104	2,206,980	8,299,276	-	10,506,256
Reverse repurchase agreements	30.4	1,539,255	-	1,539,255	-	1,539,255	2,273,306	-	2,273,306	-	2,273,306
		13,008,194	77,543	10,210,900	-	10,288,443	17,078,442	2,206,980	14,710,298	-	16,917,278
<b>Total of fair values of financial investments not measured at fair value</b>		<b>49,052,997</b>	<b>23,293,680</b>	<b>10,210,900</b>	<b>-</b>	<b>33,504,580</b>	<b>46,020,012</b>	<b>30,124,955</b>	<b>14,934,117</b>	<b>-</b>	<b>45,059,072</b>

## 9 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.

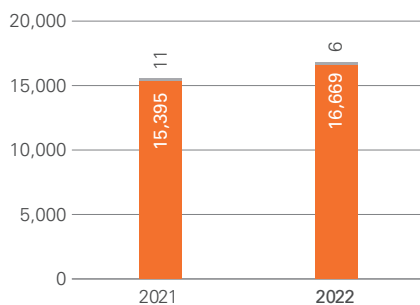
Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Conventional	16,669,016	15,394,921
Unit linked	6,037	11,240
<b>Total gross written premium</b>	<b>16,675,053</b>	<b>15,406,161</b>

For the year ended 31 December Rs. '000	2022			2021		
	Conventional	Unit linked	Total	Conventional	Unit linked	Total
<b>Individual policies</b>						
First year premium	4,666,345	-	4,666,345	4,436,334	-	4,436,334
Renewal premium	11,389,592	6,037	11,395,629	9,928,480	11,240	9,939,720
Single premium	185,092	-	185,092	738,497	-	738,497
	16,241,029	6,037	16,247,066	15,103,311	11,240	15,114,551
<b>Corporate policies</b>						
New business premium	169,143	-	169,143	206,421	-	206,421
Renewal premium	258,844	-	258,844	85,189	-	85,189
	427,987	-	427,987	291,610	-	291,610
<b>Total gross written premium</b>	<b>16,669,016</b>	<b>6,037</b>	<b>16,675,053</b>	<b>15,394,921</b>	<b>11,240</b>	<b>15,406,161</b>

### Gross Written Premium

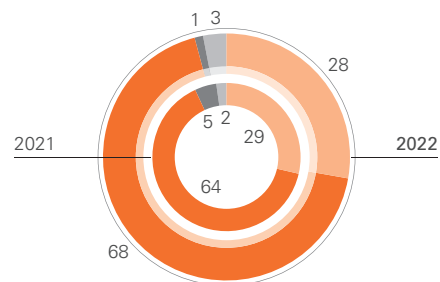
(Rs. mn)



■ Conventional ■ Unit Linked

### Composition of GWP

(%)



● First year premium ● Single Premium  
● Renewal Premium ● Corporate Policy Premiums

# NOTES TO THE FINANCIAL STATEMENTS

## 10 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	2022 Rs. '000	2021 Rs. '000
Conventional	886,713	724,983
Unit linked	833	826
<b>Total premium ceded to reinsurers</b>	<b>887,546</b>	<b>725,809</b>

## 11 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 receipt or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets 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.

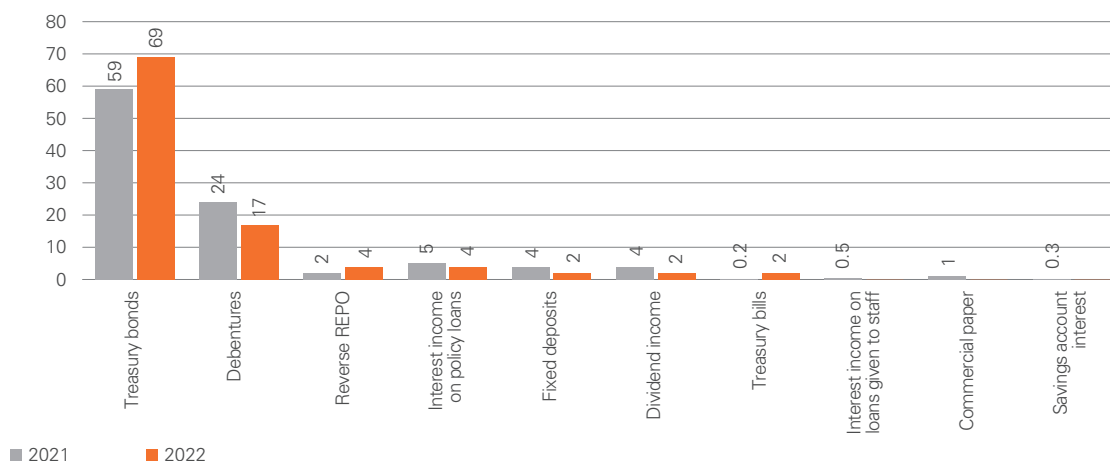
Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

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	2022 Rs. '000	2021 Rs. '000
<b>Investment income from;</b>			
Held to maturity financial assets	11.1	3,720,505	2,498,096
Loans and receivables	11.2	1,999,542	1,924,684
Available for sale financial assets	11.3	1,660,623	713,255
Financial assets at fair value through profit or loss	11.4	194,628	218,307
Investment related expenses		(96,285)	(78,212)
<b>Total net investment income</b>		<b>7,479,013</b>	<b>5,276,130</b>

### Composition of Investment Income

(%)



**11.1 Investment Income from Held to Maturity Financial Assets**

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
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**Interest income**

Debentures	19,866	33,437
Treasury bills	153,477	24,092
Treasury bonds	3,547,162	2,440,567
	<b>3,720,505</b>	<b>2,498,096</b>

**11.2 Investment Income from Loans and Receivables**

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
-----------------------------------	------------------	------------------

**Interest income**

Interest income on policy loans	286,039	262,145
Reverse repurchase agreements	286,895	99,105
Fixed deposits	115,050	234,355
Interest income on loans given to staff	22,189	22,935
Debentures	1,219,572	1,246,643
Commercial paper	30,875	48,911
Assets backed securities	30,423	6,908
Savings account interest	8,499	3,682
	<b>1,999,542</b>	<b>1,924,684</b>

**11.3 Investment Income from Available for Sale Financial Assets**

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
-----------------------------------	------------------	------------------

**Interest income**

Treasury bonds	1,630,180	710,999
Treasury bills	30,443	2,256
	<b>1,660,623</b>	<b>713,255</b>

**11.4 Investment Income from Fair Value Through Profit or Loss**

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
-----------------------------------	------------------	------------------

**Interest income**

Treasury bills	500	1,071
Treasury bonds	15,183	176
Debentures	16,393	16,939
Reverse repurchase agreements	20,829	6,501
Commercial papers	-	530
Fixed deposits	-	1,171
	<b>52,905</b>	<b>26,388</b>

**Dividend income**

Held for trading - Conventional	122,308	152,897
Held for trading - Unit linked	19,415	39,022
	<b>141,723</b>	<b>191,919</b>
	<b>194,628</b>	<b>218,307</b>

**12 NET REALISED GAINS****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	2022 Rs. '000	2021 Rs. '000
Realised gains	779,025	497,508
Realised losses	(513,448)	(66,283)
<b>Total net realised gains</b>	<b>265,577</b>	<b>431,225</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December Rs. '000	2022			2021		
	Realised gains	Realised losses	Net realised gains / (losses)	Realised gains	Realised losses	Net realised gains / (losses)

### Available for sale financial assets

Treasury bills	-	(1,557)	(1,557)	-	(364)	(364)
Treasury bonds	11,461	(41,857)	(30,396)	80,129	-	80,129
	11,461	(43,414)	(31,953)	80,129	(364)	79,765

### Fair value through profit or loss financial assets

Treasury bonds	468	-	468	-	(575)	(575)
Unit trusts	61,347	-	61,347	120,764	-	120,764
Quoted equity securities	705,749	(470,034)	235,715	296,615	(65,344)	231,271
	767,564	(470,034)	297,530	417,379	(65,919)	351,460
	779,025	(513,448)	265,577	497,508	(66,283)	431,225

## 13 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	2022 Rs. '000	2021 Rs. '000
-----------------------------------	------------------	------------------

### Fair value through profit or loss financial assets

Quoted equity securities	(276,469)	128,941
Unit trusts	-	107,391
Treasury bonds	(22,917)	(37)
Treasury bills	(5)	5
Debentures	(4,471)	(452)
<b>Total net fair value gains / (losses)</b>	<b>(303,862)</b>	<b>235,848</b>

## 14 OTHER INCOME

### Accounting Policy

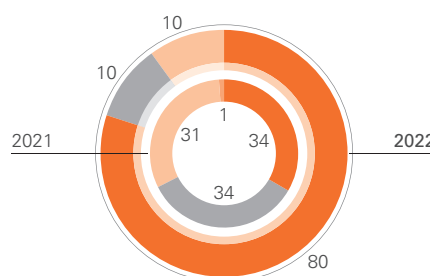
Other income comprises disposal gains / losses on property, plant and equipment, mortality charges, surrender charges, rent income and miscellaneous income.

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
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Mortality charges	8,961	9,434
Miscellaneous income	69,950	9,198
Rent income	8,813	8,511
Gains on sale of property, plant and equipment	249	385
<b>Total other income</b>	<b>87,973</b>	<b>27,528</b>

### Composition of Other Income

(%)



- Miscellaneous income
- Mortality charges
- Rent income
- Gains on sale of property, plant and equipment

## 15 NET INSURANCE BENEFITS AND CLAIMS PAID

### Accounting Policy

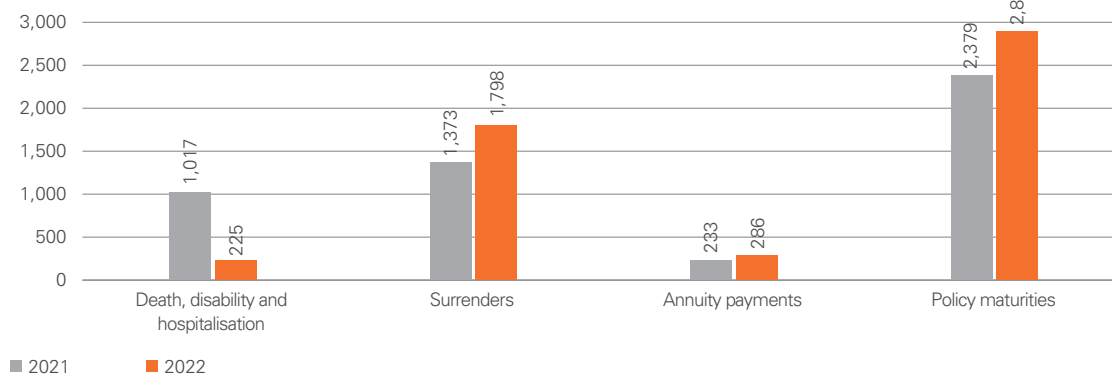
Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

For the year ended 31 December Rs. '000	2022			2021		
	Gross claims paid	Claims recovered from reinsurers	Net claims paid	Gross claims paid	Claims recovered from reinsurers	Net claims paid
Death, disability and hospitalisation	1,335,344	(1,110,460)	224,884	1,029,211	(12,366)	1,016,845
Surrenders	1,798,245	-	1,798,245	1,372,982	-	1,372,982
Annuity payments	286,423	-	286,423	232,684	-	232,684
Policy maturities	2,889,717	-	2,889,717	2,379,427	-	2,379,427
<b>Total net life insurance claims and benefits</b>	<b>6,309,729</b>	<b>(1,110,460)</b>	<b>5,199,269</b>	<b>5,014,304</b>	<b>(12,366)</b>	<b>5,001,938</b>

### Net Insurance Benefits and Claims Paid

(Rs. Mn)



## 16 NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

### Accounting Policy

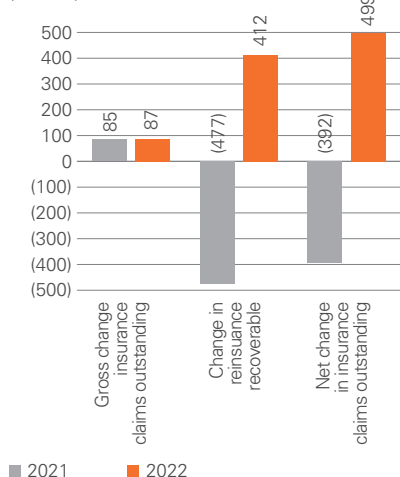
Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December Rs. '000	2022			2021		
	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	97,719	412,460	510,179	63,169	(477,435)	(414,266)
Annuity payments	(10,406)	-	(10,406)	22,265	-	22,265
Policy maturities	(383)	-	(383)	(390)	-	(390)
<b>Total net change in insurance claims outstanding</b>	<b>86,930</b>	<b>412,460</b>	<b>499,390</b>	<b>85,044</b>	<b>(477,435)</b>	<b>(392,391)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Changes in Insurance Claims Outstanding

(Rs. Mn)



## 16.1 Net Insurance Benefits and Claims Expense

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
Net insurance benefits and claims paid	15	5,199,269	5,001,938
Net change in insurance claims outstanding	16	499,390	(392,391)
<b>Total net insurance benefits and claims expense</b>		<b>5,698,659</b>	<b>4,609,547</b>

## 17 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.

### Actuarial valuation of Life Insurance Fund

The Directors are satisfied with the provision relating to long term insurances contract liabilities of the Company as at the year end as certified by the Appointed Actuary following his annual review of the valuation on the Life Insurance Fund. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

The Appointed Actuary's report is provided on page 189.

For the year ended 31 December Rs. '000	Note	2022			2021		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums written	9 / 10	16,675,053	(887,546)	15,787,507	15,406,161	(725,809)	14,680,352
Insurance benefits and claims incurred	16.1	(6,396,658)	697,999	(5,698,659)	(5,099,347)	489,800	(4,609,547)
Underwriting and net acquisition costs (including reinsurance)	18	(3,191,141)	38,850	(3,152,291)	(3,036,783)	192,765	(2,844,018)
Other operating, selling and administrative expenses attributable to policyholders		(4,440,763)	-	(4,440,763)	(3,583,493)	-	(3,583,493)
Investment and other income attributable to policyholders		6,277,385	-	6,277,385	5,033,187	-	5,033,187
Surplus from Life Insurance Fund transferred to Life Shareholder's Fund		(2,300,000)	-	(2,300,000)	(1,600,000)	-	(1,600,000)
<b>Change in contract liabilities - Life Fund</b>		<b>6,623,876</b>	<b>(150,697)</b>	<b>6,473,179</b>	<b>7,119,725</b>	<b>(43,244)</b>	<b>7,076,481</b>

## 18 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	2022 Rs. '000	2021 Rs. '000
Acquisition cost	3,191,141	3,036,783
Reinsurance commission (including profit commission)	(38,850)	(192,765)
<b>Total underwriting and net acquisition costs</b>	<b>3,152,291</b>	<b>2,844,018</b>



## 19 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	2022 Rs. '000	2021 Rs. '000
Employee benefits expenses	19.1	1,676,001	1,161,242
Administration and establishment expenses		1,593,689	1,183,202
Finance cost	20.1	49,367	54,224
Selling expenses		647,617	811,063
<b>Total other operating, administrative and selling expenses</b>		<b>3,966,674</b>	<b>3,209,731</b>

### 19.1 Employee Benefits Expenses

Refer Note 45 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	2022 Rs. '000	2021 Rs. '000
<b>Short Term Employee Benefits</b>			
Staff remuneration		1,291,525	917,738
Defined contribution plan cost - EPF	45.1	100,373	83,609
Defined contribution plan cost - ETF	45.1	25,093	20,902
Staff welfare		38,674	20,023
Training expenses		56,367	28,203
Other costs		79,426	26,812
		<b>1,591,458</b>	<b>1,097,287</b>
<b>Long Term Employee Benefits</b>			
Defined benefit plan cost	45.4(a)	40,207	25,977
Share based payment expense	40.3(a)	9,639	6,291
Other long term employee benefit cost	45.4(b)	34,697	31,687
		<b>84,543</b>	<b>63,955</b>
<b>Total employee benefits expenses</b>		<b>1,676,001</b>	<b>1,161,242</b>

## 20 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.

### 20.1 Finance Cost

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Interest expenses on lease liabilities	33,825	29,207
Bank Charges	15,542	25,017
	<b>49,367</b>	<b>54,224</b>

## 21 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	2022 Rs. '000	2021 Rs. '000
Directors fee and emoluments		185,252	124,129
<b>Auditors remuneration</b>			
– Statutory audit and audit related services		5,940	5,311
– Non audit related services		2,600	3,122
Legal fees		7,038	4,060
Depreciation of property plant and equipment	27.1	113,309	91,635
Amortisation of intangible assets	26.1	297,882	252,251
Depreciation of right of use assets	28.1	123,897	91,670
Amortisation of lease rentals paid in advance	28.1	2,481	5,905

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Defined contribution plan</b>			
- EPF	45.1	100,373	83,609
- ETF	45.1	25,093	20,902
Defined benefit plan cost	45.4(a)	40,207	25,977
Other long term employee benefits	45.4(b)	34,697	31,687
Staff expenses		1,475,631	999,067
CSR expenses		7,479	8,650
<b>Provision / (reversals) for impairment of</b>			
- Staff loans	34.1(a)	(10)	(5,885)
- Agent loans	34.2(a)	(4,557)	(5,208)

## 22 INCOMETAX EXPENSE

### Accounting Policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognised 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.

### 22.1 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.

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, 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.
- Investment income of the shareholder fund less any expenses incurred in the production of such income.
- Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance.

Income tax rate of 24% has been applied for 50% of the taxable profits and the revised rate of 30% has been applied for 50% of the taxable profits on the total taxable income in 2022 as per the revised tax rate and other amendments in line with Inland Revenue (Amendment) Act No. 45 of 2022.

### 22.2 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.

### 22.3 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.

### 22.4 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 tax authority is included as a part of receivables or payables in the statement of financial position.

### 22.5 Deferred Tax

#### Accounting Policy

Deferred tax is recognised 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 recognised 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 recognised 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 recognise 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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 and liabilities.

#### 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 utilised the total amount of the brought forward tax losses against taxable income during 2020 and therefore, there are no tax losses or deferred tax assets recorded as at the reporting date (2021 - Nil).

## 22.6 Amounts Recognised in Profit or Loss

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
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### Current tax expense

Current tax expense for the year	(969,624)	(607,535)
Over / (under) provision of current tax of previous years	(3,230)	33,813
	(972,854)	(573,722)

### Deferred tax expense

Reversal of deferred tax assets	-	-
Origination of deferred tax assets	-	-
Reversal of deferred tax liabilities	-	-

### Income tax expenses

recognised in profit or loss	(972,854)	(573,722)
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Income tax expenses excludes the Company's share of income tax expenses of equity accounted investee of Rs. 80 million (2021 - Rs. 48 million), which has been included in the share of profit of equity accounted investee, net of tax.

## 22.7 Income Tax computation as per Inland Revenue Act, No. 24 of 2017 and amendments to Act

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
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Surplus distributed to the shareholder from the Life Fund	42.5	2,300,000	1,600,000
Investment income of the shareholder fund		1,291,199	931,396
		3,591,199	2,531,396
Deductions under section 19 of the Inland Revenue Act		-	(140,886)
		3,591,199	2,390,510
Tax payable on shareholder profits		969,624	573,722
Surplus distributed to the policyholders who participate in the Company's profit		25,044	113,173
Tax on Surplus distributed to the policyholders who participate in the Company's profit		6,762	27,162
Tax Liability		976,386	600,884

# NOTES TO THE FINANCIAL STATEMENTS

## 22.8 Reconciliation of Effective Tax Rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December	2022		2021	
	%	Rs. '000	%	Rs. '000
<b>Profit before tax</b>		<b>3,719,959</b>		2,627,307
Tax using the Company's domestic tax rate				
First half of the year	24%	446,395		
Second half of the year	30%	557,994	24%	630,554
Share of profit of equity accounted investee reported net of tax	-2%	(80,154)	-2%	(47,860)
Net aggregate disallowable expenses and tax exempt income	1%	45,389	1%	24,841
Under / (over) provisions for previous years	0%	3,230	-1%	(33,813)
<b>Total income tax expense / (reversal)</b>	<b>26%</b>	<b>972,854</b>	<b>22%</b>	<b>573,722</b>

## 22.9 Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group (Parent) as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25% on the taxable income of the individual Group companies, net of dividends from subsidiaries.

Total Surcharge Tax liability of Rs. 39.2 million has been recognised as an opening adjustment to the 1 January 2022 Life Fund balance in accordance with the Company policy and substance of the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

The Company paid Rs. 39.2 million surcharge tax liability in two instalments on 20 April 2022 and 20 July 2022.

## 22.10 Uncertainty over Income Tax Treatments

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 Company reviewed its income tax treatments and concluded that no additional provisions required as the company believes that it is probable that the resolution assessments will be favourable to the company. Refer Note 51.1 for the details of the pending tax treatments.

## 23 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.

### 23.1 Basic Earnings per Share

For the year ended 31 December	2022	2021 (Restated)
Profit after tax (Rs. '000)	2,747,105	2,053,585
Weighted average number of ordinary shares ('000)	589,286	589,286
<b>Basic Earnings Per Share (Rs.)</b>	<b>4.66</b>	<b>3.48*</b>

\*The number of ordinary shares outstanding during the year 2021 has been adjusted as if the split of shares happened at the beginning of the 2021 as per the LKAS 33. Refer Note 36.2 for the details.

### 23.2 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 23.1.

## 24 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.

### 24.1 Dividends Declared During the Year

Due to the prevailing adverse economic environment of the country and capital adequacy ratio (CAR) is sensitive to the interest rate, despite strong performance of the Company, the board of directors of the Company is compelled to not declare dividends as at the reporting date.

For the year ended 31 December	2022	2021
Dividend declared (Rs. '000)	-	1,296,429
Number of ordinary shares ('000)	589,286	58,929
Dividend per share (Rs.)	-	22

### 24.1 (a) Compliance with Section 56 and 57 of Companies Act No. 7 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007 the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, subject to relevant regulatory adherence, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors have been audited by Messrs. KPMG in 2021.

Depending on the intention and ability to hold the invested assets, the financial assets categories and their classification criteria are shown in the table below;

Classification	Classification criteria
<b>Held-To-Maturity (HTM)</b>	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.
<b>Loans and Receivables (L&amp;R)</b>	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
<b>Fair Value Through Profit or Loss (FVTPL)</b>	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.
<b>Available for Sale (AFS)</b>	Financial assets that are designated as AFS and that are not classified in any of the previous categories. AFS financial investments includes debt securities. Securities in this category are those that are intended to be held till maturity and which maybe sold in response to the need for liquidity or in response to changes in the market conditions.

## 24.2 Dividend Paid During the Year

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
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First and final dividend for 2021

Rs. 22 per share

(2020 - Rs. 14 per share) **1,296,429** 825,000

## 25 FINANCIAL ASSETS AND LIABILITIES

### 25.1 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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	-	-	-	✓ *
Corporate debts	-	-	✓	✓ *
Term deposits	-	-	✓	-
Asset backed securities	-	-	✓	-
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

## 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 reorganisation,
- 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.

## 25.2 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 comprises reinsurance payables, lease liabilities, other liabilities and bank overdraft.

### Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

# NOTES TO THE FINANCIAL STATEMENTS

## 25.3 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.

## 25.4 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.

## 25.5 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 the estimate.

## 25.7 Financial Assets and Liabilities by Category

As at 31 December Rs. '000	Note	L&R		FVTPL	
		2022	2021	2022	2021
<b>Financial Assets</b>					
Financial investments	30.2	13,008,194	17,078,442	3,698,539	6,253,307
Loans to life policyholders	31	2,118,116	1,932,079	-	-
Reinsurance receivable	32	556,985	969,446	-	-
Premiums receivable	33	878,441	532,975	-	-
Receivables and other assets	34	355,046	393,305	-	-
Cash in hand and at bank	35	952,332	969,748	-	-
<b>Total financial assets</b>		<b>17,869,114</b>	<b>21,875,995</b>	<b>3,698,539</b>	<b>6,253,307</b>
<b>Financial Liabilities</b>					
Reinsurance payables	46	-	-	-	-
Lease liabilities	44	-	-	-	-
Other financial liabilities	47	-	-	-	-
Bank overdraft	35	-	-	-	-
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Reclassification is at the election of the management and is determined on an instrument by instrument basis. 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.

## 25.6 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.

## 26 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.

#### 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.

#### Contractual Relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

	AFS		HTM		Other Financial Liabilities		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	11,704,394	7,055,752	36,044,803	28,941,570	-	-	64,455,930	59,329,071
	-	-	-	-	-	-	2,118,116	1,932,079
	-	-	-	-	-	-	556,985	969,446
	-	-	-	-	-	-	878,441	532,975
	-	-	-	-	-	-	355,046	393,305
	-	-	-	-	-	-	952,332	969,748
	11,704,394	7,055,752	36,044,803	28,941,570	-	-	69,316,850	64,126,624
	-	-	-	-	636,154	1,038,267	636,154	1,038,267
	-	-	-	-	448,719	421,300	448,719	421,300
	-	-	-	-	2,183,379	1,985,077	2,183,379	1,985,077
	-	-	-	-	228,479	249,332	228,479	249,332
	-	-	-	-	3,496,731	3,693,976	3,496,731	3,693,976

# NOTES TO THE FINANCIAL STATEMENTS

## 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 amortisation and impairment losses.

Expenditure on internally developed software is recognised 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 capitalised 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	5 -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 Use Case Development	10 years using the straight line method from the date asset is available for use

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 useful life or method as appropriate and are treated as changes in accounting estimates.

## Intangible Assets with Indefinite Useful Life

In the event Company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash Generating Unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date (2021 - Nil).

## 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.

## Research and Development Cost

Research costs are expensed as incurred. Development expenditure is capitalised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- The asset will generate future economic benefits.
- The availability of resources to complete the development of the asset.
- The ability to measure reliably the expenditure during development.
- The ability to use or sell the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

## 26.1 Reconciliation of Carrying Amounts of Intangible Assets - Softwares

As at 31 December Rs. '000	Software		Contractual Relationships	Lapse Used Case Development	2022 Total	2021 Total
	Licensed	Purchased				
<b>Cost</b>						
Balance as at 1 January	39,063	1,046,700	1,218,268	94,838	2,398,869	1,848,146
Acquisitions during the year - separately acquired	-	73,570	-	-	73,570	1,047,768
Fair value adjustment	-	-	(10,000)	-	(10,000)	(497,045)
<b>Balance as at 31 December</b>	<b>39,063</b>	<b>1,120,270</b>	<b>1,208,268</b>	<b>94,838</b>	<b>2,462,439</b>	<b>2,398,869</b>
<b>Accumulated amortisation and impairment losses</b>						
Balance as at 1 January	39,063	491,255	304,054	18,968	853,340	601,089
Amortisation	-	94,826	193,572	9,484	297,882	252,251
<b>Balance as at 31 December</b>	<b>39,063</b>	<b>586,081</b>	<b>497,626</b>	<b>28,452</b>	<b>1,151,222</b>	<b>853,340</b>
<b>Carrying value</b>						
<b>As at 31 December 2022</b>	<b>-</b>	<b>534,189</b>	<b>710,642</b>	<b>66,386</b>	<b>1,311,217</b>	
<b>As at 31 December 2021</b>	<b>-</b>	<b>555,445</b>	<b>914,214</b>	<b>75,870</b>		<b>1,545,529</b>

### 26.2 Assessment of Impairment of Intangible Assets

Contractual relationships are valued at the present value of the access fee outflows, by recognising the relevant asset and the liability. There are two such contractual relationship agreements with two financial institutions. With the prevailing 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 2022. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

### 26.3 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.

### 26.4 Intangible Assets Pledged as Security

None of the Intangible assets have been pledged as security as at the reporting date.

### 26.5 Acquisition of Intangible Assets During the Year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 74 million (2021 - Rs. 1,048 million). Cash payments amounting to Rs. 74 million (2021 - Rs. 924 million) were made to purchase intangible assets during the year.

### 26.6 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.

### 26.7 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. 292 million (2021 - Rs. 276 million).

## 27 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 embedded 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-recognised 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 recognised in the Statement of Profit or Loss in the period in which they occur.

### 27.1 Reconciliation of Carrying Amounts of Property, Plant and Equipment

Rs. '000	Freehold Land	Freehold Buildings	Plant machinery, Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2022 Total	2021 Total
<b>Cost / Revaluation</b>								
<b>Balance as at 1 January</b>	2,055,205	392,957	225,877	406,678	540,773	80	<b>3,621,570</b>	3,274,910
Additions during the year	-	-	23,003	75,005	28,895	-	<b>126,903</b>	178,730
Revaluation	-	-	-	-	-	-	<b>-</b>	190,254
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	<b>-</b>	(15,822)
Disposals during the year	-	-	(1,680)	(3,161)	(10,013)	-	<b>(14,854)</b>	(6,502)
<b>Balance as at 31 December</b>	<b>2,055,205</b>	<b>392,957</b>	<b>247,200</b>	<b>478,522</b>	<b>559,655</b>	<b>80</b>	<b>3,733,619</b>	<b>3,621,570</b>
<b>Accumulated depreciation and impairment losses</b>								
<b>Balance as at 1 January</b>	-	-	154,997	233,615	486,764	80	<b>875,456</b>	806,089
Depreciation for the year	-	8,261	20,070	59,973	25,005	-	<b>113,309</b>	91,635
Transfer of accumulated depreciation on assets revalued	-	-	-	-	-	-	<b>-</b>	(15,822)
Accumulated depreciation on disposals during the year	-	-	(1,680)	(3,140)	(10,013)	-	<b>(14,833)</b>	(6,446)
<b>Balance as at 31 December</b>	<b>-</b>	<b>8,261</b>	<b>173,387</b>	<b>290,448</b>	<b>501,756</b>	<b>80</b>	<b>973,932</b>	<b>875,456</b>
<b>Carrying value</b>								
<b>As at 31 December 2022</b>	<b>2,055,205</b>	<b>384,696</b>	<b>73,813</b>	<b>188,074</b>	<b>57,899</b>	<b>-</b>	<b>2,759,687</b>	
<b>As at 31 December 2021</b>	<b>2,055,205</b>	<b>392,957</b>	<b>70,880</b>	<b>173,063</b>	<b>54,009</b>	<b>-</b>		<b>2,746,114</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 27.2 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.

## 27.3 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. 127 million (2021 - Rs. 179 million). Cash payments amounting to Rs. 127 million (2021 - Rs. 179 million) were made during the year for purchase of property, plant and equipment.

## 27.4 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. 15 million (2021 - Rs. 6.5 million). Cash amounting to Rs. 0.3 million (2021 - Rs. 0.4 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 14 to the Financial Statements.

## 27.5 Capitalisation of Borrowing Costs

There was no capitalised borrowing cost relating to the acquisition of property, plant and equipment during the year (2021 - Nil).

## 27.6 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.

## 27.7 The Details of Freehold Land and Buildings which are Stated at Valuation

Freehold land and buildings were valued by an Independent valuer, Mr. P. B. Kalugalagedara and Associates (Chartered valuation surveyor [UK]).

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 2021	Mr. P. B. Kalugalagedara and Associates Chartered valuation surveyor (UK)	1,821,400	278,600	2,100,000	86
Land and building situated at No. 6, Rajapihilla Road, Kurunegala	1	32.3	27,412	Market comparable method	31 December 2021		233,805	114,357	348,162	14
							2,055,205	392,957	2,448,162	100

## 27.8 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 2021.

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. 2,000 - Rs. 6,000	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. 8,000,000 - Rs. 10,000,000 Rs. 2,750 - Rs. 4,500	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.

### 27.9 Revaluation Surplus

Rs. '000	2021		
	Land	Buildings	Total
Revalued amount	2,055,205	392,957	2,448,162
Carrying value (prior to revaluation)	(1,893,750)	(364,158)	(2,257,908)
<b>Revaluation surplus for the year ended 31 December</b>	<b>161,455</b>	<b>28,799</b>	<b>190,254</b>

### 27.10 If Land and Buildings were stated at Historical Cost, the Amounts would have been as follows;

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cost	251,124	251,124
Accumulated depreciation	(101,673)	(97,659)
<b>Carrying value</b>	<b>149,451</b>	<b>153,465</b>

### 27.11 The Effect of Revaluation of Freehold Buildings on the Income Statement during the year was as follows;

As at 31 December	2022 Rs. '000	2021 Rs. '000
Depreciation charge per annum after revaluation	8,261	7,730
Depreciation charge per annum prior to revaluation	(4,014)	(4,014)
<b>Decrease in profit in subsequent period</b>	<b>4,247</b>	<b>3,716</b>

### 27.12 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 indicators of property, plant and equipment as at 31 December 2022. Based on the assessment, the Company does not foresee any indications of impairment as at the reporting date.

### 27.13 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	2022 Rs. '000	2021 Rs. '000
Computer equipment	434,686	407,793
Office equipment	119,851	127,661
Furniture and fittings	129,006	134,141
Motor Vehicle	80	80
<b>Total</b>	<b>683,623</b>	<b>669,675</b>

### 27.14 Property, Plant and Equipment pledged as Security

None of the property, plant or equipment have been pledged as security as at the reporting date.

### 27.15 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in value of property, plant and equipment which require an impairment provision in the Financial Statements.

### 27.16 Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property, plant or equipment as at the reporting date.

### 27.17 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.

### 27.18 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 (2021 - Nil).

### 27.19 Property Plant and Equipment under Construction

As at the reporting date, there was no property, plant and equipment under construction (2021 - Nil).

### 27.20 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2021 - Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 28 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.

### 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 to 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 which do not meet the definition of investment property and lease liabilities separately 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 associated with these leases as an expense on a straight line basis over the lease term.

### 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 sublease 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.

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

### 28.1 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. 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	2022			2021
	Building Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Total Rs. '000
Balance at 1 January	417,289	4,596	421,885	218,312
Additions to right-of-use assets during the year	162,395	-	162,395	322,160
Terminations	(4,768)	-	(4,768)	(26,917)
Depreciation for the year	(120,216)	(3,681)	(123,897)	(91,670)
<b>Balance at 31 December</b>	<b>454,700</b>	<b>915</b>	<b>455,615</b>	<b>421,885</b>

#### Amounts recognised in profit or loss

For the year ended 31 December – Leases under SLFRS 16	2022 Rs. '000	2021 Rs. '000
Interest on lease liabilities	33,825	29,207
Depreciation of right-of-use assets	123,897	91,670
Expenses relating to short-term leases	2,481	5,905
	<b>160,203</b>	<b>126,782</b>

#### Amounts recognised in statement of cash flows

For the year ended 31 December – Leases under SLFRS 16	2022 Rs. '000	2021 Rs. '000
Total cash outflow for lease	<b>161,051</b>	<b>133,942</b>

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- 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.

### 28.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 29 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.

Investment in associate is accounted for using the equity method and is recognised initially at cost, in terms of Sri Lanka Accounting Standard 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	Place of incorporation and operation	Proportion of ownership interest	Number of Shares	Cost Rs. '000	2022		2021	
					Directors valuation / market value Rs. '000	Carrying value Rs. '000	Directors valuation / market value Rs. '000	Carrying value Rs. '000
Fairfirst Insurance Limited	Sri Lanka	22%	68,902,870	689,029	1,703,160	1,703,160	1,513,031	1,513,031

### Unquoted

Fairfirst Insurance Limited	Sri Lanka	22%	68,902,870	689,029	1,703,160	1,703,160	1,513,031	1,513,031
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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 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 incepts.

### 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 outward 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 setting 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 is 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.

## 29.1 Summarised Financial Information in Respect of Associate

### Share of Results of Associate

#### Income Statement

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Net earned premium	7,948,754	6,273,874
Finance and other income	1,755,980	932,380
Benefits, claims and expenses	(8,296,567)	(6,323,263)
<b>Profit before tax</b>	<b>1,408,167</b>	882,991
Income tax expenses	(364,337)	(194,096)
<b>Profit from continuing operations, net of tax</b>	<b>1,043,830</b>	688,895
Percentage ownership interest	22%	22%
<b>Company's share of profit from investment in associate, net of tax</b>	<b>229,642</b>	151,557
<b>Other Comprehensive Income</b>		
Other comprehensive income, net of tax	(179,605)	(115,992)
Company's share of other comprehensive income, net of tax	(39,513)	(25,518)
<b>Total comprehensive income</b>	<b>864,225</b>	572,903
<b>Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax</b>	<b>190,129</b>	126,039

**Current / non-current analysis of assets / liabilities in respect of associate**

As at 31 December	2022	2021
Total assets	22,128,975	19,312,805
Total liabilities	14,387,340	12,435,393
<b>Net assets (100%)</b>	<b>7,741,635</b>	<b>6,877,412</b>
Company's share of net assets (22%)	1,703,160	1,513,031

**29.1(a) Company's Share of Other Comprehensive Income, net of Tax**

For the year ended 31 December	Note	2022 Rs. '000	2021 Rs. '000
Share of losses on AFS reserve	37	(45,584)	(32,656)
Share of actuarial losses on defined benefit plans	40.2	6,071	7,138
		<b>(39,513)</b>	<b>(25,518)</b>

**29.2 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.

	2022 Rs. '000	2021 Rs. '000
<b>Value of investment in equity accounted investee as at 1 January</b>	<b>1,513,031</b>	<b>1,386,991</b>
<b>Add</b>		
Net profit for the period recognised in income statement	229,642	151,557
Other comprehensive income	(39,513)	(25,518)
Dividend received	-	-
<b>Company's share of equity accounted investee (net of tax) for the year ended 31 December</b>	<b>190,129</b>	<b>126,039</b>
<b>Value of investment in equity accounted investee as at 31 December</b>	<b>1,703,160</b>	<b>1,513,031</b>
Contingent liabilities of equity accounted investee	Nil	Nil
Capital and other commitments of equity accounted investee	Nil	Nil

**29.3** 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.

**29.4** The Company has neither contingent liabilities nor capital and other commitments towards its associate Company.

**30 FINANCIAL INVESTMENTS**

See accounting policy in Note 25.

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in Note 7 to the financial statements.

**30.1 Financial Investments Pledged as Security**

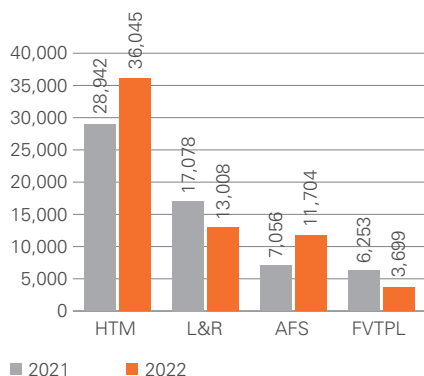
None of the financial investments have been pledged as security as at the reporting date.

**30.2 The Company's Financial Instruments are Summarised as Follows:**

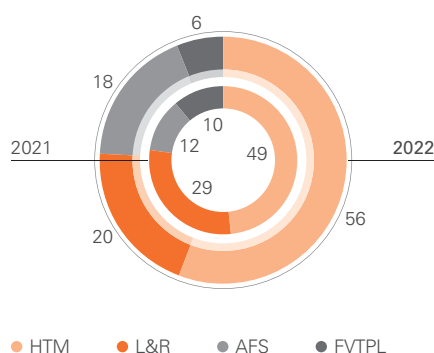
As at 31 December Rs. '000	Note	2022		2021	
		Carrying value	Fair value	Carrying value	Fair value
Held to maturity financial assets (HTM)	30.3	36,044,803	23,216,137	28,941,570	28,141,794
Loans and receivables (L&R)	30.4	13,008,194	10,288,443	17,078,442	16,917,278
Available for sale financial assets (AFS)	30.5	11,704,394	11,704,394	7,055,752	7,055,752
Financial assets at fair value through profit or loss (FVTPL)	30.6	3,698,539	3,698,539	6,253,307	6,253,307
<b>Total financial investments</b>		<b>64,455,930</b>	<b>48,907,513</b>	<b>59,329,071</b>	<b>58,368,131</b>

# NOTES TO THE FINANCIAL STATEMENTS

**Investments - Reporting Category Wise**  
(Rs. Mn)



**Composition of Investments**  
(%)



### 30.2 (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	2022 Rs. '000	2021 Rs. '000
<b>Treasury bonds</b>		
Held to maturity financial investments	1,696,317	1,403,141
Available for sale financial investments	1,702,808	1,983,577
	<b>3,399,125</b>	<b>3,386,718</b>

#### Treasury bonds

Held to maturity financial investments	1,696,317	1,403,141
Available for sale financial investments	1,702,808	1,983,577
	<b>3,399,125</b>	<b>3,386,718</b>

### 30.3 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Amortised cost</b>			
Debentures	30.3(a)	-	216,387
Treasury bills		805,869	3,008,379
Treasury bonds		35,238,934	25,716,804
<b>Total HTM financial investments</b>		<b>36,044,803</b>	<b>28,941,570</b>

#### Amortised cost

Debentures	30.3(a)	-	216,387
Treasury bills		805,869	3,008,379
Treasury bonds		35,238,934	25,716,804
<b>Total HTM financial investments</b>		<b>36,044,803</b>	<b>28,941,570</b>

### 30.3 (a) Debentures

At the reporting date, there were no debentures that were classified as HTM financial investments.

As at 31 December Issuer	2021					
	Credit rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Hatton National Bank PLC	A	31/07/2022	2,000,000	216,387	223,819	16.75
				216,387	223,819	

### 30.3 (b) Impairment of Held to Maturity Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

## 30.4 Loans and Receivables (L&amp;R)

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Amortised cost</b>			
Bank deposits		541,402	3,032,289
Debentures	30.4 (a)	10,620,656	10,668,104
Commercial paper		-	797,835
Asset backed securities		306,881	306,908
Reverse repurchase agreements		1,539,255	2,273,306
<b>Total L&amp;R financial investments</b>		<b>13,008,194</b>	<b>17,078,442</b>
The effective interest rates on non-current portion of portfolio		13.72%	10.16%

## 30.4 (a) Debentures

As at 31 December Issuer	2022					
	Credit rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	A	3/20/23	2,700,000	279,342	271,220	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	273,641	264,630	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,034	300,567	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,585	424,213	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	119,665	109,973	8.00
Bank of Ceylon	A	10/25/23	452,300	46,566	41,683	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,886	65,986	13.00
National Development Bank PLC	BBB+	12/19/23	4,500,000	514,031	456,762	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	169,818	167,480	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,422	383,676	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,877	169,157	11.50
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	465,098	346,404	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,079	235,271	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,510	83,376	13.00
Lolc Holdings PLC	A	9/27/24	2,268,702	253,291	99,605	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,276	76,524	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,449	460,062	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	156,823	112,150	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,208	252,238	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,584	152,996	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,447	241,636	11.00
National Development Bank PLC	BBB+	9/25/25	5,000,000	512,225	329,485	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,940	193,232	9.00
Peoples Bank	AA	3/29/26	5,000,000	551,841	399,491	13.50
Singer Finance (Lanka) PLC	BBB	6/25/26	805,200	91,757	83,701	26.49
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,274	295,509	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,302	57,498	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,888	185,182	12.90
Peoples Bank	A	11/8/27	4,370,000	444,534	261,757	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,127	188,961	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,056	123,604	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,593	307,664	12.50
Commercial Bank of Ceylon PLC	A	12/12/29	5,000,000	507,007	507,418	27.00
Peoples Bank	A	7/27/30	5,000,000	521,480	251,500	10.25
				10,620,656	7,900,611	

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December Issuer	2021					
	Credit rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,731	52,932	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,904	157,014	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,653	102,873	12.75
LB Finance PLC	BBB	12/11/22	1,000,000	100,678	102,892	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	197,451	199,972	12.50
Sampath Bank PLC	A	3/20/23	2,700,000	279,468	283,628	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	273,935	277,942	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,063	313,611	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,631	450,634	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	114,283	120,424	8.00
Bank of Ceylon	A	10/25/23	452,300	46,840	48,710	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,904	76,868	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	515,413	535,810	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	171,823	175,865	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,467	468,484	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,900	214,264	11.50
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	430,672	402,913	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,141	300,768	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,538	108,901	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	262,202	253,993	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,297	100,316	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,635	618,732	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	155,423	161,126	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,226	329,704	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,596	206,727	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,486	340,397	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,277	474,923	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,970	277,163	9.00
People's Bank	AA	3/29/26	5,000,000	534,815	490,118	9.25
Singer Finance (Lanka) PLC	A-	6/25/26	805,200	84,195	74,597	8.96
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,324	455,513	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,315	90,109	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,932	300,954	12.90
People's Bank	AA	11/8/27	4,370,000	444,586	445,950	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,138	308,055	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,061	205,757	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,610	523,276	12.50
People's Bank	AA-	7/27/30	5,000,000	521,521	454,343	10.25
				10,668,104	10,506,258	



### 30.4 (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.

### 30.5 Available for Sale Financial Assets (AFS)

As at 31 December	2022	2021
	Rs. '000	Rs. '000

#### Fair value

Treasury bills	-	433,745
Treasury bonds	11,704,394	6,622,007

#### Total Available for Sale

<b>Financial investments</b>	<b>11,704,394</b>	<b>7,055,752</b>
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### 30.5 (a) Impairment of Available for Sale Financial Investments

At the reporting date, there were no AFS financial investments that were overdue and impaired.

### 30.6 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2022	2021
		Rs. '000	Rs. '000

#### Fair value

Quoted equities	30.6 (a)	2,960,435	3,192,497
Unit trusts		-	2,141,257
		<b>2,960,435</b>	<b>5,333,754</b>

#### Investments in Unit

##### Linked Funds

Quoted equities	30.6 (b)	371,242	575,523
Reverse repurchase agreements		158,369	172,497
Treasury bills		-	9,901
Treasury bonds		103,919	12,117
Bank deposits		-	10,744
Debentures		104,574	138,771
		<b>738,104</b>	<b>919,553</b>

#### Total Fair Value Through

##### Profit or Loss

<b>Financial Investments</b>		<b>3,698,539</b>	<b>6,253,307</b>
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### 30.6 (a) Quoted Equities - Other than Unit Linked Investments

As at 31 December	2022			2021		
	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
<b>Application Software</b>						
Hsenid Business Solutions PLC	3,157,938	52,738	53,685	1,323,351	16,542	45,788
		52,738	53,685		16,542	45,788
<b>Banks</b>						
Commercial Bank of Ceylon PLC	-	-	-	4,071,590	354,365	322,877
Hatton National Bank PLC	-	-	-	1,194,895	169,023	161,311
Sampath Bank PLC	1,766,746	107,509	60,423	1,553,360	100,561	80,930
		107,509	60,423		623,949	565,118
<b>Capital Goods</b>						
Access Engineering PLC	-	-	-	3,467,369	83,283	110,609
ACL Cables PLC	-	-	-	931,054	79,947	93,338
Aitken Spence PLC	3,451,308	367,948	441,768	1,879,035	157,584	154,832
Hayleys PLC	-	-	-	2,010,297	251,287	261,339
Hemas Holdings PLC	1,553,681	86,196	87,628	922,382	67,837	61,707
John Keells Holdings PLC	2,744,858	348,097	371,240	4,323,281	535,728	648,492
		802,241	900,636		1,175,666	1,330,317
<b>Consumer Durables &amp; Apparel</b>						
Hayleys Fabric PLC	2,702,889	90,069	61,085	3,780,603	129,692	155,761
Hela Apparel Holdings PLC	4,851,275	72,569	41,236	-	-	-
Teejay Lanka PLC	9,156,733	324,364	290,269	7,138,759	244,732	316,961
		487,002	392,590		374,424	472,722
<b>Consumer Services</b>						
Aitken Spence Hotel Holdings PLC	984,574	45,888	50,015	230,642	8,181	9,756
John Keells Hotels PLC	6,030,621	71,393	99,506	3,068,882	27,115	45,113
		117,281	149,521		35,296	54,869

# NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2022			2021		
	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
<b>Energy</b>						
Lanka IOC PLC	1,097,524	199,568	222,522	-	-	-
		199,568	222,522		-	-
<b>Food Beverage &amp; Tobacco</b>						
Ceylon Cold Stores PLC	553,600	21,574	20,429	9,542	6,430	5,057
Ceylon Tobacco Company PLC	270,294	217,967	168,934	155,486	151,486	136,517
Sunshine Holdings PLC	2,461,175	80,269	85,649	1,344,323	41,271	61,032
		319,810	275,012		199,187	202,606
<b>Household &amp; Personal Products</b>						
BPPL Holdings PLC	-	-	-	113,159	2,521	3,191
		-	-		2,521	3,191
<b>Materials</b>						
Agstar PLC	8,216,025	153,720	126,527	-	-	-
Chevron Lubricants Lanka PLC	302,974	28,242	29,237	1,634,859	182,984	184,739
CIC Holdings PLC	6,521,594	506,264	499,088	84,670	5,483	5,504
Tokyo Cement Company (Lanka) PLC	-	-	-	763,084	41,827	45,632
		688,226	654,852		230,294	235,875
<b>Telecommunication Services</b>						
Dialog Axiata PLC	14,527,398	174,440	123,483	25,872,542	311,214	282,011
		174,440	123,483		311,214	282,011
<b>Transportation</b>						
Expolanka Holdings PLC	700,745	144,337	127,711	-	-	-
		144,337	127,711		-	-
		3,093,152	2,960,435		2,969,093	3,192,497

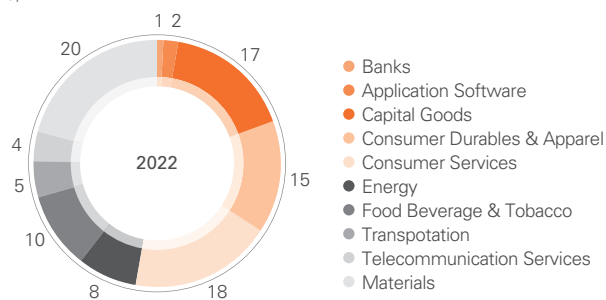
## 30.6 (b) Equity Securities - Unit Linked Fund - (FVTPL)

As at 31 December	2022			2021		
	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
<b>Application Software</b>						
Hsenid Business Solutions PLC	390,311	6,518	6,635	240,345	3,004	8,316
		6,518	6,635		3,004	8,316
<b>Banks</b>						
Commercial Bank of Ceylon PLC	-	-	-	596,905	55,493	47,335
Hatton National Bank PLC	-	-	-	270,229	33,486	36,481
Sampath Bank PLC	54,303	1,736	1,857	250,966	13,118	13,075
		1,736	1,857		102,097	96,891
<b>Capital Goods</b>						
Access Engineering PLC	-	-	-	667,331	15,516	21,288
ACL Cables PLC	-	-	-	111,150	8,476	11,143
Aitken Spence PLC	113,255	5,649	5,753	343,292	28,724	28,287
Hayleys PLC	-	-	-	229,615	28,702	29,850
Hemas Holdings PLC	185,571	10,292	10,466	175,000	12,883	11,708
John Keells Holdings PLC	341,305	45,902	46,162	1,008,465	130,929	151,270
		61,843	62,381		225,230	253,546

As at 31 December	2022			2021		
	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Carrying / Fair Value Rs. '000
<b>Consumer Durables &amp; Apparel</b>						
Hayleys Fabric PLC	308,495	9,727	6,972	660,994	20,056	27,233
Hela Apparel Holdings PLC	602,714	9,036	5,123	-	-	-
Teejay Lanka PLC	1,367,552	55,350	43,351	1,351,091	51,789	59,988
		74,113	55,446		71,845	87,221
<b>Consumer Services</b>						
Aitken Spence Hotel Holdings PLC	440,044	46,186	56,326	37,359	1,325	1,580
John Keells Hotels PLC	755,071	10,356	12,459	263,362	3,147	3,871
		56,542	68,785		4,472	5,451
<b>Energy</b>						
Lanka IOC PLC	141,680	25,918	28,726	-	-	-
		25,918	28,726		-	-
<b>Food, Beverage &amp; Tobacco</b>						
Ceylon Cold Stores PLC	60,525	2,002	2,233	-	-	-
Ceylon Tobacco Company PLC	37,022	32,833	23,139	40,446	39,161	35,512
Sunshine Holdings PLC	310,655	10,138	10,811	-	-	-
		44,973	36,183		39,161	35,512
<b>Materials</b>						
Agstar PLC	824,132	15,509	12,692	-	-	-
Chevron Lubricants Lanka PLC	24,406	2,274	2,355	239,063	25,891	27,014
CIC Holdings PLC	809,707	63,504	62,438	5,298	331	344
Tokyo Cement Company (Lanka) PLC	-	-	-	68,621	3,779	4,104
		81,287	77,485		30,001	31,462
<b>Telecommunication Services</b>						
Dialog Axiata PLC	1,847,095	23,360	15,700	5,240,771	66,020	57,124
		23,360	15,700		66,020	57,124
<b>Transportation</b>						
Expolanka Holdings PLC	99,010	20,106	18,044	-	-	-
		20,106	18,044		-	-
		396,396	371,242		541,830	575,523

### Equity Securities - Unit Linked Fund - (FVTPL)

(%)



# NOTES TO THE FINANCIAL STATEMENTS

## 30.6 (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.

## 30.7 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 2021	22,160,419	17,084,128	7,954,413	5,157,248	52,356,208
Purchases	7,067,342	4,286,489	1,382,861	7,221,445	19,958,137
Maturities	(413,427)	(4,225,817)	(405,000)	(130,204)	(5,174,448)
Disposals	-	-	(816,104)	(6,262,444)	(7,078,548)
Scrip Dividend	-	-	-	33,439	33,439
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	235,848	235,848
Fair value losses recorded in OCI	-	-	(1,047,143)	-	(1,047,143)
Amortisation	27,238	651	(7,992)	926	20,823
Net change in accrued interest	99,998	(67,009)	(5,283)	(2,951)	24,755
<b>As at 31 December 2021</b>	<b>28,941,570</b>	<b>17,078,442</b>	<b>7,055,752</b>	<b>6,253,307</b>	<b>59,329,071</b>
As at 1 January 2022	28,941,570	17,078,442	7,055,752	6,253,307	59,329,071
Purchases	12,730,829	2,299,750	9,597,550	4,228,569	28,856,698
Maturities	(6,371,937)	(6,199,768)	(2,244,000)	(76,266)	(14,891,971)
Disposals	-	-	(671,645)	(6,419,925)	(7,091,570)
Scrip Dividend	-	-	-	9,722	9,722
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	(303,862)	(303,862)
Fair value losses recorded in OCI	-	-	(2,655,005)	-	(2,655,005)
Amortisation	195,992	27,002	96,254	1,766	321,014
Net change in accrued interest	548,349	(197,232)	525,488	5,228	881,833
<b>As at 31 December 2022</b>	<b>36,044,803</b>	<b>13,008,194</b>	<b>11,704,394</b>	<b>3,698,539</b>	<b>64,455,930</b>

## 31 LOANSTO LIFE POLICYHOLDERS

See accounting policy in Note 25.

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.

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>1,481,977</b>	1,413,466
Loans granted during the year	752,297	597,772
Repayments during the year	(631,541)	(526,408)
Provision for impairment	-	(2,853)
	<b>1,602,733</b>	1,481,977
Interest receivables on loans to life policyholders	515,383	450,102
<b>Balance as at 31 December</b>	<b>2,118,116</b>	1,932,079

Please refer Note 7.2(c) for maturity analysis on loans to life policyholders.

### 31.1 Collateral Details

As at 31 December 2022, surrender value of policyholder loans amounted to Rs. 3,401 million (2021 - Rs. 3,112 million).

If the total receivable of the loan, including interest due and accrued exceeds the 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.

### 31.2 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.

### 31.3 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.

### 31.4 Impairment of Loans to Life Policyholders

Policyholder loans are reviewed for impairment at each reporting date. As of 31 December 2022, no impairment loss was recorded on policyholder loans (2021 - Rs. 2.9 million).

### 31.5 Number of Policy Loans

Number of policy loans due as at 31 December 2022 was 14,508 (2021 - 15,572).

## 32 REINSURANCE RECEIVABLE

### Accounting Policy

See accounting policy in Note 25.

The Company cedes insurance risk in the normal course of business for majority 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	2022 Rs. '000	2021 Rs. '000
Reinsurance receivable on outstanding claims	239,370	129,623
Reinsurance receivable on paid claims	317,615	839,823
<b>Total reinsurance receivable</b>	<b>556,985</b>	<b>969,446</b>

### 32.1 Impairment of Reinsurance Receivable

The Board of Directors has assessed potential impairment loss of reinsurance receivable as at 31 December 2022. Based on the assessment, there was no impairment loss on reinsurance receivable.

### 32.2 Fair Value of Reinsurance Receivable

The carrying values disclosed above approximate the fair value at the reporting date.

### 32.3 The Aging of Reinsurance Receivable on Paid Claims

As at 31 December	2022 Rs. '000	2021 Rs. '000
Less than 60 days	147,450	105,820
More than 60 days	170,165	734,003
	<b>317,615</b>	<b>839,823</b>

### 32.4 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31 December 2022, reinsurance receivable of Rs. 170 million (2021 - Rs. 734 million) were past due but not impaired. These relate to parties where there were no recent history of default.

### 32.5 Collateral Details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

### 32.6 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserves on claims that have not been paid and the reinsurance receivable have not been received.

### 32.7 Risk Management

Refer Note 7.1(c) to the financial statements for risk management initiatives relating to reinsurance.

# NOTES TO THE FINANCIAL STATEMENTS

## 33 PREMIUMS RECEIVABLE

### Accounting Policy

See accounting policy in Note 25.

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	2022 Rs. '000	2021 Rs. '000
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### Premiums receivable from;

Policyholders	579,978	343,127
Intermediaries (Including collections in transit)	298,463	189,848
<b>Total premiums receivable</b>	<b>878,441</b>	<b>532,975</b>

### 33.1 Fair Value of Premiums Receivable

The carrying amount disclosed above approximates the fair value as at the reporting date.

### 33.2 Impairment of Premiums Receivable

The Management has assessed potential impairment loss of premiums receivable as at 31 December 2022. Based on the assessment, there was no impairment loss on premiums receivable (2021 - Nil).

### 33.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

### 33.4 Risk Management Initiatives Relating to Premiums Receivable

Refer Note 7.2(c) to the financial statements for risk management initiatives relating to premiums receivable.

## 34 RECEIVABLES AND OTHER ASSETS

### Accounting Policy

See accounting policy in Note 25.

### 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	2022 Rs. '000	2021 Rs. '000
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### Financial Assets

Staff loans*	34.1	285,760	318,537
Agent / advisor loans	34.2	18,779	24,190
Refundable deposits		45,866	42,779
Other receivables		4,641	7,799
		<b>355,046</b>	<b>393,305</b>

### Non-Financial Assets

Taxes recoverable	34.5	263,064	263,064
Prepayments		120,565	105,679
Inventories		14,820	9,993
Advance payments		19,891	25,580
Other receivables		4,138	4,137
		<b>422,478</b>	<b>408,453</b>

### Total receivables and other assets

		<b>777,524</b>	<b>801,758</b>
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**34.1 Staff Loans**

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>		<b>326,927</b>	323,493
Loans provided during the year		239,800	140,819
Payments / settlements during the year		(225,066)	(135,783)
Fair value adjustment during the year		(47,521)	(1,602)
		294,140	326,927
Provision for impairment	34.1 (a)	(8,380)	(8,390)
<b>Balance as at 31 December</b>		<b>285,760</b>	318,537

**34.1 (a) Provision for Impairment**

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>8,390</b>	14,275
Reversal during the year	(10)	(5,885)
<b>Balance as at 31 December</b>	<b>8,380</b>	8,390

**34.2 Agent Loans**

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>		<b>57,170</b>	196,203
Loans provided during the year		9,670	16,979
Payments / settlements during the year		(19,638)	(156,012)
		47,202	57,170
Provision for impairment	34.2(a)	(28,423)	(32,980)
<b>Balance as at 31 December</b>		<b>18,779</b>	24,190

**34.2 (a) Provision for Impairment**

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>32,980</b>	38,188
Reversal during the year	(4,557)	(5,208)
<b>Balance as at 31 December</b>	<b>28,423</b>	32,980

**34.3 Impairment of Staff and Agent Loans**

The Management has assessed potential impairment loss of staff and agent loans as at 31 December 2022. 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 34.1(a) and 34.2(a).

**34.4 Loans Granted to Directors**

\*No loans have been granted to the Directors of the Company.

**34.5 Taxes Recoverable**

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
ACT recoverable		92,296	92,296
WHT recoverable		170,768	170,768
		263,064	263,064

**34.6 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.

**34.7** Refer Note 7.2(c) to the financial statements for risk management policies / initiatives relating to other financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 35 CASH AND CASH EQUIVALENTS

### Accounting Policy

Cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts that are repayable on demand.

### 35.1 Cash in Hand and at Bank

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cash at Bank	839,846	804,048
<b>Cash at Bank with related parties</b>		
– Nations Trust Bank PLC	108,761	161,617
Cash in hand	3,725	4,083
<b>Total cash in hand and at bank</b>	<b>952,332</b>	<b>969,748</b>

### 35.2 Cash and Cash Equivalents in the Statement of Cash Flows

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Cash in hand and at bank	35.1	952,332	969,748
Bank overdraft used for cash management purposes		(228,479)	(249,332)
<b>Cash and cash equivalents in the statement of cash flows</b>		<b>723,853</b>	<b>720,416</b>

## 36.2 Shares Split

The shareholders of the Company at its Extraordinary General Meeting held on 31 March 2022 approved that the number of ordinary shares of the Company in issue be increased by way of a split of shares with effect from 05 April 2022; where by one (01) ordinary share was split in to ten (10) ordinary shares. The resulting number of shares after the split were 589,285,720. There was no change to the stated capital of the Company subsequent to the said split of shares. The shares resulting from split of shares carry the same voting and distribution rights of the holders of such shares.

As at 31 December	2022		2021	
	No. of shares	Rs. '000	No. of shares	Rs. '000
At the beginning of the year	58,928,572	1,000,000	58,928,572	1,000,000
Share split	530,357,148	-	-	-
<b>At the end of the year</b>	<b>589,285,720</b>	<b>1,000,000</b>	<b>58,928,572</b>	<b>1,000,000</b>

### 35.3 Fair Value of Cash in Hand and at Bank

The carrying amounts disclosed above reasonably approximates the fair values as at the reporting date.

### 35.4 Risk Management Initiatives Relating to Cash in Hand and at Bank

Please refer Note 7.2(c) to the financial statements.

## 36 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.

### 36.1 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.



**37 AVAILABLE FOR SALE RESERVE****Nature and purpose of the reserve**

The Available for Sale reserve 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	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>		<b>137,776</b>	1,219,852
Net change in fair value of AFS financial assets		(1,282,052)	(566,990)
Net change in fair value of AFS financial assets transferred to the income statement	37.1	(9,837)	74
		(1,291,889)	(566,916)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets		(1,404,906)	(400,388)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets transferred to the income statement	37.1	39,981	(82,116)
		(1,364,925)	(482,504)
Share of losses on AFS assets of equity accounted investee		(45,584)	(32,656)
Related tax		-	-
<b>Balance as at 31 December</b>		<b>(2,564,622)</b>	137,776

**37.1 Net change in fair value transferred to the income statement**

As at 31 December	2022 Rs. '000	2021 Rs. '000
Net change in fair value of AFS financial assets	(9,837)	74
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets	39,981	(82,116)
<b>Balance as at 31 December</b>	<b>30,144</b>	(82,042)

**38 REVALUATION RESERVE****Nature and purpose of the reserve**

On revaluation of an asset, any increase in the carrying amount is recognised in the 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 written down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to the 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 Policyholders' Revaluation Reserve**

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>		<b>1,796,366</b>	1,609,828
Revaluation surplus during the year		-	190,254
Adjustment for deferred tax		-	-
Net gain on revaluation of land and buildings		1,796,366	1,800,082
Depreciation transfer during the year		(4,247)	(3,716)
		1,792,119	1,796,366
Unrealised gain reserve	38.1	475,860	475,860
<b>Balance as at 31 December</b>		<b>2,267,979</b>	2,272,226

The revaluation relates to land and building as indicated in Note 27.

**38.1 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

## 39 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 30.2(a)].

As at 31 December	2022 Rs. '000	2021 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)
	<b>3,381,934</b>	<b>3,381,934</b>

## 40 OTHER RESERVES

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Reserve on merger with Cornhill (Private) Limited	40.1	16,752	16,752
Reserves on retirement benefit obligation	40.2	(13,388)	(14,167)
Employee share based option	40.3	82,301	72,662
<b>Total other reserves</b>		<b>85,665</b>	<b>75,247</b>

### 40.1 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.

## 40.2 Reserves on Retirement Benefit Obligation

Refer Note 45 for Accounting Policies.

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>(14,167)</b>	(17,717)
Actuarial losses on defined benefit plan	(5,292)	(3,588)
Share of actuarial gains on defined benefit plan of equity accounted investee	6,071	7,138
Related tax	-	-
<b>Balance as at 31 December</b>	<b>(13,388)</b>	(14,167)

## 40.3 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 transaction 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.

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.

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 40.3(b)	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRA's) 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.

### Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on

the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

# NOTES TO THE FINANCIAL STATEMENTS

The following information which are relevant to the John Keells Holdings PLC was used and results were generated using binomial model for ESOP.

	2023 Plan no 11 Award 1	2022 Plan no 10 Award 3	2021 Plan no 10 Award 2	2020 Plan no 10 Award 1	2019 Plan no 9 Award 3
Dividend yield (%)	2.9	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.1	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (LKR)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	121.91	136.64	132.86	136.97	154.10

## 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	2022		2021	
	No	WAEP (Rs)	No	WAEP (Rs)
Outstanding at 1 January	995,009	149.02	914,012	146.74
Granted during the year	335,600	121.91	259,600	136.64
Transfers	-	-	71,514	161.99
Forfeited during the year	(144,163)	173.25	(250,117)	147.06
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	1,186,446	140.62	995,009	149.02
Exercisable at 31 December	441,876	143.56	473,331	155.32

### 40.3 (a) Employee Expenses for Share Based Payment Transactions

The expense recognised for employee services received during the year is as follows;

As at 31 December	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January	72,662	66,371
Expense arising from equity settled share-based payment transactions	9,639	6,291
Balance as at 31 December	82,301	72,662

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.

### 40.3 (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.

## 41 RETAINED EARNINGS

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Balance as at</b>			
1 January		8,587,910	7,355,609
Profit for the year		2,747,105	2,053,585
Transfer from revaluation reserve to retained earnings, net of tax	38	4,247	3,716
First and final dividends			
2021 / 2020		(1,296,429)	(825,000)
<b>Balance as at</b>			
<b>31 December</b>		<b>10,042,833</b>	<b>8,587,910</b>

## 42 INSURANCE CONTRACT LIABILITIES

### Accounting Policy

#### 42.1 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 fund based yield of the non-participating insurance fund.

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.

#### 42.2 Use of Judgements and Estimates

##### 42.2 (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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## 42.2 (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 and participating liabilities are discounted using their respective fund yield curves.
- 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. During the last year, Sri Lankan economy was impacted by geopolitical and foreign exchange issues which introduced very high levels of volatility to

the economic markets. As a result the interest rates increased a lot impacting the value of assets and also our expectations about future economic conditions. The fund based yield curves used in calculation of actuarial reserves have been derived using estimates of future economic conditions which still remains volatile and evolving in nature.

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.

## 42.3 De-recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

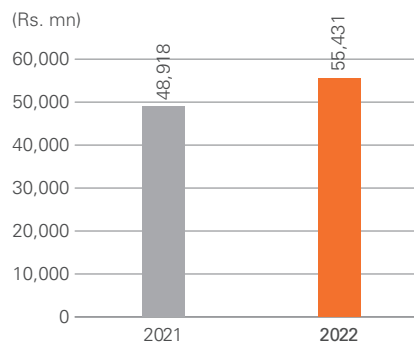
At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

## 42.4 Valuation of Life Insurance Fund

The valuation of the conventional life insurance fund as at 31 December 2022 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 2,300 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2022. Subsequent to the transfer the conventional life fund stood at Rs. 55,180 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. 251 million.

### Conventional and Non Unit Fund



In the opinion of the appointed actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2022 is adequate to cover the liabilities of the funds.

#### 42.5 Surplus from Life Insurance Fund Transferred to Life Shareholder Fund

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Conventional Life Insurance Fund	2,300,000	1,600,000
Non Unit Fund of linked Life insurance	-	-
	<b>2,300,000</b>	<b>1,600,000</b>

#### 42.6 Insurance Contract Liabilities

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Life Insurance Fund	42.7	54,516,588	48,044,816
Charge relating to Surcharge Tax		(39,195)	-
One-off surplus arising from changing policy liability valuation relating to participating fund	42.14	435,046	435,046
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	42.12	(33,923)	(27,162)
		<b>54,878,516</b>	<b>48,452,700</b>
Claim payables	42.16	552,377	465,447
		<b>55,430,893</b>	<b>48,918,147</b>

#### 42.7 Composition of the Life Fund

As at 31 December Rs. '000	Note	2022			2021		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
<b>Balance as at 1 January</b>		51,791,163	(3,746,347)	48,044,816	44,099,112	(3,032,904)	41,066,208
Premium income / Reinsurance expenses	9/10	16,675,053	(887,546)	15,787,507	15,406,161	(725,809)	14,680,352
Liabilities paid for death, maturities, surrenders, benefits and claims	15	(6,309,729)	1,110,460	(5,199,269)	(5,014,304)	12,366	(5,001,938)
Benefits and claims experience variation		(2,804,949)	-	(2,804,949)	(1,218,070)	-	(1,218,070)
Investment return		6,281,537	-	6,281,537	4,945,775	-	4,945,775
Expenses		(7,593,054)	-	(7,593,054)	(6,427,511)	-	(6,427,511)
Income tax expenses		-	-	-	-	-	-
<b>Balance as at 31 December</b>		<b>58,040,021</b>	<b>(3,523,433)</b>	<b>54,516,588</b>	<b>51,791,163</b>	<b>(3,746,347)</b>	<b>48,044,816</b>

#### 42.8 Movement in Life Fund

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Conventional life insurance fund</b>		
Balance as at 1 January	48,748,971	41,826,947
Charge relating to Surcharge Tax	(39,195)	-
Balance as at 1 January (Adjusted)	48,709,776	41,826,947
Increase in life insurance fund before surplus transfer to shareholders	8,722,945	8,525,435
Transfer to shareholders	(2,300,000)	(1,600,000)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	(6,761)	(27,162)
Net change in unclaimed benefits	53,829	23,751
<b>Balance as at 31 December - Conventional Life insurance</b>	<b>55,179,789</b>	<b>48,748,971</b>
<b>Non Unit Fund of Linked Life Insurance Contracts</b>		
Balance as at 1 January	169,176	54,710
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	48,827	53,173
Transfer to shareholders	-	-
Net change in unclaimed benefits	33,101	61,293
<b>Balance as at 31 December - Non unit fund of linked Life insurance</b>	<b>251,104</b>	<b>169,176</b>
	<b>55,430,893</b>	<b>48,918,147</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 42.9 Key Assumptions used in Determination of Best Estimate Liability

Asset Class	Basis
<b>Economic Assumptions</b>	
Risk free rate	Risk free rate curve as of 31 December 2022 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.
<b>Operating Experience Assumptions</b>	
Mortality rate	Adjusted A67/70 mortality table rates based on Company's experience study as of 31 December 2021.
Morbidity rate	Percentage of reinsurance rates, where the percentages are determined based on the morbidity studies performed as of 31 December 2021.
Expense rate and Expense inflation	Fixed & variable, acquisition and maintenance cost assumptions based on the 2021 experience study, with an inflation adjustment made to reconcile with the actual expenses in 2022.
Lapse rates, paid-up rates and surrender rates	Rates are based on Company's persistency study as of 31 December 2021.

### 42.10 Sensitivity Analysis

Sensitivity analysis of life insurance fund liability is provided in Note 7.1(a).

### 42.11 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted Cash Flows)

As at 31 December	2022 Rs. Mn	2021 Rs. Mn
< 1 year	3,342	3,096
1 to 5 years	16,235	12,972
5 to 10 years	58,037	32,141
10 to 20 years	133,851	41,078
> 20 years	204,673	17,082
	<b>416,138</b>	<b>106,369</b>

### 42.12 Taxation on surplus distributed to the life insurance policyholder who participate in the profit share

In terms of Section 67 (2) of the Inland Revenue Act No. 24 of 2017, the surplus distributed to the Life Insurance Policyholder who shares the profits of a person engaged in the business of life insurance in a given year, shall be deemed as gains and profits of that person from the business and subject to tax at a rate of 24% and 30% at 50%:50% basis on taxable income (2021 - 24%). As recommended by the Appointed Actuary Mr. Vivek Jalan, FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 25 million (Please refer point (3) of the Actuarial report provided in page 189) to Life Insurance Policyholders who were participating in the profit of Life Insurance business. Accordingly the Company has adjusted the respective tax liability to the life insurance fund.

### 42.13 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 194% and Total Available Capital (TAC) of Rs. 24,777 million as at 31 December 2022, which exceeded the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules.



#### 42.14 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 IRC SL 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 IRC SL guideline.

Disclosure in Financial Statements	Participating Fund	Non Participating Fund	Non Unit Fund	Unit Linked Fund	Total
Value of Insurance Contract Liability based on Independent Actuary - NPV as at 31 December 2015	9,375,793	13,063,008	7,132	2,543,761	24,989,694
Value of Insurance Contract Liability based on Independent Actuary - GPV as at 31 December 2015	8,943,287	9,669,108	19,097	2,541,221	21,172,713
Surplus created due to change in valuation method - One off Surplus as at 01/01/2016	432,506	3,393,900	(11,966)	2,540	3,816,980
Transfer of one off surplus from long term fund to Restricted Regulatory Reserve	-	3,393,900	(11,966)	-	3,381,934
Remaining surplus created due to change in valuation method - One off Surplus	432,506	-	-	2,540	435,046

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 39]	272
ii Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRC SL and can only be released upon approval from the IRC SL.	Complied [Note 39]	272
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 42.14]	279
iv One-off surplus relating to participating and other than participating should be disclosed separately.	Complied [Note 42.14]	279
v Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied [Note 30.2(a)]	260

# NOTES TO THE FINANCIAL STATEMENTS

## 42.14 (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.

## 42.15 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. The Liability Adequacy Test has been performed as at 31 December 2022 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 is provided in page 189 to this report.

## 42.16 Direction 18 - Unclaimed Benefits of Long Term Insurance Business

There was no transfer of any unclaimed benefits to shareholders and it was recorded as a liability in the long term insurance fund.

## 43 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		2022	2021
	Note	Rs. '000	Rs. '000
Liability of Fund investment		460,389	625,945
Liability of Fund income	43.1	286,095	290,247
<b>Total insurance contract liabilities - Unit Linked</b>		<b>746,484</b>	<b>916,192</b>

#### 43.1 Movement in Liability of Fund Income

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>290,247</b>	202,835
Net investment income	61,955	51,660
Net realised gains	3,682	36,336
Net fair value gains / (losses)	(58,389)	14,105
Management fee expense	(11,400)	(14,689)
<b>Balance as at 31 December</b>	<b>286,095</b>	290,247

Fair Value of the Financial Investments Backing Unit Linked Contracts are as Follows;

As at 31 December	2022 Rs. '000	2021 Rs. '000
Government securities	262,288	194,515
Equity instruments	371,242	575,523
Corporate debt instruments	104,574	138,771
Fixed deposits	-	10,744
	<b>738,104</b>	919,553
Other financial investments and assets	13,368	13,558
Other unit linked liabilities	(4,988)	(16,919)
<b>Insurance contract liabilities - Unit Linked</b>	<b>746,484</b>	916,192

#### 44 LEASE LIABILITY

##### Accounting Policy

See accounting policy in Note 28.

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>421,300</b>	232,259
New lease agreements recognised during the period	159,599	320,693
Interest expenses for the year	33,825	29,207
Termination	(4,954)	(26,917)
Payment of lease liabilities	(161,051)	(133,942)
<b>Balance as at 31 December</b>	<b>448,719</b>	421,300

#### 45 EMPLOYEE BENEFITS LIABILITIES

##### Accounting Policy

##### 45.1 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 administrated 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	2022 Rs. '000	2021 Rs. '000
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##### Employees' Provident Fund (EPF)

Employer's contribution (12%)	100,373	83,609
Employee's contribution (8%)	66,915	55,739

##### Employees' Trust Fund (ETF)

Employer's contribution (3%)	25,093	20,902
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#### 45.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 45.3 Other long term employee benefits

A new Long-Term Incentive Plan (LTI) has been launched for senior management; to incentivise achievement of strategic targets. The liability recognised in the statement of financial position is the present value of the estimated future cash outflows of the long term incentive plan as at the reporting date. Re-measurements are recognised in profit or loss in the period in which they arise.

## 45.4 Employee benefit liabilities

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
Employee defined benefit plan - gratuity	45.4(a)	152,327	140,248
Other long term employee benefits	45.4(b)	134,364	99,667
<b>Balance as at 31 December</b>		<b>286,691</b>	<b>239,915</b>

### 45.4.(a) Movement in Present Value of Gratuity

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>140,248</b>	<b>126,773</b>
<b>Included in Profit or Loss:</b>		
Current service cost	24,780	18,600
Past service cost	-	(1,497)
Interest cost	15,427	8,874
	<b>40,207</b>	<b>25,977</b>
<b>Included in OCI:</b>		
Net actuarial loss on obligation	5,292	3,588
<b>Other</b>		
Gratuity transfer	1,689	3,051
Payments during the year	(35,109)	(19,141)
<b>Balance as at 31 December</b>	<b>152,327</b>	<b>140,248</b>

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

## 45.4 (b) Other Long Term Employee Benefits

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>99,667</b>	<b>67,980</b>
Current service cost	34,697	31,687
<b>Balance as at 31 December</b>	<b>134,364</b>	<b>99,667</b>

## 45.5 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 prevailing macroeconomic conditions, with support of the independent actuarial expert.

As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero-coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. Further, the salary increment rate of 15% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

Assumption	2022	2021
<b>Financial assumptions</b>		
Discount rate	18.5%	11%
Salary increase	15.0%	10%
<b>Demographic assumptions</b>		
Staff turnover rate - early withdrawal through resignations		
- i) Less than 5 years	19%	18%
- ii) More than 5 years	6%	6%
Retirement age	60 years	57 - 60 years

Assumptions regarding future mortality are based on the A1967/70 issued by the Institute of Actuaries, London. Weighted average duration for retirement obligation is 5.2 years in 2022 (2021 - 5.85 years).

#### 45.6 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years

As at 31 December	2022 Rs. '000	2021 Rs. '000
Within the next 12 months	20,422	19,392
Between 1 and 2 years	16,000	17,439
Between 2 and 5 years	59,337	41,346
Over 5 years	56,568	62,071
<b>Total expected payments</b>	<b>152,327</b>	<b>140,248</b>

#### 45.7 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%		6,408	145,919
-1%		(6,963)	159,290
	1%	(7,448)	159,775
	-1%	6,952	145,375

#### Methods and assumptions used in preparing the sensitivity analysis

The sensitivity analysis 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 the previous year.

#### 46 REINSURANCE PAYABLES

##### Accounting Policy

See accounting policy in Note 25.

Reinsurance payables represent balances due to reinsurance companies. Amounts payable are recognised when due and measured on initial recognition at 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.

	2022 Rs. '000	2021 Rs. '000
<b>Balance as at 1 January</b>	<b>1,038,267</b>	533,023
Arising during the year	843,080	533,136
Utilised during the year	(1,245,193)	(27,892)
<b>Balance as at 31 December</b>	<b>636,154</b>	<b>1,038,267</b>

#### 47 OTHER LIABILITIES

##### Financial Liabilities

See accounting policy in Note 25.

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	2022 Rs. '000	2021 Rs. '000
<b>Other Financial Liabilities</b>		
Agency commission, incentive and other payables	470,206	462,556
Premiums in suspense	1,119,441	931,585
Other liabilities	593,732	590,936
	<b>2,183,379</b>	<b>1,985,077</b>

##### Other Non-Financial Liabilities

Government levies	703,156	379,852
Other staff related provisions	360,000	266,749
Other liabilities and accruals	729,533	888,396
Premium received In advance	1,730	3,316
	<b>1,794,419</b>	<b>1,538,313</b>
<b>Total other liabilities</b>	<b>3,977,798</b>	<b>3,523,390</b>

Maturity schedule of other financial liabilities as of 31 December 2022 and 2021 are shown in Note 7.2(b) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 48 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.

### 48.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is John Keells Holdings PLC.

### 48.2 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 2022 audited financial statements, which required additional disclosures in the 2022 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.

### 48.3 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 2022 audited financial statements, which required additional disclosures in the 2021 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.

### 48.4 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.

### 48.4 (a) Compensation of KMP

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Short term employment benefits	185,252	124,129
Post employment benefits	19,011	10,668
Other long term benefits	-	-
Termination benefits	-	-
Share based benefits	-	-
<b>Total</b>	<b>204,263</b>	<b>134,797</b>

The short term employment benefits include Non Executive Directors fees and emoluments paid to 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. No loans have been granted to the Directors of the Company.

### 48.4 (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	2022 Rs. '000	2021 Rs. '000
Insurance premium	370	370

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2022.

### 48.4 (c) Share Based Benefits to KMP and CFMs

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Number of ordinary shares held	-	-
Dividends Paid (in Rs. 000)	-	-

## 48.5 Transactions with Related Entities

The Directors of the Company as at 31 December 2022 hold positions in the following companies as set out below and transactions included in Note 48.5(a),48.5(b),48.5(c) and 48.5(d) 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	Chairperson	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	Chairperson	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	Chairperson	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	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Foundation
Walkers Tours Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Walkers Tours Limited
Whittall Boustead (Travel) Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Whittall Boustead (Travel) Limited
Ceylon Cold Stores PLC	Mr. K N J Balendra	Chairperson	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		
John Keells International (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 International (Pvt) Ltd
South Asia Gateway Terminals (Pvt) Ltd	Mr. K N J Balendra	Chairperson	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	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Tea Smallholder Factories PLC
Ceylon Holiday Resorts Ltd	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Holiday Resorts Limited
John Keells Stock Brokers (Pvt) Ltd	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Stock Brokers (Pvt) Ltd
	Mr. D P Gamlath	Director		
Asia Securities (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities (Pvt) Ltd
Asia Securities Wealth Management (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities Wealth Management (Pvt) Ltd
Acorn Travels (Pvt) Ltd	Mr. W M De F Arsakularatne	Director	Related entity via key management personnel	The Company has transactions in the normal course of business with Acorn Travels (Pvt) Ltd

# NOTES TO THE FINANCIAL STATEMENTS

## 48.5 (a) Transactions with the Parent and Ultimate Controlling Party

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Statement of financial position</b>		
<b>Assets</b>		
Financial instruments	417,404	799,762
	417,404	799,762
<b>Liabilities</b>		
Other liabilities	(21,545)	(19,435)
	(21,545)	(19,435)

Transacted amounts for the year ended 31 December	2022 Rs. '000	2021 Rs. '000
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### Income Statement

Gross written premium	1,452	1,147
Net benefits and claims	(400)	-
Other operating and administrative expenses	(133,219)	(105,451)
Dividend Income received	8,737	7,189
Dividend Paid	(1,166,786)	(742,500)

### Statement of financial position

Net Purchase/(Sale) of financial instruments	(295,453)	109,673
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## 48.5 (b) Transactions with / Between Subsidiary Companies and Associates of the Parent Company and Other Related Entities

As at 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	2022 Rs. '000	2021 Rs. '000
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### Statement of Financial Position

#### Financial investments

Nations Trust Bank PLC	Associate	Debenture investments and Distribution rights	1,311,457	1,529,339
John Keells Hotels PLC	Subsidiary	Shares	111,964	48,984
Ceylon Cold Stores PLC	Subsidiary	Shares	22,661	5,057
			1,446,082	1,583,380

#### Other liabilities

Other subsidiaries and associates		Payable for shared services	(21,216)	(13,663)
			(21,216)	(13,663)

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2022 Rs. '000	2021 Rs. '000

### Income Statement

#### Gross written premium

Other subsidiaries and associates	42,437	2,800
	42,437	2,800

#### Net benefits and claims

Other subsidiaries and associates	(8,795)	(200)
	(8,795)	(200)

#### Investment income

Nations Trust Bank PLC	Associate	Debenture interest income	90,699	124,386
Ceylon Cold Stores PLC	Subsidiary	Dividend	504	1,513
			91,203	125,899



For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
			2022 Rs. '000	2021 Rs. '000
<b>Other operating and administrative expenses</b>				
Other subsidiaries and associates			(406,977)	(153,439)
			(406,977)	(153,439)
<b>Statement of Financial Position</b>				
<b>Assets</b>				
<b>Property, plant &amp; equipment and intangible assets</b>				
Other subsidiaries and associates		Acquisition of property plant, & equipment and intangible assets	31,373	813,780
			31,373	813,780
<b>Net purchase / (sale) of financial instruments</b>				
Ceylon Cold Stores PLC	Subsidiary		17,140	(58,588)
John Keells Hotels	Subsidiary		51,487	9,622
			68,627	(48,966)
<b>Employee benefit liabilities</b>				
Jaykay Marketing Services (Pvt) Ltd	Subsidiary		-	138
John Keells Information Technology (Pvt) Ltd	Subsidiary		-	65
John Keells Logistics	Subsidiary		-	639
John Keells Properties	Subsidiary		-	664
Keells Food Products PLC	Subsidiary	Gratuity transfer	-	125
Mackinnons Travels (Pvt) Ltd	Subsidiary		84	445
Walkers Tours Ltd	Subsidiary		1,494	953
Informate (Pvt) Ltd	Subsidiary		-	22
Cinnamon Hotel Management Ltd	Subsidiary		110	-
			1,688	3,051

#### 48.5 (c) Transactions with / between Associate of the Company - Fairfirst Insurance Ltd

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Statement of Financial Position</b>		
Other receivables*	-	-
Other liabilities*	-	-
<b>Income Statement</b>		
Transaction amount during the year		
For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Gross written premium	-	-
Net benefits and claims	-	-
Other operating and administrative expenses	(63,857)	(44,422)

\*Relating to current account transactions and are payable / receivable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

## 48.5 (d) Companies controlled / jointly controlled / significantly influenced by KMP and their close family members

As at 31 December	2022	2021
	Rs. '000	Rs. '000

### Statement of Financial Position

Asia Securities Wealth Management (Pvt) Ltd	Financial Investment	-	59,169
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For the year ended 31 December	Transaction amount during the year	
	2022	2021
	Rs. '000	Rs. '000

### Income Statement

Asia Securities (Pvt) Ltd	Gross written premium	4,042	2,665
	Net benefits and claims	(2,601)	(2,009)
	Stock Brokerage Commission	(25,864)	(9,428)
Asia Securities Wealth Management (Pvt) Ltd	Unit Trust Management Fees	(99)	(146)
Acorn Travels (Pvt) Ltd	Other operating and administrative expenses	(8,191)	-

### Statement of Financial Position

Asia Securities Wealth Management (Pvt) Ltd	Financial Investment	-	82,000
---	----------------------	---	--------

48.5 (e) No guaranties given or received during the year.

### 48.5 (f) Impairment

Management concluded that no impairment is required in relation to the receivable balances as at the reporting date.

No expenses has been recognized in the current year or prior year for bad and doubtful debts in respect of amounts owed by the related parties.

## 49 COMMITMENTS

### 49.1 Capital Commitments

There were no significant capital commitments as at the reporting date.

## 50 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.

## 51 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 Judgments 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 2022, relates to the following;

### 51.1 Income tax assessments relating to years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18 & 2018/19

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2010/11 and 2011/12, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Rs. 132 million respectively. Company lodged appeals against the said assessments with the Tax Appeals Commission (TAC) and TAC issued its determinations in favour of the Inland Revenue Department. Cases were filled at the Court of Appeal against said determinations.

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2012/13, 2013/14, 2014/15, 2015/16, 2016/17 and 2017/18 assessing the Life insurance business to pay income tax liabilities of 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, Rs. 832 million together with a Rs. 416 million penalty totalling to Rs. 1,248 million, Rs. 472 million together with a Rs. 236 million penalty totalling 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 against said assessments with the Tax Appeals Commission.

The Department of Inland Revenue has raised an assessment on the Company for the year of assessment 2018/19, assessing the Life insurance business to pay an income tax liability of Rs. 701 million along with a Rs. 140 million penalty totalling to Rs. 841 million. The Company has lodged a valid appeal with the Tax Appeal Commission against the said assessment in terms of Section 140(2) of the Inland Revenue Act No. 24 of 2017 (as amended).

#### VAT assessments relating to years of assessments 2018 and 2019

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessments 2018 & 2019, assessing the Life insurance business to pay a VAT liability of Rs.0.01 million along with a Rs. 0.009 million penalty totalling Rs. 0.02 million and Rs. 0.06 million along with a Rs. 0.04 million penalty totalling Rs. 0.1 million respectively. The Company has lodged valid appeals with the Commissioner General of Inland Revenue against said assessments.

#### VAT and NBT on Financial Services assessments relating to years of assessments 2016, 2017 and 2018

The Department of Inland Revenue has raised assessments on Union Assurance PLC for the years of assessment 2016 & 2017, assessing the Life insurance business to pay a VAT and 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. The Company has lodged valid appeals against the said assessment with the Tax Appeal Commission.

The Department of Inland Revenue has raised an assessment on Union Assurance PLC for the year of assessment 2018, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 130 million along with a Rs. 8 million penalty totalling to Rs. 138 million. The Company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

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 assessments 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.

## 52 COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

## 53 DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer page 190 for the Statement of Directors' Responsibility.

# CRAFTING A FUTURE WE CAN BE PROUD OF

## Supplementary Information

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# DECADE AT A GLANCE

Insurance Revenue Accounts Rs'000	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Gross written premium	16,675,053	15,406,161	13,108,605	11,647,756	11,243,915	10,117,630	8,270,751	6,964,390	5,945,499	5,515,063
Net written premium	15,787,507	14,680,352	12,518,728	11,121,974	10,527,474	9,620,018	7,846,894	6,600,208	5,617,435	5,234,521
Investment and other income	6,277,385	5,033,187	4,041,160	3,442,849	3,265,566	3,822,225	2,746,306	2,167,304	3,159,957	2,017,544
Net benefits and claims	(12,171,838)	(11,686,028)	(10,000,832)	(8,487,157)	(6,813,030)	(5,388,696)	(5,833,650)	(4,873,607)	(5,201,025)	(3,976,248)
Change in contract liability due to transfer of one off surplus	-	-	-	-	-	3,381,934	-	-	-	-
Underwriting and net acquisition costs (including reinsurance)	(3,152,291)	(2,844,018)	(2,145,130)	(1,857,396)	(2,055,051)	(1,841,151)	(1,441,617)	(1,289,437)	(1,115,834)	(968,181)
Other operating and administrative expenses	(4,440,763)	(3,583,493)	(3,517,622)	(3,220,270)	(3,857,363)	(2,570,396)	(2,157,254)	(1,832,743)	(1,710,533)	(1,695,636)
Income tax (expenses)/reversal	-	-	(71,304)	-	32,404	-	(60,679)	28,275	-	-
<b>Surplus from life insurance fund</b>	<b>2,300,000</b>	<b>1,600,000</b>	<b>825,000</b>	<b>1,000,000</b>	<b>1,100,000</b>	<b>7,023,934</b>	<b>1,100,000</b>	<b>800,000</b>	<b>750,000</b>	<b>612,000</b>
Investment and other income not attributable to policyholders	1,291,507	948,683	939,021	926,419	1,029,785	236,290	179,432	1,530,851	167,623	207,074
Expenses not attributable to policyholders	(101,191)	(72,933)	(157,922)	(122,693)	(114,796)	(63,940)	(27,119)	(42,205)	(36,883)	(28,110)
Share of net result of equity accounted investee	229,642	151,557	116,438	104,736	149,807	187,844	60,315	57,990	-	-
Income tax (expenses)/reversal	(972,854)	(573,722)	(801,941)	(750,432)	1,079,046	-	-	-	-	-
<b>Profit for the year</b>	<b>2,747,104</b>	<b>2,053,585</b>	<b>920,596</b>	<b>1,158,030</b>	<b>3,243,842</b>	<b>7,384,128</b>	<b>1,312,628</b>	<b>2,346,636</b>	<b>880,740</b>	<b>790,964</b>
* Includes the restricted one-off surplus transfer of Rs. 3.4 billion in 2017.										
Statement of financial position Rs'000	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Assets</b>										
Intangible assets	1,311,217	1,545,529	1,247,057	1,306,922	1,392,191	212,817	94,647	59,616	66,766	117,475
Property, plant and equipment	2,759,687	2,746,114	2,468,821	2,500,305	2,082,990	2,000,716	1,493,040	1,523,676	1,203,934	1,337,498
Right of use assets	455,615	421,885	218,312	296,799	-	-	-	-	-	-
Deferred tax assets	-	-	-	528,614	1,079,046	-	-	-	-	-
Investment in equity accounted investee	1,703,160	1,513,031	1,386,991	1,245,951	1,130,379	995,722	777,346	736,216	-	-
Financial investments	64,455,930	59,329,071	52,356,208	44,881,195	39,138,073	36,792,921	30,847,256	26,540,934	24,038,978	24,297,498
Loans to life policyholders	2,118,116	1,932,079	1,793,470	1,555,759	1,218,949	1,001,538	867,177	741,852	660,744	515,735
Reinsurance receivable	556,985	969,446	492,011	502,975	371,126	267,417	178,181	149,772	67,536	502,571
Premiums receivable	878,441	532,975	487,959	344,785	331,539	268,511	246,800	203,722	159,117	1,844,831
Receivables and other assets	777,524	801,758	1,189,309	1,452,885	1,675,601	947,239	809,784	732,017	816,718	1,087,585
Deferred acquisition cost	-	-	-	-	-	-	-	-	-	149,145
Cash in hand and at bank	952,332	969,748	960,270	632,962	696,835	580,126	379,232	326,012	196,429	466,402
Assets held for sale	-	-	-	-	-	-	-	-	8,393,314	-
<b>Total Assets</b>	<b>75,969,007</b>	<b>70,761,636</b>	<b>62,600,408</b>	<b>55,249,152</b>	<b>49,116,729</b>	<b>43,067,007</b>	<b>35,693,463</b>	<b>31,013,817</b>	<b>35,603,536</b>	<b>30,318,740</b>

Statement of financial position Rs'000	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Equity</b>										
Stated capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,138,433	1,138,433
Restricted regulatory reserve	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	-	-	-	-
Other reserves	(210,978)	2,485,249	3,370,946	2,671,100	1,663,960	2,144,728	817,003	1,232,893	1,228,722	829,094
Retained earnings	10,042,833	8,587,910	7,355,609	7,609,868	7,625,794	5,438,052	2,049,189	1,232,035	3,843,704	3,149,766
<b>Total Equity</b>	<b>14,213,789</b>	<b>15,455,093</b>	<b>15,108,489</b>	<b>14,662,902</b>	<b>13,671,688</b>	<b>11,964,714</b>	<b>3,866,192</b>	<b>3,464,928</b>	<b>6,210,859</b>	<b>5,117,293</b>
<b>Liabilities</b>										
Insurance contract liabilities - Life	55,430,893	48,918,147	41,881,657	35,489,751	30,599,881	26,949,613	27,889,682	23,731,238	20,435,876	17,518,016
Insurance contract liabilities - Unit Linked	746,484	916,192	1,061,701	1,246,075	1,501,271	2,121,609	2,377,707	2,541,221	2,618,007	1,807,137
Insurance contract liabilities - Non Life	-	-	-	-	-	-	-	-	-	3,440,249
Lease liabilities	448,719	421,300	232,259	289,176	-	-	-	-	-	-
Employee benefit liabilities	286,691	239,915	194,753	162,957	115,516	122,588	107,963	100,199	90,437	186,078
Deferred revenue	-	-	-	-	-	-	-	-	-	109,402
Reinsurance payables	636,154	1,038,267	533,023	812,930	669,314	345,146	208,742	213,855	150,784	764,977
Other liabilities	3,977,798	3,523,390	3,427,721	2,416,933	2,314,884	1,368,031	1,092,871	843,424	770,190	1,336,864
Bank overdraft	228,479	249,332	160,905	168,428	244,175	195,306	150,306	118,952	66,017	38,724
Liabilities held for sale	-	-	-	-	-	-	-	-	5,261,366	-
<b>Total Liabilities</b>	<b>61,755,218</b>	<b>55,306,543</b>	<b>47,491,919</b>	<b>40,586,250</b>	<b>35,445,041</b>	<b>31,102,293</b>	<b>31,827,271</b>	<b>27,548,889</b>	<b>29,392,677</b>	<b>25,201,447</b>
<b>Total equity and liabilities</b>	<b>75,969,007</b>	<b>70,761,636</b>	<b>62,600,408</b>	<b>55,249,152</b>	<b>49,116,729</b>	<b>43,067,007</b>	<b>35,693,463</b>	<b>31,013,817</b>	<b>35,603,536</b>	<b>30,318,740</b>
<b>Investor Information</b>										
Return on Net Assets (%)*	18.52	13.44	6.18	8.17	25.31	93.29	35.81	48.51	15.55	16.78
Earnings Per Share (Rs.)*	4.66	3.48	1.56	1.97	5.50	12.53	2.23	3.98	1.49	1.34
Dividend Per Share (Rs.)	-	22	14	20	20	18	10.50	8.50	6.50	6.00
Net Assets Per Share (Rs.)	24.12	26.23	25.64	24.88	23.20	20.30	6.56	5.88	7.25	5.97
Market Price Per Share (Rs.)	27.9	294.00	305.00	330.00	347.30	135.00	143.00	165.00	164.00	104.00
Market Capitalisation (Rs. Mn)	16,441.07	17,325.00	17,973.21	19,446.00	20,465.89	7,955.00	8,426.79	9,723.21	14,057.10	8,914.26
Price Earnings Ratio (Times)	5.98	8.44	19.52	16.79	6.31	1.08	6.42	5.29	11.68	7.94
<b>Other Information</b>										
Number of employees	798	770	795	764	614	529	474	450	445	1,157
No of Shares ('000)	589,285	58,929	58,929	58,929	58,929	58,929	58,929	58,929	85,714	85,714

\*2012 to 2014 figures include profits of the non life insurance business.

EPS and Net Assets Per Share have been restated based on new number of shares.

# INDEPENDENT ASSURANCE REPORT TO UNION ASSURANCE



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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 2022. The Sustainability Indicators are included in the Union Assurance PLC Integrated Annual Report for the year ended 31 December 2022 (the “Report”).

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Strategic Value Unlocks – Financial Highlights	21

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Strategic Value Unlocks – Non Financial Highlights	20
<b>Information provided on following</b>	
Managing Monetised Resources	66 to 77
Transforming our Operational Footprint	78 to 81
Creating Positive Impacts	82 to 86
Operational Excellence	88 to 95
Differentiated Offering and Responsible Behaviour	96 to 103
Leading through innovation	104 to 109

## 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, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the

year ended 31 December 2022, in all material respects, has been prepared and presented by the management of Union Assurance PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

## LIMITED ASSURANCE SUSTAINABILITY INDICATORS

Based on the evidence we obtained from the assurance procedures performed, as described below we

are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2022, have not in all material respects, been prepared and presented by the management of Union Assurance PLC 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 global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P. Y. S. Perera FCA  
W. J. C. Perera FCA  
W. K. D. C. Abeyrathne FCA  
R M D B. Rajapakse FCA  
M N M Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

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

T. J. S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
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A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS, Ms. F.R Zivard FCMA (UK), FTII





## 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.

Our firm applies Sri Lanka Standard on Quality Management (SLSQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## 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

This report has been prepared for the Directors of Union Assurance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Union Assurance PLC Integrated Annual Report for the year ended 31 December 2022 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Union Assurance PLC, or for any other purpose than that for which it was prepared.

## CHARTERED ACCOUNTANTS

Colombo  
28 February 2023

# GRI CONTENT INDEX

Statement of use	Union Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2022 to 31st December 2022
GRI 1 used	GRI 1: Foundation 2021

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>General Disclosures</b>						
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	18				
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	2-19 Remuneration policies	88 - 95				
	2-20 Process to determine remuneration	88 - 95				
	2-21 Annual total compensation ratio	88 - 95				
	2-22 Statement on sustainable development strategy	151				
	2-23 Policy commitments	145				
	2-24 Embedding policy commitments	145				
	2-25 Processes to remediate negative impacts	145				
	2-26 Mechanisms for seeking advice and raising concerns	145				
	2-27 Compliance with laws and regulations	102				
	2-28 Membership associations	101				

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	2-29 Approach to stakeholder engagement	56				
	2-30 Collective bargaining agreements	N/A				
<b>Material Topics</b>						
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	59				
	3-2 List of material topics	59				
<b>Economic performance</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	66				
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	24				
	201-2 Financial implications and other risks and opportunities due to climate change	50 - 53				
	201-3 Defined benefit plan obligations and other retirement plans	281				
	201-4 Financial assistance received from government	-	201 A. B. C.	N/A	The Company not received any financial assistance from the Government	
<b>Market presence</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	88				
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	88 - 95				
	202-2 Proportion of senior management hired from the local community	88 - 95				
<b>Indirect economic impacts</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	103				
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	103				
	203-2 Significant indirect economic impacts	103				
<b>Procurement practices</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	101				
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	101				
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	102				
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	102				
	205-2 Communication and training about anti-corruption policies and procedures	102				
	205-3 Confirmed incidents of corruption and actions taken	102				

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GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Anti-competitive behaviour</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	101				
<b>GRI 206: Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	101				
<b>Tax</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	240				
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	240 - 241				
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	207-3 Stakeholder engagement and management of concerns related to tax	240 - 241				
	207-4 Country-by-country reporting	240 - 241				
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	84				
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	84				
	302-2 Energy consumption outside of the organization	84				
	302-3 Energy intensity	84				
	302-4 Reduction of energy consumption	84				
	302-5 Reductions in energy requirements of products and services	84				
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	85				
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	85 - 86				
	303-2 Management of water discharge-related impacts	86				
	303-3 Water withdrawal	86				
	303-4 Water discharge	86				
	303-5 Water consumption	86				

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	85				
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	85				
	305-2 Energy indirect (Scope 2) GHG emissions	85				
	305-3 Other indirect (Scope 3) GHG emissions	85				
	305-4 GHG emissions intensity	85				
	305-5 Reduction of GHG emissions	85				
	305-6 Emissions of ozone-depleting substances (ODS)	-	305-6 A. B. C. D.	N/A	The Company does not track this information	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	305-7 A. B. C.	N/A		
<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	85				
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	85				
	306-2 Management of significant waste-related impacts	85				
	306-3 Waste generated	85				
	306-4 Waste diverted from disposal	85				
	306-5 Waste directed to disposal	85				
<b>Supplier environmental assessment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	101				
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	101				
	308-2 Negative environmental impacts in the supply chain and actions taken	101				
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	88				
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	88 - 95				
	401-3 Parental leave	93				
<b>Labor/management relations</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	88 - 95				

# GRI CONTENT INDEX

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	94				
	403-2 Hazard identification, risk assessment, and incident investigation	94				
	403-3 Occupational health services	94				
	403-4 Worker participation, consultation, and communication on occupational health and safety	94				
	403-5 Worker training on occupational health and safety	94				
	403-6 Promotion of worker health	94				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	94				
	403-8 Workers covered by an occupational health and safety management system	94				
	403-9 Work-related injuries	94				
	403-10 Work-related ill health	94				
<b>Labor/management relations</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	92				
	404-2 Programs for upgrading employee skills and transition assistance programs	92				
	404-3 Percentage of employees receiving regular performance and career development reviews	92				
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	90				
	405-2 Ratio of basic salary and remuneration of women to men	91				
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 406: Non- discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	90				

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Freedom of association and collective bargaining</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	407-1	N/A	The Company does not have any collective bargaining agreements	
<b>Security practices</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	90				
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	88 - 94				
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	102				
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	97 - 103				
	413-2 Operations with significant actual and potential negative impacts on local communities	-	413-2	N/A	We have not identified any operation with significant negative impact on local community	
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	98				
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	97 - 103				
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	97 - 103				

# 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.



**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	2022						2021				Total
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	Total		
	January- March	April- June	July- September	October- December	January- March	April- June	July- September	October- December			
Gross written premium	3,977,624	3,546,506	4,096,052	5,054,871	16,675,053	3,401,130	3,142,820	3,960,290	4,901,921	15,406,161	
Premium ceded to reinsurers	(201,145)	(225,885)	(221,634)	(238,882)	(887,546)	(169,871)	(180,884)	(184,734)	(190,320)	(725,809)	
<b>Net written premium</b>	<b>3,776,479</b>	<b>3,320,621</b>	<b>3,874,418</b>	<b>4,815,989</b>	<b>15,787,507</b>	<b>3,231,259</b>	<b>2,961,936</b>	<b>3,775,556</b>	<b>4,711,601</b>	<b>14,680,352</b>	
<b>Other revenue</b>											
Net investment income	1,439,346	1,691,595	2,049,512	2,298,560	7,479,013	1,324,326	1,315,222	1,301,381	1,335,201	5,276,130	
Net realised gains / (losses)	(20,306)	(202,311)	431,017	57,177	265,577	49,347	110,578	28,078	243,222	431,225	
Net fair value gains / (losses)	(473,500)	(74,533)	528,259	(284,088)	(303,862)	85,679	10,239	105,885	34,045	235,848	
Other income	5,866	6,385	66,193	9,529	87,973	7,173	6,732	6,793	6,830	27,528	
<b>Total other revenue</b>	<b>951,406</b>	<b>1,421,136</b>	<b>3,074,981</b>	<b>2,081,178</b>	<b>7,528,701</b>	<b>1,466,525</b>	<b>1,442,771</b>	<b>1,442,137</b>	<b>1,619,298</b>	<b>5,970,731</b>	
<b>Total net revenue</b>	<b>4,727,885</b>	<b>4,741,757</b>	<b>6,949,399</b>	<b>6,897,167</b>	<b>23,316,208</b>	<b>4,697,784</b>	<b>4,404,707</b>	<b>5,217,693</b>	<b>6,330,899</b>	<b>20,651,083</b>	
<b>Benefits, claims and expenses</b>											
Net insurance benefits and claims paid	(1,391,481)	(332,712)	(1,451,159)	(2,023,917)	(5,199,269)	(1,022,321)	(709,370)	(1,276,715)	(1,993,532)	(5,001,938)	
Net change in insurance claims outstanding	221,826	(721,111)	(5,346)	5,241	(499,390)	108,801	(29,467)	255,353	57,704	392,391	
Change in contract liabilities - Life Fund	(1,630,170)	(1,689,891)	(3,349,912)	196,794	(6,473,179)	(2,290,352)	(1,971,344)	(2,273,522)	(541,263)	(7,076,481)	
Underwriting and net acquisition costs (including reinsurance)	(782,956)	(673,154)	(759,045)	(937,136)	(3,152,291)	(663,191)	(617,081)	(738,332)	(825,414)	(2,844,018)	
Other operating, administrative and selling expenses	(770,901)	(910,402)	(927,827)	(1,357,544)	(3,966,674)	(531,563)	(791,195)	(785,945)	(1,101,028)	(3,209,731)	
Depreciation and amortisation	(133,864)	(133,735)	(137,256)	(130,233)	(535,088)	(98,440)	(100,195)	(104,610)	(132,311)	(435,556)	
<b>Total benefits, claims and expenses</b>	<b>(4,487,546)</b>	<b>(4,461,005)</b>	<b>(6,630,545)</b>	<b>(4,246,795)</b>	<b>(19,825,891)</b>	<b>(4,497,066)</b>	<b>(4,218,652)</b>	<b>(4,923,771)</b>	<b>(4,535,844)</b>	<b>(18,175,333)</b>	
<b>Profit from operations</b>	<b>240,339</b>	<b>280,752</b>	<b>318,854</b>	<b>2,650,372</b>	<b>3,490,317</b>	<b>200,718</b>	<b>186,055</b>	<b>293,922</b>	<b>1,795,055</b>	<b>2,475,750</b>	
Share of results of equity accounted investee, net of tax	38,564	54,700	60,056	76,322	229,642	36,867	38,463	39,012	37,215	151,557	
<b>Profit before tax</b>	<b>278,903</b>	<b>335,452</b>	<b>378,910</b>	<b>2,726,694</b>	<b>3,719,959</b>	<b>237,585</b>	<b>224,518</b>	<b>332,934</b>	<b>1,832,270</b>	<b>2,627,307</b>	
Income tax expense	(61,588)	(73,218)	(81,780)	(756,268)	(972,854)	(4,250)	(55,821)	(51,167)	(462,484)	(573,722)	
<b>Profit for the year</b>	<b>217,315</b>	<b>262,234</b>	<b>297,130</b>	<b>1,970,426</b>	<b>2,747,105</b>	<b>233,335</b>	<b>168,697</b>	<b>281,767</b>	<b>1,369,786</b>	<b>2,053,585</b>	

# LIFE INSURANCE FUND INSURANCE REVENUE ACCOUNT

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
Gross written premium	16,675,053	15,406,161
Premium ceded to reinsurers	(887,546)	(725,809)
<b>Net written premium</b>	<b>15,787,507</b>	14,680,352
Net insurance benefits and claims paid	(5,199,269)	(5,001,938)
Net change in insurance claims outstanding	(499,390)	392,391
Underwriting and net acquisition costs (net of reinsurance)	(3,152,291)	(2,844,018)
Other operating, selling and administrative expenses	(3,969,013)	(3,184,937)
Depreciation and amortisation	(471,750)	(398,556)
<b>Underwriting surplus</b>	<b>2,495,794</b>	3,643,294
Investment and other income	6,277,385	5,033,187
Change in contract liabilities - Life fund	(6,473,179)	(7,076,481)
Income tax expenses	-	-
<b>Surplus from life insurance fund</b>	<b>2,300,000</b>	1,600,000
Investment and other income not attributable to policyholders	1,291,507	948,683
Expenses not attributable to policyholders	(101,191)	(72,933)
Share of results of equity accounted investee, net of tax	229,642	151,557
Income tax expenses	(972,854)	(573,722)
<b>Profit from shareholders' fund</b>	<b>447,104</b>	453,585
<b>Profit for the year attributable to equity holders of the Company</b>	<b>2,747,104</b>	2,053,585

# LIFE INSURANCE FUND

## STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2022 Rs. '000	2021 Rs. '000
<b>Assets</b>				
Intangible assets			600,575	631,315
Property, plant and equipment	27	249	2,759,687	2,746,114
Right of use assets	28	254	455,615	421,885
Financial investments	1	309	55,059,143	49,704,931
Loans to life policyholders	31	266	2,118,116	1,932,079
Reinsurance receivable	32	267	556,985	969,446
Premiums receivable	33	268	878,441	532,975
Receivables and other assets	2	312	389,856	398,750
Cash in hand and at bank	3	312	943,134	954,827
<b>Total assets</b>			<b>63,761,552</b>	<b>58,292,322</b>
<b>Reserves and liabilities</b>				
<b>Reserves</b>				
Available for sale reserve			(1,289,374)	75,554
Revaluation reserve	4	312	1,792,119	1,796,366
Other reserves	5	312	(7,562)	(2,270)
<b>Total reserves</b>			<b>495,183</b>	<b>1,869,650</b>
<b>Liabilities</b>				
Insurance contract liabilities	42	275	55,430,893	48,918,147
Insurance contract liabilities - Unit Linked	43	280	746,484	916,192
Lease liabilities	44	281	448,719	421,300
Employee benefit liabilities	45	281	286,691	239,915
Reinsurance payables	46	283	636,154	1,038,267
Other liabilities	7	312	5,488,949	4,639,519
Bank overdraft	35	270	228,479	249,332
<b>Total liabilities</b>			<b>63,266,369</b>	<b>56,422,672</b>
<b>Total reserves and liabilities</b>			<b>63,761,552</b>	<b>58,292,322</b>

# LIFE INSURANCE FUND

## STATEMENT OF CASH FLOWS

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
<b>Cash flows from operations</b>		
Insurance premiums received	16,329,586	15,361,145
Reinsurance premiums paid	(140,350)	(22,730)
Insurance benefits and claims paid	(6,309,729)	(5,014,304)
Reinsurance claims received	1,110,460	12,366
Payments to intermediaries to acquire insurance contracts	(3,096,038)	(2,836,536)
Cash paid to and on behalf of employees	(2,020,046)	(1,547,262)
Interest received	4,986,294	4,114,106
Dividends received	132,001	159,636
Other operating cash flows	(3,136,961)	(1,906,674)
Cash paid to life shareholder fund	(1,600,000)	(825,000)
<b>Cash generated from operating activities - (Note A)</b>	<b>6,255,217</b>	<b>7,494,747</b>
Income tax Payment	(66,357)	-
Employee benefits paid	(35,109)	(19,141)
<b>Net cash from operating activities</b>	<b>6,153,751</b>	<b>7,475,606</b>
<b>Cash flows used in investing activities</b>		
Purchase of investments	(24,453,017)	(17,344,661)
Maturity proceeds of investments	12,430,894	4,409,448
Proceeds from sale of investments	6,238,786	5,810,692
Purchase of property, plant and equipment	(126,903)	(178,732)
Purchase of intangible assets	(73,570)	(123,693)
Proceeds on sale of property, plant and equipment	270	443
<b>Net cash used in investing activities</b>	<b>(5,983,540)</b>	<b>(7,426,503)</b>
<b>Net cash inflow before financing activities</b>	<b>170,211</b>	<b>49,103</b>
<b>Cash flows used in financing activities</b>		
Settlement of lease liabilities	(161,051)	(133,942)
<b>Net cash used in financing activities</b>	<b>(161,051)</b>	<b>(133,942)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,160</b>	<b>(84,839)</b>
Cash and cash equivalents at the beginning of the year	705,495	790,334
<b>Cash and cash equivalent at the end of the year</b>	<b>714,655</b>	<b>705,495</b>

# LIFE INSURANCE FUND

## STATEMENT OF CASH FLOWS

For the year ended 31 December	2022 Rs. '000	2021 Rs. '000
<b>A. Reconciliation of surplus from life insurance fund before tax with cash from operating activities</b>		
Surplus from life insurance fund before tax	2,300,000	1,600,000
<b>Non - cash items included in profit before tax</b>		
Depreciation and amortisation	471,750	398,556
Provision for employee benefits	74,904	57,664
Provision for doubtful debtors	(4,567)	(11,093)
Net realised gains	(237,518)	(376,100)
Net fair value (gains) / losses	303,862	(232,019)
Gains on sale of property, plant and equipment	(249)	(385)
Amortisation of financial investment	(242,033)	(4,665)
Amortisation of lease liabilities	46,381	61,485
Scrip dividend income	(9,722)	(33,439)
<b>Profit before working capital changes</b>	<b>2,702,808</b>	<b>1,460,004</b>
<b>Net change in operational assets</b>		
Net change in reinsurance assets	412,461	(477,435)
Net change in premiums receivable	(345,466)	(45,016)
Net change in receivables and other assets	(2,563,470)	(717,105)
<b>Net change in operational liabilities</b>		
Net change in life insurance contract liabilities	6,343,038	6,890,981
Net change in reinsurance liabilities	(402,113)	505,244
Net change in other liabilities	107,959	(121,926)
<b>Cash generated from operating activities</b>	<b>6,255,217</b>	<b>7,494,747</b>
<b>B. Cash and cash equivalents at the end of the year</b>		
Cash in hand and at bank	943,134	954,827
Bank overdraft	(228,479)	(249,332)
<b>Cash and cash equivalents</b>	<b>714,655</b>	<b>705,495</b>
Net cash in hand and at bank for the previous year	705,495	790,334
<b>Increase in cash and cash equivalents</b>	<b>9,160</b>	<b>(84,839)</b>

# LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 1 FINANCIAL INVESTMENTS

Refer Note 25 for the accounting policy

As at 31 December Rs. '000	Note	2022		2021	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Held to maturity financial assets (HTM)	1.1	31,376,503	20,009,445	24,753,852	24,102,548
Loans and receivables (L&R)	1.2	12,358,785	9,726,920	15,806,389	15,628,781
Available for sale financial assets (AFS)	1.3	7,625,316	7,625,316	3,172,089	3,172,089
Financial assets at fair value through profit or loss (FVTPL)	1.4	3,698,539	3,698,539	5,972,601	5,972,601
<b>Total financial investments</b>		<b>55,059,143</b>	<b>41,060,220</b>	<b>49,704,931</b>	<b>48,876,019</b>

### 1.1 Held to Maturity Financial Assets (HTM)

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Amortised cost</b>			
Debentures	30.3	-	216,387
Treasury bills		562,949	2,298,977
Treasury bonds		30,813,554	22,238,488
<b>Total HTM financial investments</b>		<b>31,376,503</b>	<b>24,753,852</b>

### 1.2 Loans and Receivables (L&R)

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Amortised cost</b>			
Asset Backed Securities		306,881	306,908
Bank deposits		541,402	2,928,710
Debentures	1.2 (a)	9,989,907	10,040,694
Commercial Papers		-	641,496
Reverse repurchase agreements		1,520,595	1,888,581
<b>Total L&amp;R financial investments</b>		<b>12,358,785</b>	<b>15,806,389</b>

#### 1.2 (a) Debentures

As at 31 December Issuer	2022					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	A	3/20/23	2,500,000	258,628	251,130	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,855	211,704	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,034	300,567	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,046	398,891	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	119,665	109,973	8.00
Bank of Ceylon	A	10/25/23	452,300	46,566	41,683	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,886	65,986	13.00
National Development Bank PLC	BBB+	12/19/23	4,500,000	514,031	456,762	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	169,818	167,480	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,711	191,837	15.00
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	465,098	346,404	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,079	235,271	13.33
Hayleys PLC	A+	8/26/24	500,000	52,255	41,688	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	253,291	99,605	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,276	76,524	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,449	460,062	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	156,823	112,150	12.75

# LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

As at 31 December Issuer	2022					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
DFCC Bank PLC	A-	3/29/25	3,000,000	329,208	252,238	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,584	152,995	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,447	241,636	11.00
National Development Bank PLC	BBB+	9/25/25	5,000,000	512,225	329,485	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,940	193,232	9.00
Peoples Bank	AA	3/29/26	5,000,000	551,841	399,491	13.50
Singer Finance (Lanka) PLC	BBB	6/25/26	402,700	45,890	41,861	26.49
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,274	295,510	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,302	57,498	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,888	185,182	12.90
Peoples Bank	A	11/8/27	4,370,000	444,534	261,757	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,127	188,961	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,056	123,604	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,593	307,664	12.50
Commercial Bank of Ceylon PLC	A	12/12/29	5,000,000	507,007	507,418	27.00
Peoples Bank	A	7/27/30	5,000,000	521,480	251,500	10.25
				9,989,907	7,357,749	

As at 31 December Issuer	2021					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Lanka Orix Leasing Company PLC	A	7/31/22	500,000	52,731	52,932	13.00
National Savings Bank	AAA	9/10/22	1,500,000	154,904	157,014	11.00
LB Finance PLC	A-	12/11/22	1,000,000	100,653	102,873	12.75
LB Finance PLC	BBB	12/11/22	1,000,000	100,678	102,892	13.25
Sampath Bank PLC	A	12/21/22	1,950,000	197,451	199,972	12.50
Sampath Bank PLC	A	3/20/23	2,500,000	258,649	262,618	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,873	222,353	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,063	313,611	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,089	423,734	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	114,283	120,424	8.00
Bank of Ceylon	A	10/25/23	452,300	46,840	48,710	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,904	76,868	13.00
National Development Bank PLC	A-	12/19/23	4,500,000	515,413	535,810	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	171,823	175,865	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,734	234,242	15.00
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	430,672	402,913	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,141	300,768	13.33
Hayleys PLC	A+	8/26/24	500,000	52,269	54,451	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	262,202	253,993	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,297	100,316	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,635	618,732	13.20



As at 31 December Issuer	2021					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
First Capital Treasuries PLC	A-	1/30/25	1,500,000	155,423	161,126	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,226	329,704	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,596	206,727	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,486	340,397	11.00
National Development Bank PLC	A-	9/25/25	5,000,000	512,277	474,923	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,970	277,163	9.00
Peoples Bank	AA	3/29/26	5,000,000	534,815	490,118	9.25
Singer Finance (Lanka) PLC	A-	6/25/26	402,700	42,108	37,308	8.96
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,324	455,513	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,315	90,109	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,932	300,954	12.90
Peoples Bank	AA	11/8/27	4,370,000	444,586	445,950	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,138	308,055	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,061	205,757	12.75
Commercial Bank Of Ceylon PLC	A	7/23/28	5,000,000	527,612	523,276	12.50
Peoples Bank	AA-	7/27/30	5,000,000	521,521	454,343	10.25
				10,040,694	9,862,514	

### 1.3 Available for Sale Financial Assets (AFS)

As at 31 December	2022 Rs. '000	2021 Rs. '000
<b>Fair value</b>		
Treasury bills	-	433,745
Treasury bonds	7,625,316	2,738,344
<b>Total AFS financial investments</b>	<b>7,625,316</b>	<b>3,172,089</b>

### 1.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Fair Value</b>			
Quoted equities	30.6(a)	2,960,435	3,192,497
Unit Trusts		-	1,860,551
		<b>2,960,435</b>	<b>5,053,048</b>

#### Investments in Unit

##### Linked Funds

Quoted equities	30.6(b)	371,242	575,523
Reverse repurchase agreements		158,369	172,497
Treasury bills		-	9,901
Treasury bonds		103,919	12,117
Bank deposits		-	10,744
Debentures		104,574	138,771
		<b>738,104</b>	<b>919,553</b>
		<b>3,698,539</b>	<b>5,972,601</b>

# LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

## 2 RECEIVABLES AND OTHER ASSETS

As at 31 December	Note	2022 Rs. '000	2021 Rs. '000
<b>Financial assets</b>			
Agent loans	34.2	18,779	24,190
Refundable deposits		45,866	42,779
Other receivables		4,816	8,028
		<b>69,461</b>	<b>74,997</b>
<b>Non-financial assets</b>			
Taxes recoverable	2.1	248,830	248,830
Prepayments		32,716	35,212
Inventories		14,820	9,993
Advance payments		19,891	25,580
Other receivables		4,138	4,138
		<b>320,395</b>	<b>323,753</b>
<b>Total receivable and other assets</b>		<b>389,856</b>	<b>398,750</b>

### 2.1 Taxes Recoverable

As at 31 December	2022 Rs. '000	2021 Rs. '000
ACT recoverable	92,296	92,296
WHT receivable	156,534	156,534
	<b>248,830</b>	<b>248,830</b>

## 3 CASH IN HAND AND AT BANK

As at 31 December	2022 Rs. '000	2021 Rs. '000
Cash at bank	939,360	950,688
Cash at bank - Unit Linked	49	56
Cash in hand	3,725	4,083
<b>Total</b>	<b>943,134</b>	<b>954,827</b>

## 4 REVALUATION RESERVE

As at 31 December	2022 Rs. '000	2021 Rs. '000
Balance as at 1 January	1,796,366	1,609,828
Revaluation surplus during the year	-	190,254
Adjustment for deferred tax	-	-
Transfer to retained earnings	(4,247)	(3,716)
<b>Balance as at 31 December</b>	<b>1,792,119</b>	<b>1,796,366</b>

## 5 OTHER RESERVES

As at 31 December	2022 Rs. '000	2021 Rs. '000
Reserve on Cornhill merger	16,752	16,752
Reserve on retirement benefit obligation	(24,314)	(19,022)
<b>Total other reserves</b>	<b>(7,562)</b>	<b>(2,270)</b>

## 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	2022 Rs. '000	2021 Rs. '000
<b>Financial liabilities</b>		
Agency commission payable	470,206	462,556
Premiums in suspense	1,119,441	931,585
Other liabilities	2,823,754	2,083,931
	<b>4,413,401</b>	<b>3,478,072</b>
<b>Non-financial liabilities</b>		
Government levies	26,895	37,194
Other staff related provisions	360,000	266,749
Premium received in advance	1,730	3,316
Other liabilities	686,923	854,188
	<b>1,075,548</b>	<b>1,161,447</b>
<b>Total other liabilities</b>	<b>5,488,949</b>	<b>4,639,519</b>

# 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 & 6A, D.C. Wanigasekara Mawatha, Akuressa	Tel: 412283393
Aluthgama	No. 51 1/1, Galle Road, Kalua Modara, Aluthgama	Tel: 342291689
Ambalangoda	No. 20, New Road, Ambalangoda	Tel: 912258862
Ambalanthota	No. 153 & 153 1/1, Tangalle Road, Thawaluvila, Ambalantota	Tel: 472223370
Ampara	No. 60 & 60/1, 'Indrawansa Building', D.S.Senanayaka Street, Ampara	Tel: 632224668
Anuradhapura	No. 272, Main Street, Anuradhapura	Tel: 252224677 / 252237777
Avissawella	No. 37A, Kudagama Road, Awissawella	Tel: 362233575
Baddegama	No. 164, Galle Road, Kumme, Baddegama	Tel: 912292783
Badulla	No. 18A, Dharmadhutha Road, Badulla	Tel: 552229536
Bakamuna	No. 542, Bakamuna	Tel: 662256100
Balangoda	No. 164, Thumbagoda Junction, Balangoda	Tel: 452289199
Bandarawela	No. 5, Haputale Road, Bandarawela	Tel: 572223239
Batticaloa	No. 217, Trincomalee Road, Batticaloa	Tel: 652224574
Borella	No. 80A, Ward Place, Colombo 07	Tel: 112680977 / 112680982
Chilaw	No. 87, Puttalam Road, Chilaw	Tel: 322222104
Dambulla	No. 27/01, Rathna Hardware, Kurunegala Road, Dambulla	Tel: 662284628
Dehiwala	No. 50/1/1, 1st Floor, Dehiwala Road, Borlasgamuwa	Tel: 112516592
Embilipitiya	No. 162, New Town Road, Embilipitiya	Tel: 472230463 / 472261946
Galle	No. 147, 1st Floor, Colombo Road, Kaluwella, Galle	Tel: 912243948 / 912231107
Gampaha	No. 184, Colombo Road, Gampaha	Tel: 332226441
Gampola	No. 25, Gangasiri Road, Gampola	Tel: 812077174
Giriulla	No. 86A, Negombo Road, Giriulla	Tel: 372288586
Hingurakgoda	No. 02, Airport Road, Hingurakgoda	Tel: 272246581
Homagama	No. 56/A, Katuwana Road, Homagama	Tel: 112892802 / 112892803
Horana	No. 198, Rathnapura Road, Horana	Tel: 342265217
Ja-Ela	No. 71A2/1, Negombo Road, Ja-Ela	Tel: 112243633
Jaffna	No. 218 3/1, Stanley Road, Jaffna	Tel: 212223753 / 212223760
Kadawatha	No. 143/K, 2nd Floor, Kandy Road, Kadawatha	Tel: 112927252
Kalmunai	No. 212, Batticaloa Road, Kalmunai	Tel: 672222633
Kalutara	No. 338/1/2, Main Street, Kalutara	Tel: 342222104
Kamburupitiya	No. 74, 1st Floor, Matara Road, Pelawatte, Kamburupitiya	Tel: 412294580
Kandy	No. 300, Katugastota Road, Kandy	Tel: 81222744 / 3812232731
Katugastota	No. 185/4, Galagedara Road, Katugastota	Tel: 812221305
Kegalle	No. 134, Kalugalla Mawatha, Kegalle	Tel: 352230497 / 352232165
Kilinochchi	No. 83 & 85, Kandy Road, Kilinochchi	Tel: 212280118
Kiribathgoda	No. 97, Kandy Road, Kiribathgoda	Tel: 112916197
Kirulapone	No. 57-2/1, High Level Road, Kirulapona, Colombo 06	Tel: 112513362
Kottawa	No. 193/C, Horana Road, Kottawa, Pannipitiya	Tel: 112178008
Kuliypitiya	No. 93, Madampe Road, Kuliypitiya	Tel: 372281904
Kurunegala	No. 6, Rajapihilla Road, Kurunegala	Tel: 372224252 / 372223650 / 372230435 / 372221834 / 372223230 / 372228513
Maharagama	No. 181, 2nd Floor, High Level Road, Maharagama	Tel: 112089082
Mahiyanganaya	No. 102/1A, Padiyathalawa Road, Mahiyanganaya	Tel: 372275264
Maho	No. 272, Moragollagama Road, Mahawa	Tel: 552258255

Branch	Address	Contact Number/s
Mannar	No. 191, Thalaimannar Road, Sinna Kadai, Mannar	Tel: 232223257
Matale	No. 553/F, Trincomalee Street, Matale	Tel: 662231536
Matara Zone 01	No. 58 1/2, 3rd Floor, Esplanade Road, Matara	Tel: 412226633
Matara Zone 02	No. 58 1/2, 2nd Floor, Esplanade Road, Matara	Tel: 412226805
Mathugama	No. 94/2, Agalawatta Road, Mathugama	Tel: 342248017
Melsiripura	No. 105/18, Siripura Estate, 15 Mile Post, Melsiripura	Tel: 372051123
Moneragala	No. 112, Wellawaya Road, Moneragala	Tel: 552276290 / 552276379
Moratuwa	No. 495B, Galle Road, Rawathawatta, Moratuwa	Tel: 112645526 / 112641666
Mullaitivu	First Floor, P.W.D. Road, Mullathive Town, Mullathivu	Tel: 212290893 / 213135135
Negombo	No. 147, St. Joseph's Street, Negombo	Tel: 312224264 / 313717890
Nelliady	Jaffna Nelliady Road, Navalar Madam, Nelliady	Tel: 212260344
Nikaweratiya	No. 65, Puttlam Road, Nikaweratiya	Tel: 372260567
Nittabuwa	No. 55, Kandy Road, Nittambuwa	Tel: 332293924
Nugegoda	No. 376, High Level Rd, Gangodawila, Nugegoda	Tel: 112815512
Nuwara Eliya	No. 36, Park Road, Nuwaraeliya	Tel: 522223341
Padaviya	No. 2, New Town, Padaviya	Tel: 252253018
Panadura	No. 571, Galle Road, Panadura	Tel: 382244830
Pettah	No. 73, 74, Colombo Gold Centre, Colombo 11	Tel: 112432329
Piliyandala	No. 24, Vidyala Mawatha, Piliyandala	Tel: 112619550
Polonnaruwa	No. 13, 1st Floor, Hospital Junction, Polonnaruwa	Tel: 113135573
Puttalam	No. 97/1, 2nd Floor, Cargills Food Cotiy Building, Puttalam	Tel: 322265980
Rajagiriya	Westin Towers, No.2, Lake Drive, Colombo 08	Tel: 112689514 / 113049480
Rathnapura	No. 567 1/1 (New No: 23/2/1), Senavirathna Building, Colombo Road, Rathnapura	Tel: 452226740
Ruwanwella	No. 185/1/2, Avissawella Road, Ruwanwella	Tel: 362266631
Tangalle	No. 61, Beach Road, Tangalle	Tel: 472241841
Thalawathugoda	No. 705, Borella Road, Thalawathugoda	Tel: 112775495
Thambuttegama	No. 148, Thammannagama, Thambutthegama	Tel: 252276060 / 252276211
Tissamaharama	No. 68, Main Street, Tissamaharama	Tel: 472237711
Trincomalee	No. 66A & 68, Main Street, Trincomalee	Tel: 262227530
Valachchenai	Main Street, Valachchanai	Tel: 652258555
Vavuniya	No. 188,190,192,& 190/1, Kandy Road, Vavuniya	Tel: 242227113
Warakapola	Kosgahakumbura, Warakapola	Tel: 352267441
Wariyapola	No. 203/A, Kurunegala Road, Wariyapola	Tel: 372268208
Wellawaya	No. 2B, Kumaradasa Mawatha, Wellawaya	Tel: 552274219 / 552274218
Wennappuwa	No. 275, Colombo Road, Wennappuwa	Tel: 312255844





# NOTICE OF MEETING

Notice is hereby given that the 36th Annual General Meeting of Union Assurance PLC will be held as a virtual meeting on Thursday, 30th March 2023 at 2.00 p.m.

The business to be brought before the Meeting will be as follows:

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 2022 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. D P Gamlath who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. D P Gamlath is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Mr. D H Fernando who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. D H Fernando is contained in the Board of Directors section of the Annual Report.
5. To re-appoint the Auditors, Messrs. KMPG, Chartered Accountants and to authorize the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report and Financial Statements of Union Assurance PLC is available on the

- 1) Corporate Website - @ <https://unionassurance.com/financial-reports/> and
- 2) The Colombo Stock Exchange - @ <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=UAL.N0000>

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

*A. Anura*

Keells Consultants (Private) Limited  
Secretaries

28 February, 2023

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Janitha Kodithuwakku on +94 77 470 4208 during normal office hours (8.30 a.m. to 5.00 p.m.) or email [Janitha@unionassurance.com](mailto:Janitha@unionassurance.com)

Should Members wish to obtain a hard copy of the Annual Report, they may complete and send the Form of Request available on the corporate web site to the registered office of the Company. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days, subject to the prevailing circumstances at the time, 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 or forwarded to the email address: [keellsconsultants@keells.com](mailto:keellsconsultants@keells.com) or Fax No.+94 11 2439037 not less than 48 hours before the Meeting.
- e. A vote can be taken on a show of hands or by a poll. If a poll is demanded, 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           |                |

as my/our proxy to represent me/us and vote on my/our behalf at the 36th Annual General Meeting of the Company to be held on 30th March 2023 at 2.00 p.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. D P Gamlath who retires in terms of Article 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect as Director, Mr. D H Fernando who retires in terms of Article 84 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint the Auditors, Messrs. KPMG, Chartered Accountants and to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this .....day of ..... Two Thousand and Twenty Three.

.....  
 Signature /s of Shareholders/s

**Note:**  
 Instructions as to completion of the form of proxy are noted on the reverse.

# FORM OF PROXY

## 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 or forwarded to the email address: keellsconsultants@keells.com or Fax No.+ 94 11 2439037, no later than 48 hours before the time appointed for the convening 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	:	.....
National Identity Card No:	:	.....
Share Folio No.	:	.....

# CORPORATE INFORMATION

## 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. a07 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 - Chairperson  
S. Rajendra  
D. H. Fernando  
S. A. Appleyard  
D. P. Gamlath  
W. M. De F. Arsakularatne

## 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 - Chairperson  
D. H. Fernando  
S. Rajendra

## Investment Committee

J. G. A. Cooray - Chairperson  
W. M. De F. Arsakularatne  
Jude Gomes  
Asha Perera  
Shubham Jain  
Angelo Keil

## SLFRS-17 Steering Committee

S. A. Appleyard - Chairperson  
S. Rajendra  
Sherin Cader

## 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  
Pan Asia Banking Corporation PLC

## Reinsurance Panel

RGA  
Hannover Re  
Munich Re  
Partner Re

## Registered Office of the Company

20, St Michael's Road,  
Colombo 3.

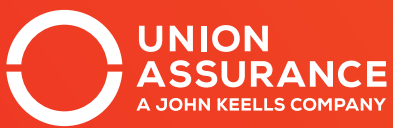
## Investor Relations

All investor queries should be directed to;  
Investor relations hotline 011-2990314  
e-mail: [investorrelations@unionassurance.com](mailto:investorrelations@unionassurance.com)

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20, St. Michael's Road, Colombo 03, Sri Lanka.  
+94 11 2990990  
[www.unionassurance.com](http://www.unionassurance.com)