

# CHAIRPERSON'S REVIEW



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Dear Stakeholder,

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 December 2024.

I trust our Report will provide you with an in-depth understanding of the Company's long term value creation process, the strategic framework towards sustainable growth, the governance philosophy and underlying principles in which the Company conducts its affairs.

We emerged stronger and more resilient in 2024 by navigating many challenges and taking up opportunities to drive strong business growth. We sustained our growth momentum and our commitment to deliver value to our stakeholders, which resulted in Union Assurance recording a strong financial performance for the year.

## **Operating Environment**

Year 2024 marked a significant turning point for Sri Lanka, with the economic recovery gaining momentum through difficult policy reforms and a renewed focus on fiscal responsibility. The resulting currency stabilisation, declining inflation, and growing foreign reserves created a more favourable business environment. The successful restructuring of international sovereign bonds, and the subsequent sovereign credit rating upgrade, have further reinforced macroeconomic stability and investor confidence.

However, the higher inflation levels that prevailed in the previous year, cost reflective pricing mechanisms implemented by the government and tax reforms continued to create pressure on the disposable income of customers, resulting in challenges in accelerating business growth. During the year, the Central Bank of Sri Lanka (CSBL)

reduced interest rates, considering the stable inflation indicators, to support the rebound of domestic economic activity. The resulting low interest rates coupled with limited investment opportunities available, posed challenges in improving investment returns and driving profitability.

## **Performance**

The strong growth in gross written premium (GWP) was driven by double-digit growth in both regular new business premiums and renewal premiums. While the agency distribution of the Company continued its strong growth momentum, it also strategically focused on driving policy retention through persistency centric initiatives. The bancassurance channel with its strong growth potential, consolidated its position as a leading bancassurance provider by solidifying existing relationship and adding new partnerships to the portfolio.



Net investment income recorded a 9% YOY increase to Rs. 11.8 Bn, despite lower yields on fixed income portfolio facilitated by an effective asset allocation strategy, together with the increase in the size of the life fund. The gains from the trading investment portfolio increased by 123% to Rs. 2.9 Bn driven by the dynamic equity investment strategy capturing the outstanding performance of the Colombo Stock Exchange during the latter part of the year.

The Company recorded a life insurance surplus of Rs.3.0 Bn in 2024, an increase against the surplus of Rs.2.8 Bn recorded in the previous year, mainly arising from an increase in GWP, increase in net investment income and managing overheads via effective cost containment and optimization initiatives.

During the year, the total assets exceeded Rs. 100 Bn, a key milestone for the Company, while assets under management (AUM) recorded a strong growth of 15% and stood at Rs. 95.6 Bn driven by cash generated by the business, together with marked to market valuation gains from investments.

As at the end of the financial year, the Life fund backed by a quality asset base grew by 20% to Rs. 78.4 Bn. The Company also

maintained a strong capital and liquidity position with a Capital Adequacy Ratio (CAR) of 264%, which is well above the regulatory requirement of 120%.

### Employees

We attract and retain the best talent through a holistic employee value proposition that fosters a performance-oriented, inclusive culture built on ethical behaviour and transparency. We invest continuously in our team through ongoing training and development, ensuring they have the skills and opportunities to thrive. Recognising pressure on disposable income, we continued to maintain the Temporary Crisis Allowance to support our employees to mitigate the increase in costs. Furthermore, we launched the 'Success Drivers' competency framework and the 'Shift' leadership development programmes to guide employee development and nurture a value-centric culture that drives innovation and growth.

### Governance

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 2023, issued by 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.

During the year under review, several initiatives were undertaken to further strengthen the Company's governance framework and controls. We have made significant progress and are on track to meet the SLFRS 17 standard compliance timeline of 1st January 2026. Moreover, we are taking steps to implement the Personal Data Protection Act (PDPA), including appointing a Data Protection Officer and implementing enhanced data protection measures. Furthermore, we have enhanced our AML/CFT processes, including implementing a real-time alert system and strengthening customer due diligence.

Further details on governance compliance and initiatives can be found in the Corporate Governance Commentary of this Report.

### Sustainability

With the increasing importance of Environmental, Social, and Governance (ESG) factors, we have integrated these principles into our business strategy, daily operations, decision-making, and risk management. By focusing on key areas of relevance and materiality, we are leveraging ESG to drive long-term value creation and sustainable growth for our stakeholders. Moreover, understanding the critical importance of sustainable business operations, we are in the process of implementing SLFRS S1 and S2.

### Corporate Social Responsibility

Our CSR is focused on community wellbeing. In 2024, recognising the alarming prevalence of diabetes in the country, the company partnered with the Diabetes Association of Sri Lanka (DASL) and launched its flagship CSR programme 'Suwamaga', a national programme aiming to raise awareness on diabetes, promote healthy lifestyles, support early detection and risk management, and foster community engagement.

The Suwamaga created awareness amongst 16,000 people and tested over 7,000 people for early detection at the end of the reporting period.

### Policyholder Value

The Company continued to fulfill the dynamic needs of customers via our comprehensive product portfolio and deliver an exceptional customer service by leveraging its digital infrastructure and platforms. In year 2024, the Company declared a universal life policyholder dividend rate of 12% which is significantly above the average fixed deposit rate offered by the market.

### Shareholder Value

The Board declared a first and final dividend of Rs. 5.00 per share amounting to a total payout of Rs. 2.9 Bn which will be paid in April 2025. The Company will continue

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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.

## Distributor Value

Our over 3,000 insurance advisors, banking partners and broker distributors deliver protection to over 329,000 Sri Lankans every day. The Company's strong results were due to the robust performance of our distribution channels. While we offer one of the industry's most comprehensive reward and recognition programmes, we paid Rs. 4.1 Bn as commissions and incentives to our distributors during the year.

## Looking Ahead

While Sri Lanka witnessed a period of fiscal and monetary consolidation and strong recovery momentum in 2024, we believe, sustaining fiscal discipline and broadly keeping to the parameters of the IMF – EFF programme is vital to ensuring Sri Lanka's economic recovery transitions into sustainable growth.

We will focus on our strategic investments in agency expansion, bancassurance partnerships and digital initiatives to explore the strong market opportunities of the insurance industry in a more stable macroeconomic outlook. We continue to drive growth in the agency channel and invest in our strong bancassurance partnerships to deliver superior value to both our partners and their customer bases. In January 2025, the Company entered into an exclusive bancassurance partnership with Sampath Bank PLC, enabling us to offer our innovative solutions to its customer base. We are confident that this partnership will derive significant mutual value creation to both Union Assurance and Sampath Bank.

While the government is planning on a significant investment in digital infrastructure, our investments in digitalisation over the years continue to provide the necessary tools to significantly improve customer centricity and create an eco-system to deliver exceptional

customer service. These strategic investments will pave the way for a sustained and strong period of growth in the years ahead while creating long term value for all our stakeholders.

## Appreciation

In conclusion, I extend my sincere gratitude to the team at Union Assurance, whose dedication and resilience have been instrumental to our success. My sincere thanks and special gratitude are extended to the Chairman, Director General, and the team at the Insurance Regulatory Commission of Sri Lanka for guiding and supporting Union Assurance and the life insurance industry. I also appreciate the ongoing support from the Insurance Ombudsman. Furthermore, on behalf of the Board of Directors and all employees, I thank all our stakeholders for their continued support to the company during the year.

Finally, I thank my fellow directors for their invaluable guidance and support during the year.



**Krishan Balendra**  
Chairperson

28 February 2025