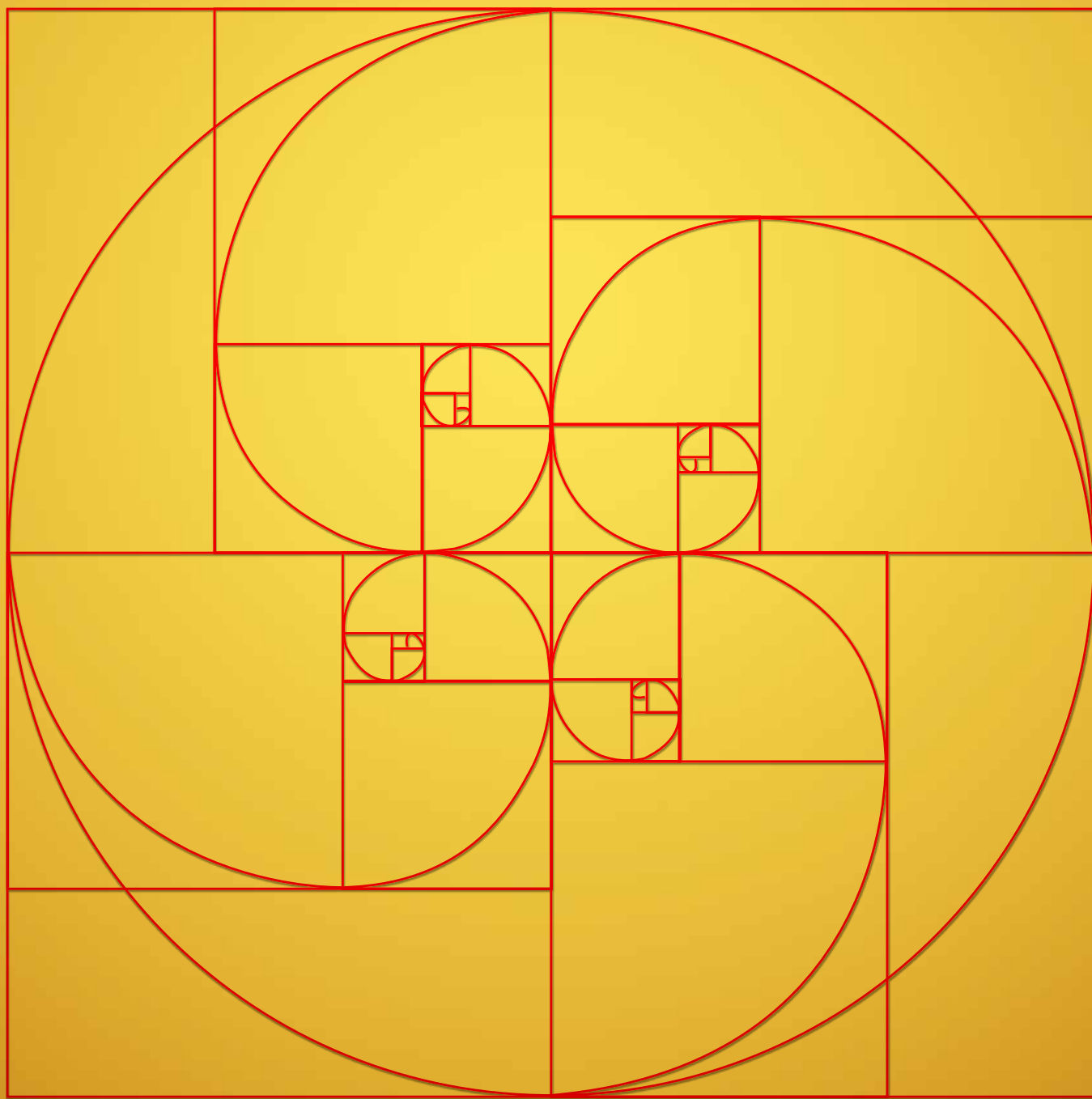


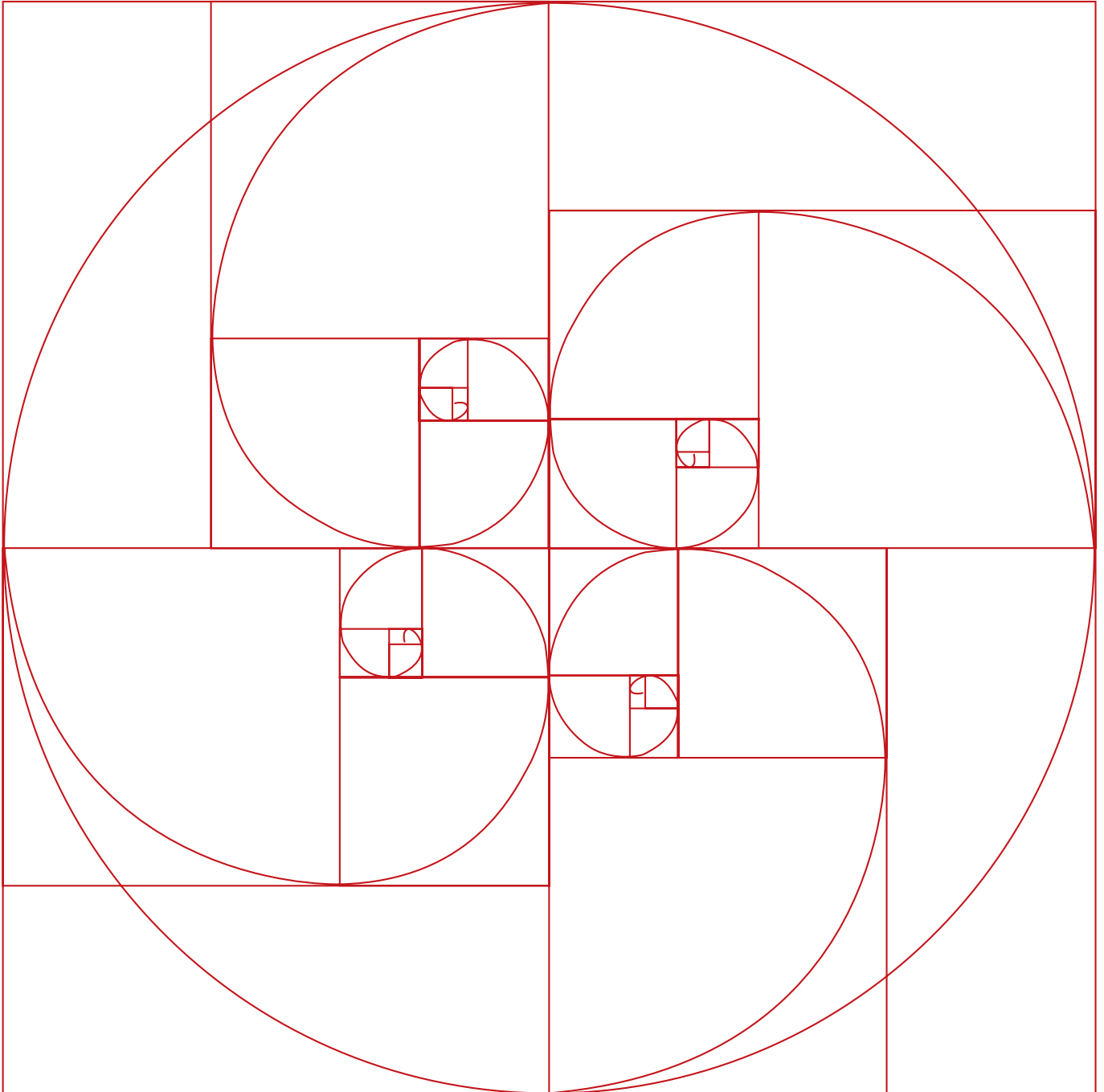
# A Universe of Opportunity



**People's Insurance PLC**

Annual Report 2019





Growing and expanding to a golden ratio, sums up our year as we took on a holistic outlook on our business and turned it into action in the effort to further our sustainability goals. Whether it was through an intense focus on developing our core capitals, confidently expanding our locus of attention or energy conservation, we have created a Universe of Opportunity and we can't wait to explore the possibilities.

# Content

Built in stages  
as we grow, we  
are proud of who  
we are today and  
strongly display  
our journey and its  
milestones.



As constant as the  
ebb and flow of the  
tide and waves,  
our leadership is a  
dynamic one that  
adapts with the  
times and brings  
out the best in our  
team.



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## Our Leadership

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We believe in  
helping our  
customers and our  
team to reach their  
highest potential  
in everything they  
do by giving them  
opportunities to  
grow and flourish.



Our perspective  
is 360 degrees, in  
order to view and  
understand the  
bigger picture.



## Accountability

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**In all that we do, we maintain order and cohesion, resulting in our customers being able to grasp the vast products and services that we offer in a quick and efficient manner.**



**Excellence lies in not only what we do but in who we are, the very fabric of our beings, our teamwork and our shared vision.**



## Strategic Framework

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**With innovation and technology on our side, our revolutionary ideas are taking flight.**




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In keeping with our sustainable actions, this Annual Report is carbon neutral. The carbon emitted throughout the product life cycle is offset and duly verified.



**Built in stages as we grow, we are proud of who we are today and strongly display our journey and its milestones.**

---

**Shells follow the progressive proportional increase of the Fibonacci Sequence. Shells are probably the most famous example of the sequence because the lines are very clean and clear to see.**

**About Us**





# About the Report



Read the Annual  
Report online



[www.peoplesinsurance.lk](http://www.peoplesinsurance.lk)



## Welcome to Our Sixth Integrated Report

This Report has been conceptualised and structured in a manner that best presents an easy-to-understand assessment of how People's Insurance PLC (herein referred to as 'PI' or the 'Company') conducted its activities in line with its short, medium and long-term strategic agenda in creating value for its stakeholders. While this is our primary publication to shareholders, it also includes information that is relevant to other stakeholders and presents a balanced and concise overview of our operating environment, strategy, triple bottom line performance, corporate governance and outlook.

## Scope and Boundary

The Report covers the operations of PI for the period from 1st January to 31st December 2019. We adopt an annual reporting cycle and this Report builds on the Company's previous Annual Report for the financial year ended 31st December 2018. There are neither material restatements of information reported last year nor any significant changes to the Company's structure, size or supply chain. The boundary of reporting for the financial statements (page 144) is limited to the operations of the Company. The narrative from page 16 to 103 includes information pertaining to the Company's operating landscape, customers and supply chain.

## Materiality

The content included in this Report has been selected and prioritised based on the principle of 'Materiality'. This year, we have sought to improve the relevance of our Report by widening the scope of material topics beyond those prescribed by the GRI framework to include factors relevant to our strategy, operating landscape and value creation.

## Reporting Improvements

Key improvements featured in this year's Annual Report are;

- ➔ Increased connectivity across the Report using navigation icons
- ➔ Disclosure on Gender Parity Reporting published by CA Sri Lanka
- ➔ Expansion and refinement of material topics
- ➔ Increased disclosure on strategic orientation and performance against strategy

## Reporting Frameworks



### Financial Statements

- ➔ Sri Lanka Accounting Standards (SLFRS/LKAS)
- ➔ Companies Act No. 7 of 2007
- ➔ Listing Rules of the CSE



### Integrated Reporting

Integrated Reporting Framework published by the International Integrated Reporting Council



### Sustainability Reporting

- ➔ GRI Standards - In Accordance 'Core' criteria
- ➔ Gender Parity Reporting by CA Sri Lanka



### Corporate Governance

- ➔ Code of Best Practice on Corporate Governance 2017
- ➔ Regulation of Insurance Industry Act No. 43 of 2000 and amendments



## Assurance

### External Assurance



#### Financial Statements

- Audited by the Auditor General



#### Carbon Footprint Computation

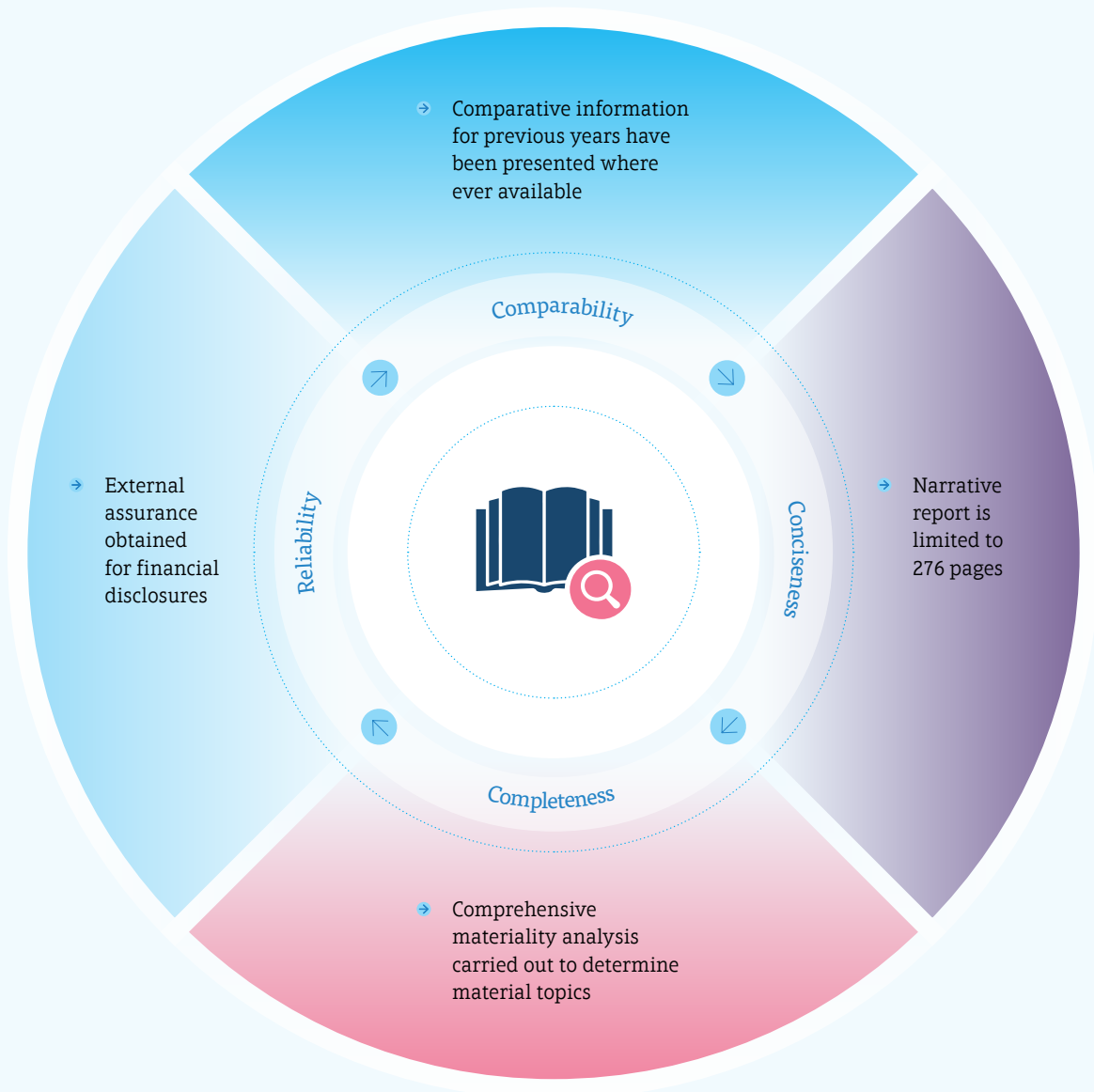
- Requirements of ISO 14064-1:2018 have been verified in accordance with the specification of ISO 14064-3:2019 by the Sri Lanka Climate Fund

### Internal Assurance



- Reporting process and internal controls assured by the Internal Audit and Board of Directors

## Reporting Concepts



# About the Report

## Navigating Our Report

In ensuring readability and simplicity, this Report presents a high-level overview of all material factors that shaped the Company's strategy and performance during the year. For more detailed information, please refer to PI's website and social media platforms.

Content	Information We Share
Our Leadership (pages 20 to 39)	Our leadership team and executive reviews by the Chairman and Chief Executive Officer
Strategic Framework (pages 41 to 59)	How we are positioned to create value How our operating landscape is changing
Performance and Value Creation (pages 60 to 103)	How we performed during the year How we created stakeholder value How we nurtured our capitals
Accountability (pages 104 to 127)	How we are governed and how the Board creates value

## Forward-looking Statements

This Annual Report includes forward-looking statements (identified through words such as anticipate, estimate, intend, believe and expect among others) which are based on the Company's expectations of future industry dynamics and events. These statements are subject to inherent risks which could relate to factors beyond the Company's control and we caution investors that actual events could differ materially from those expressed in these forward-looking statements.

## Board Responsibility

The Board of Directors hereby confirms that the Company's Annual Report for 2019 addresses all relevant material matters and represents the Company's integrated performance in a fair and accurate manner. The Report is approved and authorised for publication.

Signed on behalf of the Board,



**Isuru Balapatabendi**  
Chairman

10th August 2020  
Colombo

## Navigation Icons

### Capitals as Defined in the <IR> Framework

-  Financial Capital
-  Manufactured Capital
-  Human Capital
-  Social and Relationship Capital
-  Intellectual Capital
-  Natural Capital

### Strategic Priorities

-  Business growth
-  Profit growth
-  Customer service excellence
-  Optimal resource utilisation
-  Creation of a preferred workplace
-  Compliance
-  Social and environmental commitment

## Feedback

We are committed to consistently improving the readability and meaningfulness of our Report and welcome your suggestions and comments. Please direct your feedback to:

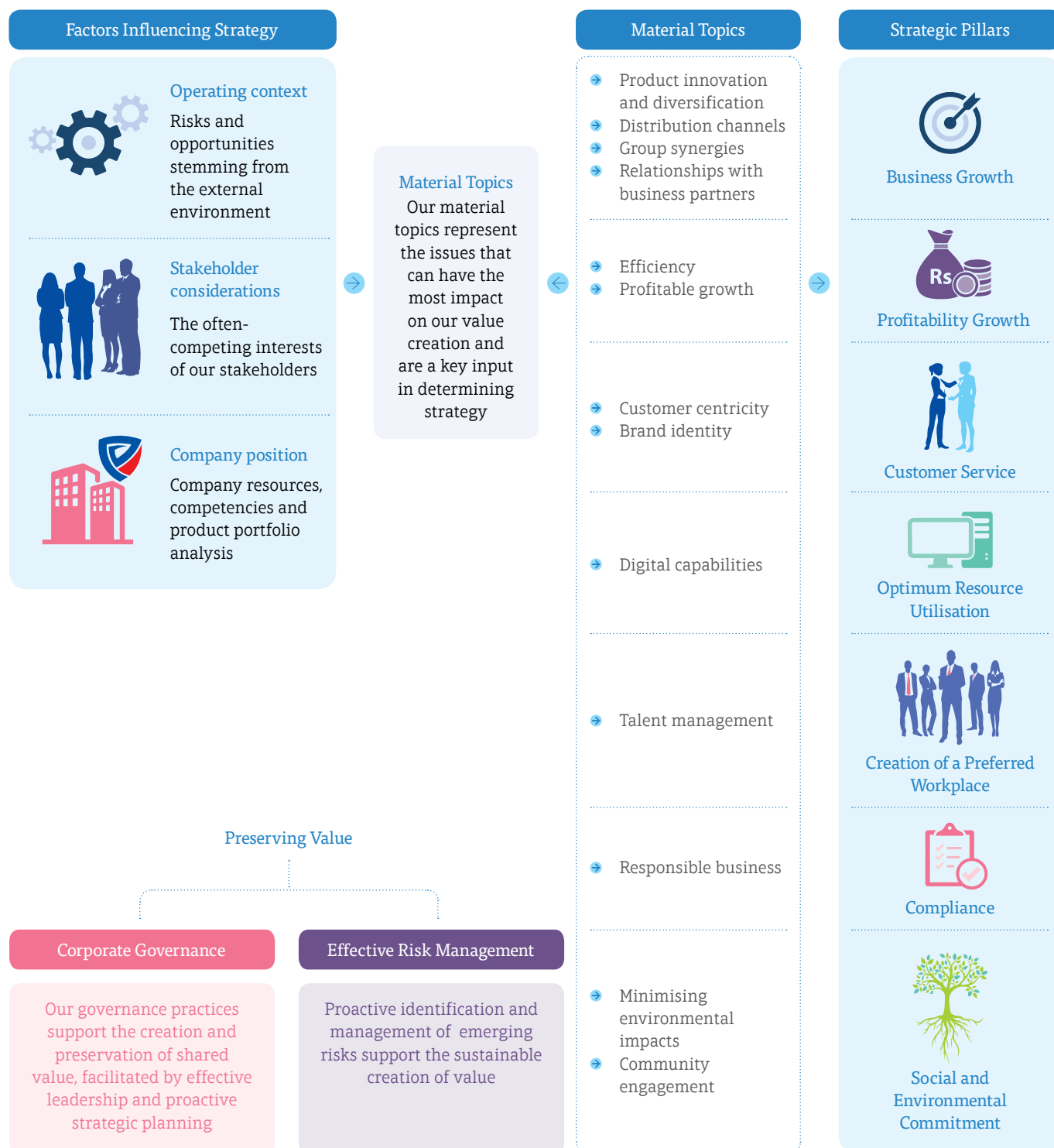
Head of Finance  
People's Insurance PLC  
Address: No. 07, Havelock Road,  
Colombo 05, Sri Lanka.  
Telephone : +94 11 2126126  
Fax : +94 11 2126322  
Email : nilushan@plc.lk

A feedback form is set out on page 275.

The Annual Report is available in hard copies and on our official website, [www.peoplesinsurance.lk](http://www.peoplesinsurance.lk)

## Integrated thinking at People's Insurance

The creation of shared value requires the Company to balance the competing interests of stakeholders and trade-offs in capitals when setting strategy. The integrated approach we adopt to strategy formulation is graphically presented below;



# Performance Highlights

## Financial Highlights

### Financial Performance

#### Gross written premium

(Rs. Mn)

**6,030** ↑ 08%

2018 - 5,592

#### Net claims

(Rs. Mn)

**3,553** ↑ 10%

2018 - 3,237

#### Underwriting results

(Rs. Mn)

**65** ↓ 48%

2018 - 124

#### Other income

(Rs. Mn)

**847** ↑ 17%

2018 - 723

#### Pre-tax profit

(Rs. Mn)

**912** ↑ 08%

2018 - 847

#### Claims ratio

(%)

**67.5** ↓ 01%

2018 - 68.7

#### Expense ratio

(%)

**31.2** ↑ 09%

2018 - 28.6

#### Combined ratio

(%)

**98.7** ↑ 01%

2018 - 97.4

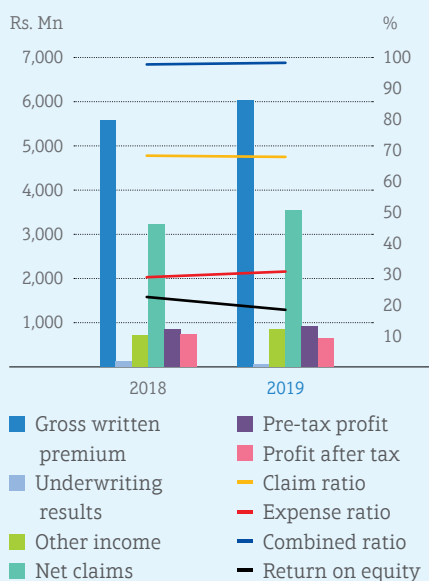
#### Return on equity

(%)

**18** ↓ 22%

2018 - 22

### Financial Performance



### Statutory Ratios

#### Capital Adequacy Ratio (CAR)

(%)

**248** ↓ 25%

2018 - 237

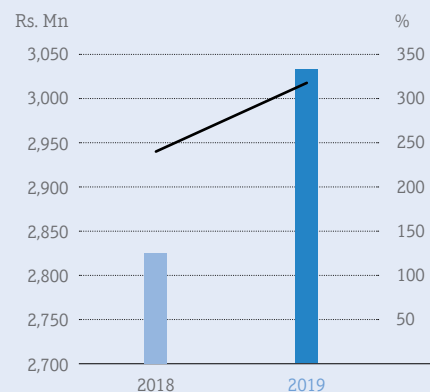
#### Total Available Capital (TAC)

Rs. Mn

**3,141** ↑ 07%

2018 - 3,037

### Capital Adequacy Ratio & Total Available Capital



■ Capital Adequacy Ratio (CAR)  
— Total Available Capital (TAC)

## Investor Ratios

### Market value per share (Closing)

(Rs.)

**21.70** ↑ 14%

2018 - 19.10

### Dividend cover

(Times)

**1.75** ↓ 13%

2018 - 1.97

### Dividend per share

(Rs.)

**1.85**

2018 - 1.85

### Net asset value per share

(Rs.)

**18.21** ↑ 08%

2018 - 16.88

### Earnings per share

(Rs.)

**3.24** ↓ 11%

2018 - 3.65

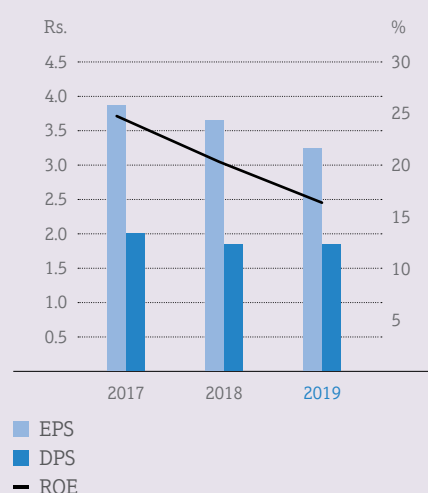
### Price/Earnings ratio

(Times)

**6.7** ↑ 28%

2018 - 5.23

## Shareholder Returns



## Financial Position and Stability

### Insurance contract liabilities

(Rs. Mn)

**4,924** ↑ 13%

2018 - 4,368

### Total assets

(Rs. Mn)

**9,580** ↑ 14%

2018 - 8,418

### Financial investments

(Rs. Mn)

**7,350** ↑ 10%

2018 - 6,658

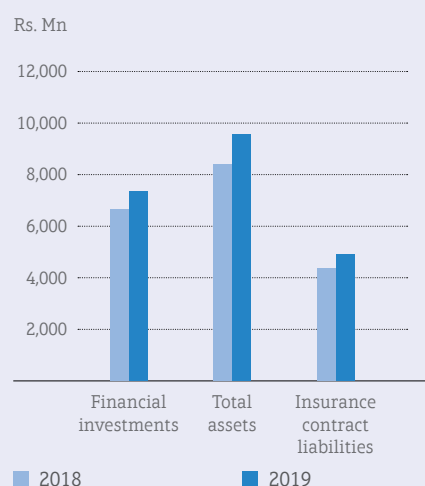
### Equity

(Rs. Mn)

**3,643** ↑ 08%

2018 - 3,375

## Financial Investment, Total Assets and Insurance Contract Liabilities





## Performance Highlights

### Manufactured Capital



**151**  
customer contact points  
including

**113**

window  
offices at PLC  
Branches

**25**

representatives at regional  
office of People's Bank

**12**

Regional offices

**1**

Corporate office



Digital presence through

**737**

People's Bank branches and  
service centers

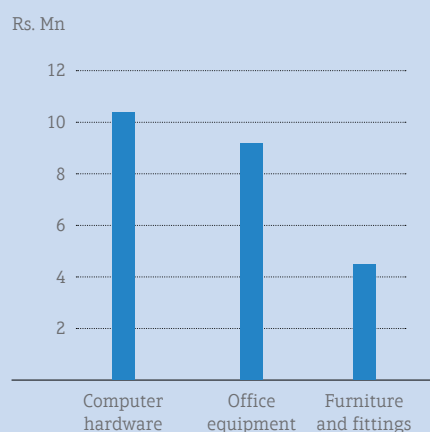


CAPEX (Rs. Mn)

**24**

2019

#### Assets Additions in 2019



### Natural Capital



Energy  
intensity  
(kWh/No of  
employees)

**736**



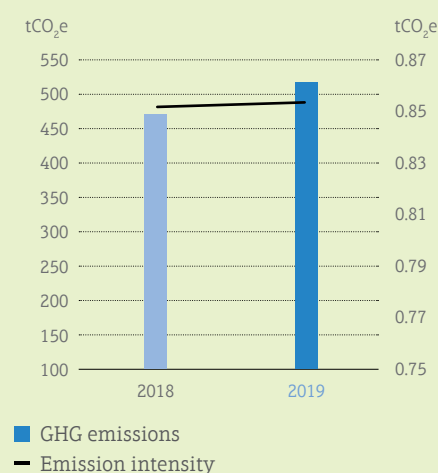
Paper  
waste  
recycled  
(%)

**27**

#### Investment in environmental initiatives

**Rs. 120,000**

#### Carbon Footprint



### Intellectual Capital



**10**  
Awards

Corporate reporting

**09**

Process enhancement

**01**

Investment in  
brand building  
(Rs. Mn)

**23.4**

2019



## Human Capital



Employees  
(No.)

**607**  
2018 - 554

Diversity  
(%)

**19**  
Female representation

Training Investment  
(Rs. Mn)

**6.5**  
2018 - 6.0

### Employee Productivity

Revenue per employee

**Rs. 10.5 Mn**

GWP per employee

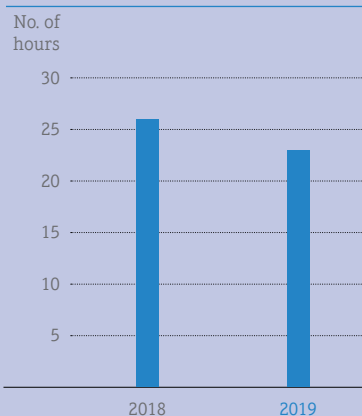
**Rs. 10.4 Mn**

Net profit per employee

**Rs. 1.1 Mn**



### Average Training Hours



## Social and Relationship Capital

Customer  
Retention Rate  
(%)

**69**

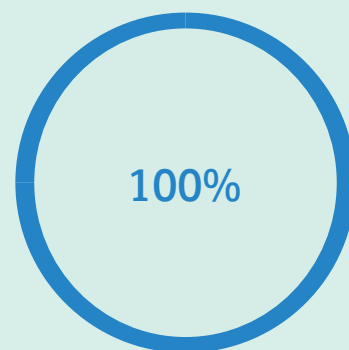
Investment in  
CSR  
(Rs. Mn)

**0.4**

Supplier Value  
(Rs. Mn)

Payments to suppliers  
**96**

Customer complaints resolved  
(%)



Volunteer  
hours

**250**

### Our Business Partners

**169** insurance agents  
**53** insurance brokers



# Milestones

## 2010

Commenced commercial operations in January with 15 employees as a non-life (general) insurer.

## 2011

Became the non-life insurer which achieved Rs. 1 billion annual Gross Written Premium (GWP) within the shortest period of time in the non-life insurance industry in Sri Lanka and recorded the first-ever profit after tax of Rs. 72 million.

## 2012

Invested in a customised Enterprise Resource Planning (ERP) system, providing soft infrastructure for efficient and effective business operations, a new call centre equipped with the latest technology in view of providing an improved service to customers and the first regional office in Galle, extending our presence.

## 2013

Entered into a bancassurance agreement with People's Bank in view of harnessing the benefits of group synergies, while the corporate website was launched and our first Annual Report was released.

## 2014

Strengthened corporate governance by reconstituting the Board Audit Committee to ensure a better balance in the Board Audit Committee and implementing electronic Board papers application, 'Board PAC' solution, which facilitates the Board of Directors to access Board and committee papers and supplementary information directly via their iPad devices.

## 2015

Introduced a travel policy and a Takaful window to facilitate a wide spectrum of customers' requirements. Opened the Initial Public Offering (IPO) with oversubscription of almost six times on the opening day, making the Company's IPO one of the most successful IPOs during this period.

## 2016

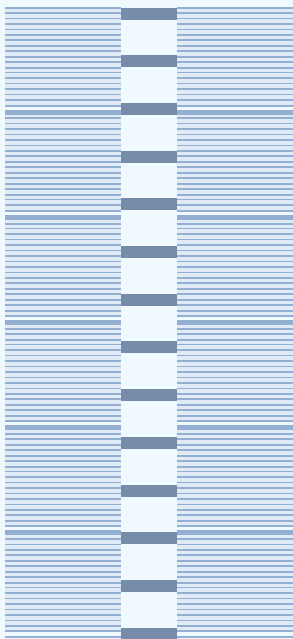
Shares of the Company were listed on the Main Board of the Colombo Stock Exchange while internet payment gateway was launched, facilitating customers to settle their premiums online.

## 2017

New corporate logo was unveiled and the first advertising campaign was kicked off together with the first television commercial. Moved the Corporate Office to a newly constructed iconic building located at No. 07, Havelock Road, Colombo 05.

## 2018

Fitch Ratings rated People's Insurance at 'A+(lka)' with a stable outlook. Introduced a web based e-marine system for corporate clients. E-travel portal was revamped with added features. A Human Resources Information System (HRIS) solution was implemented for better HR management.



## 2019

### Q1 2019

- Joined hands with the Sri Lanka Air Force as the insurance partner of the 'Guwan Hamuda Papedi Sawariya 2019'
- Launched 'TravelSmart' insurance

### Q2 2019

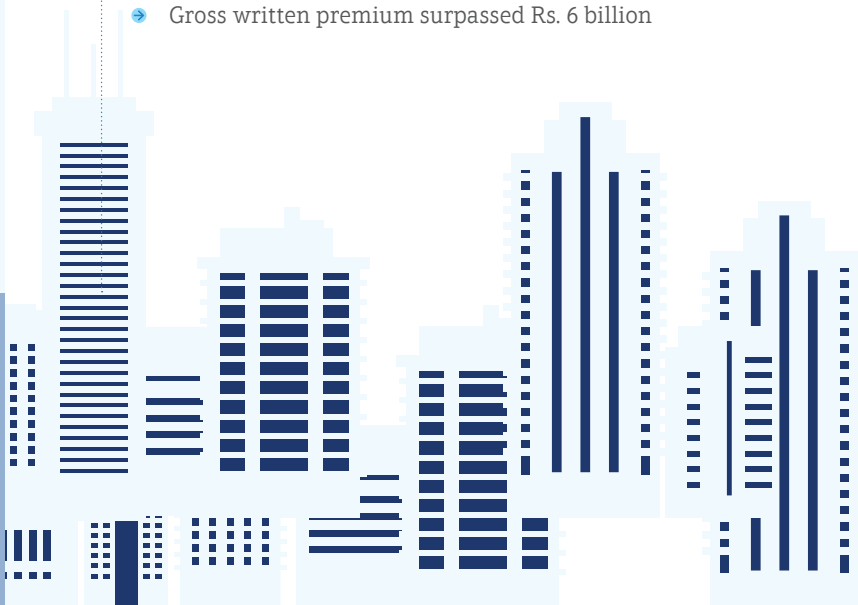
- Introduced a web-based fire dwelling system to banks including People's Bank and financial institutions
- Paid the final dividend of Rs. 1.10 per share for 2018, amounting to Rs. 220 million
- Entered in to an MOU with Union Assurance PLC to provide a comprehensive insurance solution to People's Bank's customers
- Launched 'Tuk Tuk Insurance' for three-wheelers
- Conducted the first sales excellence awards ceremony
- Opened new regional branch at Ratnapura and Kalutara

### Q3 2019

- Awarded the ISO 9001:2015 certificate
- Opened regional offices in Polonnaruwa and Vavuniya
- Introduced a direct fund transfer facility for claim settlements
- Paid an interim dividend of Rs. 0.75 per share amounting to Rs. 150 million for 2019

### Q4 2019

- Conducted an activity-based training programme for staff
- Opened a regional office in Jaffna
- 'A Relentless Spirit', Annual Report 2018 won the Bronze award in the insurance companies category at the Annual Report Awards 2018, organised by the Institute of Chartered Accountants of Sri Lanka and recognised as a recipient of the Certificate of Merit Award at the 'Excellence in Integrated Reporting Awards - 2019' organised by the Institute of Certified Management Accountants of Sri Lanka
- Gross written premium surpassed Rs. 6 billion



# Our Business

People's Insurance PLC is one of Sri Lanka's fastest growing and most profitable non-life insurers, offering an array of motor, fire and engineering, marine and miscellaneous insurance solutions to retail and corporate clients. The Company operates a network of 151 customer touch points throughout the island, leveraging on the footprint, brand and extensive customer reach of its parent, People's Leasing & Finance PLC – Sri Lanka's largest non-bank financial institution and ultimate parent, People's Bank - Sri Lanka's 2nd largest licensed commercial bank.

PI is registered under the Regulation of Insurance Industry Act and regulated by the Insurance Regulatory Commission of Sri Lanka. It is headquartered in Colombo and operates solely in Sri Lanka.

## Vision

To lead in value growth in general insurance through innovation and service excellence

## Mission

People's Insurance will build upon its sound heritage of financial strength and market reach by excelling as the trusted provider of timely and innovative insurance solutions.

We will achieve through the commitment and passion of all our people working in an atmosphere of openness and trust, with respect for the environment and fulfilling stakeholder expectations.

## Values

- ➔ Respect for integrity and business ethics
- ➔ We act responsibly
- ➔ Be customer-driven
- ➔ To have a sense of urgency
- ➔ Respect diversity and the environment

## Product Portfolio

- Motor vehicle insurance
- Personal accident/Group personal accident
- Fire and allied perils (Dwelling/commercial)
- Travel insurance
- Burglary insurance
- Cargo insurance
- Professional indemnity
- Goods in transit insurance
- Public liability
- Business interruption
- Healthcare insurance
- Fidelity guarantee
- Money
- Machinery/electronic equipment
- Contractor's erection all risk
- Workmen's compensation
- Product liability
- SME solution

## Our Presence



Corporate office



12 regional offices



113 window offices at PLC branches

## Channels to Market



70% Group captive business



24% National Sales Force

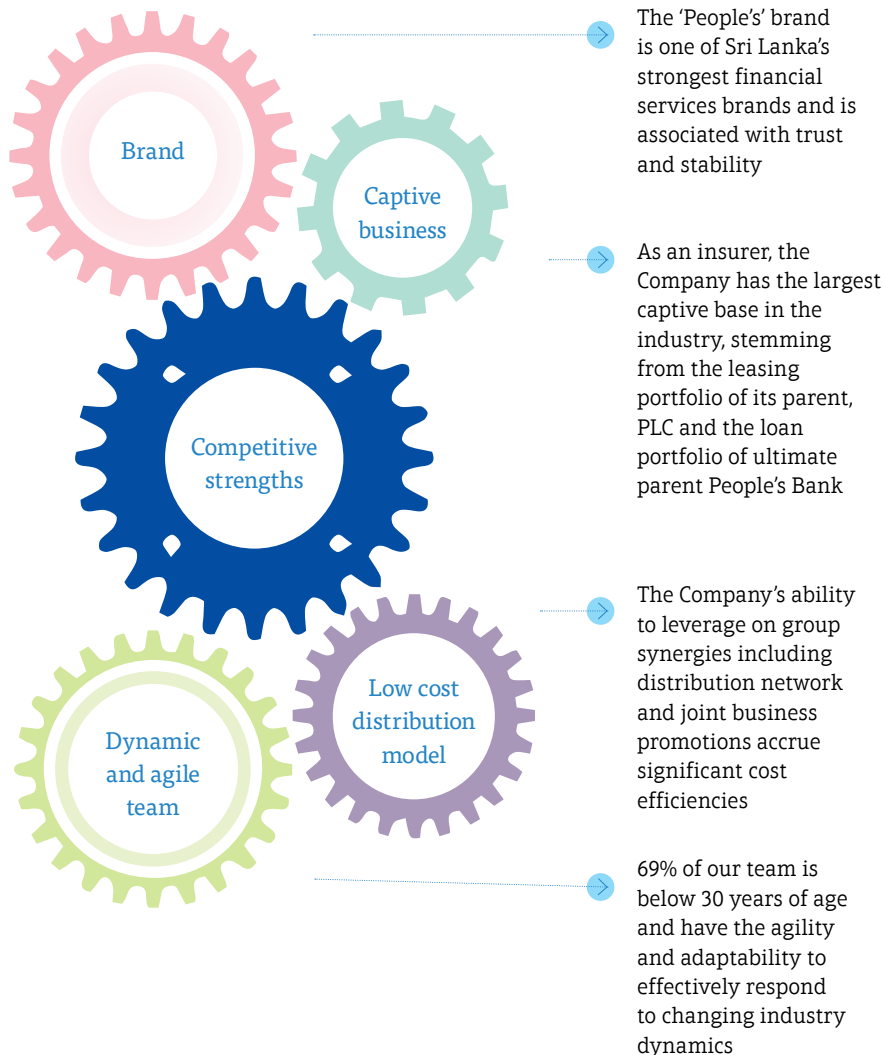


4% Bancassurance



2% Corporate and broker development





## Group Structure

### Ultimate parent



75%




### Immediate parent




75%




 **25**  
representatives at regional  
offices of People's Bank

 **737** People's Bank branches delivering  
insurance digitally


## Key Numbers

 **Rs. 6,030 Mn**  
GWP

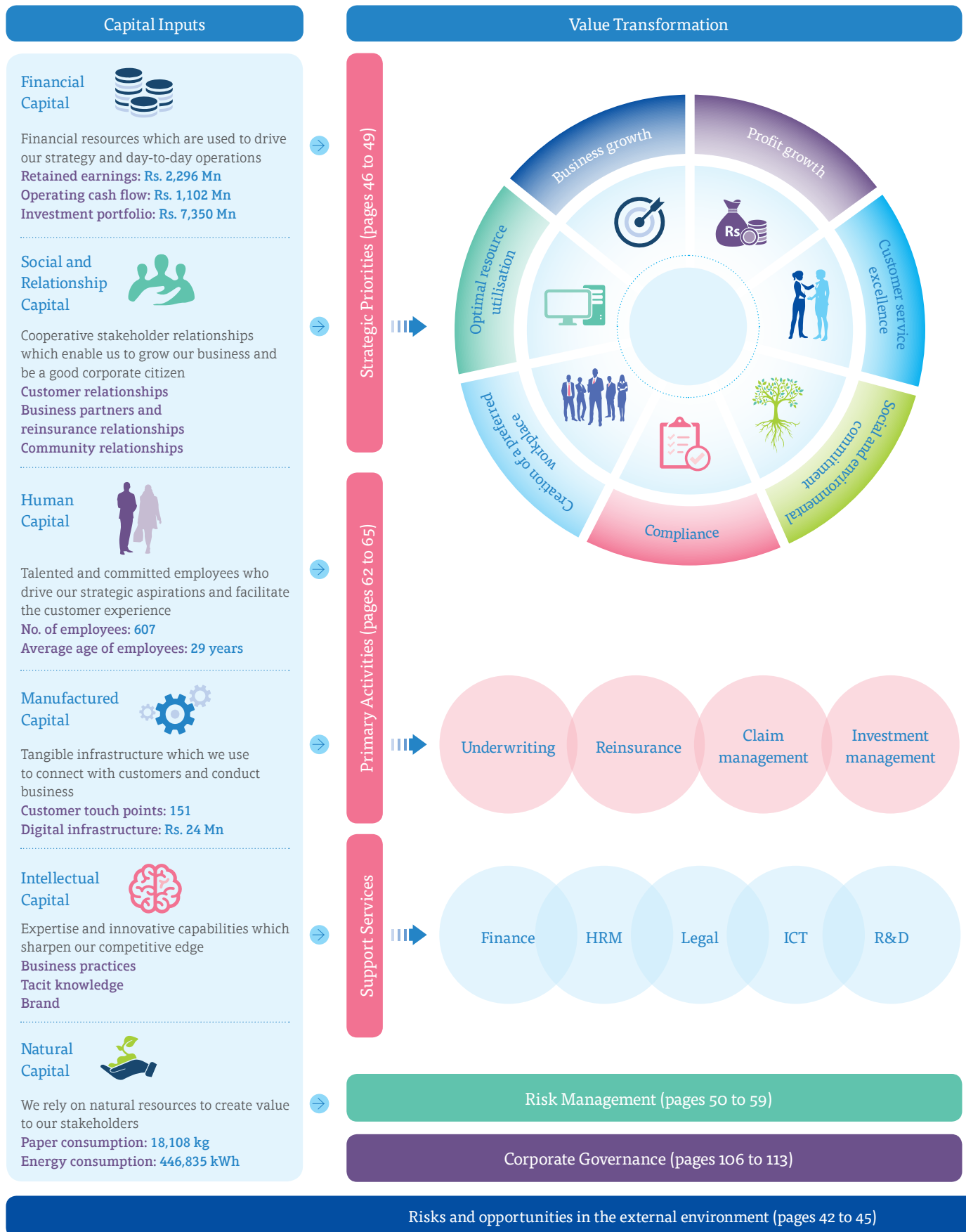
 **Rs. 9,580 Mn**  
assets

 **Rs. 648 Mn**  
profit after tax

 **607**  
employees

 **6%**  
market  
share in  
non-life

# Value Creation Model





**180,709**

motor insurance  
policies sold



**23,347**

non-motor  
insurance policies  
sold



**Rs. 6,030 Mn**

total GWP generated



**Rs. 3,697 Mn**

claims settled

## Capital Outcomes

### Financial Capital



(pages 76 to 79)

Shareholder returns commensurate with the risk undertaken

Earnings per share: **3.24**

Profit after tax: **Rs. 648 Mn**

Dividend per share: **Rs. 1.85**

Share price appreciation: **13%**

### Social and Relationship Capital



(pages 93 to 98)

Mutually beneficial relationships with stakeholders

Customer satisfaction: **67%**

Value created to business partners: **Rs. 517 Mn**

Supplier payments: **Rs. 96 Mn**

Community investment: **Rs. 0.4 Mn**

### Human Capital



(pages 83 to 89)

Conducive and dynamic work environment with opportunities for skill development

Employee satisfaction rate: **69.5%**

Employee payments: **Rs. 496 Mn**

Promotions: **159**

Training hours: **13,986**

### Manufactured Capital



(pages 80 to 82)

Ongoing upgrade of facilities and a stable, secure IT infrastructure

Capital expenditure: **Rs. 24 Mn**

### Intellectual Capital



(pages 90 to 92)

Unique organisational capital base and strong brand name

### Natural Capital



(pages 99 to 102)

Carbon footprint generated: **519 tCO<sub>2</sub>e**

Waste paper recycled: **4,939 kg**

Shareholder Value

Customers  
Business Partners  
Communities Values

Employee Value

Customer Value

Employee Value  
Customer Value

The Company's value creation model presented alongside is a graphical representation of how its capital inputs are transformed into outputs and outcomes through business activities and support services.

The capital transformation is driven by the Company's seven strategic priorities which are listed alongside and discussed in further detail on pages 46 to 47 of this Report. This transformation ultimately results in the nurturing of capital and creation of shared value among stakeholders.


Risks and opportunities presented by the operating environment which could potentially impact the Company's ability to create value are included and are discussed in further detail on pages 42 to 45 of this Report.





**Our  
Leadership**





**As constant as the ebb and flow of the tide and waves, our leadership is dynamic, adapts with the times and brings out the best in our team.**

---

**Even at its most tumultuous, the waves of the ocean follow a pattern, just as we maintain the processes that help us to maintain our productivity and integrity through challenging times.**



## Chairman's Message



It is my pleasure to present to you, our valuable shareholders, the Annual Report and Audited Financial Statements of People's Insurance PLC for the financial year ended 31st December 2019. The months immediately following the financial year-end posed unprecedented challenges for the economy, as the outbreak of the COVID-19 pandemic resulted in severe shocks to both demand and supply. As the economy gradually returns to normalcy, the Company is geared to accelerate its pace of expansion, driven by a timely and holistic strategy.

It was a year of moderate growth for the insurance industry, which saw Gross Written Premium (GWP) increasing by 8.4%. GWP growth of the non-life insurance business slowed to 6.7%, reflecting an overall moderation in economic growth and restrictions on vehicle imports. Meanwhile, the sector's claims increased by 12.6% during the year, translating to a claims ratio of 67.4% compared to 65.1% in 2018. Profitability was subdued, reflecting the slowdown in premium growth, higher claims and an increased cost base which resulted in the sector's profit declining by 12.9% during the year under review.

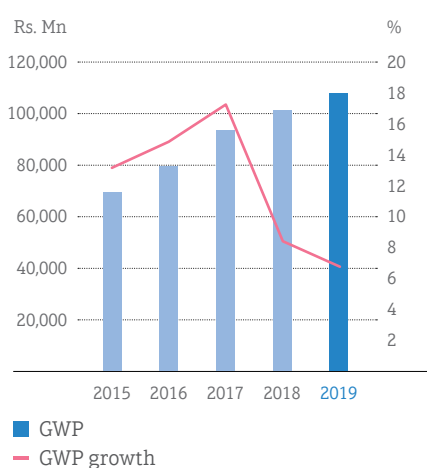
Meanwhile, the outbreak of the COVID-19 pandemic in the first quarter of 2020 had devastating economic and social impacts across the world. Global economic growth, which has been low to moderate in recent years is expected to record a sharp fall in 2020 with the International Monetary Fund projecting a global recession, with output expected to decline by 3%. Sri Lanka has largely been able to curtail the spread of the virus, thanks to proactive and stringent measures imposed by the Government. That said, the economy is expected to face setbacks arising from the triple impacts on demand, supply

and financial shocks particularly given Sri Lanka's reliance on the tourism sector and exports for foreign currency generation. Accordingly, the Central Bank of Sri Lanka projects the momentum of growth to slow down in 2020. Meanwhile, the Sri Lankan Rupee saw significant downward pressure from end-March 2020 onwards, prompting the Government to impose restrictions on non-essential imports, including motor vehicles to the country.

The impacts of the pandemic on our Company stemmed primarily from the challenges to normal operating conditions including limitations on customer interaction and operating times, among others. Furthermore, policy holders were granted a three-month grace period on premium payments by the IRCSL for policies commencing from 1st March 2020 to 30th June 2020, thereby resulting in a further slowdown in premium collection. We have also seen the adverse impacts of the decline in market interest rates and sharp downturn in the stock exchange, which in turn have affected the Company's investment income.

“Despite the short-to-medium term impacts on premium growth, we remain excited by the long-term opportunities presented by Sri Lanka's growing economy. Emerging trends which could potentially transform the industry include the adoption of Insuretech, the expansion of the micro-insurance segment, opportunities presented by the high mobile penetration and the growth of online channels, among others.”

Industry Gross Written Premium (GWP)



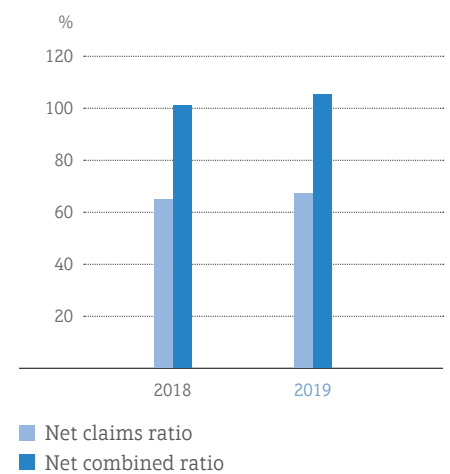
## Chairman's Message



In the aftermath of the pandemic, our immediate priority was to ensure the safety of our employees and we effectively facilitated work-from-home and remote working arrangements. A Workplace Safety Committee was appointed to ensure compliance with all Government guidelines on hygiene and employee safety while regular disinfections and employee awareness sessions were carried to ensure hygienic conditions. We also sought to ensure business continuity by leveraging our technological capabilities and our digital roadmap served us well in these unprecedented times; accordingly we widened the range of online services offered to our customers and switched to online platforms for sales promotions as well as employee training. In ensuring the preservation of our liquidity levels, we proactively assessed our investment portfolio, pursuing timely decisions to maximise investment returns. Strategic emphasis was also placed on driving process efficiencies and rationalising cost to ensure the optimal utilisation of resources.

Despite the short-to-medium term impacts on premium growth, we remain excited by the long-term opportunities presented by Sri Lanka's growing economy. Emerging trends which could potentially transform the industry include the adoption of Insuretech, the expansion of the micro-insurance segment, opportunities presented by the high mobile penetration and the growth of online channels, among others. The Company's strategic agenda, which is described in detail in the Chief Executive Officer's Review on page 27 of this Report, aims to capitalise on these strengths, while leveraging the Company's brand and unique operating model to capture market share and drive increased earnings growth. Our key priorities will include driving business growth through expanding direct channels while further strengthening the captive business. As one of the few non-life insurers to generate underwriting profits, we will continue to maintain focus on profitability

### Industry Net Claims and Combined Ratios



through prudent management of claims, rationalising expenses and driving higher investment yields. The Company benefits from a young and agile workforce and we will focus on nurturing a performance-based culture, centred on ongoing opportunities for skill and career development. Digitisation is a key pillar of the Company's strategic agenda and we will continue to drive customer convenience, process automation and better utilisation of resources through ongoing investments in technology.

As a Company operating under the People's brand, we are cognisant of the role we can play in driving sustainable value creation. The Company has developed a holistic sustainability policy aimed at fulfilling the triple bottom line objectives of economic success, social responsibility and environmental responsibility. Our sustainability agenda will therefore seek to drive the creation of shared value across our stakeholders while gradually reducing our carbon intensity over the medium-term.

The Company's strategic agenda, governance and risk management efforts will be duly supported by its recently appointed Board of Directors. The Directors combine a diverse mix of industry expertise and skills including technology, strategic management, law, banking and finance, among others. Following the appointment of the new Board, all Board sub-committees were also reconstituted, ensuring an appropriate mix of independent and non-independent Directors. I am certain that the extensive skills represented on the Board will enhance the depth and relevance of discussions, contributing towards the Company's long-term value creation.

As I look forward to an exciting year ahead, I would like to take this opportunity to extend my appreciation and well wishes to the former Chairman and Board of Directors. I also thank the present Board of Directors and look forward to working with them in the future. I am certain that Company's dynamic team, ably led by its Chief Executive Officer and Senior Management team will successfully steer the Company in the right direction and I am grateful for their commitment and dedication. Our customers are at the heart of our value creation and I thank them for their loyalty and confidence placed in us. My sincere appreciation also goes out to our regulator – the Insurance Regulatory Commission of Sri Lanka for its continuous support as well as all business partners and other stakeholders for their continued partnership in our journey.



**Isuru Balapatabendi**  
*Chairman*

10th August 2020  
Colombo

## Chief Executive Officer's Review





People's Insurance delivered yet another year of commendable financial and operational performance, attesting to the soundness of its corporate strategy and reflecting the relentless focus on effective implementation. Despite numerous challenges that prevailed in the operating landscape, the Company achieved growth in both premium income and pre-tax profit, successfully navigating market uncertainties and risks. Accordingly, the Company's pre-tax profit increased by 8% to Rs. 912 Mn during the year under review, while total assets also expanded by 14%. Against this backdrop, it gives me great pleasure to present to you a high-level overview of our strategy and performance for 2019 along with our plans for the future.

### Strategy in Action

The Corporate Plan for 2019-2021 was formulated with the objective of leveraging the Company's brand value and unique positioning to strengthen its market position and drive sustainable earnings growth. Our strategic priorities also reflect market opportunities and dynamics in the operating landscape, which we hope to capitalise through innovation in products, delivery and processes.

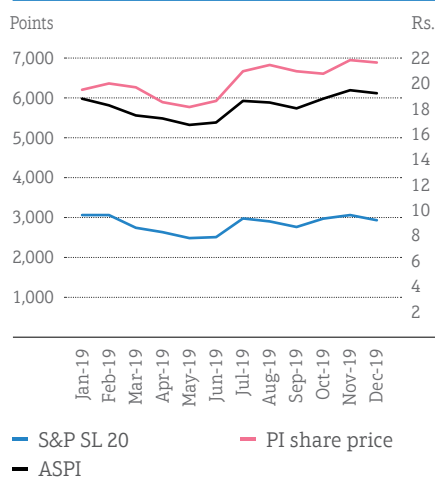
Business and profit growth were driven through proactive marketing strategies which included strengthening existing relationships with business partners

including banks, financial institutions, agency force and brokers as well as identifying and responding to the untapped needs and underserved segments of the market through innovative offerings. During the year, we also expanded our footprint with the addition of six regional offices to our network. The channel strategy was directed towards leveraging on our captive sources while placing parallel importance on growing non-captive sources.

As part of a well established and respected corporate umbrella brand, we are cognisant of the responsibility we have in preserving the 'People's' brand value. Customer confidence and service excellence is therefore a vital aspect of our strategy and during the year, focused efforts were driven towards further enhancing the customer value proposition. We launched three new products catering to niche segments of the market and enhanced the value proposition of certain existing generic products through introducing new features. We also continued to maintain a high level of customer engagement through satisfaction surveys and awareness campaigns. The Company's long-term objective is to increase its relevance to the customer through focusing on a life-time value proposition, serving the customers' entire insurance needs.

**"People's Insurance delivered yet another year of commendable financial and operational performance, attesting to the soundness of its corporate strategy and reflecting the relentless focus on effective implementation. Despite numerous challenges that prevailed in the operating landscape, the Company achieved growth in both premium income and pre-tax profit, successfully navigating market uncertainties and risks."**

### Share Performance



Optimising the Company's resource allocation through enhancing digital capabilities is also a key long-term priority, as we seek to drive increased efficiencies and enhance the overall customer experience through leveraging on technology. Technology-enabled cost-effective distribution can provide a competitive edge and we have laid the groundwork in pursuing digital delivery methods and alternative premium settlement platforms. We also hope to gradually transit towards a paperless environment and equip sales officers with the infrastructure required to operate digitally.

## Chief Executive Officer's Review



### Resilient Performance

Market conditions which prevailed during the year under review were not conducive to business growth, as restrictions on vehicle imports and the general moderation in economic conditions following the April terror attacks adversely impacted demand for insurance products. Despite these conditions, the Company delivered a commendable financial performance supported by increased penetration in the non-motor segment, good claims management and effective management of its investment portfolio. PI's GWP grew by 8% to Rs. 6.03 Bn during the year, with motor and non-motor classes recording increases of 8% and 12% respectively, both above the respective industry growth rates of 3% and 11%.

Meanwhile, the Company's net claims ratio improved to 67.5% from 68.7% the previous year, primarily due to an improvement in the claims performance of the motor-class. Operating and administration costs and net acquisition costs increased by a respective 27% and 13% during the year, reflecting increases in

commissions and sales staff cost as we strengthened marketing channels. Resultantly, the Company's expense ratio increased to 31.2% from 28.6% the previous year, although remaining well below the industry average. The combined ratio also increased to 98.8% (2018 – 97.4%) but was below the industry average for the same period. PI remains one of the few non-life insurers in the industry generating profits at underwriting level, which amounted to Rs. 65.24 Mn during the year under review.

Other income consisting of fee income, interest and dividend income, net fair value gains/(losses) and other income increased by 17% to Rs. 847 Mn during the year owing to a 10% increase in funds invested and market interest rates and effective portfolio management decisions. The Company generated a pre-tax profit of Rs. 912 Mn during the year, an increase of 8% compared to 2018. However, profit for the year after tax recorded a decline of 11% y-o-y due to increase in the tax rate from 14% to 28%, following the expiration of three year tax concessionary period.

The Company continues to maintain a healthy balance sheet signifying a strong financial position. Total assets increased by 14% to Rs. 9.6 Bn as at end-December 2019. The capital position also remains strong, funding 38% of total assets and amounting to Rs. 3.66 Bn by the end of the year. The Company's Capital Adequacy Ratio (CAR) of 248% remains well above the regulatory minimum requirement and the industry average for non-life insurers.

### Stakeholder Value Creation

#### Delivering shareholder value:

The Company's strategy is directed towards the creation of sustainable stakeholder value and despite the challenging operating conditions we continued to deliver on our stakeholder commitments. Shareholder returns, as measured through Earnings per Share amounted to Rs. 3.24 while the Net Asset Value per Share increased by 8% to Rs. 18.27 during the year. The Company's share price performance mirrored the relatively subdued sentiments in the broader market, with the average share price amounting to Rs. 20.25 compared to Rs. 21.00 the previous year. The share traded between a low of Rs. 17.20 and a high of Rs. 23.00 during the year under review.

#### Our People Proposition:

The Company's strategic aspirations are driven by a committed team of more than 600 employees who are a vital element of our value creation process. With an average age of 29, our relatively young team places us in an ideal position to drive our growth aspirations; we in turn are focusing on empowering our team and developing a multi-skilled workforce by breaking down departmental silos and disengaging specialised roles. During the year, Rs. 6.5 Mn was invested in employee training and development, with emphasis on strengthening the skills of our underwriting, management, sales and marketing staff.

**A customer-centric approach:**

The Company's customer value proposition is underpinned on the delivery of relevant and innovative products, accessibility through an extensive network of customer touch points and excellent customer service. We further widened our portfolio of products during the year, with the addition of several niche products and sought to offer value-added generic products through the addition of several premium features.

**Sustainability and CSR:**

The Company's Sustainability Policy is designed to meet the triple objectives of economic success, social responsibility and environmental responsibility. During the year, we invested Rs. 0.4 Mn. The Company also contributed towards the 1 million tree program carried out by the Sri Lanka Climate Fund. Meanwhile as a responsible corporate citizen, we continue to track our carbon footprint based on the GHG Protocol and during the year, our carbon intensity (defined as carbon footprint per employee) was recorded low at 0.81 tCO<sub>2</sub> reflecting on-going efforts at driving energy efficiency.

**Balancing Risk-Return Dynamics**

The Company's value creation is underpinned by a robust risk management framework, which ensures the effective segregation of duties, organisation-wide risk identification, measurement and management and regular risk reporting. During the year, we sought to strengthen the mechanism in place for managing price risk, which in turn led to an improvement in the claims performance. All key risk indicators were maintained within the defined limits. Over the short to medium-term, we intend to establish a dedicated Risk and Compliance function to further streamline our risk management processes thereby strengthening the 2nd line of defense. We are also on target to meet the implementation of IFRS 17: Insurance

Contracts in 2023, which is likely to result in considerable changes to pricing, underwriting, profitability and financial reporting.

**Way Forward**

The outbreak of the COVID-19 pandemic and social distancing measures adopted by governments across the world is expected to lead to severe economic and financial stress, with the International Monetary Fund projecting a 3% contraction in global output for 2020. While Sri Lanka has so far largely curtailed the spread of the virus, its evolving nature makes its difficult to yet quantify the exact impact on industries and businesses. The Company is currently strictly complying with the guidelines issued by the Government and the IRCSL in conducting its business operations and has taken proactive measures to ensure the health and safety of its employees. While the impact on the Company's operations are yet to be fully determined, we anticipate a drop in business volumes, premium income and investment income; claims on the other hand are also expected to decline due to restricted travel within the country.

While market conditions are expected to be challenging over the short to medium-term, we expect to return to new normal. Our long-term aspirations remain unchanged and we will continue to focus on understanding evolving customer needs and effectively responding to these dynamics through innovative products, lifecycle offerings and technology-enabled delivery methods. As part of the People's Group, we understand the responsibility we have in driving inclusivity and increased penetration in the insurance industry and will drive concerted efforts towards identifying and serving underserved segments of the market. Other priorities include driving process efficiencies, developing employee skills and nurturing a performance-driven culture and strengthening relationships with business partners.

**Acknowledgements**

I would like to take this opportunity to extend my sincerest appreciation to the former Chairman and Board of Directors for their valuable counsel last year. I also welcome the new Board of Directors and look forward to working with them in the future. On behalf of the People's Insurance team, I would also like to place on record our appreciation to the Boards of People's Bank and People's Leasing & Finance PLC for their continued support in driving our strategic aspirations.

I commend the dynamic and motivated team at People's Insurance who have delivered the results set out in this Annual Report. They are a source of inspiration to me and I look forward to their support in the future as we navigate market uncertainties to create a dynamic and sustainable organisation. My appreciation also goes out to the regulator, the Insurance Regulatory Commission of Sri Lanka for their continued efforts to create a conducive industry environment. My gratitude also goes out to all our stakeholders including our valuable customers and business partners for partnering us in our journey of growth and I look forward to your support in the years to come.

Thank you,



**Deepal Abeysekera**  
Chief Executive Officer

10th August 2020  
Colombo



## Board of Directors



**1. Mr. Isuru Balapatabendi**  
*Non-executive, Non-independent Chairman*

Mr. Balapatabendi assumed duties as the Chairman of People's Insurance PLC in June 2020.

He is an Attorney-at-law and currently operates a Law Chamber in the practice of Civil and Commercial Law. He also holds a L.L.M. from the University of Pittsburg, Pennsylvania, USA.

Mr. Balapatabendi served as a State Counsel in the Attorney General's Department prior to being appointed a Diplomat to the Embassy of Sri Lanka in The Hague, The Netherlands from 2008 to 2010 during which he served as the representative of Sri Lanka to the organisation for Prohibition of Chemical Weapons and Hague Convention of Private International Law (HCCH). He was also appointed as the Head of Chancery at the Sri Lankan Mission in The Hague. He was appointed as the Legal Advisor to the Minister of Investment Promotions in 2012 for legal matters relating to investment laws in Sri Lanka and Board of Investment. Mr. Balapatabendi has also served in the Director boards of Sri Lanka Insurance Corporation, Seylan Bank and Bank of Ceylon prior to being appointed to the People's Insurance Board. He has served as an executive committee member of the Bar Association of Sri Lanka. He was appointed the Chairman of the Junior National Law Conference in 2007 and as the Convener of the National Law Conference 2020.

At present, he functions as a Director of People's Bank.



**2. Mr. Ranjith Kodituwakku**  
*Non-executive, Non-independent Director*

Mr. Kodituwakku holds a Master's Degree in Business Administration specialised in Finance from the University of Colombo, Bachelor of Laws (Honours) from the University of New Buckinghamshire, United Kingdom and is an Associate Member of the Institute of Bankers of Sri Lanka.

He has been serving as the Chief Executive Officer/General Manager of People's Bank with effect from 19th June 2020. Commencing a career in 1982 in the Bank, he has specialised in a wide spectrum of areas covering Branch Banking, Consumer Banking, Commercial Banking, Corporate Banking, Off-shore Banking, International Banking, Project Financing, Recoveries, Digitalisation etc. with extensive local and international training/exposure gained through working in different capacities at different geographical locations.

He is a key figure in driving People's Bank towards digitalisation on mapping business requirements to a digital platform by adopting best practices in the industry and re-engineering business processes for which the Bank was awarded many prestigious awards/recognitions both internationally and locally.

Additionally, he has played a key role in the efforts carried out by People's Bank to re-open bank's branches in the Northern Province with the aim of rebuilding the lives of the people and strengthening the economy of the region soon after the end of humanitarian operation in 2009.



He also serves as a Director of People's Leasing & Finance PLC, People's Travels Ltd., Lankan Alliance Finance Ltd., Bangladesh, Financial Ombudsman Sri Lanka (Guarantee) Ltd., Credit Information Bureau of Sri Lanka, Lanka Clear (Pvt) Ltd., National Payments Council, Sri Lanka Banks' Association (Guarantee) Ltd., Lanka Financial Services Bureau and Institute of Bankers of Sri Lanka.

### **3. Mr. A. S. Ibrahim**

*Non-executive, Non-independent Director*

Mr. Ibrahim was appointed as a Non-executive, Non-independent Director in July 2017.

He holds an Honours Degree (BSc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB). He has over 37 years of banking experience primarily in the areas of Corporate Banking, Treasury Management and Risk Management.

He presently serves as the Chief Executive Officer of People's Leasing & Finance PLC and prior to that he has held very senior positions both locally and internationally including, Senior Deputy General Manager, Wholesale Banking (October 2014 to September 2016) and Senior Deputy General Manager, Risk Management (August 2007 to October 2014) of People's Bank, Deputy General Manager, Head of Treasury, Head of Corporate Banking & Recoveries, Chief Risk Officer and Chief Credit Officer of Hatton National Bank PLC (2004 to July 2007) and Head of Credit and GSAM, Standard Chartered Bank (2002 to 2004).



Mr. Ibrahim has also been a Director of HNB Securities (Pvt) Limited (2005 to 2007), People's Merchant Bank PLC (2009 to 2011) and People's Merchant Finance PLC (2017 to 2019). At present, he functions as a Director of People's Leasing Fleet Management Limited, People's Leasing Havelock Properties Limited, People's Micro-Commerce Limited, People's Leasing Property Development Limited and Lankan Alliance Finance Limited in Bangladesh.

### **4. Mr. Lakshman Abeysekera**

*Non-executive, Independent Director*

Mr. Abeysekera was appointed as a Non-executive, Independent Director of People's Insurance PLC in October 2015.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Association of Accounting Technicians of Sri Lanka. He has an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

He has held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Accountant at Hoechst (Ceylon) Limited and was the Senior Accountant at Lankem Ceylon Limited. He possesses over 25 years of experience in accounting, finance and management.

Mr. Abeysekera presently serves SDB Bank in the capacity of Chairman and Director of JanRich Foods Limited.



## Board of Directors



**5. Mr. Johnson Fernando**

*Non-executive, Non-independent Director*

Mr. Fernando was appointed as a Non-executive, Non-independent Director of People's Insurance PLC in June 2020.

He has held many senior positions within the Expo Industrial Group which has diversified interests in Apparel, Food Packaging, Industrial Printing, Commercial Printing, Logistics Management, Engineering and Construction. He was the President of the Sri Lanka Association of Printers, Vice President of the Sri Lanka-China Business Council Cooperation. Mr. Fernando functioned as a Director of People's Leasing & Finance PLC, Lankan Alliance Finance Limited, Bangladesh and People's Merchant Finance PLC.

Mr. Fernando presently serves as a Director of Expo Industrial Engineering (Pvt) Limited, Expo Property Developers (Pvt) Limited, Expo Printers (Pvt) Limited, Expo Cargo Links (Pvt) Limited, Expo Trade Links (Pvt) Limited and Shore to Shore (Pvt) Limited. He is also an advisory Board Member of the Benedict XVI Catholic Institute of Higher Education and Colombo Catholic Press, a Committee member of National Hospital of Sri Lanka and Vice Chairman of the International Chamber of Commerce Sri Lanka.



**6. Dr. Kasun Wijetilleke**

*Non-executive, Independent Director*

Dr. Wijetilleke was appointed as a Non-executive, Independent Director of People's Insurance PLC in June 2020.

He is a Consultant Psychologist, currently operates as the Joint Managing Director of Pubudu House of Education & Genisis Consultancy, Visiting lecturer in Management, Psychology and a practicing Counselor. A Fellow of Institute of Chartered Professional Managers - FCPM and the Chartered Institute of Marketing - FCIM (UK), Member of the Sri Lanka Institute of Directors - SLID, Life Member of Organisation of Professional Associations - OPA, Also Member of many professional associations namely Institute of Certified Management Accountant - CMA, Certified Global Business Analysis - CGBA (Aus), Sri Lanka National Institute of Professional Counselors - MIPC, Institute of Management - MIM(SL) Young Members Forum - Ceylon Chamber of Commerce - CCC and Certified Member of Sri Lanka Institute of Marketing - CMSLIM.

Dr. Wijetilleke holds a doctorate in Psychology and is reading for his second PhD in Economics at University of Colombo, also has Master of Business Administration - MBA from Cardiff Metropolitan University (UK), Master of Business Administration-MBA - University of Wales (UK), Master of Commerce - M.Com & Bachelor of Computer Application BCA, Advance Diploma in Train the Trainer from City & Guilds (UK) and many more Diplomas and Certifications including Certified Innovation Manager - CIM.



During his professional career he held the honorary positions of President, Vice - President of Association of Accountancy Technicians Toastmasters - AAT - Sri Lanka, Committee Member of the Young Professionals, Restaurant, Bar and Social Events Committees of OPA, Executive Council Member IMSL, Mentor for CIM(UK), Treasurer Divisional Conference, Administration Manager & a Judge of Toastmaster International District 82 - India and Sri Lanka. District and Zone Chairman, District & Regional Coordinator Lions International 306A1 and LEO Multiple District Director 306 (Sri Lanka).

He was appointed as the First Sri Lankan LEO Representative to Chair the First International LEO Conference at the First LEO Convention in USA - 2007 & First Leo Lion to be appointed as the Sergeant at Arms at the 90th International Lions Convention in USA - 2007. He was selected as The Ten Outstanding Young Persons of Sri Lanka (TOYP). Sri Lankan Representative to represent Sri Lanka - 2007, Winner Best Zone Chairman Lions Clubs - 2014, Winner Best PR Project LEO Multiple District 306 - 2007 and awarded Deshamannya, Lanka Janranjana, Lanka Puthra, Vishva Abimani in 2012 considering the service rendered to the society and the under privileged.

He has also served as Director Client Leadership at Mind Share World/Unilever (Sri Lanka), Head/Manager of Strategic Planning and Business Analysis Mas Holding (Active) Trading (Pvt) Ltd., Head of Cost Reduction at Star Garments Group, worked at Ceylon Tobacco Company - CTC/British American Tobacco - BAT IT dept. and was appointed as a resource Counselor for the Sri Lankan Navy in 2008 apart from being a Consultant at the police academy; prior to being appointed to the People's Insurance Director Board.

## 7. Ms. Lakmini Kottegoda

### *Company Secretary*

Ms. Lakmini Kottegoda was appointed as the Company Secretary of People's Insurance PLC in July 2018. She is an Attorney-at-law with a Bachelor's Degree in Law.

She also serves as the Company Secretary of People's Leasing & Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and People's Micro-Commerce Ltd.



# Corporate Management



**Mr. Deepal Abeysekera**  
*Chief Executive Officer*

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Mr. Abeysekera was appointed as the Chief Executive Officer of People's Insurance PLC on 1st July 2017. Prior to that, he was the Head of Marketing and Research of People's Bank. He is well known for his proven capabilities in strategic business development and brand building in financial services industry, counting more than 36 years of experience. He has been responsible for setting up sales, marketing and strategic business development operations in financial sector organisations and has successfully led corporate brands to top positions in their respective industries in brand value and market leadership. The prestigious 'Brand Champion of the Year' and 'Brand Leadership Award' were conferred on him by Sri Lanka Institute of Marketing and the World Brand Congress in recognition of his distinctive achievements.

He is a Chartered Marketer and a Fellow of the Chartered Institute of Marketing, UK, a Member of the Chartered Management Institute (CMI), UK and a Member of the Institute of Certified Management Accountants (CMA). He also holds an MBA from the University of Southern Queensland, Australia. He is a past President of the Board of Management of The Management Club (TMC) and a Past President and an advisory Council Member of the Association of Professional Bankers (Sri Lanka).



**Ms. Jeevani Kariyawasam**  
*Head of Operations*

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Ms. Kariyawasam joined People's Insurance in October 2009 and has been in charge of the insurance operations of the Company since then. She counts over 25 years of experience in the insurance industry, including experience at National Insurance Corporation Limited and HNB Assurance PLC.

Ms. Kariyawasam holds a BSc. Honours Degree in Bio Science from the University of Colombo. She is an Associate of the Chartered Insurance Institute, UK.



**Mr. Nilushan Somarathna**

*Head of Finance*

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Mr. Somarathna joined People's Insurance in August 2012 and has been heading the finance department since then. Prior to joining the Company, he served as Manager - Finance at Union Assurance PLC. He has over 16 years of finance and audit experience, including previous experience at Union Assurance PLC and PricewaterhouseCoopers.

Mr. Somarathna has a BSc. Business Administration (Special) Degree from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and a prize winner of the intermediate examination conducted by the ICASL. He also holds a Master's Degree in Business Administration (MBA) from the University of Southern Queensland, Australia.



**Mr. Chandrasiri Gannile**

*Head of Human Resources and Administration*

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Mr. Gannile joined People's Insurance PLC in July 2017. He has been at senior management level for the past 23 years. He is a visiting lecturer of OUSL, University of Kelaniya and London School of Commerce, Colombo Branch and Chartered Institute of Personnel Management Sri Lanka.

Mr. Gannile is a graduate in Management at the University of Colombo with an MBA from the University of Kelaniya, National Diploma in HRM, Diploma in Personnel Management at NIBM, National Diploma in Teaching from National Institute of Education. He is a Fellow Member of Chartered Management Institute, UK, Fellow Member of Institute of Management of Sri Lanka and Fellow Member of the Chartered Institute of Personnel Management of Sri Lanka. He is a Master Trainer and a Member of Sri Lanka Institute of Training and Development.

## Management Team



**Mr. Hareendra Dissanayaka**  
*Senior Manager - Motor Claims*

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**Mr. Dulip Dissanayake**  
*Senior Manager - Finance*

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**Ms. Sumudu Bandara**  
*Senior Manager - Non-motor Claims*

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**Ms. Shalika de Silva**  
*Senior Manager - Legal*

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**Mr. Channa R. Abeywickrema**  
*Senior Manager - Motor Underwriting*

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**Mr. Sharman Kulatilake**  
*National Sales Manager*

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**Mr. Dinesh Rosa**  
*Senior Manager - Bancassurance*

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**Mr. Danushka Hettiarachchi**  
*Head of Fire Marine and Miscellaneous*

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**Mr. Sampath Digamadulla**

*Manager - Contact Centre*

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**Ms. Thushari Baddevithana**

*Manager - Motor Claims*

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**Mr. Sashika Jayathilaka**

*Manager - Reinsurance*

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**Mr. Kosala Jayarathne**

*Motor Engineer*

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**Ms. Maheshika Perera**

*Manager - Finance & Strategy*

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**Ms. Sambavi Kanagasabapathy**

*Manager - Internal Audit*

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**Ms. Gowri Navoda**

*Manager - Research and Development*

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**Mr. Annesly Arsakulasuriya**

*Manager - Corporate and Broker Sales*

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## Management Team



**Mr. Manjula Jayasekara**  
*Zonal Manager - Southern*

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**Mr. Malinda Wickramasinghe**  
*Manager - Corporate and Broker Business Development*

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**Mr. Asiri Saputhanthrige**  
*Manager - Sales Force Development*

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**Mr. Kumara Yatawarage**  
*Regional Manager - Negombo*

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**Mr. Nandana Bandara**  
*Regional Manager - Kandy*

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**Mr. Muditha Abeywickrama**  
*Regional Manager - Kurunegala*

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**Mr. Dileepa Perera**  
*Manager - Investment*

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**Ms. Priyarshi Hewavitharana**  
*Manager - Marine*

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## Support Service Team



**Mr. Prabath Gunasena**

*Deputy General Manager - ICT (Group)*

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Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the head of the ICT department for the past 21 years. He is presently serving as Deputy General Manager - ICT and Head of ICT for the PLC Group.

He holds an MBA from University of Western Sydney. He has a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka and a Diploma in Project Management for Information Systems from Institute of Systems Science, National University of Singapore. He is a member of the British Computer Society.



**Fazmil Mowlana**

*Manager - ICT (Group)*

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Mr. Mowlana joined People's Leasing & Finance PLC in December 2009. He has over 21 years of experience in ICT including insurance experience at National Insurance Corporation Limited. He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM) of Sri Lanka. He is a member of the British Computer Society.



**Mr. Danushka Liyanage**

*Manager - ICT*

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Mr. Liyanage joined People's Leasing & Finance PLC in September 2010. He possesses over 15 years of experience in the insurance industry. Prior to joining the Company, he worked as Assistant Manager - ICT at Ceylinco Insurance PLC.


Mr. Liyanage has a BSc. Honours Degree in Computing and Information Systems from the Lincoln University, UK. He also holds a Master's Degree in Business Administration from London Metropolitan University, UK.





## Strategic Framework





**In all that we do, we maintain order and cohesion, resulting in our customers being able to grasp the vast products and services that we offer in a quick and efficient manner.**

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**Messier 83, a spiral galaxy located 15 million light-years away from Earth, indicates that the entire universe is kept in order through the golden ratio.**

# Our Operating Environment

## Global Insurance Industry Landscape

Growth of the global insurance industry has been modest in recent years with premiums expanding by around 3%-5%; life insurance growth has stagnated while property and casual (P&C) insurance has remained stable over the last few years growing at around 4% to 5%. Persistently rising acquisition costs, the low interest rate environment, volatile equity markets and tighter regulatory regimes have impacted industry profitability while more sophisticated customer needs, technology developments and easily accessible price-comparison tools are forcing insurers to transform their operating models.

The following trends are shaping the global insurance industry landscape;

### Changing Customer Preferences

Customer sophistication and expectations have grown at an unprecedented level and given unparalleled choices and constant change, customers are looking beyond core products and services when making decisions.

57%

insurers believe the most effective way to build loyalty is access to friendly and knowledgeable staff.

45%

customers feel offering of non-insurance products is the most important factor.

80%

insurers feel that the industry is keeping pace with digital advancements.

### Digital disruption

Disruption from new technologies is inevitable and is transforming the industry's distribution models and processes through,

Enhancing the customer experience

Facilitating more accurate risk assessments

Personalised premiums

Faster claims processing

Advanced analytics

### Distribution models

While in the past, the industry has been dominated by face-to-face selling (mainly brokers and agencies), the last few years have seen strong growth in direct channels. This trend is driven by higher internet penetration and customer preference towards convenience and affordability. In developed markets such as the US and Europe, insurers are collaborating with tech companies (InsurTech) as means of improving distribution and optimising costs.

### Tighter regulation

Insurance companies are being required to strengthen the regulatory, compliance and legal frameworks to keep pace with tighter regulatory regimes. It is therefore critical that insurers invest in modernising the compliance functions to meet oversight and monitoring expectations in a cost-effective, reliable and proactive manner.

- ➔ Privacy compliance
- ➔ Market conduct
- ➔ Accounting standards
- ➔ Capital standards
- ➔ Best interest industry sales standards

### Implications of climate change

The increasingly prevalent implications of climate change such as natural catastrophes, rising temperatures and extreme weather patterns have created new risks and assets to cover for non-life insurers. Risks stem from absence of reliable precedents in covering evolving climate risks.

## Local Operating Landscape

### Economic Conditions

#### Highlights

- ➔ Moderation in economic growth
- ➔ Impact on customer affordability and pricing
- ➔ Accommodative monetary
- ➔ Policy stance

#### Overview

Sri Lanka's economic growth moderated in 2019, with GDP expanding by just 2.3% for the twelve months 2019. Global headwinds, the Easter Sunday attacks and the prolonged effects of the constitutional crisis in November 2018 adversely impacted consumer and investor sentiments, hampering economic growth.

CBSL reduced its policy rates by 50 basis points each on two occasions and reduced the statutory reserve ratio by 250 basis points in total on two occasions in 2019. Following this accommodative monetary policy, market interest rates gradually declined from the high levels at the beginning of 2019.

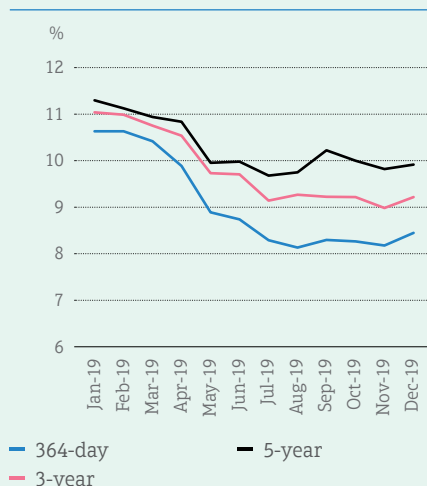
The external sector was somewhat resilient during the year, despite a sharp contraction in tourism earnings and a slowdown in remittances. Issuances of sovereign bonds helped strengthen the financial account and gross official reserves while the Sri Lankan Rupee appreciated by 1% against the US Dollar in 2019.

Stock market conditions were subdued for most part of the year, reflecting foreign outflows and weak sentiments post-April attacks. Sentiments improved somewhat towards the latter part of 2019 leading up to the Presidential Elections, resulting in ASPI increasing marginally by 1.3% in 2019.

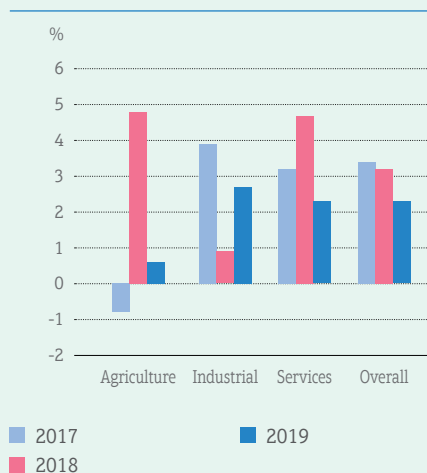
#### Our Strategic Response

- ➔ Competitive pricing due to increased concerns on customer affordability
- ➔ Enhancing cost efficiencies and productivity
- ➔ Leveraging on our low-cost distribution model
- ➔ Product innovation

#### Yield Curve



#### Economic Growth



#### Links to Risks

- ➔ Business risk
- ➔ Market risk
- ➔ Credit risk
- ➔ Economic risk

### Competition

#### Highlights

- ➔ Intense price competition among non-life insurers
- ➔ Entrance of international players
- ➔ Industry consolidation

#### Overview

The insurance industry is represented by 13 life insurers, 12 non-life insurers and three composite players. The industry is highly competitive, particularly in the non-life segment where customers are more price sensitive.

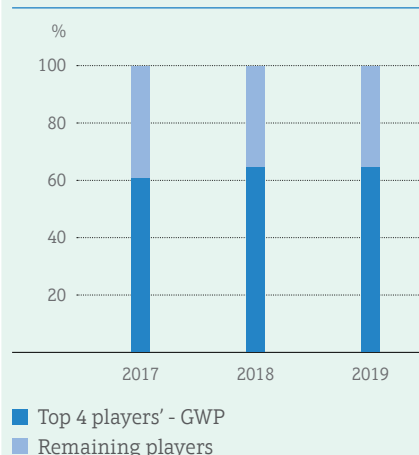
While the threat of new entrants is somewhat limited due to requirements on minimum capital, the industry has recently experienced the entry of international players, particularly in the non-life segment. This has also led to a degree of industry consolidation, as international players have sought to merge/acquire existing local players.

Currently, product differentiation is limited and therefore players compete primarily on price. New insurers typically offer below-cost pricing which has led to weak underwriting performance across the industry.



## Our Operating Environment

### Non-life Insurance - GWP Breakdown



The industry continues to be concentrated, with the top four players accounting for 65% of GWP by 2019. However, it is noteworthy that the market share held by smaller players has continued to increase.

#### Our Strategic Response

- ➔ Value additions to existing products for effective differentiation
- ➔ Maintain high level of customer engagement

#### Links to Risks

- ➔ Business risk
- ➔ Exposure risk

### Regulation

#### Highlights

- ➔ Increasing stringency of regulatory framework
- ➔ Adoption of IFRS 9 - Financial Instruments and IFRS 16 - Leased Assets
- ➔ Adoption of new corporate governance regulations
- ➔ Expected implementation of IFRS 17 - insurance contracts in January 2023

#### Overview

The regulatory framework governing the industry has become increasingly stringent in recent years. The key regulatory development over the short to medium-term will be the implementation of IFRS 17 - Insurance Contracts, effective January 2023. Implications are likely to be wide ranging, with impacts on systems, pricing, product design, distribution, performance management, tax liabilities and investment management among others.

#### Our Strategic Response

- ➔ Early preparation for the adoption with gap analysis, information gathering and testing to be conducted in 2022
- ➔ Parallel run to be conducted in 2022
- ➔ Strengthening of compliance functions

#### Links to Risks

- ➔ Compliance risk

### Customer Behaviour

#### Highlights

- ➔ Increased customer sophistication

#### Overview

Customer sophistication has increased exponentially in recent years and given intense competition in the market, customers have relatively high bargaining power, both in terms of pricing and service quality.

Customers are increasingly demanding personalised service and access to convenient solutions and insurers will be required to cater to these needs to remain competitive and relevant.

Changing demographics and lifestyles have also resulted in specific product requirements such as retirement plans and education schemes.

#### Our Strategic Response

- ➔ Value addition to generic products
- ➔ Enhancing the digital infrastructure to offer convenient customer solutions
- ➔ Maintain a high level of customer engagement

#### Links to Risks

- ➔ Business risk

### Impact of Economic Variables on PI

Indicator	2018	2019	Impact on PI
GDP growth	3.2%	2.3%	Moderation in economic conditions and the deceleration in private sector credit growth had a direct impact on the growth of motor insurance, as most financial institutions recorded a slowdown in vehicle leasing.
Inflation: NCPI (Annual Average % change)	2.1%	3.5%	Increased inflation, particularly towards the latter part of the year and the first few months of 2020 is likely to lead to reduced affordability.
Per capita income (USD)	4,079	3,852	Less per capita income may result in less spending, including insurance.
1-year treasury bill rate	11.2%	8.4%	Direct impact on portfolio yields.

Source: Central Bank of Sri Lanka

## Industry Performance

Sri Lanka's insurance industry comprised 28 players by end-December 2019, representing 13 long-term insurance companies, 12 general (non-life) insurance providers and three companies involved in both long-term and general insurance business. All insurance providers operate under the regulatory purview of the Insurance Regulatory Commission of Sri Lanka, which has implemented a stringent regulatory framework to ensure that the interests of all stakeholders are protected.

	2018	2019
<b>General Insurance business</b>		
GWP (Rs. Mn)	101,203	107,980
GWP growth	8.3%	6.7%
Motor insurance GWP growth	11.5%	4.0%
Claims ratio	65.1%	67.4%
Combined ratio	101.3%	105.3%
Return on equity	13.1%	12.3%

Source: Central Bank of Sri Lanka

**Growth:** 2019 was a year of moderate growth for the insurance industry, which saw its GWP increasing by 8.4% to Rs.196.8 billion. The long-term and general insurance sectors grew by a respective 10.6% and 6.7% during the year. The general insurance business retained its position as the largest contributor to composite GWP. Within the sector, the growth in motor insurance fell sharply to 4% in the aftermath of the Easter attacks which led to a deceleration in the leasing market. On the other hand, health insurance-which continues to be a relatively underpenetrated segment saw a growth of 16.9% during the year, attesting to its significant growth potential.

**Profitability:** Higher claims coupled with increased overheads affected the profitability of the industry, with the long-term and general insurance sectors recording respective declines of 25.9% and 12.9% during the year. The general insurance industry's claims ratio increased to 67.4% from 65.1% the previous year while the combined ratio increased to 105.3% from 101.3% in 2018. Resultantly, underwriting profits decreased by 11.1% during the year.

**Capital Strength:** All insurance companies were in compliance with the regulator's stringent requirements on capital adequacy. The general insurance industry remains well capitalised with the sector's capital adequacy ratio increasing to 231.2% from 178.3% during the year.

**Asset Growth:** Despite the challenging operating landscape, the sector continued to record asset expansion with the long-term and general insurance businesses recording asset growths of 13.4% and 7.4% during the year under review. The long-term business continued to dominate the industry's asset profile with a share of 70.5% as at end-December 2019.

## PI in Context

The Company's market position and attractiveness in relation to its competitors together with the key opportunities and risks that could materially affect the Company's value creation is given in the SWOT Analysis below;

Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> <li>➔ People's brand</li> <li>➔ Low-cost distribution model</li> <li>➔ Group synergies and backing of two financial powerhouses</li> <li>➔ Dynamic and agile staff</li> <li>➔ Large base of captive business</li> <li>➔ Internally developed core IT system</li> </ul>	<ul style="list-style-type: none"> <li>➔ Dependence on captive business base</li> <li>➔ Heavy reliance on motor-class and limited market visibility of other products</li> <li>➔ Relatively inexperienced staff</li> </ul>	<ul style="list-style-type: none"> <li>➔ Low insurance penetration</li> <li>➔ Increasing per capita income and a growing middle class</li> <li>➔ Changing demographics including an ageing population</li> <li>➔ Advances in technology including AI, robotic processes, big data and analytics</li> <li>➔ Increasing connectivity and internet penetration</li> </ul>	<ul style="list-style-type: none"> <li>➔ Intensifying price competition</li> <li>➔ Competitive pressures from international insurers in the areas of pricing, reinsurance capabilities, technical know-how, etc.</li> <li>➔ Volatility in interest and exchange rates</li> <li>➔ Increasing implications of climate change</li> </ul>

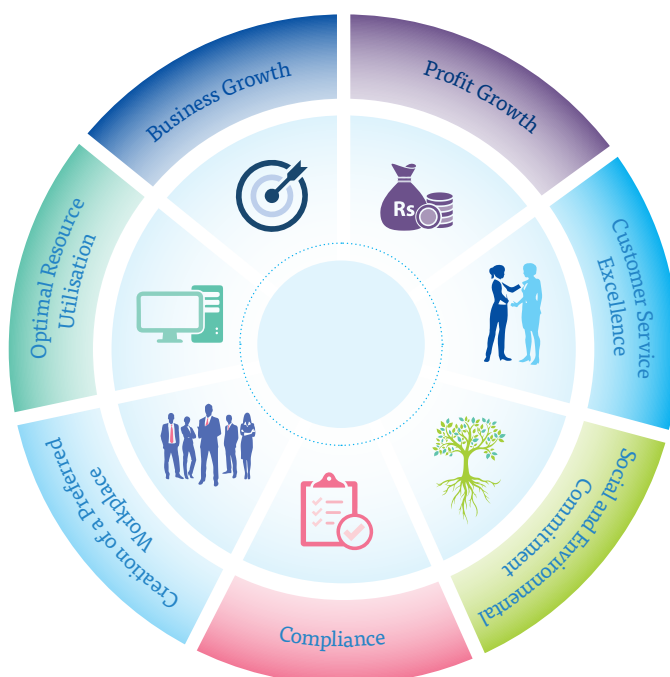


# Strategy and Resource Allocation

The medium-term strategic corporate plan clearly sets out the Company's short, medium and long-term strategic priorities and the actions required to achieve these objectives. The strategic planning process followed a comprehensive assessment of emerging trends in the industry, competitor dynamics as well as the Company's strengths and weaknesses. It is designed to directly address issues which are likely to hamper the Company's long-term growth including high dependence on captive business and motor insurance and limited brand awareness among others.

The strategic corporate plan clearly sets out the following seven strategic priorities, which are drilled down to include departmental objectives, KPIs and guidance on resource allocation. Key short and medium to long-term objectives are listed below. Please refer pages 66 to 72 for information on how the Company performed against its strategic objectives during the year.

## Strategic Priorities



Priority	What we wish to achieve	How we plan to get there	
		Short-term goal	Mid to long-term goal
<b>Business growth</b>	Achieve a balanced top line growth through sustaining the captive business while driving expansion in direct business through strategic positioning and distribution.	➔ Maintain double digit annual premium growth	➔ Increase contributions from direct business and non-motor business
<b>Profit growth</b>	Drive sustainable improvements in profitability through ensuring the right pricing and prudent management of costs.	➔ Achieve improvements in net combined ratio ➔ Maintain positive underwriting results	➔ Achieve double digit annual PBT growth
<b>Customer service excellence</b>	Offer best-in-class solutions, customer service and customer experience.	➔ Improve renewal ratio ➔ Provide customer service training to staff	➔ Improve renewal ratio ➔ Continuous improvement to customer satisfaction score
<b>Optimisation of resource utilisation</b>	Leverage on cost-effective distribution model while strengthening our digital offering to expand market reach and drive efficiencies.	➔ Maintain ISO certification. ➔ Develop digital applications for sales staff, assessors, customers and workflow management	➔ Execute digital road map for process enhancement and maximisation of resource utilisation

Priority	What we wish to achieve	How we plan to get there	
		Short-term goal	Mid to long-term goal
<b>Creation of a preferred workplace</b>	Create a dynamic and rewarding workplace in order to attract and retain the country's best talent.	<ul style="list-style-type: none"> <li>➔ Reduce staff turnover levels</li> <li>➔ Offer training programmes to address competency gaps</li> <li>➔ Formulate a comprehensive succession plan</li> </ul>	<ul style="list-style-type: none"> <li>➔ Increase employee satisfaction levels</li> <li>➔ Recognition as a great place to work</li> </ul>
<b>Compliance</b>	Strengthen internal controls and risk management frameworks and fully conform with all relevant laws, regulations and guidelines.	<ul style="list-style-type: none"> <li>➔ Maintain Capital Adequacy Ratio above regulatory requirements</li> <li>➔ Ensure compliance with regulatory requirements</li> </ul>	
<b>Social and environmental commitment</b>	Nurture collaborative and meaningful relationships with communities in furthering our sustainability agenda. Adopt environmentally friendly business practices to minimise our carbon footprint.	<ul style="list-style-type: none"> <li>➔ Initiate strategic CSR projects aligned to the Company's sustainability policy</li> </ul>	<ul style="list-style-type: none"> <li>➔ Reduce carbon intensity year-on-year</li> </ul>

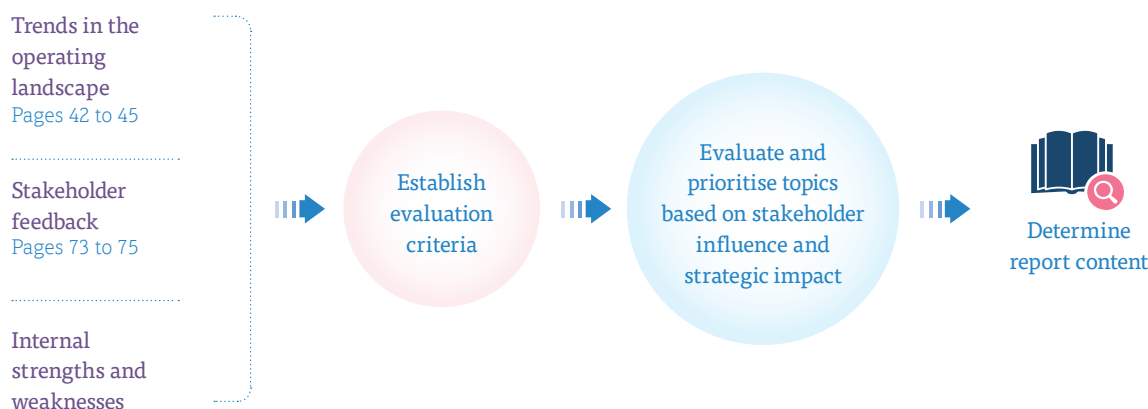
(Please refer pages 66 to 72 for information on how the Company performed against its strategic objectives during the year)

## Materiality and Risk Management

The Company's material topics are an important determinant in strategy formulation and form the anchor of this Annual Report. The material topics represent the issues that are of most significance to our stakeholders and could potentially affect the Company's ability to create value over the short, medium and long-term. The material topics were determined following an evaluation of industry and competitor trends, feedback received from stakeholder engagement and the Company's strengths and weaknesses.

In improving the relevance and meaningfulness of our Report, this year we have broadened the scope of the material topics looking beyond the topics prescribed by the GRI framework to include factors that are more specific to our business, industry landscape and supply chain. The GRI prescribed material topics remain unchanged compared to last year and we have clearly demonstrated how the selected material topics correspond to those prescribed by GRI. This year, we have also sought to demonstrate connectivity between the selected material topics and our risk management practices using a risk-heat map as illustrated below.

The process for determining material issues is summarised below;

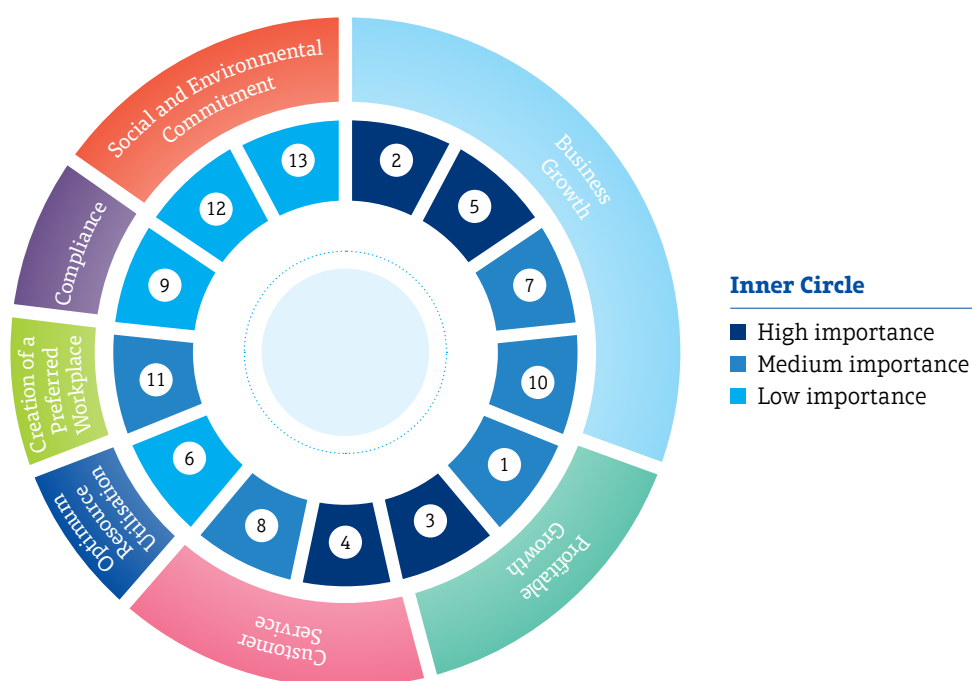


### Key Changes to the Materiality Assessment

- (1) Broadened the scope of topics beyond what is prescribed by GRI
- (2) Disclosure of a risk-heat map
- (3) Show connectivity between material topics and risk management practices

## Strategy and Resource Allocation

The following heat map demonstrates the Company's 13 material topics (inner circle), aligned to the seven strategic priorities (outer circle). The material topics have been colour-coded to reflect their level of importance to the Company's stakeholders and strategy.



Material Topic	Why it is Material to Us	Reporting Boundary	Relevance to Strategy	Corresponding GRI Topic	Page Reference for Further Information
(1) Profitable growth	Ensures sustainable returns to shareholders while achieving consistent business growth.	Limited to the Company's operations.	Business growth Profit growth	GRI 201: Economic Performance	46 76 - 79
(2) Product innovation and diversification	Important in reducing dependence on our captive business and motor class.	Boundary includes the Company's operations and its customers.	Business growth	-	94 - 95
(3) Efficiency	Critical in driving consistent reductions in our combined ratio and achieving profitability targets.	Limited to the Company's operations.	Profit growth	-	76 - 79
(4) Customer centricity	Delivering best in class customer experience and sharpening our competitive edge.	Boundary includes the Company's operations and its customers.	Customer service excellence	-	94 - 96
(5) Distribution channels	Expanding customer reach and increasing contributions from direct business.	Boundary includes the Company's operations, business partners, customers and potential customers.	Business growth	-	95 - 96
(6) Digital capabilities	Expanding customer reach and enhance customer experience.	Boundary includes the Company's operations, parent/ultimate parent and business partners.	Optimise resource utilisation	-	95

Material Topic	Why it is Material to Us	Reporting Boundary	Relevance to Strategy	Corresponding GRI Topic	Page Reference for Further Information
(7) Group synergies	Leveraging on the distribution network and brand name of the parent and ultimate parent.	Boundary includes the Company's operations, parent and ultimate parent.	Business growth	-	91 - 92
(8) Brand identity	Strengthening the Company's brand identity in the insurance industry will enable it to achieve growth in the direct business while acquiring new customers.	Boundary includes the Company's operations and potential customers in the insurance market.	Customer service excellence		91
(9) Responsible business	As a responsible corporate citizen, we are committed to maintaining the highest level of integrity and accountability in our operations.	Boundary includes our operations as well as external stakeholders.	Compliance	GRI 204: Procurement practices GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour GRI 417: Marketing and labelling GRI 418: Customer privacy GRI 402: Labour management relations	94 - 97
(10) Relationships with business partners	Maintaining co-operative relationships with business partners will enable us to strengthen our market position through expanding our customer reach.	Boundary includes our operations as well as external stakeholders.	Business growth	-	96 - 97
(11) Talent management	Attracting and retaining the right talent is critical in driving our strategic aspirations and facilitating the customer experience.	Boundary is limited to our employees.	Creation of a preferred workplace	GRI 401: Employment GRI 404: Training and education GRI 405: Diversity and equal opportunities GRI 406: Non-discrimination	87
(12) Minimising environmental impacts	We are committed to consistently reducing our carbon footprint and contributing to the achievement of the SDGs.	Boundary is limited to our own operations.	Social and environmental commitment	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and waste GRI 307: Environmental compliance	100 - 102
(13) Community engagement	Driving meaningful change in the communities we operate is an important part of our sustainability agenda.	Boundary extends to the communities we operate in.	Social and environmental commitment	GRI 419: Socio-economic compliance GRI 413: Local communities	97 - 98

# Risk Management

Insurers primarily create value by assuming risks of individuals and other organisations. These risks are many and range from an individual's risk of automobile ownership and home ownership to a commercial entity's risk of workers' compensation, product liability, errors and omissions and operating a commercial fleet among others. In providing coverage against these risks, we offer a range of motor, fire, marine and miscellaneous insurance solutions to our customers.

At PI, our risk universe encompasses strategic risks of the industry, assumed risks and operational risks which are managed systematically through a risk management framework that has as its foundation in a strong risk governance culture.

## Risk Management Framework

### Risk Governance

The risk management framework is conceptualised and driven by the Board of Directors who has the overall responsibility and oversight for managing the Company's risk profile. The Management Team has been delegated authority for implementing and managing the overall risk framework and is responsible for putting the risk management policies into practice.

The Board has overview of the overall risk management of People's Insurance through Board Audit Committee. The Board Audit Committee (BAC) reports to the Board on compliance, internal control and the risk management process to ensure adequacy of controls to the risks faced by People's Insurance. The Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the findings together with recommendations, which are reported to the BAC and ultimately to the Board.

## Risk Governance Highlights - 2019

### Board of Directors

- Approval for placement of treaty insurance
- Review of risk-based capital requirements
- Updated on regulatory reporting deadlines
- Review of regulatory compliance reports
- Review of communications from the regulator
- Review of key unresolved audit findings
- Review and approval of inclusion of new reinsurers to the panel of reinsurance brokers
- Approval of the anti-money laundering and know your customer policy as required by the insurers (Customer Due Diligence) Rules, No. 1 of 2019
- Review of investment portfolio

### Board Audit Committee

- Advise to recruit a risk and compliance officer and establish a risk function
- Review and recommend action of the compliance testing of requirements under circular 29 issued by IRCSL
- Advise to submit a report on key legal issues and legal agreements for the review of the Audit Committee
- Advise to develop Anti-fraud Policy and Disciplinary Code

### Investment Committee

- Advice and approval for trading limits of Government Securities
- Review investment compliance reports
- Monitoring investment performance on quarterly basis
- Review investment return benchmark suitability
- Approval for investments in selected Unit Trust funds
- Approval for selected corporate debt investments
- Review and advice on equity market investments
- Advice on reducing single party exposure limits to selected counterparties

Further strengthening PI's risk management process is the oversight and monitoring of risks at group level. The CEO and CFO represent People's Insurance at the quarterly meetings of the Group Integrated Risk Management Committee.

We have endeavoured to embed a strong sense of risk among all our employees through training, standards and ethical conduct. The outcome is the nurturing of a strong risk management culture – where risks are predicted, identified and reported at every level across the organisation.



## Risk Governance Structure

Board	Responsible for managing strategic risks, setting and approval of risk policy	Group Integrated Risk Management Committee
Board Audit Committee	Consider adequacy of the integrated ERM framework and make recommendations to the Board and review periodical regulatory risk reports	Identifies new and emerging risks and develop suitable action plans and improvements to existing processes
Investment Committee	Brief of function related to investment risk management	
Individual Business Units (Risk owners/Heads of departments)	Responsible for managing assumed risks for approved policy limits	
All Employees	Embedded with a strong sense of risk	

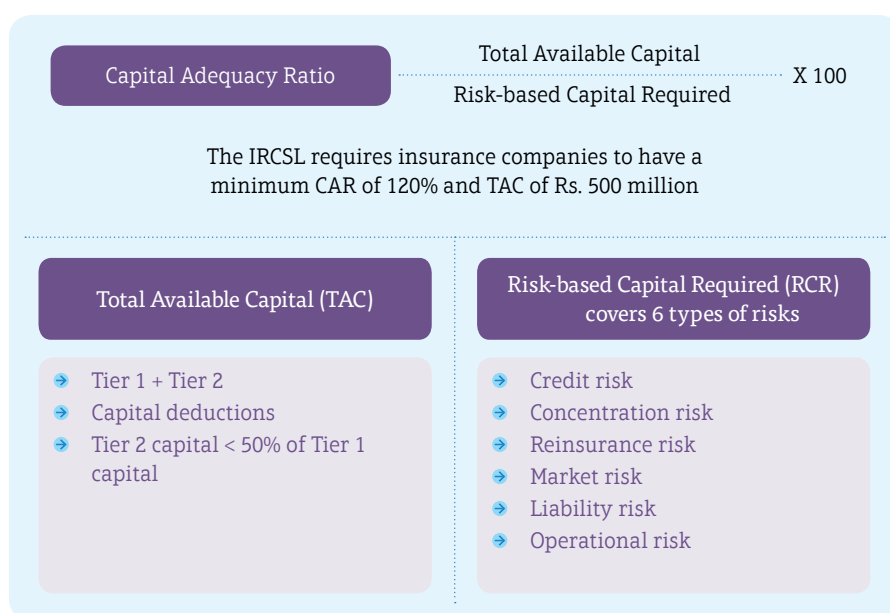
## Capital Management

The objective of the Company's capital management framework is to actively manage capital, optimising its structure and source, ensuring that returns to shareholders and policyholders are maximised consistently while complying with regulatory requirements.

The objectives, policies and approaches to managing the risks that affect People's Insurance's capital position are described in detail on page 203 in the Notes to the Financial Statements.

There are several regulatory guidelines imposed by the Insurance Regulatory Commission of Sri Lanka (IRCSL) under the risk-based capital regime to minimise the risk of default and insolvency on the part of the insurer. The Company is therefore required to maintain a minimum capital adequacy ratio (CAR) of 120% and total available capital (TAC) of Rs. 500 million. Further, there is a supervisory CAR limit of 160%.

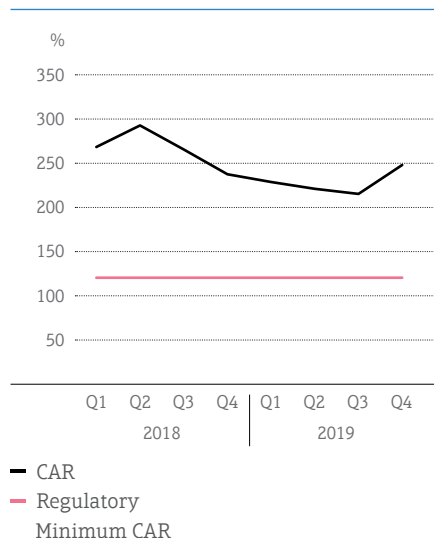
### Overview of Risk-based Capital



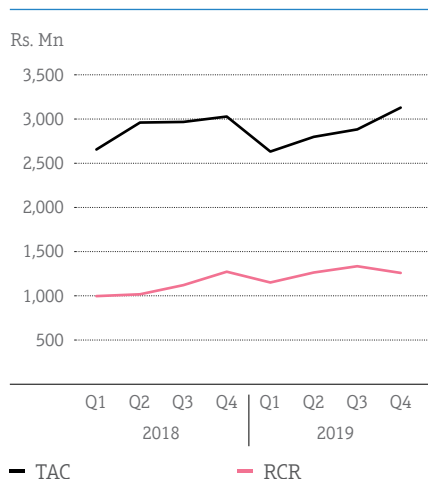
## Risk Management

People's Insurance complied with both the capital adequacy and total available capital requirements imposed by the IRCSL during the year.

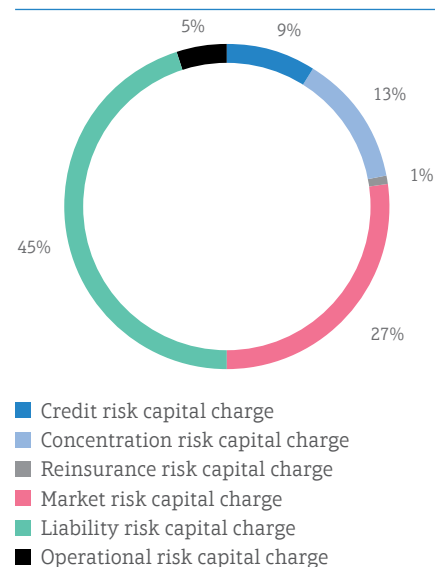
Capital Adequacy Ratio (CAR)



Total Available Capital (TAC) & Risk-based Capital Required (RCR)



Composition of Risk-based Capital Required



### Our Key Risks

We have classified the risks we face into four key areas as presented in the table below. Risks relevant to each area are identified, analysed, evaluated and assigned an appropriate risk rating that considers the significance of impact and likelihood of occurrence. We mitigate/manage each risk through effective internal controls, diversification, imposing risk limits, constant monitoring and periodical review. The risk dashboard is reviewed by the Group Integrated Risk Management committee and the Board on a quarterly basis.

We have also sought to demonstrate the connectivity of our key risks to the Company's material topics identified on pages 48 to 49, as well as our strategic priorities.

### Strategic Risk

Risks associated with our corporate strategy and the industry including compliance with regulatory requirements.

#### Strategic risk addresses:

- ➔ Business risk
- ➔ Regulatory risk

#### Link to strategic goals

- ➔ Business growth
- ➔ Profit growth
- ➔ Customer service excellence
- ➔ Optimisation of resource utilisation
- ➔ Compliance

#### Link to materiality

- ➔ Profitable growth
- ➔ Product innovation and diversification
- ➔ Customer centricity
- ➔ Distribution channels
- ➔ Group synergies
- ➔ Brand identity
- ➔ Responsible business
- ➔ Relationships with business partners

## Insurance Risk

For non-life insurance contracts, the most significant risks arise from natural disasters, climate changes, civil commotion and terrorist activities. For longer tail claims that take some years to settle, there is also an inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes and medical science and technology improvements.

### Insurance risk addresses:

- ➔ Product design risk
- ➔ Underwriting risk
- ➔ Claim settlement risk
- ➔ Reserving risk
- ➔ Reinsurance risk
- ➔ Credit risk

### Link to strategic goals

- ➔ Business growth
- ➔ Profit growth
- ➔ Customer service excellence

### Link to materiality

- ➔ Profitable growth
- ➔ Customer centricity

## Investment Risk

An insurer collects premiums by underwriting insurance policies and invests the proceeds to generate profits. Our portfolio of investments represents 77% of total assets – a significant number. The risk that an investment's actual gains will differ from an expected outcome or return including the possibility of losing some or all of the original investment is our investment risk. The Investment Committee, comprising four Directors, Chief Executive Officer and Head of Finance oversee the investment portfolio including developing the overall and portfolio specific investment guidelines.

### Investment risk addresses:

- ➔ Concentration risk
- ➔ Liquidity risk
- ➔ Credit risk
- ➔ Market risk

### Link to strategic goals

- ➔ Profit growth

### Link to materiality

- ➔ Profitable growth

## Operational Risk

Operational risk encompasses the uncertainties and hazards we face when conducting our daily business activities such as breakdowns in internal processes, people and systems.

### Operational risk addresses:

- ➔ Socio/economic/political risk
- ➔ Environmental risk
- ➔ Technology risk
- ➔ Human resources risk
- ➔ Reputational risk
- ➔ Fraud risk

### Link to strategic goals

- ➔ Business growth
- ➔ Customer service excellence
- ➔ Optimisation of resource utilisation
- ➔ Compliance
- ➔ Creation of preferred workplace
- ➔ Society and environment

### Link to materiality

- ➔ Efficiency
- ➔ Digital capabilities
- ➔ Talent management
- ➔ Minimising environmental impacts
- ➔ Community engagement

# Risk Management

## Risks in Detail

A description of the significant risks faced by the Company in relation to each of the four key risk are given in the following table with details of mitigating/managing measures, risk rating and performance.

### Strategic Risks

	Mitigating/Managing Risk	Risk Rating	KPIs 2019		
			KPIs	Target	Actual
<b>Business Risk</b> This is the risk associated with People's Insurance's future business plans and strategies – the risk of under-performing due to unanticipated changes in the internal and external environment.	➔ Three year strategic corporate plan is updated on an annual basis and approved by the Board of Directors	High	Return on equity	>15%	18%
	➔ Constant review and monitoring of internal and external factors that impact planned objectives		Return on assets	>6%	7%
	➔ Performance appraisals of all staff including the Board of Directors		Sales performance	>10%	9%
	➔ Periodical review of strategies and prompt action to manage unfavorable variances		Investment performance	>11%	11.4%
	➔ Diversification across a large portfolio of insurance contracts and geographical areas, this variability of the risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.		Operational losses	<0.5%	0.0%
<b>Regulatory Risk</b> Regulatory risk is the risk that a change in laws and regulations will affect our business. The risk of non-compliance with laws and regulations is also addressed as part of regulatory risk.	➔ Management reviews changes to laws and regulations and the business impact thereon	High	Risk-based capital adequacy ratio	>160%	248%
	➔ A comprehensive regulatory checklist is signed off by relevant officials on a monthly basis			>Rs. 500 Mn	Rs. 3,141 Mn
	➔ A Board paper on compliance, reviewed by the internal audit department, is presented to the Board of Directors on a monthly basis		Total available capital		
	➔ People's Insurance is represented at industry forums and work closely with regulators to ensure the Company is updated on changes to laws and regulations				

## Insurance Risk

	Mitigating/Managing Risk	Risk Rating	KPIs 2019		
			KPIs	Target	Actual
<b>Product design Risk</b> Risk of non-life insurance product designs of the portfolio being outdated due to changes in the climate leading to natural disasters, behavioral trends of people due to changing life-styles and steady escalation of costs in respect of vehicle spare parts.	<ul style="list-style-type: none"> <li>➔ Constant alert on internal and external factors that may impede planned objectives</li> <li>➔ Periodic review of existing product features and the development strategies in line with environmental changes</li> <li>➔ Diversification of insurance contracts across a large geographical area</li> </ul>	Medium	No. of new products introduced	>2	2
<b>Underwriting Risk</b> Underwriting risk refers to the risk of loss making on underwriting activities, this underwriting risk may either arise from inaccurate assessment of the risks when underwriting the policy or from factors that are beyond the control of underwriters.	<ul style="list-style-type: none"> <li>➔ Continuous development of underwriting staff through training, skill development and persuade in professional examinations</li> <li>➔ Review underwriting results critically to identify the loss making clients and ensure such clients are strategically moved out of the portfolio</li> <li>➔ Regular review of profitability, pricing, terms and conditions of product portfolio to identify required changes</li> <li>➔ Financial authority sets limit of approvals to be alert on underwriting amount and risks</li> </ul>	High	Underwriting results	Rs. 119 Mn	Rs. 65 Mn
			Combined ratio	<100%	99%
<b>Reinsurance Risk</b> Reinsurance risks refers to the inability of the ceding company or the primary insurer to obtain insurance from reinsurance at the right time and at an appropriate cost. It also includes the risk that a reinsurer will be unable to meet its reinsurance obligations due to inadequate financial strength.	<ul style="list-style-type: none"> <li>➔ Annual review of reinsurance arrangements and strategies to ensure adequacy of such covers</li> <li>➔ Global trusted stable portfolio of reinsurance companies which are rated high by various bodies such as Standard &amp; Poor, A.M. Best, etc.</li> <li>➔ Periodic review of credit rating and ensure all the reinsurer maintain the rating throughout the year</li> <li>➔ Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set-off against payable on time</li> </ul>	High	Reinsurance receivables outstanding for more than six months	<25%	0.0%



## Risk Management

Mitigating/Managing Risk		Risk Rating	KPIs 2019		
			KPIs	Target	Actual
<b>Claim Settlement Risk</b> This is the risk of possible disputes that may arise at the time of settling claims.	<ul style="list-style-type: none"><li>→ Customers are advised on the consequences of inadequate sums insured and excess</li><li>→ Claims manual is updated periodically</li><li>→ Information arising from various issues is cross checked prior to settling a claim</li><li>→ The claims approval process and claims payment processes are segregated</li><li>→ Claim intimations are done through the Call Centre which works on 24X7 basis</li></ul>	Medium	<b>Net claims ratio:</b> Motor Fire Marine Miscellaneous	<b>Target</b>  <60% <60% <30% <60%	<b>Actual</b>  65% 53% 51% 126%
<b>Claims Reserving Risk</b> Inadequate provisioning of reserves for reported claims and incurred but not reported (IBNR) claims.	<ul style="list-style-type: none"><li>→ Claims are assessed immediately upon intimation and reserved accordingly</li><li>→ Qualified independent actuary carries out independent valuation of the reserves on a quarterly basis to assess adequacy of reserves</li><li>→ Significant outstanding claims are subject to periodic review by the Management and the Board of Directors</li></ul> <p>The sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation is given in Note 47.9 to the Financial Statements, page 216 on General Insurance Business risk.</p>	Medium	IBNR provision	Actuarial valuation	IBNR provision agrees with actuarial valuation
<b>Credit Risk (Insurance Receivables)</b> Arises when policyholders are unable to settle their outstanding dues.	Details on risk mitigation strategies are given on page 204, Note 47.1.1 to the Financial Statements as part of credit risk on insurance receivables.	High	Premium receivable outstanding for more than 60 days	<25%	18%

## Investment Risk

Mitigating/Managing Risk		Risk Rating	KPIs														
			KPIs	Target	Actual												
<b>Concentration Risk</b> Insufficient diversification of the investment portfolio such as concentration in one industry, geography or type of security is our concentration risk.	<ul style="list-style-type: none"><li>➔ Concentration limits are specified in the Delegation of Financial Authority Manual and Investment Operations Manual</li><li>➔ Single exposures are reviewed by the Investment Committee periodically</li><li>➔ Investment portfolio is reviewed by the Board monthly</li><li>➔ Monitoring of single exposure limits at entity and group levels that is a regulatory requirement</li><li>➔ Investment in equity instruments is done through careful analysis</li></ul>	Medium	Government securities	Upto 100%	21%												
			Fixed deposits	<65%	43%												
			Listed equities	<30%	0%												
			Corporate debt	<65%	35%												
			Unit trusts/ mutual funds	<30%	1%												
<b>Concentration Risk</b>																	
<table><thead><tr><th>Asset Class</th><th>Percentage</th></tr></thead><tbody><tr><td>Government securities</td><td>21%</td></tr><tr><td>Corporate debt</td><td>35%</td></tr><tr><td>Fixed deposits</td><td>43%</td></tr><tr><td>Unit trusts/ mutual funds</td><td>1%</td></tr></tbody></table>						Asset Class	Percentage	Government securities	21%	Corporate debt	35%	Fixed deposits	43%	Unit trusts/ mutual funds	1%		
Asset Class	Percentage																
Government securities	21%																
Corporate debt	35%																
Fixed deposits	43%																
Unit trusts/ mutual funds	1%																
<b>Liquidity Risk</b> This is the risk of being unable to meet contractual obligations such as payments of claims and reinsurance due to inadequate cash flows.	Details on risk mitigation strategies are given on pages 208 to 209, Note 47.2 to the Financial Statements - Liquidity risk.	High	Cheque return due to non-availability of funds	Zero	Zero												
<b>Maturity Profile as at 31 December 2019</b>																	
<table><thead><tr><th>Maturity Period</th><th>Percentage</th></tr></thead><tbody><tr><td>0-6 months</td><td>29%</td></tr><tr><td>7-12 months</td><td>23%</td></tr><tr><td>1-2 years</td><td>11%</td></tr><tr><td>Over 2 years</td><td>33%</td></tr><tr><td>No stated maturity</td><td>4%</td></tr></tbody></table>						Maturity Period	Percentage	0-6 months	29%	7-12 months	23%	1-2 years	11%	Over 2 years	33%	No stated maturity	4%
Maturity Period	Percentage																
0-6 months	29%																
7-12 months	23%																
1-2 years	11%																
Over 2 years	33%																
No stated maturity	4%																

## Risk Management

Mitigating/Managing Risk		Risk Rating	KPIs														
			KPIs	Target	Actual												
<b>Credit Risk – Financial Instruments</b>	Details on risk mitigation strategies are given on page 205, Note 47.1.1 to the Financial Statements - Credit risk on financial investments.	High	Investments in above A rated instruments out of total investments	>90%	94%												
The inability of the investee institution to meet interest or principal payments as agreed.	<a href="#">Credit Rating Profile of Investments as at 31 December 2019</a>																
<table><thead><tr><th>Rating</th><th>Percentage</th></tr></thead><tbody><tr><td>Risk free</td><td>17%</td></tr><tr><td>AAA to AA-</td><td>29%</td></tr><tr><td>A+ to A-</td><td>49%</td></tr><tr><td>BBB+ to BB-</td><td>3%</td></tr><tr><td>Non-rated</td><td>2%</td></tr></tbody></table>						Rating	Percentage	Risk free	17%	AAA to AA-	29%	A+ to A-	49%	BBB+ to BB-	3%	Non-rated	2%
Rating	Percentage																
Risk free	17%																
AAA to AA-	29%																
A+ to A-	49%																
BBB+ to BB-	3%																
Non-rated	2%																
<b>Market Risk</b>	Details on risk mitigation strategies are given on page 209, Note 47.3 to the Financial Statements - Market risk.	Medium	Price sensitive investments over total investments	<30%	8%												
The loss of value of an investment due to adverse movements in asset prices.																	

### Insurance Risk


Mitigating/Managing Risk	Risk Rating	KPIs		
		KPIs	Target	Actual
<b>Socio/Economic/Political Risk</b> This is the risk of a negative impact on operations due to changes in the socioeconomic, political environment and investment climate.	Medium	Revision of environment analysis and SWOT analysis	Revised annually	Completed
The socio-economic and political climates are considered in formulating strategy Pricing is reviewed considering inflation and current market trends Developing alternative distribution channels with evolving socio-economic trends				
<b>Environmental Risk</b> The actual or potential adverse impacts on operations and product responsibility with respect to emissions, waste and resource depletion is our environmental risk.	Low	Carbon intensity	0.81 tCO <sub>2</sub> e	0.86 tCO <sub>2</sub> e
The sustainability committee provides leadership promoting environmentally conscious initiatives and behaviour Paper waste and e-waste of People's Insurance are responsibly disposed through approved recyclers Carbon footprint is measured and monitored				

Mitigating/Managing Risk		Risk Rating	KPIs		
			KPIs	Target	Actual
<b>Information Technology Risk</b> This refers to the risk of failure or breakdown of systems that results in interrupting operations, loss or exploitation of data and cyber security risks.	<ul style="list-style-type: none"> <li>➔ Group IT policies, which People's Insurance follow, comprehensively cover IT discipline, use of licensed software, monitoring usage of the internet, email and mail server and the use of antivirus, firewall servers and software</li> <li>➔ Risks relating to IT including cyber security are reviewed by the Audit Committee and the Board</li> <li>➔ Ensuring all staff are familiar with the information security policy</li> <li>➔ A 'back up' system is maintained at an off-site location to prevent data losses</li> <li>➔ Controls such as Unified Threat Management (UTM) and Sophos Endpoint Security and Control are used</li> </ul>	High	Availability of backups  Availability of business continuity plan	Available  Available	Available  Available
<b>Human Resources Risk</b> Shortage of professionally qualified/skilled personnel, demotivation and loss of staff form part of this risk.	<ul style="list-style-type: none"> <li>➔ Employees are provided with training both in-house and external to enhance skills</li> <li>➔ Facilitate development of employees by providing financial assistance for their professional education</li> <li>➔ Review remuneration packages to be competitive with the market</li> <li>➔ Performance-based incentive schemes such as bonuses</li> </ul>	High	Staff turnover	<17%	23%
<b>Reputational Risk</b> The risk that an event or incident could damage the image of People's Insurance.	<ul style="list-style-type: none"> <li>➔ Company internal controls are reviewed by internal and external auditors, whose reports are reviewed by the Audit Committee</li> <li>➔ Maintain close relationships with regulators, standard setters and other insurance companies etc., to ensure being up to date and in compliance with regulatory matters</li> <li>➔ Review customer feedback and process in place to absorb learning and change processes accordingly while customer complains are resolved on time.</li> </ul>	High	Compliance - breaches reported - fines imposed	Zero  Zero	Zero  Zero
<b>Fraud Risk</b> This is the risk of misappropriation of assets including fraudulent reporting due to weak internal controls.	<ul style="list-style-type: none"> <li>➔ Internal audits are regularly carried out in areas susceptible to fraud</li> <li>➔ Authority limits, segregation of duties and access controls have been implemented for all critical functions</li> <li>➔ A whistle blowing procedure is in place and an employee can report concerns directly to the Board Audit Committee</li> <li>➔ Investigations are immediately carried out on detection of a fraud</li> <li>➔ Zero tolerance policy with respect to fraud</li> </ul>	High	Number of frauds - internal - external	 <12 Zero	 6 Zero



**Performance and  
Value Creation**





**Excellence lies in not only what we do but in who we are, the very fabric of our being, our teamwork and our shared vision.**

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The golden ratio was not only defined in the proportions of the human body as illustrated by Leonardo da Vinci in the Vitruvian Man but the more significantly both Fibonacci numbers and the Golden Ratio can be found in the DNA of every cell in our bodies.

# Operational Review

The Company's value creation process comprises several key activities, from the point of conceptualising and developing products to customer delivery and policy management. The following section provides a brief overview of how the Company conducts these activities and the progress it made during the year under review;



## Product Development

KPI	2019	2018
New products launched	4	2

Development of products follow on-going assessment of market trends including competing offerings as well as emerging customer needs and preferences. The marketing team together with a dedicated research and development team combine efforts to structure and design offerings that are competitive, attractive to customers and commercially viable. The Company offers a comprehensive product portfolio across most non-life insurance classes and continues to invest in adding value to its offering through introducing new products and refining existing products.

## Underwriting Operations

KPI	2019	2018
Underwriting employees (No.)	226	228

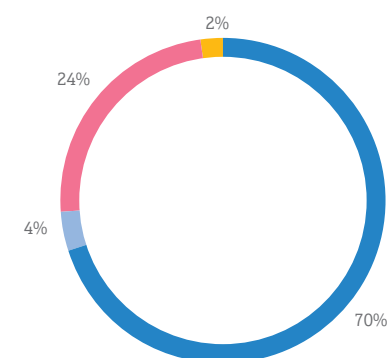
Effective underwriting operations are critical in ensuring the commercial sustainability of our offering and our highly skilled underwriting team is responsible for determining policy pricing which balances potential policy liabilities and the Company's expected profit targets. The Board holds ultimate responsibility for formulating the Company's underwriting policies in line with market dynamics and our risk appetite. We continue to up-skill our underwriting staff through providing access to training opportunities while consistently upgrading our systems, processes and procedures.

## Delivery and Distribution

The Company operates several delivery channels including the Company's regional offices, customer touchpoints at the parents' branch network, national sales force comprising over 222 brokers and agents as well as bancassurance through People's Bank. Captive business (including the portfolios of People's Leasing & Finance PLC and People's Micro-Commerce Ltd.) is the largest contributor to our business with a share of around 70% in 2019. In line with the Company's strategic plan, concerted efforts are in place to increase contributions from direct channels. Performance of each channel in 2019 is summarised below; please refer to page 95 – Social and Relationship Capital (Business Partners) for further information on our National Sales Force.

KPI	2019	2018
New policies	89,690	74,544
Renewed policies	130,616	115,210
Overall GWP growth	08%	17%
Market share	6.0%	5.9%

## GWP by Channel



- PLC Group Captive Business
- Bancassurance Business
- National Sales
- Corporate and Broker Development

### PLC Group Captive Business



**113**

window offices at PLC

### National Sales Force



**168**

marketing staff

**169**

insurance agents

### Bancassurance



**35**

employees in regional offices of People's Bank and four other banks

### CORPORATE & BROKER



**53**

Brokers

Channel and Contribution	Developments in 2019 and Outlook for 2020	KPIs
<b>PLC Group Captive Business</b> 70% of GWP	<ul style="list-style-type: none"> <li>➔ Most significant contributor to GWP</li> <li>➔ Ability to leverage on group synergies, affording a low-cost distribution model</li> <li>➔ While the first quarter of 2020 is likely to remain subdued due to upcoming elections and the spread of the COVID-19 outbreak, we expect industry conditions to recover towards the second half of the year</li> </ul>	2% decline in GWP due to the decline in leasing volumes
<b>National Sales Force</b> 24% of GWP	<ul style="list-style-type: none"> <li>➔ Strengthened relationships with traders' associations and finance companies engaged in leasing</li> <li>➔ Key strengths include the strength of the brand and good track record in processing claims</li> </ul>	+49% growth in GWP driven by new client acquisition
<b>Bancassurance</b> 4% of GWP	<ul style="list-style-type: none"> <li>➔ Partnerships with five banks including People's Bank</li> <li>➔ Strengthened relationships with bank officers through mutually beneficial incentive schemes</li> <li>➔ Significant potential for growth given the untapped portfolio of People's Bank and opportunities for product bundling</li> </ul>	35% growth in GWP, reflecting strengthened ties with People's Bank and other banks.
<b>Corporate &amp; Broker</b> 2% of GWP	<ul style="list-style-type: none"> <li>➔ Strengthened relationships with brokers</li> <li>➔ Acquire new corporates with value added services</li> </ul>	28% growth in GWP with new business acquisitions.

### Claims Management

Effective management of claims is an important source of competitive edge in the insurance industry and we continue to focus on driving efficiencies in claims processing and management. Our efforts are supported by an internal team of dedicated personnel as well as access to panel of highly-skilled vehicle valuers/assessors who ensure that leakages are minimised and claim losses are managed. Proactive efforts in enhancing the technical skills of relevant staff and refining our pricing strategy enabled the Company to record a decline in the overall claims ratio during the year.

KPI	2019	2018
Claims settled (No.)	57,276	55,993
Claims settled (Rs. Mn)	3,697	3,298
Claims ratio (%)	67.5	68.7
Claims team	56	59

### Reinsurance

We seek reinsurance arrangements with global reinsurers in line with the stringent requirements and standards of the regulator. We utilise the services of a technical consultant in formulating and entering reinsurance agreements, ensuring that risk and return considerations are balanced appropriately (Please refer page 271 for a list of the Company's reinsurers).

KPI	2019	2018
Reinsurance premium ceded (Rs. Mn)	581	482
Reinsurance ratio (%)	9.6	8.6

### Investment Management

The Board is ultimately responsible for the effective management of the investment portfolio and the Investment Committee supports the Board in the discharge of its investment-related duties. A dedicated investment management function ensures the optimal management of our funds with due consideration given to the risk-return dynamics, based on the Company's risk appetite.

KPI	2019	2018
Investment portfolio (Rs. Mn)	7,350	6,658
Investment income (Rs. Mn)	781	650
Portfolio return (%)	11.4	11.0

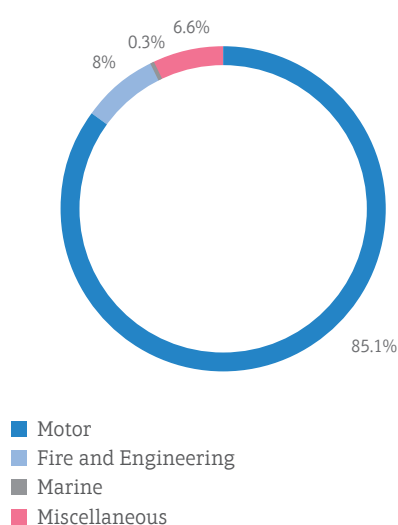
# Operational Review

## Business-line Review

The Company offers four classes of insurance products (listed below) with motor insurance being the largest with a share of 85% of our GWP in 2019.

- ➔ Motor insurance
- ➔ Marine insurance
- ➔ Fire insurance
- ➔ Miscellaneous insurance

## Gross Written Premium



**Product Strategy:** As part of our medium-to-long term growth aspirations, we are actively pursuing expansion of non-motor classes as well as direct business. The Company's increased emphasis on the National Sales Force and bancassurance model is expected to support growth of the non-motor class over the longer-term.

## Motor Insurance

**Operating environment:** The general insurance industry GWP grew by 6.7% y-o-y in 2019, while expansion of the motor insurance class recorded a sharp slowdown moderated to 4%. This slowdown reflects subdued economic growth post-Easter Sunday attacks which led to a deceleration in the leasing market. Motor claims remained relatively unchanged during the year.

**Our performance:** The Company performed commendably in challenging industry conditions, to record a growth in motor GWP of 8% thereby surpassing industry growth. Although the captive insurance business which accounts for 82% of our motor insurance portfolio showed a negative growth of 0.43% due to a decrease in leasing volumes, growth in the non-captive market through new customer acquisitions contributed towards GWP expansion during the year.

	2019	2018	% Change
GWP (Rs. Mn)	6,030	5,592	8
Reinsurance premium (Rs. Mn)	(581)	(482)	20
Net claims (Rs. Mn)	(3,553)	(3,237)	10
Underwriting results (Rs. Mn)	65	124	(47)
Net claims ratio (%)	67.5	68.7	1

Despite a near 10% increase in motor claims, the Company's motor claims ratio improved to 67.5% from 68.7% the previous year. This is attributed to the effective management of claims and timely increase of premiums in certain loss-making categories. Meanwhile, reinsurance ceded increased by 20% during the year; overall, the motor segment's underwriting results declined by 47% to Rs. 65 million reflecting the slowdown in premium growth and increased claims.

## Non-motor

**Operating environment:** Non-motor insurance market performed well during the year, with health and fire insurance recording respective growth rates of 16.9% and 15.5%. Marine insurance which remains a relatively low contributor to industry GWP increased by just 1.3% during the year. Meanwhile, claims in all three classes increased during the year.

## Our performance:

	2019	2018	% Change
GWP (Rs. Mn)			
Fire	483	447	08
Marine	19	9	103
Miscellaneous	396	388	02
Reinsurance premium (Rs. Mn)			
Fire	(331)	(287)	16
Marine	(15)	(7)	112
Miscellaneous	(90)	(68)	32
Net claims (Rs. Mn)			
Fire	(67)	(88)	25
Marine	(2)	(0.5)	201
Miscellaneous	(342)	(249)	37
Net claims ratio (%)			
Fire	45%	282%	237
Marine	59%	0%	59
Miscellaneous	115%	77%	38



As listed in the table above, all three sub-sectors of fire, marine and miscellaneous insurance showed GWP growth during the year, reflecting the Company's strategic emphasis on expanding its non-motor business. Claims in the fire category declined by 25% during the year, while health insurance recorded relatively higher claims. High claims is an industry-wide phenomenon in health insurance, with some operators recording claims ratio of over 100%.

## Outlook

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Unprecedented challenges in 2020 following the outbreak of the COVID-19 pandemic is expected to significantly temper our short-term outlook. While operations have gradually returned to normalcy, premium collection is expected to be somewhat challenging given the grace period granted by the Government for premium payments as well as impact on disposable incomes. On the other hand, policy stability and better business sentiments following the recently-concluded General Elections signal towards some upside potential. We will maintain focus on developing our channels to drive further market penetration. Bancassurance is also a channel that we will be aggressively pursuing to grow our business; in this regard we hope to leverage on group synergies with emphasis on non-motor insurance. Keeping abreast with technology that is constantly evolving is a challenge that we are embracing, realising the competitive edge digitalisation will provide us. We are enhancing our digital footprint with mobile apps for assessors and customers (for claims processing) to be introduced in the coming year.

# Performance Against Strategy

## Business Growth



Our objective is to drive long-term business growth through consolidating our captive business while increasing contributions from direct business. This entails strengthening relationships with business partners, delivering innovative product solutions and driving group synergies.

### Initiatives in 2019

- ➔ Opened six regional offices and recruited 71 marketing officers during the year
- ➔ Strengthened research and development capabilities to better understand customer needs and drive market segmentation
- ➔ Strengthened relationships with business partners including banks, finance companies, traders' associations, brokers and agency force
- ➔ Increased emphasis on bancassurance

### Resources Allocated



**20**  
new customer  
contact points



**14**  
relationships with  
new business  
partners

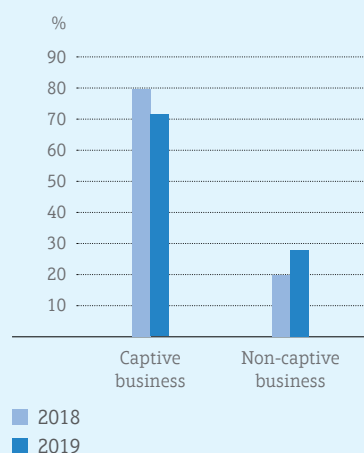


**71**  
new marketing  
officers added to team

### How We Performed

KPI	Target 2019	Actual 2019	Actual 2018
GWP growth (%)	10%	8%	17%
Revenue growth(%)	21%	12%	13%
Contribution from non-captive business	30%	26%	20%

### Premium Income Growth



### Key Challenges

- ➔ Moderation in economic conditions and its impact on customer affordability
- ➔ Relatively low brand visibility, particularly for direct business

### Priorities for 2020

- ➔ Further leverage on group synergies by capitalising on opportunities presented by People's Bank
- ➔ Pursue product bundling and cross sell opportunities

## Profit Growth



Our strategy is aimed at achieving sustainable improvements in profitability through driving operational efficiencies and leveraging on our low-cost distribution model.

### Initiatives in 2019

- Increased focus on product/segment profitability, particularly in the retail market
- Proactive management of investment portfolio
- Provide training opportunities to develop technical skills

### Resources Allocated



**Rs. 6.5 Mn**

investment in  
developing technical  
skills

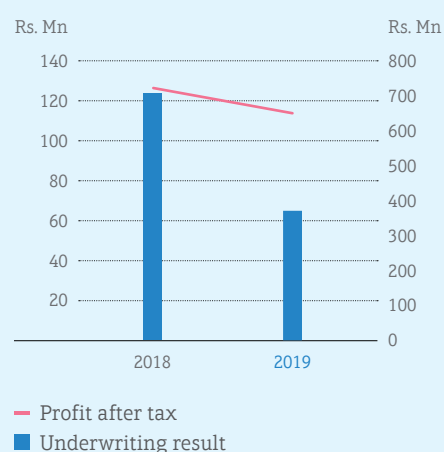


Initiatives to build  
organisational capital

### How We Performed

KPI	Target 2019	Actual 2019	Actual 2018
Net claims ratio (%)	67.7	67.5	68.7
Net expense ratio (%)	30.2	31.2	28.6
Net combined ratio (%)	97.9	98.7	97.4
Underwriting result (Rs. Mn)	119	65	124

### Profitability



### Key Challenges

- Rising acquisition costs
- Intense price competition

### Priorities for 2020

- Maintain net combined ratio below 100%
- Drive growth in more profitable business segments

## Performance Against Strategy

### Customer Service Excellence



Offer best-in-class customer service and a unique customer experience through innovative product solutions, close engagement and deployment of latest technology.

#### Initiatives in 2019

- Launch of three new products with unique features (People's Guardian, Call and Go and Tuk Tuk motor insurance for three-wheelers)
- Value addition to existing generic products through introducing new features
- Customer engagement through 360 degree awareness campaigns and increased social media engagement
- Customer satisfaction surveys carried out by the R&D department

#### Resources Allocated



**Rs. 30.8 Mn**

Investment in marketing and promotional activities



Strong research and development team



300 training hours on customer service to 50 customer relationship officers

#### How We Performed

KPI	Target 2019	Actual 2019	Actual 2018
Customer retention (%)	>75	69	67
Customer complaints resolved (%)	100	100	100
Customer satisfaction (%)	>70	67	67

#### Key Challenges

- Increasing competitive intensity

#### Priorities for 2020

- Deliver a holistic customer value proposition offering solutions catering to different stages of customers' lives
- Customer segmentation and targeted marketing



## Optimisation of Resource Utilisation



Enhance operational efficiencies, drive productivity improvements and elevate the overall customer experience through strengthening our digital offering.

### Initiatives in 2019

- Received ISO 9001:2015 Quality Management System certification by the Sri Lanka Standards Institution

### Resources Allocated



20

New customer  
contact points

### How We Performed

KPI	Target 2019	Actual 2019
Obtaining ISO certification	100%	100%
Initialise workflow management	100%	100%
Develop an application to issue policies	100%	100%

### Key Challenges

- Rapid technological advancements

### Priorities for 2020

- Implementation of the digital road map
- Pursue digital delivery methods and alternative premium settlement platforms including online and mobile platforms
- Launch mobile applications for efficient service delivery

# Performance Against Strategy

## Creation of a Preferred Workplace



Create a dynamic and conducive workplace to attract, retain and develop the industry's best talent through a unique value proposition.

### Initiatives in 2019

- Recruited 193 employees through competency-based recruitment methods
- Comprehensive succession plan formulated during the year
- Ongoing investment in employee training and development
- Performance based appraisal

### Resources Allocated



**Rs. 6.5 Mn**

Investment in  
training and  
development



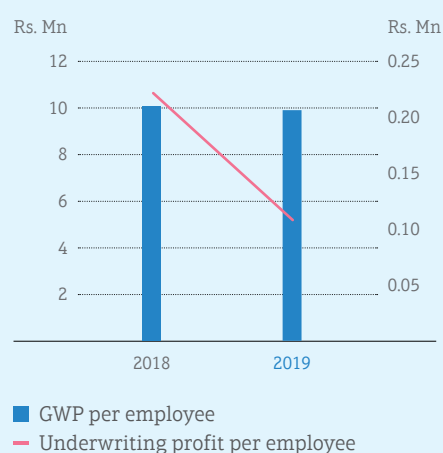
**Rs. 445 Mn**

Payments to  
employees

### How We Performed

- Employee retention rate: 77%

### Employee Productivity



### Key Challenges

- Industry-wide shortage of skilled talent
- Relatively high levels of employee turnover
- Bridging generation gap among employees

### Priorities for 2020

- Nurture a mentoring culture to build tacit knowledge and leadership skills
- Identification of talent gaps and implementation of talent development plans
- Create talent pools and robust succession planning process for executive and above positions in the company.
- Implement competency mapping initiative for executives and above employment categories for entire organisation.

## Compliance



We are committed to maintaining the highest level of integrity in all our operations while ensuring compliance with all relevant regulations, laws and guidelines

### Initiatives in 2019

- Fully compliant with the Regulation of Insurance Industry Act and amendments under the Insurance Regulatory Commission of Sri Lanka
- Fully compliant with the Continued Listing Rules of the Colombo Stock Exchange

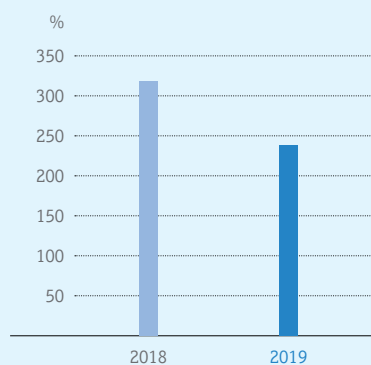
### Resources Allocated



Appointed a dedicated Risk and Compliance Officer

### How We Performed

#### Capital Adequacy Ratio



### Key Challenges

- Upcoming implementation of IFRS 17 which is likely to entail substantial system changes and costs

### Priorities for 2020

- Groundwork for the implementation of IFRS 17

## Performance Against Strategy

### Social and Environmental Commitment



Achieve our sustainability aspirations through the implementation of strategic CSR projects and driving consistent reductions in the Company's carbon footprint.

#### Initiatives in 2019

- Ongoing sponsorship for one million tree programme of the Sri Lanka Climate Fund

#### Resources Allocated



**Rs. 0.4 Mn**  
investment in CSR

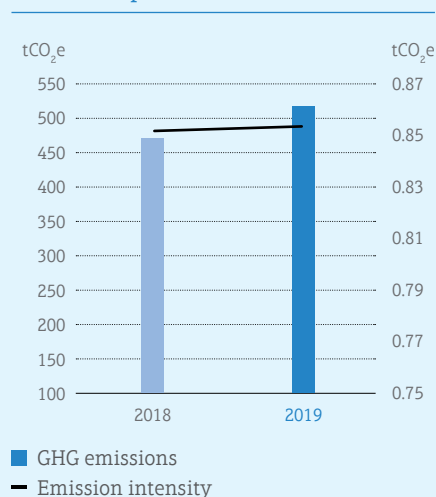


**250**  
employee volunteer  
hours

#### How We Performed

- Maintain 0.86 tCO<sub>2</sub>e carbon intensity

#### Carbon Footprint



#### Key Challenges

- Creating a business case for initiatives
- Aligning Company initiatives with national direction on corporate social responsibility

#### Priorities for 2020

- Launch environmental and community related campaigns according to national direction
- Drive ongoing reduction of carbon footprint



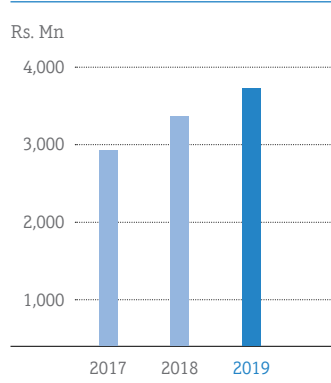
# Stakeholder Value Creation

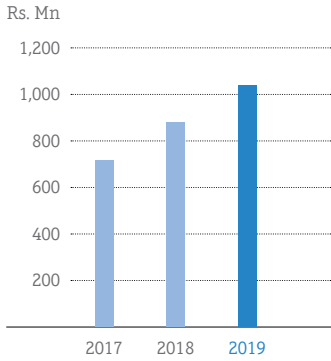
Stakeholder concerns are a key consideration in determining the Company's material topics and strategic agenda. The Company's long-term strategy is designed to fulfil the legitimate interests of stakeholders, which are identified through a range of formal and informal engagement platforms. The Company uses three criteria in order to determine which stakeholders to engage with; namely, willingness, expertise and value of engagement.

Key stakeholders engaged, the quality of the engagement and the value created during the year is presented in tabular form below;

Stakeholder group and profile	Method and frequency of engagement	Quality of relationship	Concerns raised during the year and strategic response	Track record of value creation																
<b>Shareholders/ Investors</b> <ul style="list-style-type: none"><li>➤ Parent entity, People's Leasing &amp; Finance PLC (PLC)</li><li>➤ Ultimate parent, People's Bank</li><li>➤ 25% of minority shareholders</li></ul>	<ul style="list-style-type: none"><li>➤ Annual General Meeting</li><li>➤ Annual Report</li><li>➤ Board papers (monthly)</li><li>➤ Quarterly financial results</li><li>➤ Investor meetings (as and when required)</li><li>➤ Networking events (ongoing)</li><li>➤ Disclosures to the CSE (ongoing)</li></ul>	<b>Strong</b> <ul style="list-style-type: none"><li>➤ Well attended AGM</li><li>➤ Proactive involvement in strategy formulation with Board members representing PLC and People's Bank</li><li>➤ 70% contribution from captive business of the Group</li></ul>	<ul style="list-style-type: none"><li>➤ Sustainable growth in earnings</li><li>➤ Healthy financial position</li><li>➤ Market position and competitive edge</li><li>➤ Risk management practices</li><li>➤ Compliance and good governance</li><li>➤ Social and environmental responsibility</li></ul> <div>Response: Pursue avenues for market penetration, diversification and innovation to consistently drive business growth. Maintain timely and transparent communication with all investors</div>	<b>Shareholder Returns</b> <table><thead><tr><th>Year</th><th>EPS (Rs.)</th><th>DPS (Rs.)</th><th>ROE (%)</th></tr></thead><tbody><tr><td>2017</td><td>3.8</td><td>2.0</td><td>15</td></tr><tr><td>2018</td><td>3.5</td><td>1.8</td><td>20</td></tr><tr><td>2019</td><td>3.2</td><td>1.8</td><td>25</td></tr></tbody></table> <ul style="list-style-type: none"><li>■ EPS</li><li>■ DPS</li><li>— ROE(%)</li></ul>	Year	EPS (Rs.)	DPS (Rs.)	ROE (%)	2017	3.8	2.0	15	2018	3.5	1.8	20	2019	3.2	1.8	25
Year	EPS (Rs.)	DPS (Rs.)	ROE (%)																	
2017	3.8	2.0	15																	
2018	3.5	1.8	20																	
2019	3.2	1.8	25																	
<b>Employees</b> <ul style="list-style-type: none"><li>➤ 458 permanent employees</li><li>➤ 145 employees on probation</li><li>➤ 4 contract employees</li></ul>	<ul style="list-style-type: none"><li>➤ Performance appraisal (annual)</li><li>➤ Multi-level staff meetings (ongoing)</li><li>➤ Year-round event calendar (ongoing)</li><li>➤ CSR activities (ongoing)</li><li>➤ Training programmes (ongoing)</li><li>➤ Newsletter (quarterly)</li><li>➤ Intranet (ongoing)</li></ul>	<b>Strong</b> <ul style="list-style-type: none"><li>➤ Employee retention rate of 77%</li><li>➤ Proactive engagement in employee engagement activities</li></ul>	<ul style="list-style-type: none"><li>➤ Attractive remuneration and rewards</li><li>➤ Opportunities for skill development</li><li>➤ Career progression</li><li>➤ Job security</li><li>➤ Dynamic work environment</li><li>➤ Fair employee practices</li></ul> <div>Response: Addressed through the 'Creation of a preferred workplace' pillar of our strategy (refer page 70 for further information)</div>	<b>Employee Value</b> <table><thead><tr><th>Year</th><th>Payments to employees (Rs. Mn)</th><th>Training investment (Rs. Mn)</th></tr></thead><tbody><tr><td>2017</td><td>210</td><td>3</td></tr><tr><td>2018</td><td>340</td><td>6</td></tr><tr><td>2019</td><td>430</td><td>6</td></tr></tbody></table> <ul style="list-style-type: none"><li>■ Payments to employees</li><li>— Training investment</li></ul>	Year	Payments to employees (Rs. Mn)	Training investment (Rs. Mn)	2017	210	3	2018	340	6	2019	430	6				
Year	Payments to employees (Rs. Mn)	Training investment (Rs. Mn)																		
2017	210	3																		
2018	340	6																		
2019	430	6																		

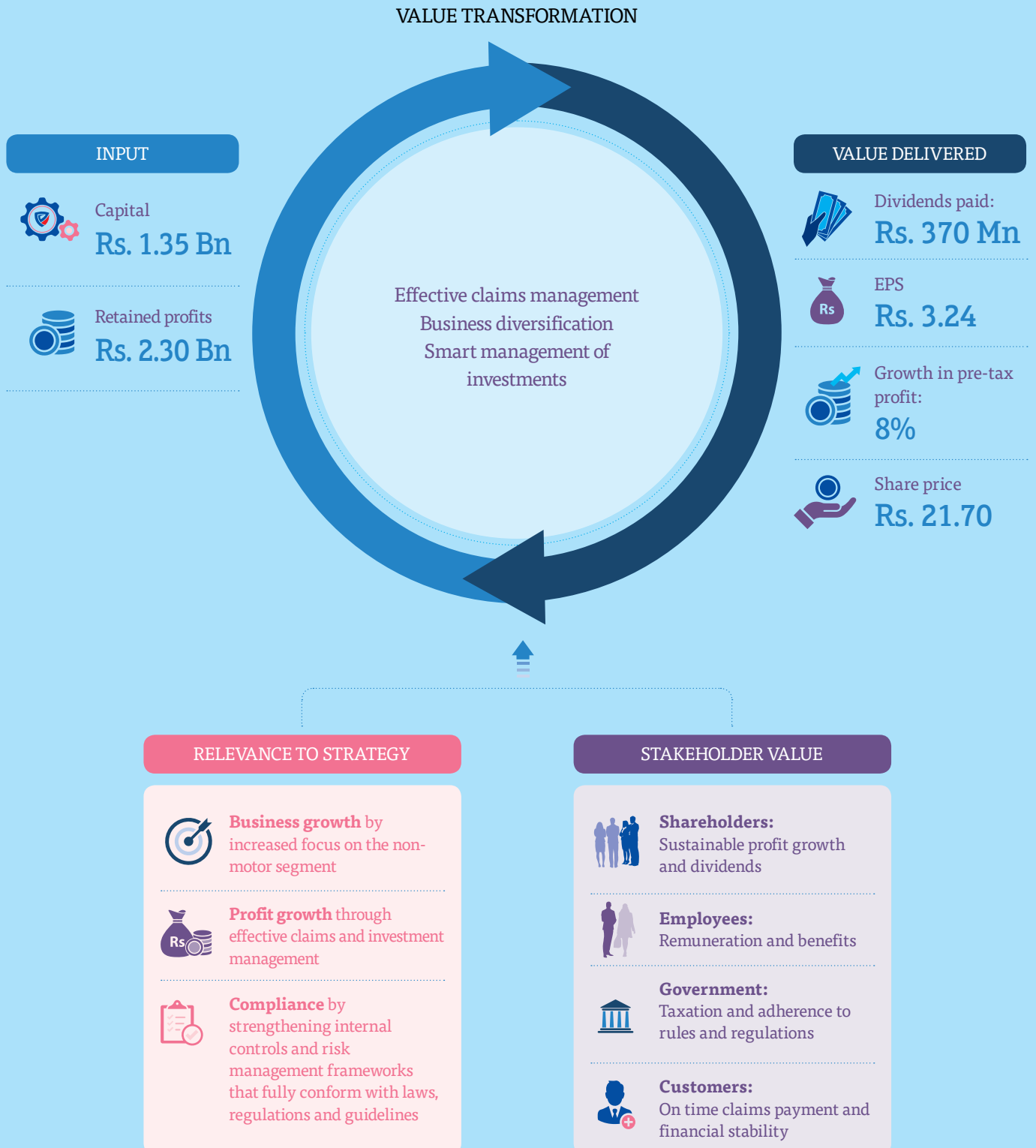
## Stakeholder Value Creation

Stakeholder group and profile	Method and frequency of engagement	Quality of relationship	Concerns raised during the year and strategic response	Track record of value creation								
<b>Customers</b> 181, 453 of customers	<ul style="list-style-type: none"><li>➔ Face to face interaction (ongoing)</li><li>➔ Communication materials (ongoing)</li><li>➔ 24-hour call centre</li><li>➔ Road shows (ongoing)</li><li>➔ Customer complaint procedure (ongoing)</li><li>➔ Media (ongoing)</li></ul>	<b>Good</b> <ul style="list-style-type: none"><li>➔ Customer retention rate of 69%</li><li>➔ Customer complaints received: 17</li></ul>	<ul style="list-style-type: none"><li>➔ Competitive pricing</li><li>➔ Innovative product solutions</li><li>➔ Convenient and fair claims settlement</li><li>➔ Quick turnaround time for claims processing</li><li>➔ Good customer service</li></ul> <div>Response: Customer centricity is a key aspect of our strategy and our customer value proposition includes all the above elements(refer page 68 for further information)</div>	<b>Claims Settled</b>  <table><caption>Claims Settled (Rs. Mn)</caption><thead><tr><th>Year</th><th>Claims Settled (Rs. Mn)</th></tr></thead><tbody><tr><td>2017</td><td>2,900</td></tr><tr><td>2018</td><td>3,300</td></tr><tr><td>2019</td><td>3,600</td></tr></tbody></table>	Year	Claims Settled (Rs. Mn)	2017	2,900	2018	3,300	2019	3,600
Year	Claims Settled (Rs. Mn)											
2017	2,900											
2018	3,300											
2019	3,600											
<b>Business partners</b> 55 suppliers 09 reinsurers 53 brokers vehicle agents, garages and financial institutions	<ul style="list-style-type: none"><li>➔ Meetings (ongoing)</li><li>➔ Training programmes (ongoing)</li><li>➔ Reinsurance declarations (ongoing)</li></ul>	<b>Moderate</b> <ul style="list-style-type: none"><li>➔ New business generated Rs. 1,492 Mn</li></ul>	<ul style="list-style-type: none"><li>➔ Opportunities for business growth</li><li>➔ Prompt payment</li><li>➔ Ease of doing business</li><li>➔ Good business practices</li><li>➔ Timely disclosure of relevant information</li></ul> <div>Response: Aligned to our strategy of expanding non-captive business, the Company intends to strengthen ties with business partners, offering a win-win value proposition (refer to page 66 for further information)</div>	Payments to suppliers - Rs. 96 Mn Payments to reinsurers - Rs. 680 Mn Payments to brokers - Rs. 32 Mn								

Stakeholder group and profile	Method and frequency of engagement	Quality of relationship	Concerns raised during the year and strategic response	Track record of value creation								
<b>Regulators</b> Insurance Regulatory Commission of Sri Lanka Colombo Stock Exchange Department of Inland Revenue	<ul style="list-style-type: none"><li>➔ Meetings (periodic)</li><li>➔ Regulatory reporting (ongoing)</li><li>➔ Written communications (ongoing)</li></ul>	<b>Strong</b> <ul style="list-style-type: none"><li>➔ Fully compliant with all relevant regulations</li></ul>	<ul style="list-style-type: none"><li>➔ Compliance</li><li>➔ Timely payment of taxes</li><li>➔ Good governance</li><li>➔ Good business practices</li><li>➔ Contribution to industry dialog</li></ul> <div>Committed to maintain the highest level of integrity in all our operations while ensuring compliance. (Refer page 71 for further information)</div>	<b>Tax Payments</b>  <table><thead><tr><th>Year</th><th>Tax Payments (Rs. Mn)</th></tr></thead><tbody><tr><td>2017</td><td>700</td></tr><tr><td>2018</td><td>850</td></tr><tr><td>2019</td><td>1000</td></tr></tbody></table>	Year	Tax Payments (Rs. Mn)	2017	700	2018	850	2019	1000
Year	Tax Payments (Rs. Mn)											
2017	700											
2018	850											
2019	1000											
<b>Community</b>	<ul style="list-style-type: none"><li>➔ CSR engagements (ongoing)</li><li>➔ Meetings (if required)</li><li>➔ Branch level engagement (ongoing)</li></ul>	<b>Moderate</b> Maintained harmonious relationships with communities we operate in	<ul style="list-style-type: none"><li>➔ Job creation</li><li>➔ Good business practices</li><li>➔ Community service projects</li><li>➔ Preserving the environment</li></ul> <div>Response: We strive to nurture meaningful and collaborative relationships with our communities through strategic CSR projects (refer page 72 for further information)</div>	Spent Rs. 0.4 Mn for CSR engagement								

# Financial Capital

The Company performed commendably in a challenging year to record growth in pre-tax profit of 8%, driven by GWP expansion of 8%, effective claims management and strong growth in interest and dividend income. While underwriting performance declined in comparison to the previous year, PI remains one of the industry's few insurers to generate profits at underwriting level, supported primarily by its low-cost distribution model.





## Financial Performance

	2019	2018	Variance
Gross written premium (Rs. Mn)	6,030	5,592	8%
Net earned premium (Rs. Mn)	5,262	4,710	12%
Net claims and expenses (Rs. Mn)	(5,197)	(4,586)	13%
Underwriting profit (Rs. Mn)	65	124	-47%
Investment & other income (Rs. Mn)	847	723	17.1%
Profit before tax (Rs. Mn)	912	847	8%
Taxation (Rs. Mn)	(264)	(118)	124%
Profit for the year (Rs. Mn)	648	729	-13%
Claims ratio (%)	67.52	68.74	-1.22
Expense ratio (%)	31.24	28.63	2.61
Combined ratio (%)	98.76	97.37	1.39

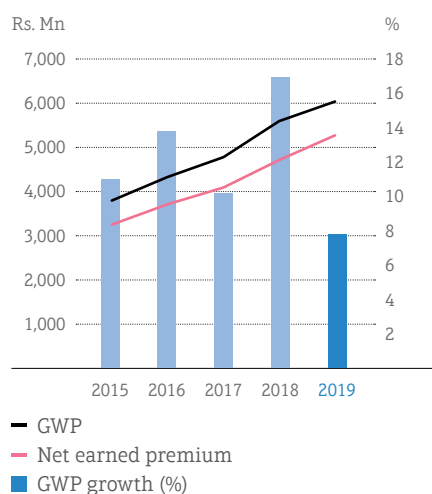
### Gross Written Premium and Net Earned Premium

PI's GWP grew by 8% to Rs. 6.03 Bn during the year, supported by broad-based expansion across all sectors. The Company's growth was marginally above the industry expansion, although the growth record declined in comparison to the previous year's reflecting slower portfolio growth of the parent entity given restrictions on vehicle imports and the general moderation in economic conditions following the April terror attacks. Motor insurance continued to dominate the Company's premium profile, accounting for 85% of total GWP.

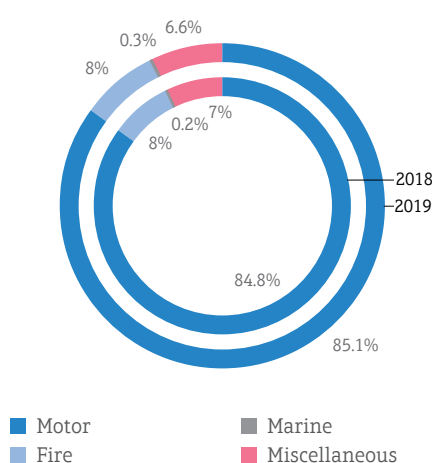
The change in reserve for unearned premiums decreased by 47% in 2019, positively impacting gross earned premium. This reduction stemmed from the relatively slower GWP growth in 2019, which enabled the release of unearned premium recognised in 2018 to the reviewed period.

Meanwhile, premium ceded to reinsurers increased by 20% to Rs. 581 Mn during the year, as we provided insurance for several high-valued policies, which in turn were reinsured through facultative and co-insurance arrangements with relatively high reinsurance premiums. The retention ratio for the year amounted to 90% in 2019. Overall, the Company's net earned premium increased by 12% to Rs. 5.26 Bn in 2019.

### Premium Growth



### Premium Composition



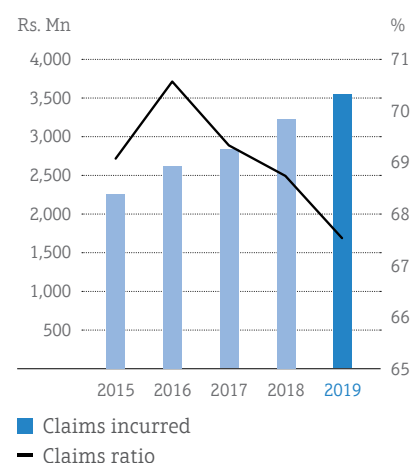
## Insurance Claims and Other Expenses

The Company's net claims increased by 10% to Rs. 3.55 Bn in 2019, driven primarily a significant increase in net claims in the marine class (201%), followed by miscellaneous (37%), fire (25%) and motor (8%). The claims performance of the motor-class improved during the year, also reflecting the Company's strategic decision in increasing premiums of high-claims policies. Overall, the Company's claims ratio improved to 67.52% from 68.74% in the previous year.

Investments made in strengthening sales and marketing channels, as well as deployment of increased resources to back-office functions such as underwriting and claims resulted in the Company's operating and administration costs increasing by 27% during the year. Meanwhile, underwriting and net acquisition costs also increased by 12% during the year. Resultantly, the Company's expense ratio increased to 31.24% from 28.63% the previous year; that said, the expense ratio remains well below the industry average, mainly due to the Company's low-cost distribution model.

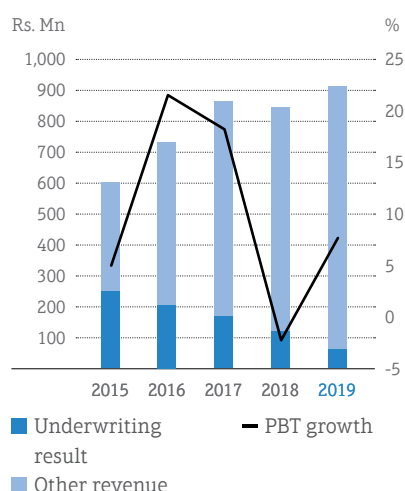
Net combined ratio, which is the addition of the claims ratio and the expense ratio increased to 98.76% (2018 - 97.37%) but remained below the industry combined ratio of 105.30% in 2019.

### Claims Performance



## Financial Capital

### Profitability Trends



### Underwriting Results

Underwriting profit declined by 47% to Rs. 65 Mn during the year, reflecting slower than expected GWP growth and increase in expenses. That said, the Company continues to be one of the few general insurers in the industry generating underwriting profit, attesting to the strength of its operating model.

### Investment and Other Income

The Company's other income consists of fee income, interest and dividend income, net fair value gains/losses and other income and increased by 17% to Rs. 847 Mn during the year. Interest and dividend income account for the bulk of the Company's other income and increased by 18% to Rs. 781 Mn, reflecting astute investment decisions and a 10% increase in funds under management during the year. Meanwhile, fee income increased by 9% in line with GWP growth.

### Profitability

Profit before tax grew to Rs. 912 Mn, an increase of 8% compared to the previous year. However, income tax charge for the year that was more than double that of the previous year at Rs. 264 Mn contributed to the profit for the year declining by 11% to Rs. 647 Mn. The

surge in the income tax charge was mainly attributable to the expiry of the 50% tax concession which the Company enjoyed from 2016 to 2018.

### Financial Strength and Stability

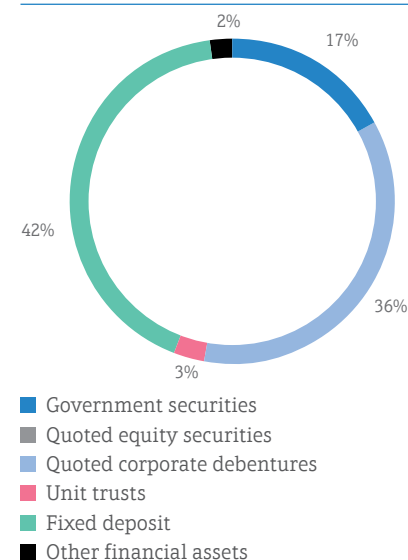
#### Assets

The Company continues to record consistent balance sheet growth, with total assets increasing by 14% to Rs. 9,580 Mn. Asset growth was driven primarily by an increase in the Company's investment portfolio and property, plant & equipment. The latter recorded an increase of 190% to Rs. 238 Mn at the end of the year, primarily due to the adoption of SLFRS 16 – Leases, which requires certain leased land and building to be recognised as an asset. Such recognised assets for the year amounted to Rs. 316 Mn. The corresponding liability for the lease, included under other financial liabilities, resulted in increasing other financial liabilities by 69% to Rs. 676 Mn. The increase in PPE also reflects investments in furniture, computer and office equipment due to business expansion and improving service standards.

Financial investments accounted for 77% of the Company's total assets of PI. Despite reductions in investment yields and the payment of dividends amounting to Rs. 370 Mn, financial assets grew by 10%, supported by profit growth and reinvestment of interest earned. Our investment portfolio continued to be dominated by investments in fixed deposits (42%) and corporate debentures (36%). During the year, we sought diversification of our investment portfolio by investing in unit trusts (2.9%) and unquoted corporate debentures (1.4%). The investment philosophy of PI balances the risks and returns of its investment strategy that underpins the guidelines and regulations for investments under the Risk Based Capital (RBC) regime introduced by the IRCSL.

Reinsurance receivables increased by 229% to Rs. 504 Mn due to several large reinsurance claims that remained unsettled as at year end.

### Our Investment Portfolio - 2019



### Equity

The Company's capital position remains strong, with shareholders' funds amounting to Rs. 3.64 Bn as at end-December 2019 and funding nearly 38% of total assets. Our CAR of 248% as at end-2019, is well above the minimum capital requirement of the RBC regime as well as the industry average of 231.2% for general insurers.

### Liabilities

Insurance contract liabilities include gross provisions for outstanding claims, incurred but not reported claims and provision for net unearned premium. Insurance contract liabilities accounted for 83% of the liabilities and increased by 13% as at year end in line with business growth. To ensure that the required insurance provisions stipulated by the insurance regulator, the IRCSL, were met, we obtained a certification from an independent professional actuarial firm, NMG Financial Services Consulting Pte Ltd. (NMG) on the adequacy of the

provisioning for incurred but not reported claims (IBNR). The IBNR provision, together with case reserves is expected to be adequate to meet future liabilities in respect of our claims obligations as at 31st December 2019.

At the end of each reporting period, insurance companies are required to carry out a Liability Adequacy Test (LAT) according to Sri Lanka Financial Reporting Standards (SLFRS) 4 - Insurance Contracts. LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). PI's consultant actuaries, NMG has certified that UPR maintained by us is adequate in relation to the unexpired risks of PI as at 31st December 2019.

Income tax payable increased by 124% to Rs. 111 Mn. The concession period for a rebate for 50% of income tax came to an end in 2018. This resulted in increasing the income tax expense as well as the income tax payable.

### Cashflows

The Company's cash flow positioned moderated slightly during the year, reflecting subdued operating conditions as well as increased funding directed towards investments. Net cash inflows from operating activities declined to Rs. 1.03 Bn, from Rs. 1.05 Bn the year before mainly due to the increase in income tax expenses. Net cash outflows from investing activities increased to Rs. 751 Mn due to a reduction in investment disposal compared to the previous year. Meanwhile, net cash outflow from financing activities amounted to Rs. 428 Mn, mainly in view of dividends paid. Overall the Company recorded a decrease in cash and cash equivalents of Rs. 178 Mn, compared to an increase of Rs. 119 Mn in the year before.

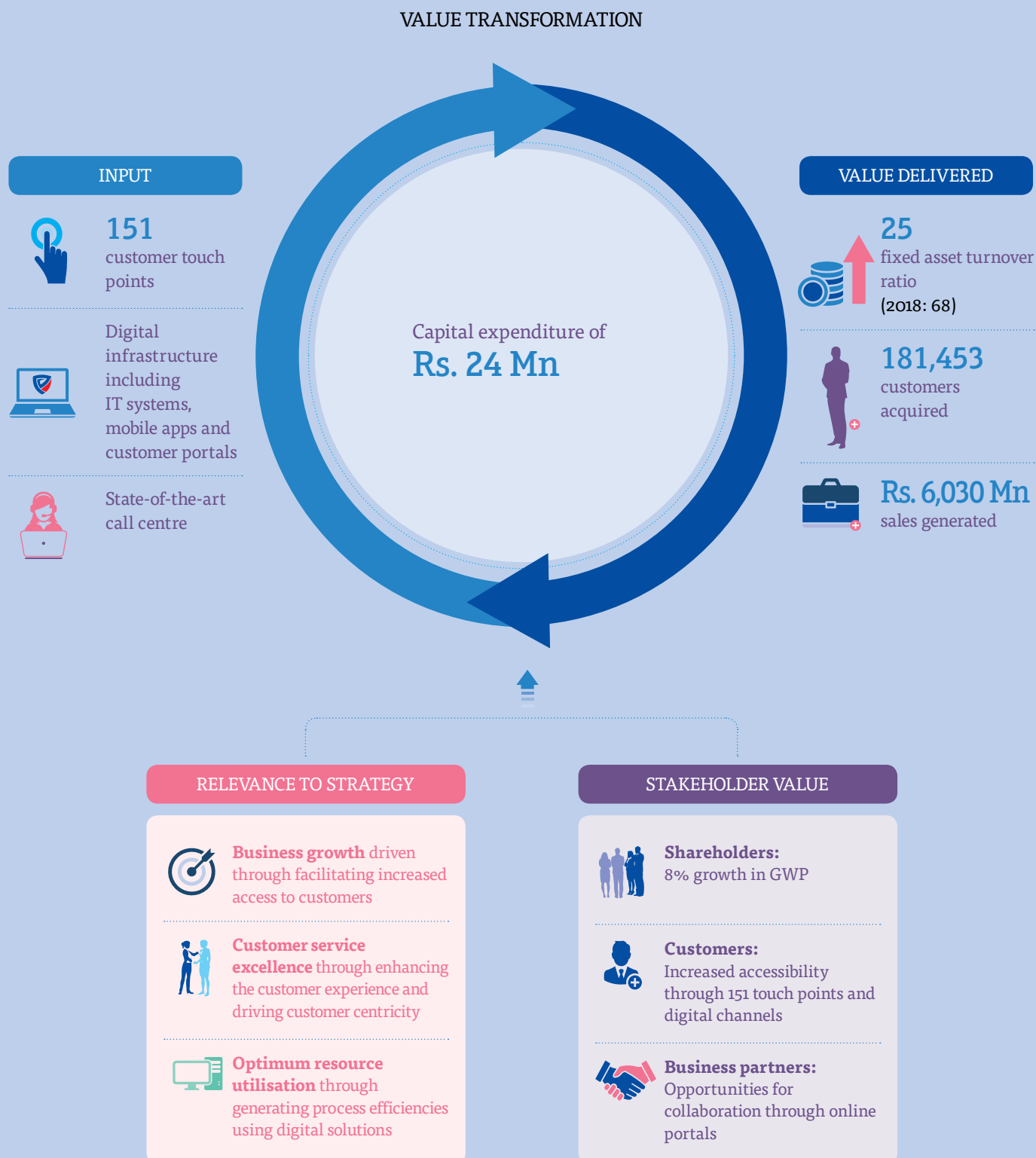
### Value Created for Shareholders

Despite the challenging operating conditions that prevailed, the Company continued to deliver on its shareholder commitments with a dividend payment of Rs. 370 Mn for the period under review. The share price recorded a growth of 13.61% to close the year at Rs. 21.70, reflecting subdued conditions in the Colombo Stock Exchange.

	2019	2018	Variance %
Earnings per share (Rs.)	3.24	3.65	(11.23)
Dividend per share (Rs.)	1.85	1.85	-
Net assets per share (Rs.)	18.21	16.88	7.87
Return on assets (%)	6.76	8.66	(21.95)
Return on equity (%)	17.78	21.60	(17.69)
Share price (closing) (Rs.)	21.70	19.10	13.61
Market capitalisation (Rs. Mn)	4,340	3,820	13.61
P/E ratio (times)	6.70	5.23	27.99
Dividend pay-out ratio (%)	57.13	50.75	12.57

# Manufactured Capital

Our Manufactured Capital consists of our physical and digital infrastructure which facilitate our customer reach and enable the smooth functioning of operations. Our transformation to a client-centric, digitally-enabled organisation is heavily dependent on the quality and adequacy of our Manufactured Capital.



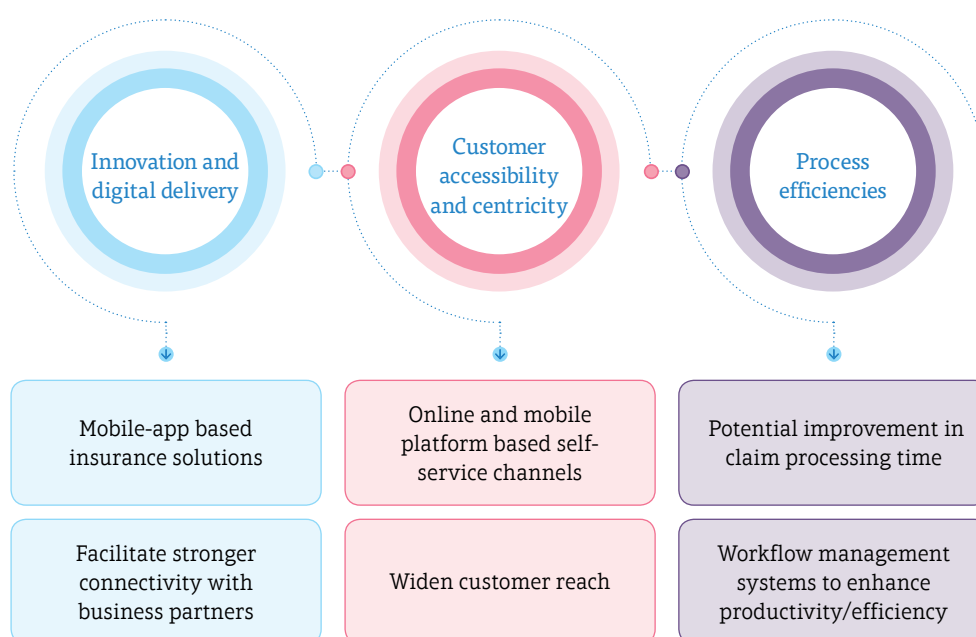
## Physical Infrastructure

PI has the unique advantage of leveraging on the extensive island-wide branch reach of both its parent and ultimate parent, With a network of 151 customer touch points across 25 districts, including 12 regional offices and 138 window offices in PLC and People's Bank branches, the Company is well positioned to further penetrate untapped segments of the market. During the year, we added six regional offices in strategic locations in the districts of Kalutara, Ratnapura, Jaffna, Vavuniya, Polonnaruwa and Matara. We also opened 14 new window offices within PLC branches.

	2019	2018
Regional offices	12	06
Window offices at PLC and People's Bank branches	138	124
Total customer touch points	151	131
Investment in the distribution network (Rs. Mn) including,	34	135
➔ Expansion	18	10
➔ Maintenance and upgrade	4	12

## Leveraging Technology

With the persistent rise in industry-wide acquisition costs, digital delivery has been identified as a key differentiator and is a vital pillar of our strategic agenda. The Company currently operates an e-portal across 739 People's Bank branches, which has allowed it to increase contributions from the bancassurance channel. Our digital strategy is aligned to the Company's three focus areas of innovation, delivery efficiency and customer centricity as illustrated below. Total expenses in minting and enhancing digital infrastructure amounted to Rs. 61.6 Mn during the year.



## Information Systems

The Company currently operates an integrated, end-to-end insurance system which supports the efficient functioning of key operational processes. Five modules support core functions such as policy and claims processing, underwriting, reinsurance as well as non-core functions. The system also facilitates effective decision making and risk management through providing timely and reliable information.

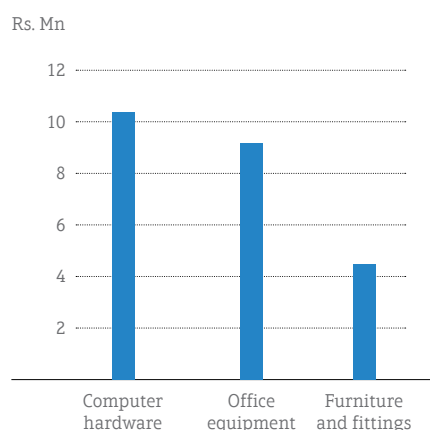


# Manufactured Capital

## Value Addition

In 2019, the Company invested a total of Rs. 24 Mn in strengthening its physical and digital infrastructure, the breakdown of which is graphically illustrated below. Please refer Note 25 of the financial statements for more detailed information.

## Assets Additions in 2019



## Way Forward

The Company's strategic emphasis on developing Manufactured Capital will focus mainly on its digital infrastructure with the following key investments planned over the medium to long-term.

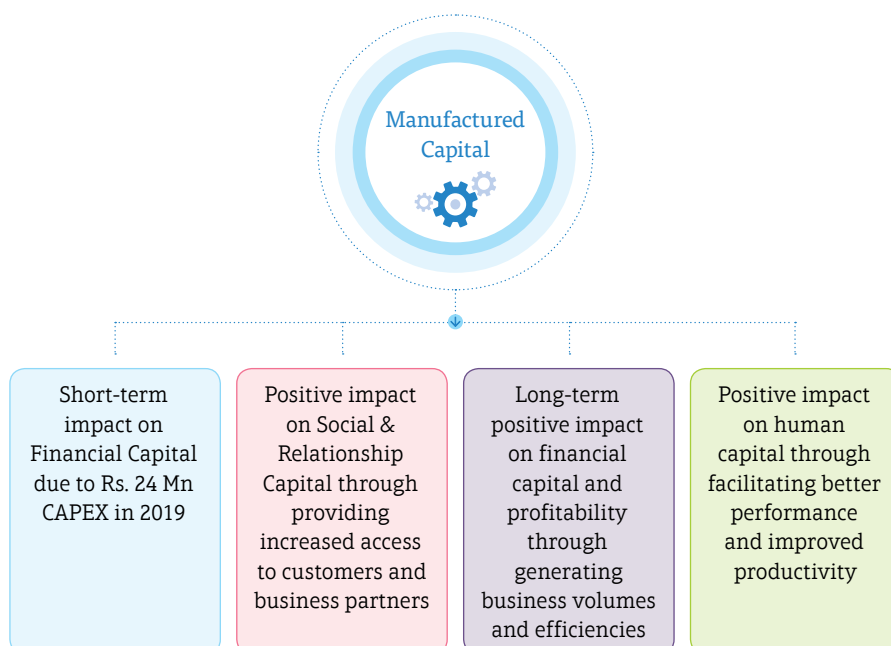
### Short-term

- ➔ Launch of mobile applications to facilitate process efficiency and enhance customer convenience

### Medium to long-term

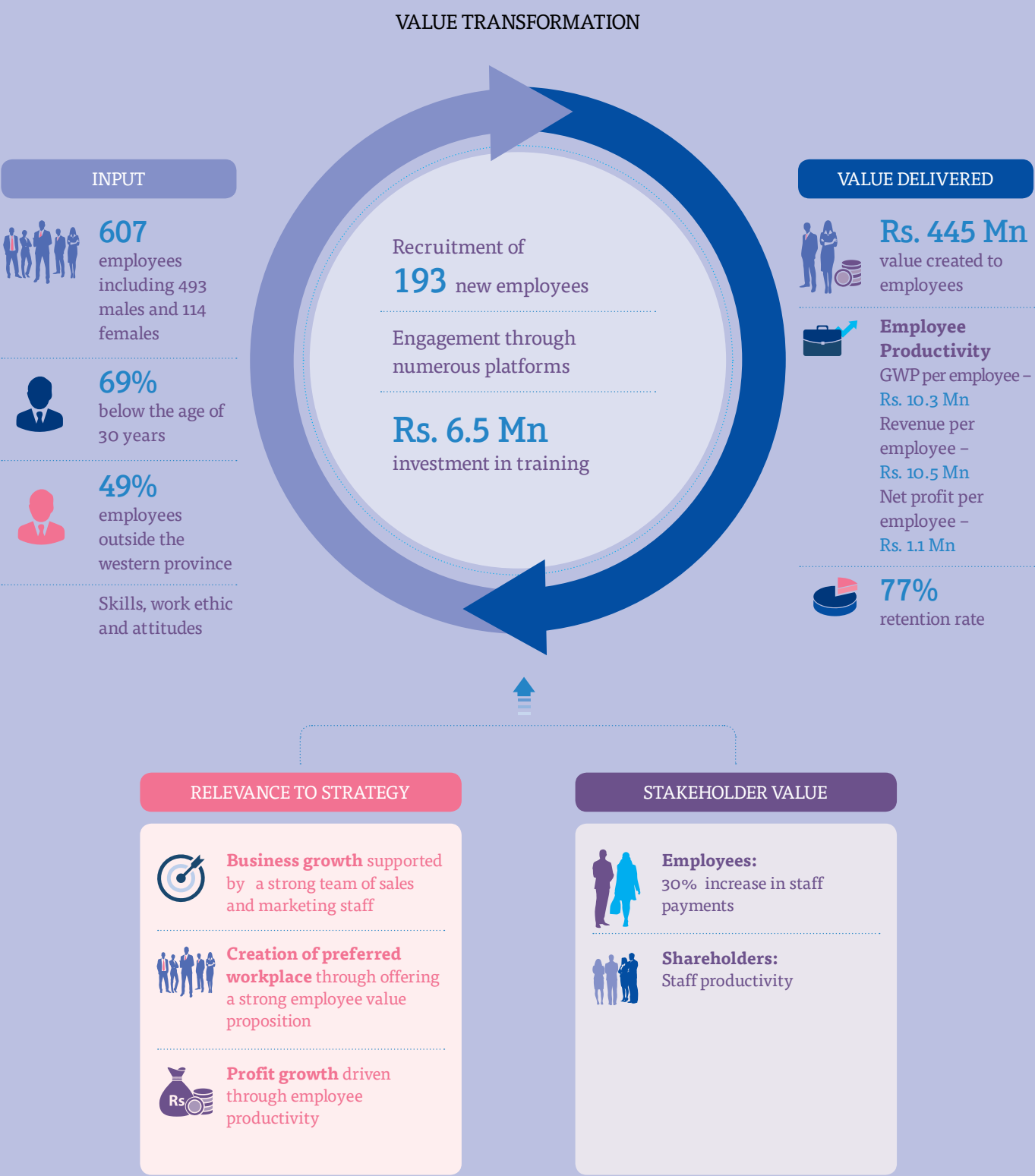
- ➔ Automate critical business processes to enhance efficiency and effectiveness

## Connectivity and Trade-offs Between Capitals



# Human Capital

We strongly believe that our ability to successfully deliver on our strategy and create unique customer experiences is directly correlated to how satisfied and motivated our employees are.



# Human Capital

## People Management

The Company's people management agenda is backed by a robust framework of policies, clearly-defined governance structures and comprehensive strategy which is aligned to our overall corporate strategy. While generally in line with the policy framework of the Group, the Company's policies have been refined to reflect industry dynamics and market practices. Meanwhile, the Employee Code of Conduct and Employee Handbook clearly set out the norms and practices relating to employment as well as Company's expectations on employee behaviour. Key excerpts are presented below;

<b>Recruitment Policy</b> “We are an equal opportunity employer and use hiring practices that are fair, responsible, non-discriminatory and non-exploitative.”	<b>Training and Development Policy</b> The training structure of employees has been formulated to ensure that they gain the required skills and perfect their existing competencies in order to take future challenges in a diversified business environment.	<b>Performance Management Policy</b> Robust, performance-based, performance management frame work and clearly-defined, well calibrated system has been implemented in order to reach company key goals, objectives, competency assessment talent development and career progression of all our staff.
<b>Non-discrimination</b> There were no instances of discrimination recorded during the year under review.		
<b>Employee Code of Conduct</b> <ul style="list-style-type: none"><li>➔ General conduct moral and ethical conduct, lawful direction</li><li>➔ Integrity</li><li>➔ Outside employment</li></ul>		<b>Gender Parity</b> Includes policies on the prevention of sexual harassment at the workplace, diversity and inclusion as well as guidelines on gender pay equality.
<b>Employee Handbook</b> Includes details on recruitment, transfers, working hours, dress code, training and development, communication, workplace behaviour and safety at work among others.		
<b>Communication Policy</b> Clearly mentioned guidelines set in policy to ensure for effective and efficient communication drive of the Company for employee and customer convenience.		
<b>Whistle Blowing Policy</b> The company initiated and rolled out the Whistle Blowing Policy throughout the Company for greater transparency and employee voice.		

## Team Profile

We are powered by a team of 607 dynamic and competent employees who are empowered to deliver results. With an average age of 29, the team is young and agile with a high level of adaptability to changing dynamics. The overall gender representation remains skewed towards males mainly due to the nature of the industry which typically employs males for marketing and field officer roles. However, female representation is relatively high at management levels demonstrating the Company's commitment towards creating an equitable and inclusive workplace for women. We do not engage employees on a part-time basis.

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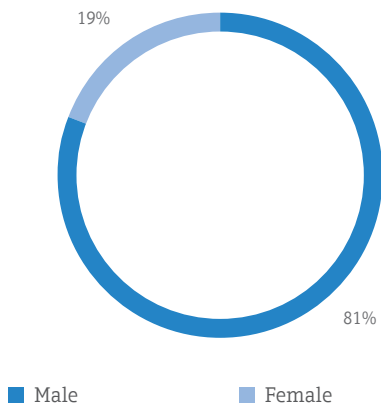
Permanent Employees

2018: 376/2017: 304

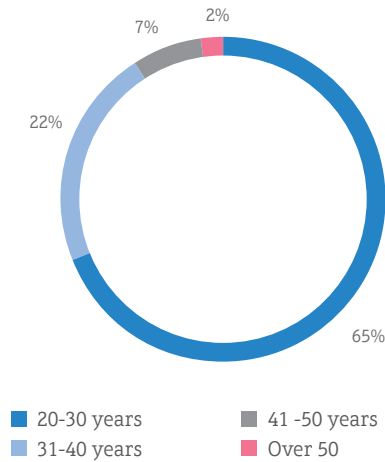


Our Team

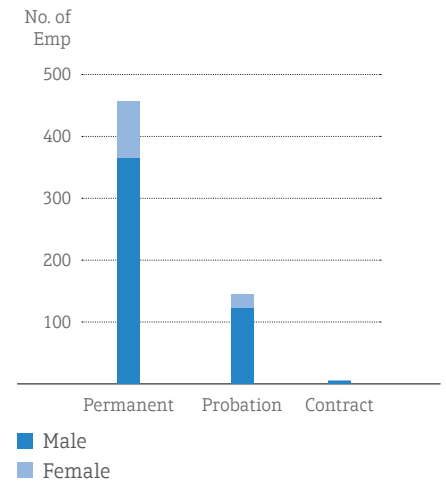
### Gender Representaion



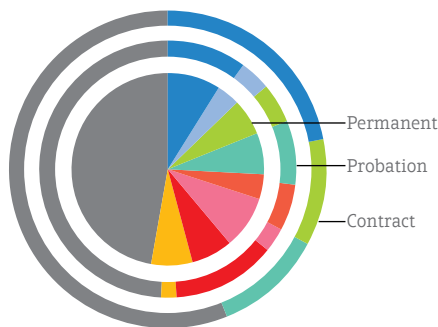
### Employees by Age



### Team by Contract and Gender



### Team by Contract and Region



	Permanent	Probation	Contract
Central	9%	10%	22%
Eastern	4%	4%	0%
North Central	6%	5%	11%
North Western	7%	8%	11%
Northern	4%	6%	0%
Sabaragamuwa	9%	3%	0%
Southern	7%	13%	0%
Uva	7%	2%	0%
Western	47%	49%	56%

### Human Capital Priorities

The Company's human capital strategy supports its overall corporate strategy with recruitment, performance management and talent development practices aligned to focus delivery of the long-term strategic priorities. The following HR priorities have been formulated following a comprehensive assessment of the current employee value proposition we offer, identified talent gaps and the quality of the human capital required to achieve long-term corporate objectives.

### Recruitment and Selection

Recruiting people with the right skills and capabilities is critical to our value creation, particularly given the intensifying competition for specialised skills in the insurance industry. Structured selection and recruitment processes are in place to ensure that employees we recruit have the right competencies and attitudes to thrive in the Company. During the year, we added 193 to the team including replacements primarily to support marketing and sales as we sought volume expansion. The profile of new recruits is illustrated below;

New Recruits by Age			New Recruits by Gender			New Recruits by Location		
	Number	%		Number	%		Number	%
20-30	148	76.7	Male	40	20.7	Central	10	5.2
31-40	27	14.0	Female	153	79.3	Eastern	5	2.6
41-50	16	8.3				North Central	17	8.8
Over 50	2	1.0				North Western	14	7.3
						Northern	17	8.8
						Sabaragamuwa	12	6.2
						Uva	2	1.0
						Southern	13	53.4
						Western	103	6.7

# Human Capital

## Competency Development

Talent gaps are identified through performance appraisals, organisational and industry priorities and requirement and comprehensive training calendar is developed in order to address these gaps. In addition to the induction programme for new recruits, all employees are given opportunities for on-the-job and external training. A dedicated Training and Development Centre (TDC) staffed with internal faculty, drives all internal training programmes, thereby nurturing a culture of knowledge sharing across the organisation.

During the year, we invested Rs. 6.5 Mn in providing 13,986 hours of training with focus on underwriting, management, sales and marketing staff. The Company also supports the lifelong learning of employees through reimbursing fees incurred for professional insurance, marketing and finance qualifications, professional subscriptions and MBAs. Key training programmes conducted during the year and the Company's training record is listed below;

Focus area	Total training hours
Strategy, planning and sustainability	12
Technical training on insurance aspects	3,538
Finance and auditing	214
Legal and compliance	24
Sales and marketing	48
Skills development on leadership and communication	1,172
Induction	7,752
Other	1,225
<b>Total</b>	<b>13,985</b>

## Employee Engagement

The formulation of our employee value proposition is preceded by a high level of employee engagement, which enables us to clearly identify their needs and concerns. At PI, engagement is facilitated through numerous formal and informal platforms as listed below in this Report.

Key engagement platforms/activities in 2019 are listed below;

### Engagement Activities :

- New year celebrations
- Staff get-together
- Christmas celebrations
- 'People's Tune' musical concert
- Wesak dansala
- Energy conservation initiatives
- 5S and quality circles
- Brand upliftment and co-ordination

### Independent Welfare Society:

Annual event calendar which includes celebration of religious and cultural festivals, sports and recreation.

### Whistleblowing Policy:

A policy which allows employees to communicate their grievances, ensuring anonymity and fair treatment.



Staff get-together





### Grievance Redressal:

Fostering a collaborative workplace, we openly communicate and encourage all employees to discuss their ideas and redress their issues and grievances with their immediate supervisors and the management. Our performance appraisal mechanism along with our flatter carder structure complements this process. In addition, our employees also have recourse to a formal grievance redressal mechanism, independently managed by HR department. In the reporting year, we did not record any grievances on labour practices as well as violations of human rights under this formal mechanism.

### Collective Agreements and Minimum Notice Period:

We do not have collective bargaining agreements with trade unions during the period under review. There is neither formal mechanism nor a minimum notice period to inform employees on any structural and operational changes taking place within the Company. However, we are consistent in our engagement and maintain an open dialogue with our employees through regular staff meetings, performance appraisals, newsletters and the intranet. This enables them to be a part of the organisation decision making process and to be well-informed on any material changes to the organisation structure and processes. In the year under review, we did not record any incidences of employee disputes at a collective level.

### Leadership Development

Building a strong pipeline of talent is a key priority and during the year, we clearly defined characteristics and competencies that we expect our leaders to embrace. We also took measures to formulate a clear succession plan through identifying high performers and designing a suite of leadership development programmes to strengthen the next generation of leaders.



109

employees participated in leadership development programmes



34

women participated in leadership development programmes



Internal training



Out-bound training



'People's Tune' musical concert

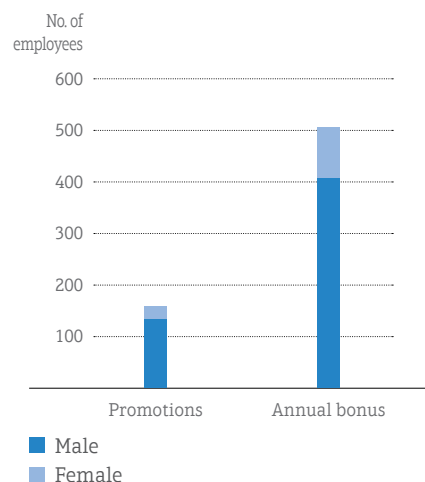


# Human Capital

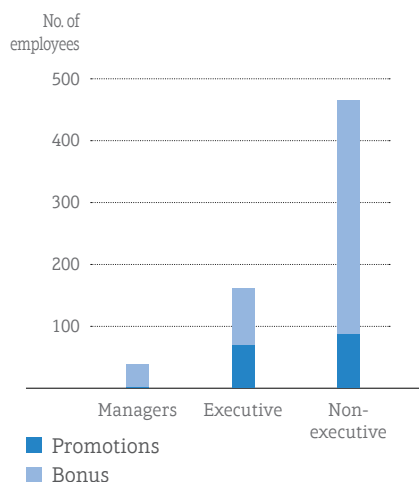
## Performance Management

All permanent employees undergo performance appraisals during the year. This has aided in nurturing a performance-driven culture, enabling the Company to identify and duly reward high-performers. During the year under review, 370 employees were assessed for promotions and 507 were evaluated for bonus payments.

### Appraisals by Gender



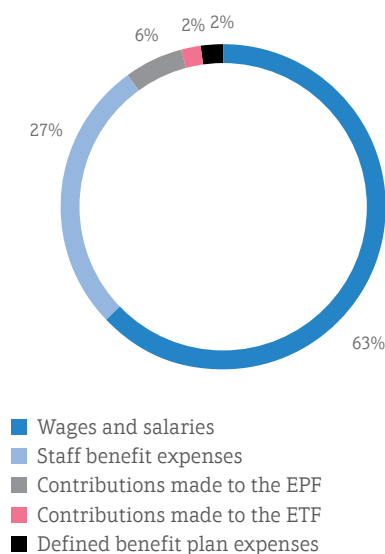
### Appraisals by Category



## Rewards

The Company offers competitive and attractive remuneration which is designed to attract and retain talent. Remuneration consists of both fixed and variable elements, with the latter determined through annual performance appraisals. We also contribute 12% of the basic salary to the Employee Provident Fund and 3% to the Employee Trust Fund. Total remuneration to employees amounted to Rs. 445 Mn during the year, an increase of 30% compared to 2018.

### Compensation and Benefits



### Benefits Given to Permanent Employees

- Medical insurance
- Vehicle loans
- Travelling reimbursements
- Housing loan interest reimbursements
- Mobile connections and devices
- Staff supporting loan
- Reimbursement of professional membership fee
- Reimbursement of professional exam fee
- Gymnasium facilities
- Staff welfare society benefits (including death donations)
- Holiday bungalows at concessionary rates

## Employee Retention

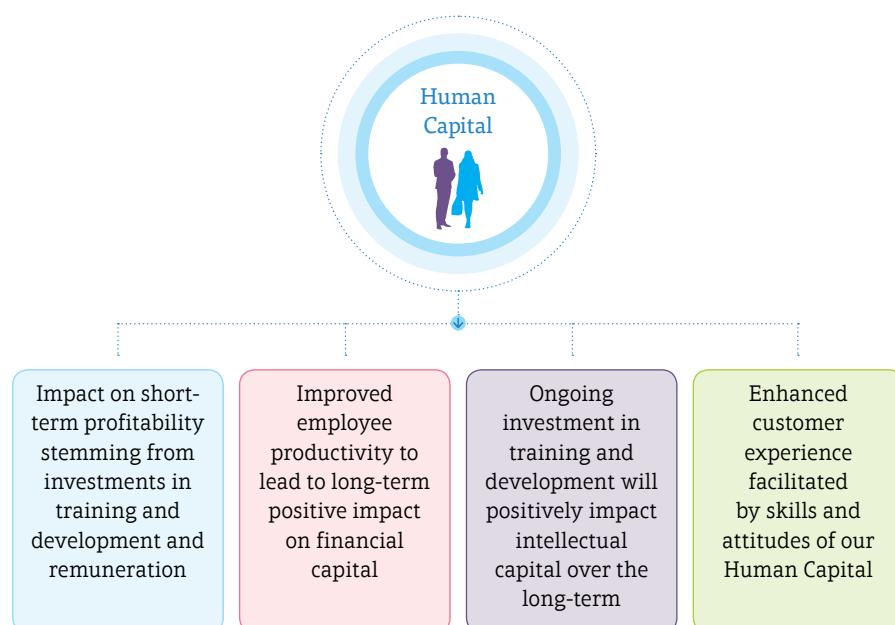
Retention is an industry-wide challenge given the intense competition for specialised skills in the market. Turnover levels are typically highest in the marketing and field officer categories. The Company's overall retention rate amounted to 77% in 2019, which is same rate as previous year. Our strategic approach towards managing our human capital and the unique proposition offered to employees is expected to support improved retention levels over the medium to long-term.

Turnover by Age			Turnover by gender					
Age	Number	%		Number	%		Number	%
20-30	111	27	Male	103	22	Central	5	9
31-40	14	11	Female	30	27	Eastern	2	9
41-50	8	22				North Central	9	29
Over 50	0	0				North Western	9	21
						Northern	7	32
						Sabaragamuwa	3	8
						Southern	10	19
						Uva	1	4
						Western	87	30

## Way Forward

As a key pillar of our strategy, we will continue to place emphasis on enhancing our employee value proposition with focus on succession planning, leadership development and talent management. We hope to identify high performers and create talent pools in the categories of management, assistant managers/executives and non-executive employees with a view to strengthening our talent pipeline and empowering the next generation of leaders.

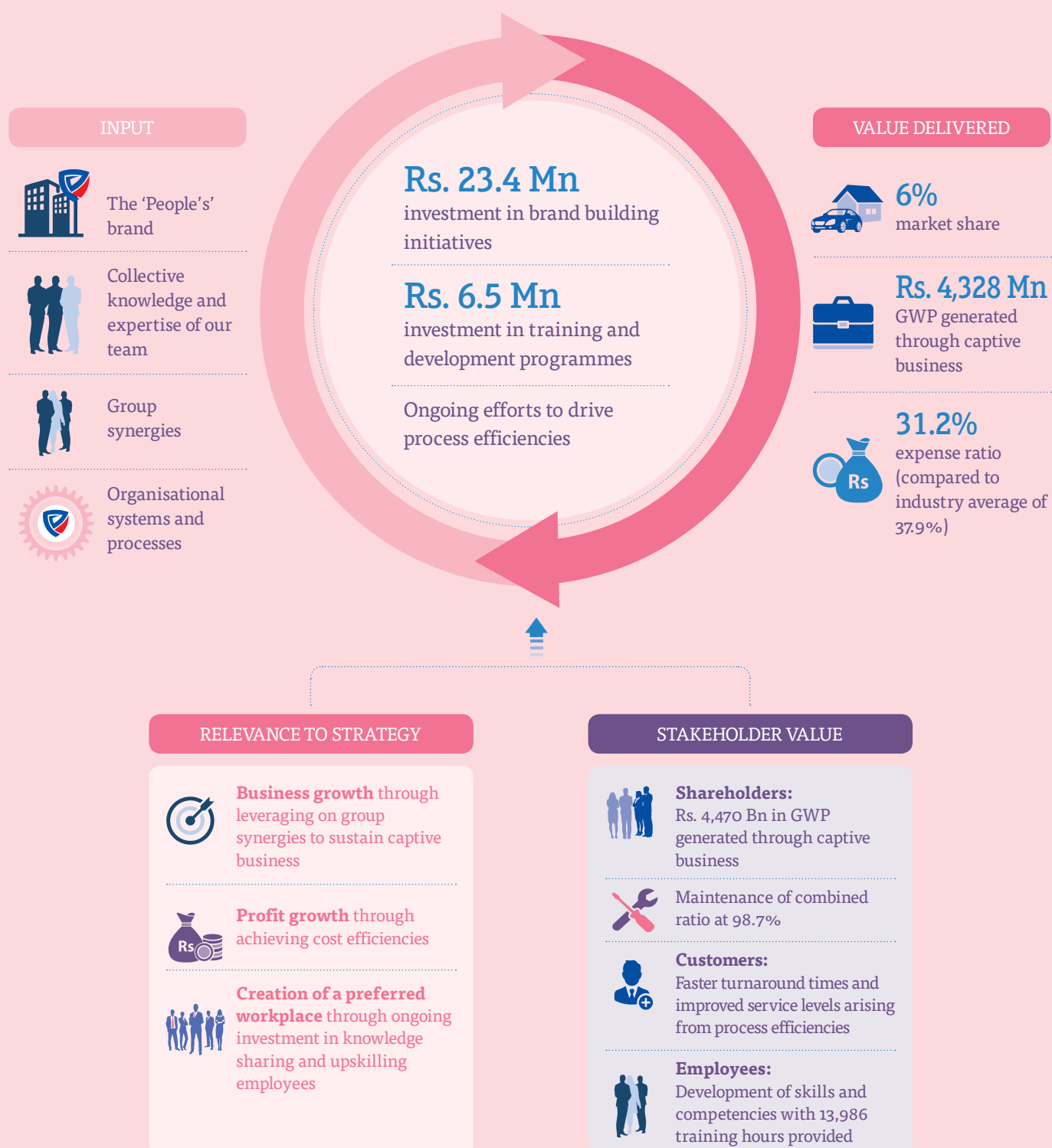
### Connectivity and Trade-offs Between Capitals



# Intellectual Capital

As an organisation operating in an intensely competitive market space, our ability to understand changing consumer preferences and sustain our competitive position is dependent on intangible factors such as our tacit knowledge, brand value and operating processes. These elements form our Intellectual Capital and play a vital role in sharpening our competitive edge.

## VALUE TRANSFORMATION



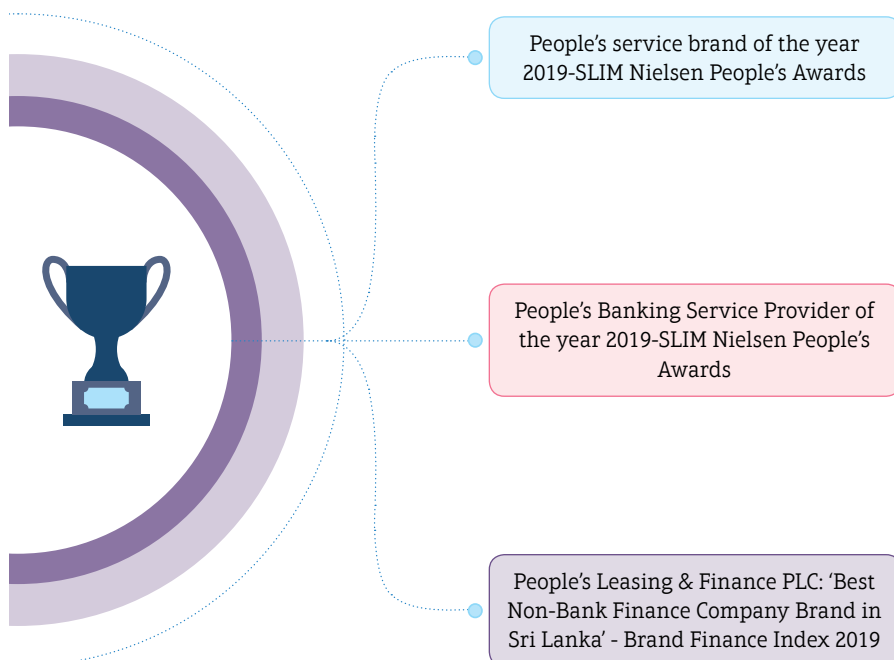


## Our Brand

As part of the People's Bank Group, we are uniquely positioned to benefit from the 'People's' brand-one of Sri Lanka's strongest financial service brands. This has been a contributing factor in enabling the Company to gain market share and emerge as Sri Lanka's fifth largest non-life insurer excluding National Insurance Trust Fund within a relatively short period of time. As the second largest licensed commercial bank and largest NBFI in the country, the state-owned People's Bank and People's Leasing & Finance PLC are associated with the brand attributes of trust, stability and long-term partnership. It is frequently featured among the country's top brands in independent brand rankings and in 2019, People's Bank was adjudged Sri Lanka's third most valuable brand with an estimated brand value of Rs. 45.5 Bn (Brand Finance, 2019).

## Organisational Tacit Knowledge

Our Board of Directors as well as our leadership team combine a wealth of expertise and insights from the insurance industry. This knowledge base forms a unique collective of organisational capital/tacit knowledge which is critical in strategy formulation, collaborating with business partners and understanding customer and market dynamics. This tacit knowledge is further nurtured through a culture of knowledge sharing and mentoring.



We invested Rs. 23.4 Mn in brand building initiatives during the year which included;

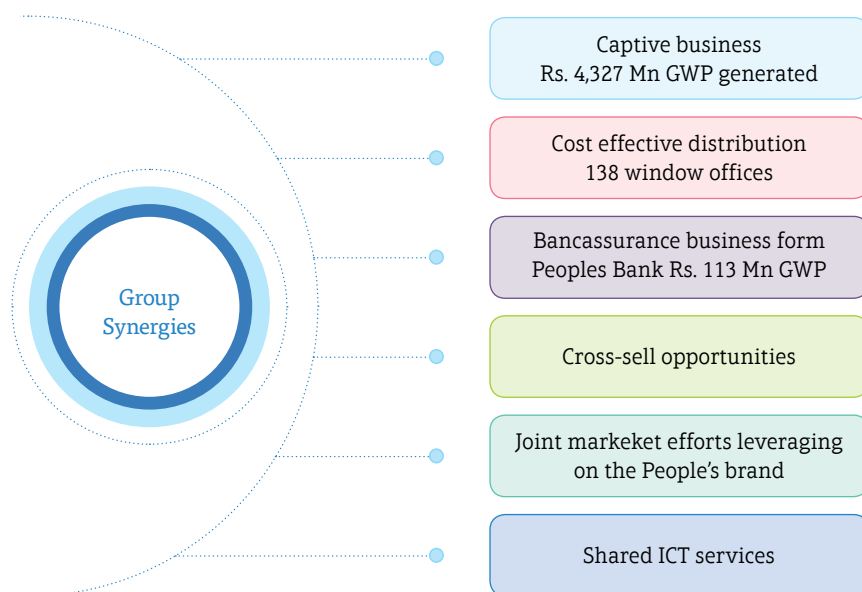
- ➔ 360° advertising campaign targeting mass penetration
- ➔ Social media campaigns
- ➔ Signage in island wide branch and window office network



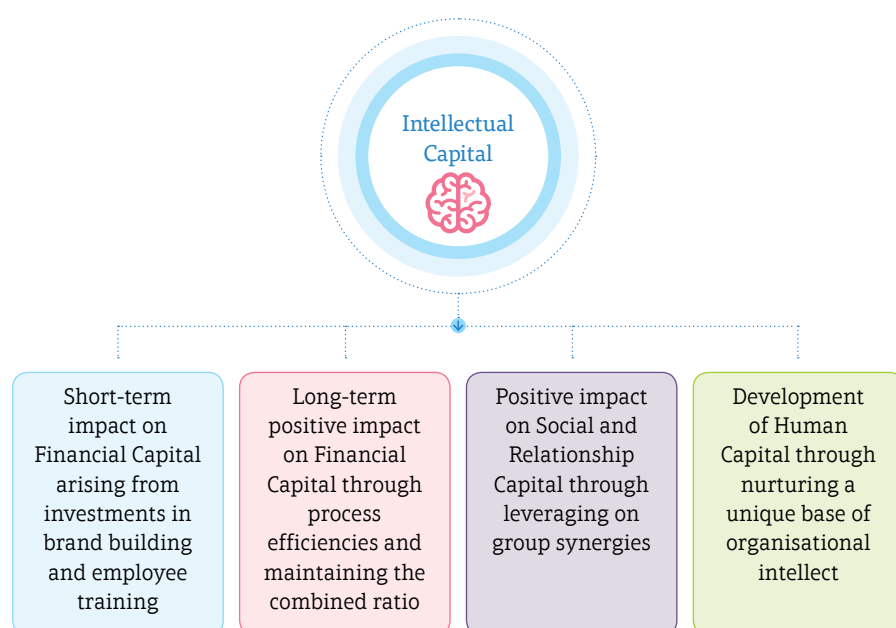
# Intellectual Capital

## Group Synergies

The Company accrues numerous benefits from being part of a leading financial services group including the ability to leverage on the parents' distribution network, customer accessibility, joint marketing efforts and shared back-office functions among others. Captive business from the Group contributes approximately 71% to the Company's GWP and we hope to further leverage on these synergies to achieve our strategic agenda.



## Connectivity and Trade-offs Between Capitals



## Systems and Processes

In optimising our operating model for business growth, we have implemented several management frameworks and systems aimed at generating process efficiencies and optimising resource utilisation. Ongoing training is provided to the relevant employees thereby ensuring that staff is equipped with the requisite skills to derive maximum utility from such implementations. Key systems implemented include;

- ➔ ISO 9001: 2005 Quality Management Certification: we are the only general insurer to have obtained this certification from the national body for quality management systems, Sri Lanka Standards Institution. The certification covers the provision of services related to underwriting the insurance policies, claim settlement and supportive services for general insurance covering fire, engineering, marine, motor vehicle, employer's liability and miscellaneous insurance business and arranging reinsurance and co-insurance services.
- ➔ 5S in collaboration with the National Productivity Secretariat

## Way Forward

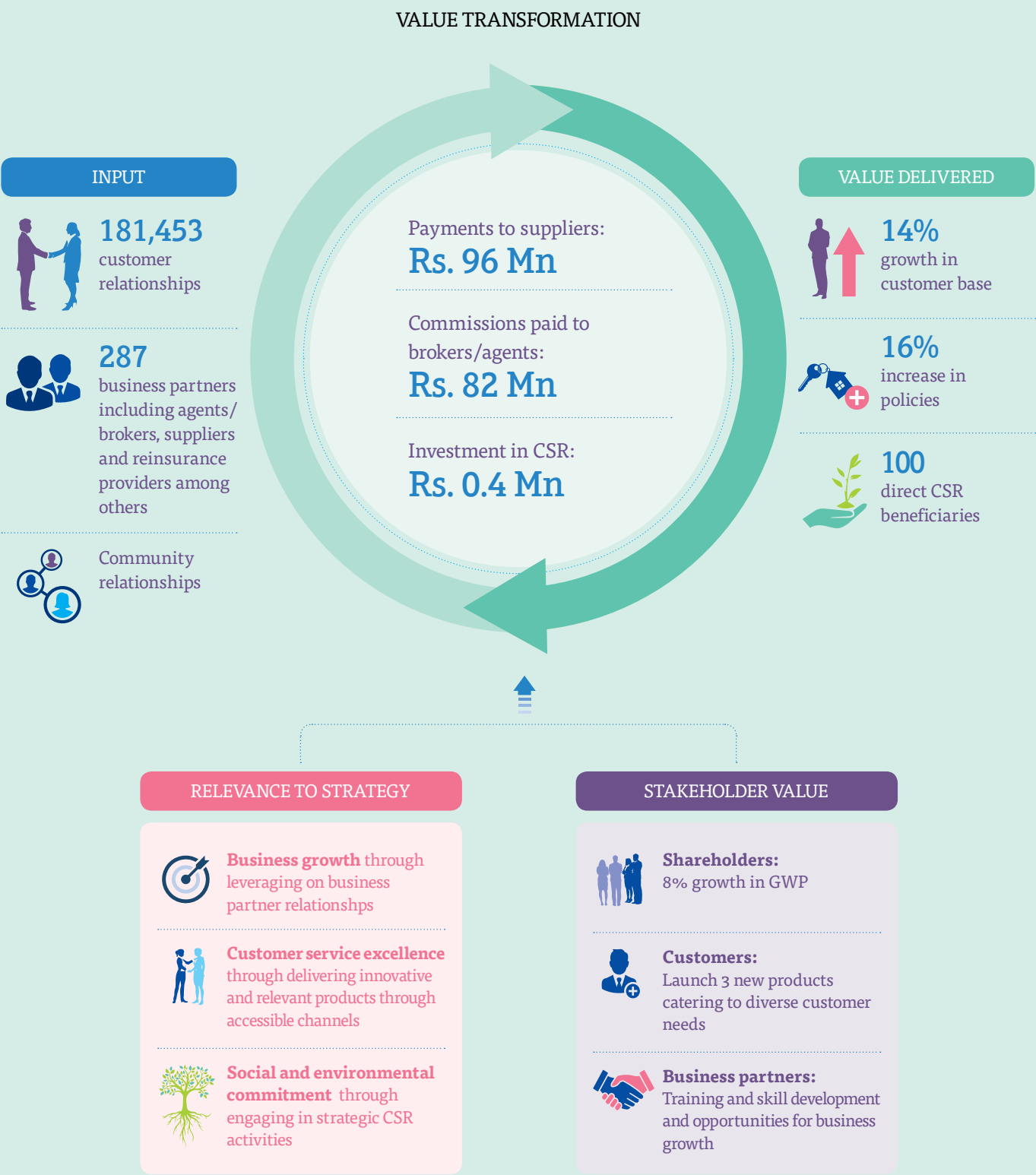
We will continue to drive efforts towards nurturing our intellectual capital through increasing brand awareness, streamlining processes and inculcating a culture of knowledge sharing across the organisation. Digitising key systems and processes will be a key medium to long-term priority and is expected to support the achievement of several strategic objectives including optimum resource utilisation, customer centricity and profit growth.

## Outlook

Bring in IFRS 17 implementation

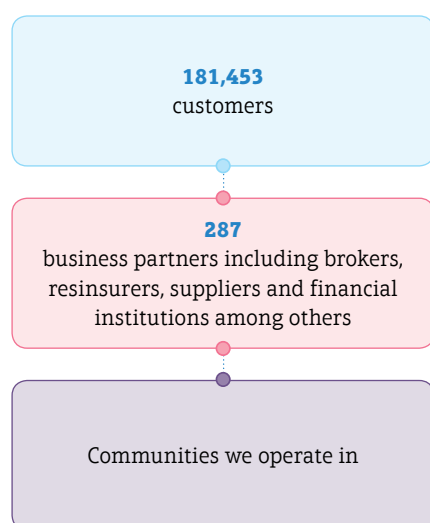
# Social and Relationship Capital

As a service industry operator, the relationships we have nurtured with our customers and business partners are a vital aspect of our value creation process. These relationships provide us with our social license to operate, facilitating market reach and business growth.



## Social and Relationship Capital

The Company's Social and Relationship Capital consists of the mutually-beneficial relationships it has nurtured with an island-wide base of customers, business partners and communities. We share our journey of success with these stakeholders and consistently aspire to nurture meaningful and productive relationships with them through win-win value propositions.



### Our Approach

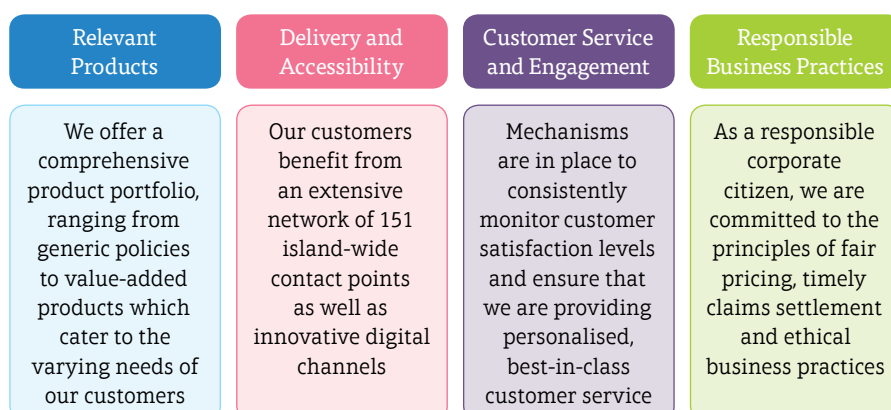
We are committed to maintaining the highest degree of transparency and integrity in all our stakeholder dealings and our approach to stakeholder management is clearly set out through a comprehensive suite of policies and governance structures. We adopt a range of formal and informal platforms to maintain proactive engagement with all stakeholders as set out on pages 73 to 75 of this Report. The Company's 'Policy on Business Ethics' clearly sets out the expectations we have from our employees when transacting with third parties. During the year under review, there were no reported incidents of corruption and/or fraud and no fines/penalties for non-compliance with laws and regulations pertaining to socio-economic compliance.

### Customers

The Company's customers comprise individuals, SMEs and corporates representing all districts across the island. The majority of our customer relationships originate through the Company's captive business. During the year, we increased our customer base by over 14%, with increased contributions from non-captive sources acquired through the national sales force and bancassurance channel.



We offer a holistic value proposition to our customers, which has enabled the Company to retain its competitive edge despite intensifying competitive pressures.



### Relevant Products

The Company offers a wide array of personal and business general insurance products ranging from motor vehicle and healthcare to marine and burglary insurance. Our products consist of both generic products and value-added products which offer premium features. Product development is supported by ongoing engagement with our customers, group entities and business partners thereby ensuring that emerging customer needs are duly identified and incorporated to the product design. During the year under review, the Company introduced several innovative products:

- Travel Smart:** A comprehensive, attractively priced travel insurance solution which offers coverage for accidents, cancellations, loss of personal belongings including baggage and money and medical treatment obtained while overseas among others. The policy ensures that third-party service providers are available to step in and allows for a family member to join the policy holder in the event of a sickness/accident. The scheme includes a special multi-trip coverage for frequent travellers from which they can benefit for a period of two years.

- ➔ **Tuk Tuk Insurance:** Motor insurance product offering specialised features suitable for three-wheelers
- ➔ **Per-day Insurance:** Partnering with insureme.lk, the Company launched per-day insurance scheme named 'Pay As You Go' which enables policy holders to purchase motor insurance for a specific time period of their preference, either on a daily, weekly or monthly basis
- ➔ **People's Guardian:** Special personal accident and healthcare product offering attractive features

### Delivery and Accessibility

The Company's services are offered through an extensive network of 151 contact points across all districts. The network comprises regional offices and window offices in PLC branches as well as representatives at People's Bank and other banks. In addition to the physical network, the Company has also invested in strengthening its digital platforms, offering an e-portal across 737 of People's Bank branches primarily targeting the bancassurance channel.



### Customer Engagement and Service

We strive to embed customer centricity across all stages of our customer journeys. This is facilitated through proactive engagement with customers, a year-round calendar of marketing and promotional activities, a systematic customer complaint handling process and robust mechanisms to measure customer satisfaction. Key customer engagement platforms are listed on pages 73 to 75 of this Report and include both face-to-face interaction and engagement through digital platforms (presented alongside).

#### Engagement Platforms

- ➔ **24X7 call centre:** Provides an effective platform for customers to raise queries, concerns and for the Company to obtain feedback
- ➔ **Official website:** The Company's website provides rich and user-friendly information on our products, branches, policy and claims procedures, e-quotations among others
- ➔ **SMS alerts:** Provides notifications on products, promotions, claims status and reminders for premium payments
- ➔ **Social media:** Used to effectively engage with the younger demographic

### Measuring customer satisfaction:

The customer hotline and periodic surveys are used to gauge customer satisfaction. During the year under review, total number of customer complaints amounted to 17, while 100% of complaints were resolved.

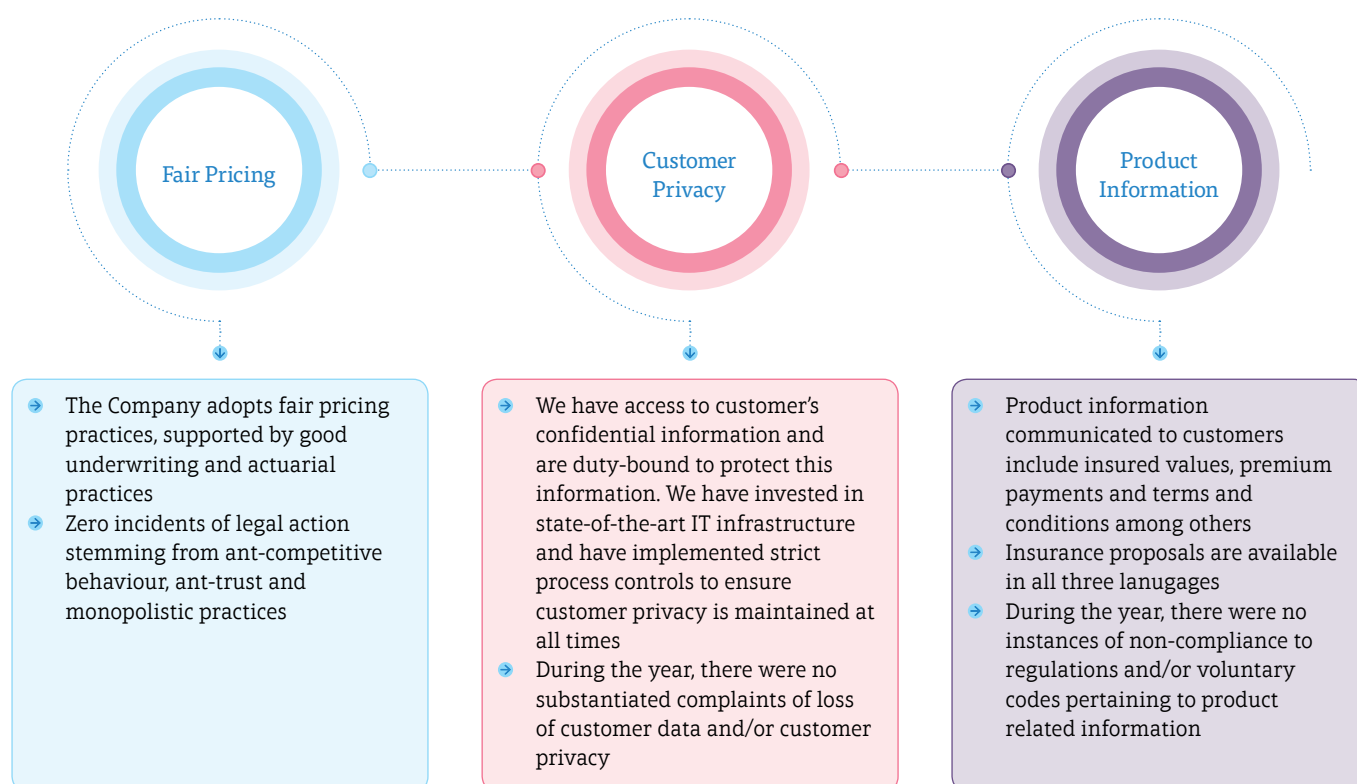
### Marketing communications:

The Company benefits from the strong brand name of its group entity and continues to invest in further enhancing its brand equity in the insurance arena through holistic marketing campaigns. Brand building initiatives include seasonal campaigns, monthly press releases, roadshows and advertisements on electronic media. During the year, total investment in marketing communications amounted to Rs. 35.6 Mn. There were no instances of non-compliance to any regulations, voluntary codes or other guidelines related pertaining to marketing communications during the year.

## Social and Relationship Capital

**Claims settlement:** The Company has developed a reputation for transparent, ethical and quick processing and settling of claims. Our sister company, People's Leasing Fleet Management Ltd. plays an important role in facilitating valuations and assessing claims effectively. The process is also audited regularly by the Internal Audit Department. During the year, total of Rs. 3,697 Mn was paid as claims settlement.

### Responsible Business Practices



### Business Partners

We engage with a host of business partners, who play a vital role in linking us with customers, strengthening our reach and enhancing our brand equity. The Company is committed to nurturing win-win relationships with its business partners, with the objective of generating long-term shared value. The subsequent section gives a high-level overview of how these partners contributed to the Company's value creation during the year under review.

Partner Profile	Value Creation/Value Delivery	KPIs
<b>Insurance Agents and Brokers</b>		
<b>169 agents</b> certified under the Sri Lanka Institute of Insurance and registered with the Insurance Regulatory Commission of Sri Lanka.	<b>Value to PI:</b> Agents and brokers create a strong link between the Company and potential customers, enabling us to widen our reach and strengthen our market position	<b>Rs. 902 Mn (+ 15%)</b> Premium income generated
<b>53 brokers</b> registered with Insurance Regulatory Commission of Sri Lanka	<b>Value to stakeholder:</b> We educate on products, processes, professional conduct and customer relationship management among others.	<b>Rs. 82 Mn (+ 13%)</b> Commissions paid



Partner Profile	Value Creation/Value Delivery	KPIs
<b>Reinsurers and Reinsurance Brokers</b>		
<b>10 reinsurers</b> from Singapore, Malaysia, India, Bahrain, Thailand, Switzerland and South Africa. We only engage with reinsurers rated above as stipulated by the Insurance Regulatory Commission of Sri Lanka	<b>Value to PI:</b> Provides financial protection and risk diversification, enabling the Company to underwrite more business  <b>Value to stakeholder:</b> Generates a regular stream of income in the form of reinsurance premiums	<b>Rs. 581 million (+ 20%)</b> Reinsurance premium  <b>10%</b> Reinsurance/GWP ratio
<b>Suppliers</b>		
<b>55 suppliers</b> through whom we procure office consumables, IT equipment and furniture among others and service provider	<b>Value to PI:</b> Support smooth functioning of our operations through delivering a range of office equipment and consumables on a timely manner  <b>Value to stakeholder:</b> Opportunities for business expansion	<b>Rs. 96 million (+ 77%)</b> Payments to suppliers  <b>100%</b> Local suppliers

## Community Engagement

### Governance and Approach

The Company adopts a strategic approach towards sustainability and strives to embed the principles of sustainability to its strategic agenda and daily operations. A Board-approved sustainability policy clearly sets out the Company's sustainability objectives, governance structures and reporting mechanisms in ensuring that the sustainability agenda is fulfilled. The Corporate Sustainability Committee is responsible for the implementation of the sustainability policy and reports to the Board of Directors on all related projects. The Committee is assisted by sustainability coordinators, sustainability sub-committees and departmental representatives, thereby ensuring that the Company's sustainability philosophy is propagated among all employees in the organisation.

## Sustainability Objectives

The Company's sustainability policy sets out three key objectives; namely, achieving economic success, discharging social responsibility and environmental responsibility. These pillars are graphically illustrated below together with their relevance to the Sustainable Development Goals.



# Social and Relationship Capital

## Collaborating with Communities

The Company's Sustainability Policy provides guidance on investing in long-term, strategic CSR projects which deliver long-term, meaningful value to stakeholders. With the direction of the Government, the Company temporarily suspended corporate sustainability initiatives with effect from November 2019, including the flagship initiative on emergency simulation programme which aims to provide critical training to relevant stakeholders on effectively handling medical related emergencies.

## Tree Planting Programme

The Company has committed its support to the 'One Million Trees' programme led by the Sri Lanka Climate Fund.

## Other CSR Activities

In addition to the above programmes, the Company also invested in several ad-hoc initiatives as listed below:

- Poson Dansela
- Distribution of 20 small traffic cones to Siridhamma College-Galle

## Way Forward

### Short-term

- Offer more digital delivery solutions to enhance customer experience
- Product innovation and cross-selling
- Expand the scope and coverage of the emergency simulation training programme

### Medium to Long-term

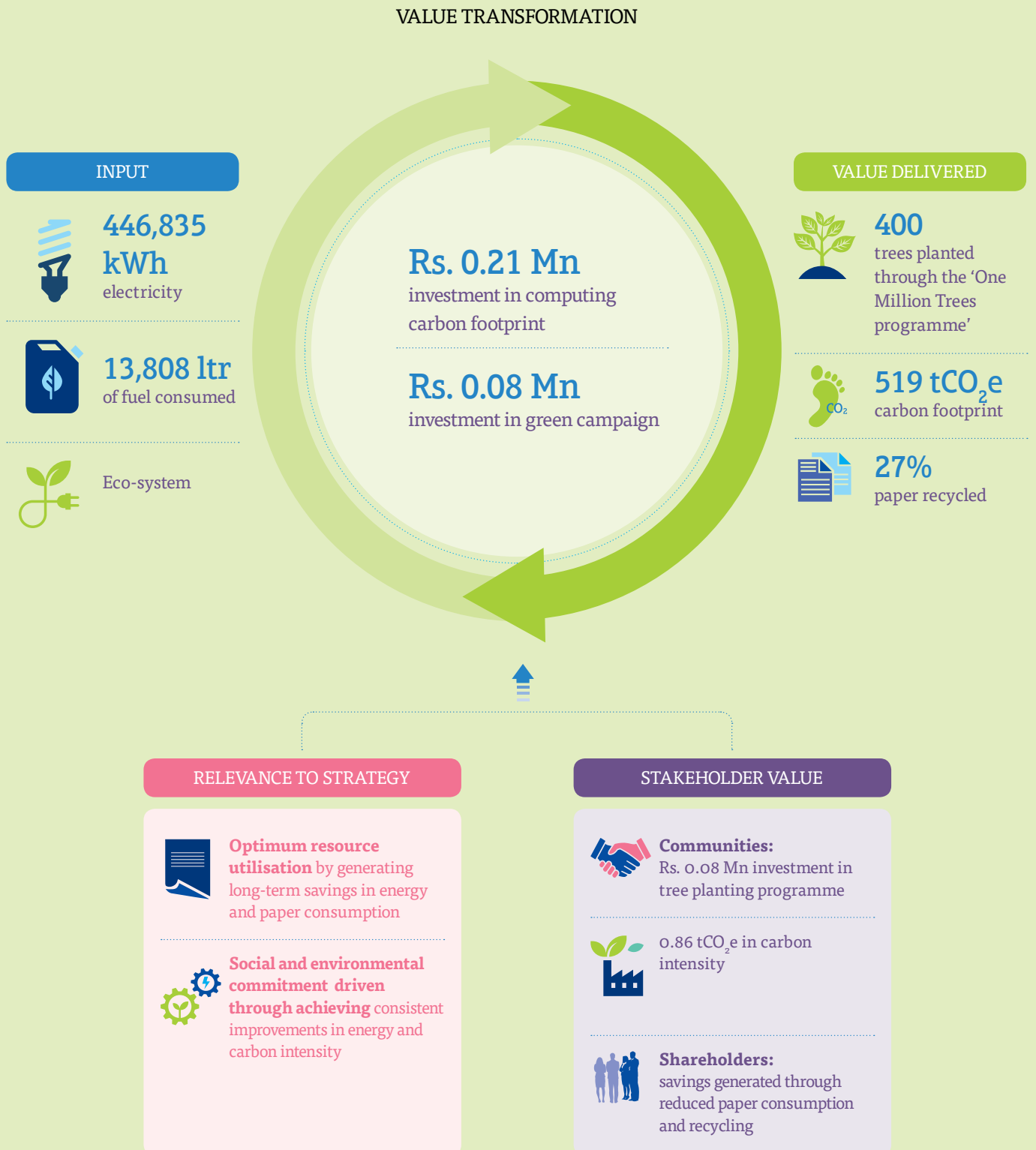
- Develop life cycle solutions for customers
- Implement further strategic CSR activities



Poson Dansela

# Natural Capital

As a service provider, our environmental impacts are limited to the consumption of resources such as energy, paper and water and the discharge of emissions. That said, we are committed to contributing towards the country's achievement of the SDGs, particularly with regards to reducing emissions and the responsible consumption of natural resources.



# Natural Capital

## Environmental Impact Management

Given the globally increasing implications of climate change, as a responsible corporate citizen, we are committed to contributing towards the sustained reduction of emissions as well as preservation of natural resources. Our commitment towards the environment is formally documented in its Environmental Policy which clearly sets out our goals are actionable areas, key excerpts of which are set out below. The governance frameworks pertaining to environmental and social impact management is briefly described on page 112 of this Report. The Company is fully compliant with all environmental regulations/guidelines and there were no instances of fines or penalties imposed during the year.

### Environmental Policy

#### Resource conservation

Conserving the use of natural resources such as water and energy to the extent practicable

#### Collaboration with communities

Collaborating with the communities we work with to conserve and rejuvenate the environment

#### Reduction of supply chain impacts

Working with our supply chain partners to ensure environmental impacts and risks are minimised across our value chain

### Waste prevention and management

We are committed to reducing the quantity and degree of waste generated from our operations in a responsible manner

### Environmental Management Approach

#### Customers in Numbers

#### Our Operations

Reducing paper consumption/waste

Energy efficiency

Reducing our carbon footprint

#### External Initiatives

'One million Trees programme'

## Paper Consumption

We adopt the 3R approach-Reuse, Reduce and Recycle to achieve consistent reductions in our paper consumption/waste. The automation of processes and ongoing investments in digitisation has helped to gradually reduce the consumption of paper while employees and external stakeholders are encouraged to use online modes of communication. However due to the increase in volumes, the Company's total paper consumption increased by 27% to 18,108 kg during the year under review.

We continue to collaborate with an approved third-party recycler in disposing our paper waste and during the year, 4,939 kgs of paper was recycled.

	2019	2018	Change y-o-y (%)
Paper usage (kg)	18,108	13,366	35
Paper recycled (kg)	4,939	3,961	25
Paper recycled (%)	27%	29%	(7)

## Energy Consumption

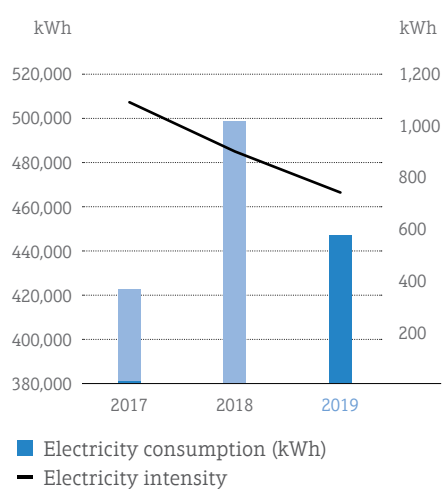
The Company's key energy sources are electricity sourced from the national grid and fuel used for transportation purposes including employee travel, training and marketing activities. We are driving concerted efforts to achieve increased energy efficiency and during the year under review, electricity intensity (defined as electricity consumption per employee) declined by 18% to 736. Key initiatives to reduce energy consumption include;

- Use of energy efficient lighting and cooling equipment
- Encouraging employees to engage in energy conservation in their daily activities
- Sophisticated Building Management System in our corporate office which ensures the tracking and monitoring of energy

Energy consumption during the year is as follows;

	2019	2018	Change y-o-y (%)
<b>Direct consumption</b>			
Electricity (kWh)	446,835	498,448	(10)
Energy intensity - electricity consumption per employee (kWh)	736	900	(18)
<b>Indirect consumption</b>			
Fuel consumption (ltr)	13,808	12,199	13

#### Electricity Consumption



#### Carbon Footprint

Implications of climate change: Climate risks directly impact the insurance industry through increasing catastrophic losses as well as causing damage to crop and buildings. While we are yet to quantify these implications, we are committed to playing our part in contributing towards the reductions of the country's greenhouse gas emissions in line with the Sustainable Development Goals.

We continue to track our carbon footprint based on the GHG Protocol published by the World Resource Institute and World Business Council for Sustainable Development. The computation covers the Company's corporate office, regional offices and call centre and we continue to obtain the support of Sri Lanka Carbon Fund. During the year, the Company's carbon footprint amounted to 519, an increase of 10% compared to the previous year. However, the carbon intensity (defined as carbon footprint per employee) recorded low at 0.85 tCO<sub>2</sub>e.

Green House Gas Emissions and Intensity			
Scope	Description	2019	2018
Emissions (Tonnes of CO <sub>2</sub> Equivalent)			
<b>Scope 1:</b>			
<b>Direct GHG Emissions</b>	Company hired vehicles	19	17
	Company owned vehicles	7	8
	Refrigerants	2	-
	Generators	7	3
	<b>Total - Scope 1</b>	35	28
<b>Scope 2:</b>	Purchased electricity	261	285
<b>Indirect GHG Emissions</b>	<b>Total - Scope 2</b>	261	285
<b>Scope 3:</b>	Water consumption	1	1
<b>Other</b>	Overseas business travel	3	-
<b>Indirect GHG Emissions</b>	Outsourced vehicles - Business travel	4	8
	Electricity T & D loss	24	30
	Employee commuting	191	120
	Waste disposal	-	-
	<b>Total - Scope 3</b>	223	159
	<b>Carbon footprint (Scope 1+2+3)</b>	519	472
	<b>Carbon footprint intensity - Emissions per employee</b>	0.85	0.85



## Natural Capital

**Carbon Neutral Annual Report 2019:** This publication is a carbon neutral product, as its carbon footprint of 2.7 tCO<sub>2</sub>e has been offset by purchasing United Nations Certified Emission Reductions (CERs) from the project activity No. 5923 registered under UN Clean Development Mechanism.

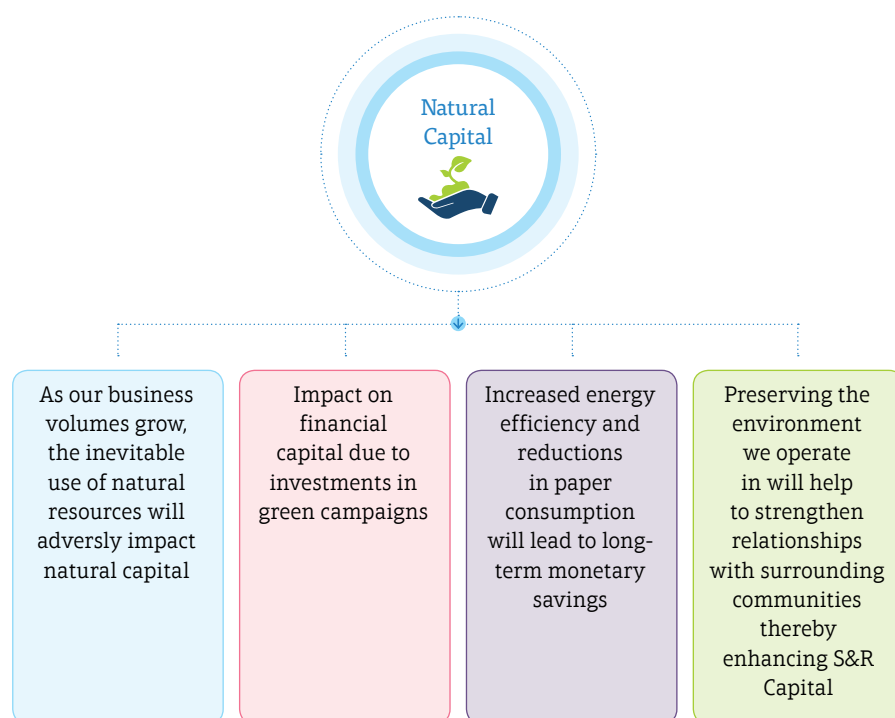
### Green Campaigns

PI has committed its support to the 'One Million Trees' programme led by the Sri Lanka Climate Fund, a national initiative which is expected to increase Sri Lanka's forest cover from the current 29% to 33% by 2025. During the year, we contributed Rs. 80,000 to maintain 400 trees in 2019, since pledging our support to the programme in Moragahakanda.

### Way Forward

We will continue to drive sustained reductions in our energy and carbon intensity as set out in our Environmental Policy and Environmental Management Framework. Our long-term objective is to achieve carbon neutrality across all our operations and in doing so, we drive concerted efforts to enhance energy efficiency and mitigate the green house gas emissions. The Company will also continue to support strategic green campaigns in order to create meaningful change in the environment we operate in.

#### Connectivity and Trade-offs Between Capitals



## Value Addition and Distribution

In the financial year 2019, a total value of Rs. 2,117 million was generated as set out in the value added statement, corresponding to an increase of 19% over the value created in 2018. Out of the total value generated, Rs. 1,674 million representing 74% was re-distributed to key stakeholders with the bulk of 25% as commission to insurance intermediaries, followed by 18% as dividend to shareholders. The sum retained and reinvested within the operation was Rs. 374 million, corresponding to 18% of the total value generated to be used for replacement of assets and investment purposes.

### Value Added Statement

Value Addition	Trade-off between Capitals	2019		2018	
		Rs. Mn	%	Rs. Mn	%
Net earned premium	-	5,262	-	4,709	-
Other revenue	-	847	-	723	-
Net claims	-	(3,553)	-	(3,237)	-
Cost of external services	-	(439)	-	(409)	-
<b>Total value added</b>	-	<b>2,117</b>	-	<b>1,786</b>	-
<b>Value distribution</b>					
Employees - salaries and other benefits	Human Capital	496	23	376	21
	Financial Capital				
Intermediaries - insurance commissions	Social and Relationship capital	517	25	462	26
	Financial Capital				
Government - taxes	Social and Relationship capital	264	12	118	7
	Financial Capital				
Shareholders - dividends	Social and Relationship capital	370	18	400	22
	Financial Capital				
Suppliers - payments	Social and Relationship capital	96	5	71	4
	Financial Capital				
<b>Retained value</b>					
Depreciation	Financial Capital	90	4	35	2
Reserves	Financial Capital	284	13	324	18
<b>Total value distributed and retained</b>		<b>2,117</b>	<b>100</b>	<b>1,786</b>	<b>100</b>



**Accountability**





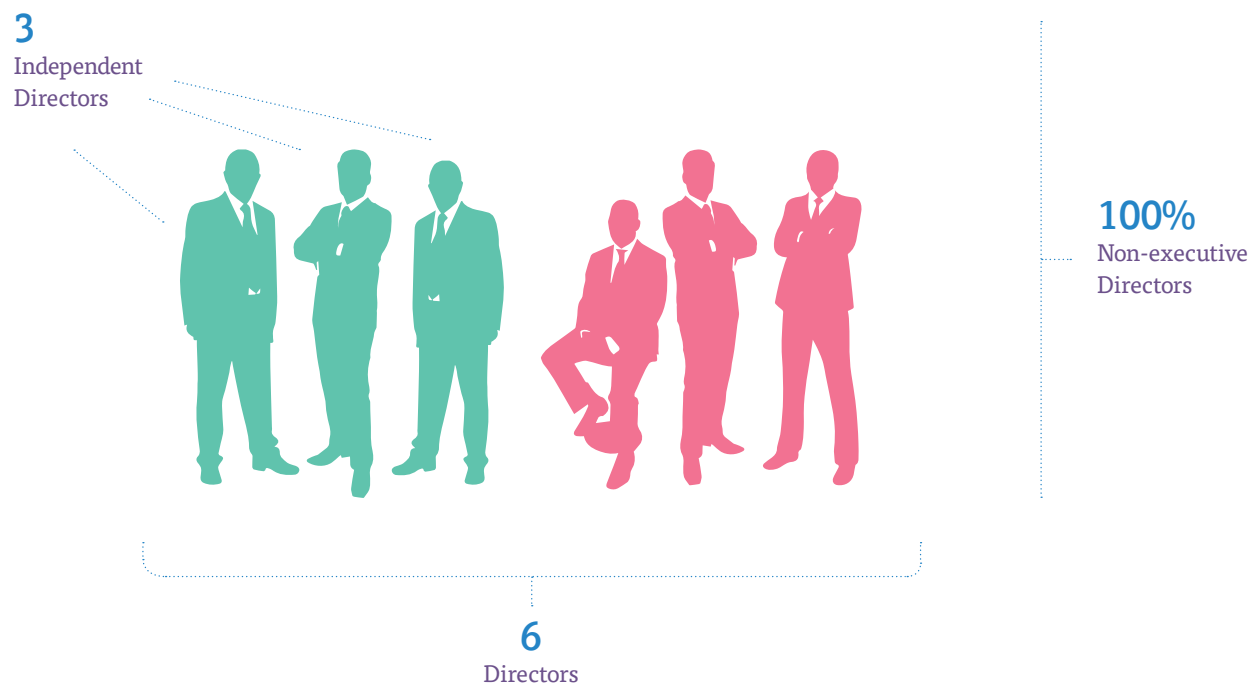
**We believe in helping our customers and our team to reach their highest potential in everything they do by giving them opportunities to grow and flourish.**

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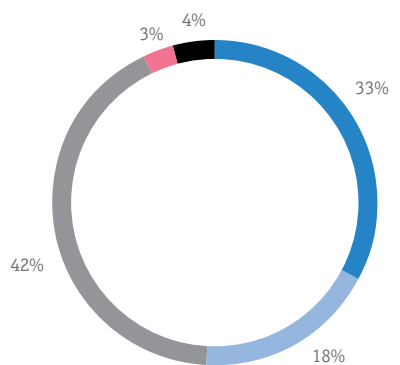
Many cacti and succulents form geometric spirals similar to those of sunflowers, pine cones and nautilus shells. Spiral leaf arrangements funnel rain to roots, and keep upper leaves from shading lower ones.

# Corporate Governance

We strongly believe that good governance is the foundation for creating shared value, as it ensures responsible behaviour, enhanced transparency and accountability and drives effective leadership. Our governance framework has been designed to extend beyond compliance, enabling the Board to oversee strategic direction, resource allocation and risk management while setting the tone for good governance across the organisation.

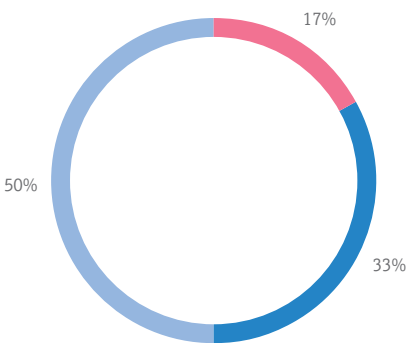


Time Spent



- Strategy
- Financial performance
- Risk conduct, oversight and governance
- Shareholders engagement
- Other

Board Diversity by Age



- Bellow 50
- 51-60
- Over 60



This Report provides a high level overview of the Company's governance framework with emphasis on how the Board discharged its responsibilities and contributed towards value addition during the year. Please refer the tables on pages 228 to 249 of this Report for more details on the Company's compliance to the regulatory governance requirements set out by the Companies Act, Colombo Stock Exchange and IRCSL as well as the voluntary Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

## How the Board Supported Value Creation in 2019

### Key Areas of Focus and Decisions Made

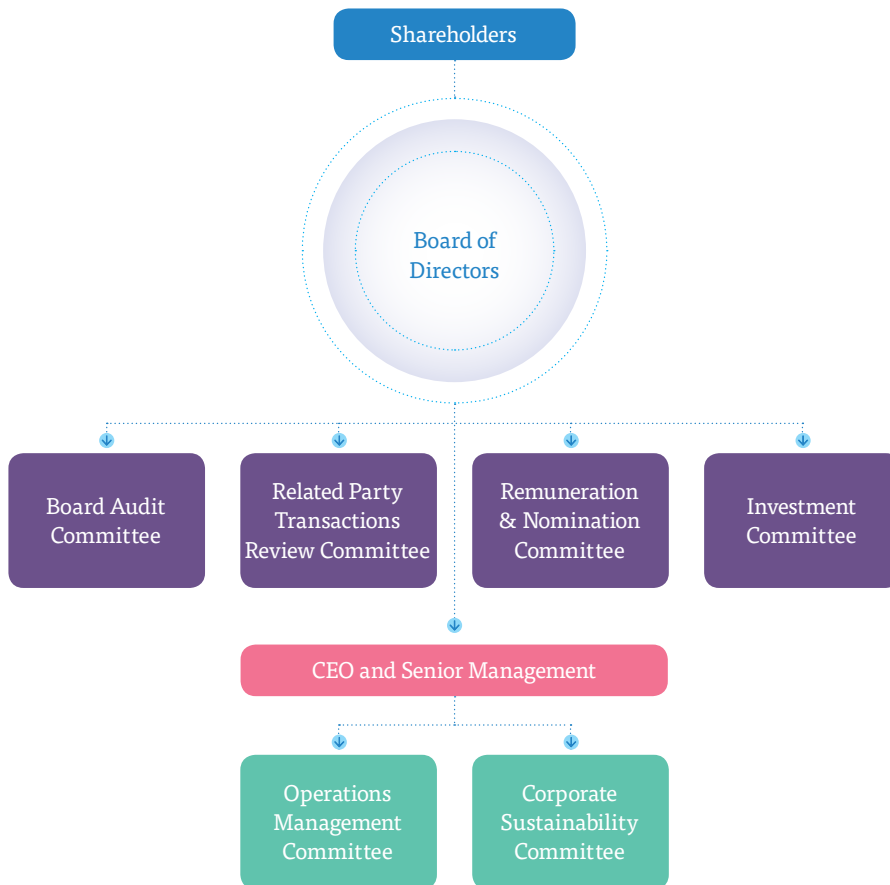
Strategy Formulation	Financial	Risk Management
<ul style="list-style-type: none"> <li>➤ Change of PI's vision, mission, corporate values and new positioning statement</li> <li>➤ Formulation of the Strategic Corporate Plan 2019-2021</li> <li>➤ Formulation of comprehensive action plan to achieve strategic goals</li> <li>➤ Bancassurance and digital distribution strategy</li> <li>➤ Exploring further avenues for leveraging synergies with ultimate parent</li> <li>➤ Discussion on improving customer value propositions</li> <li>➤ Enhancing brand awareness on social media</li> <li>➤ Identifying new business through social media</li> </ul>	<ul style="list-style-type: none"> <li>➤ Final and interim dividend authorisation</li> <li>➤ Approval of quarterly financial statements in 2019</li> <li>➤ Approval of annual financial statements of 2018</li> <li>➤ Bank guarantee facilities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ongoing monitoring of industry dynamics and emerging risks</li> <li>➤ Ongoing monitoring of the Company's risk profile</li> <li>➤ Approval on placement of treaty insurance</li> <li>➤ Change in delegation of financial authority manual</li> <li>➤ Recruitment of an officer to strengthen the risk and compliance functions</li> <li>➤ Approval of new reinsurance brokers</li> </ul>
Regulatory Compliance	Governance & Stakeholder Engagement	Regular Updates
<ul style="list-style-type: none"> <li>➤ Declaration by Directors to the IRCSL</li> <li>➤ Anti-money laundering (AML) &amp; know your customer (KYC) policy - Insurers (Customer Due Diligence) Rules, No. 1 of 2019</li> </ul>	<ul style="list-style-type: none"> <li>➤ Amendments to procurement manual</li> <li>➤ Approval of human resource policy</li> <li>➤ Update of whistle blowing policy</li> <li>➤ Progress review of HR function</li> <li>➤ Approval of annual bonus payment to PI staff</li> <li>➤ Competency framework</li> <li>➤ Approval of communication policy</li> </ul>	<ul style="list-style-type: none"> <li>➤ Monthly performance reports</li> <li>➤ Investment reports</li> <li>➤ Regulatory reports</li> <li>➤ Review minutes of Board sub-committees - Board Audit, Remuneration and Nomination, Related Party Transactions Review and Investment</li> <li>➤ Quotation analysis report</li> </ul>

### Corporate Governance at PI

Strong corporate governance practices underpin our value creation and have enabled PI to withstand and navigate numerous challenges stemming from both the internal and external environments. The Company's corporate governance framework has been designed to comply with all relevant mandatory requirements for insurers while embracing industry best practices and voluntary codes. In addition to clearly defined structures and Board-approved policy frameworks, our corporate values, business ethics and Code of Conduct for all employees is strongly engrained within PI ensuring integrity and transparency in all aspects of our operations.

# Corporate Governance

## Corporate Governance Structure



### External Instruments

Corporate Governance Framework for Insurers: Amended Direction #17 by the IRCSL

Fully compliant with mandatory provisions  
(Comprehensive checklist on compliance on page 244)

Listing Rules of the Colombo Stock Exchange – Rules 7.10 & 7.6  
Fully compliant with mandatory provisions  
(Comprehensive checklist on compliance on pages 245 to 249)

Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka  
voluntary adoption  
(Comprehensive checklist on compliance on pages 228 to 244)

External instruments	Internal instruments	Mechanisms
<b>Regulatory</b> <ul style="list-style-type: none"> <li>Corporate Governance Framework for Insurers: Amended Direction #17 and determinations and regulations issued by the IRCSL</li> <li>Listing Rules of the Colombo Stock Exchange</li> <li>Companies Act, No. 7 of 2007</li> <li>Motor Traffic Act</li> <li>Inland Revenue Act</li> <li>Anti-money laundering Act</li> <li>Consumer Affairs Authority Act</li> <li>Determinations and guidelines issued by the SEC</li> </ul>	<ul style="list-style-type: none"> <li>Articles of Association</li> <li>Board and Sub-committees terms of reference</li> <li>Business ethics policy</li> <li>Code of ethical conduct for office staff</li> <li>Code of ethical conduct for sales staff</li> <li>Manual of Delegation of Financial Authority</li> <li>Risk management framework</li> <li>Internal control system</li> <li>Board approved policy framework</li> </ul>	<div>Stakeholder engagement</div> <div>Strategic planning</div> <div>Risk Management</div> <div>Budgeting and control</div> <div>Training</div>
<b>Voluntary</b> <ul style="list-style-type: none"> <li>Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka</li> <li>Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)</li> <li>GRI Sustainability Reporting Standards issued by the Global Reporting Initiative</li> </ul>		

## The Board of Directors

### Board composition (As at Annual Report Date)

Non-executive, Non-independent Directors	03
Non-executive, Independent Directors	03

PI's Board comprises the Chairman and five Directors as at the Annual Report date, all of whom are respected professionals from both the public and private sectors. The Board consists entirely of Non-executive Directors, of whom three are independent. All appointments to the Board of PI are approved by the Insurance Regulatory Commission of Sri Lanka. The varied skills, industry experience, expertise and age of the Directors brings a rich diversity to Boardroom proceedings, contributing to the depth of discussions and decision making as the Board oversees the performance of the management and formulate business strategies to achieve long-term value creation at PI. The Board of PI was reconstituted with effect from 8th June 2020 (Please refer to pages 30 to 33 for profiles of Directors). The summary of changes in Board of Directors' composition are as follows;

During the year under review, the following Directors resigned from the Board of the Company:

- Mr. N. Vasantha Kumar - with effect from 31st May 2019
- Mr. S. P. K. Gunarathne - with effect from 4th September 2019

During the year under review, the following Directors were appointed to the Board of the Company:

- Mr. Pavithra Fernando - with effect from 3rd June 2019
- Mr. Rasitha Gunawardana - with effect from 1st June 2019

Subsequent to the year under review, following Directors resigned from the Board of the Company:

- Mr. Jehan P. Amaratunga - resigned from the post of Chairman/Director with effect from 28th February 2020;

- Mr. W. M. Abeyrathna Bandara - with effect from 28th February 2020;
- Mr. N. P. Karunarathne - with effect from 28th February 2020;
- Mr. Pavithra Fernando - with effect from 28th February 2020;
- Mr. Rasitha Gunawardana - with effect from 1st June 2020

The following Directors were appointed to the Board subsequent to the year under review:

- Mr. Isuru Balapatabendi - appointed as Chairman/Director with effect from 8th June 2020
- Mr. Ranjith Kodituwakku - with effect from 8th June 2020;
- Mr. Johnson Fernando - with effect from 8th June 2020;
- Dr. Kasun Wijetilleke - with effect from 8th June 2020.

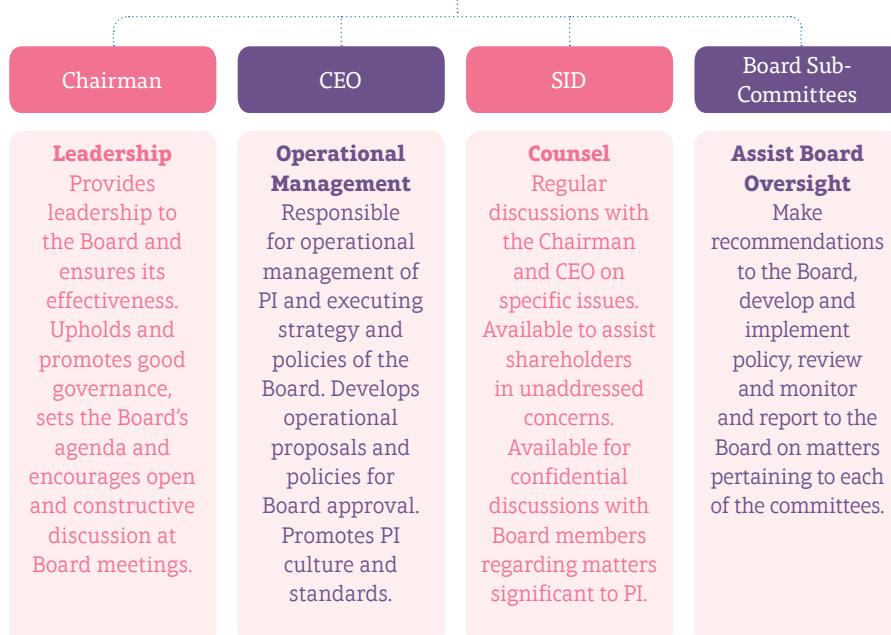
### Effective Leadership

The Board provides strategic leadership and holds executive management responsible for strategy execution, within a framework of effective risk management tools and internal controls. It is the responsibility of the

Board to formulate and implement PI's strategy and monitor performance against goals and objectives. The Board is also accountable for setting the tone at the top and nurturing a culture of integrity, fairness and transparency through compliance with laws and regulations, policies and binding codes. As a responsible corporate citizen, the Board also provides oversight on the Company's sustainability agenda, ensuring that diverse stakeholder interests are balanced and adverse impacts on the society and environment are minimised in the process of value creation.

The role of the chairman and the CEO are clearly defined ensuring an effective balance of power. A Senior Independent Director (SID) has also been appointed as recommended by best practices of corporate governance. There are also four Board Sub-committees that have been delegated specific oversight responsibilities by the Board. Please refer to further details on the activities of the Sub-committees on the Sub-committee reports from pages 121 to 127 of this Report.

### Our Board Roles and Responsibilities



# Corporate Governance

## Independence

To determine the independence of individual Board member a self-declaration is obtained from each Board member on an annual basis in line with recommended best practice. The following criteria is considered when determining a Director's independence. A Director should be:

- ➔ Independent from management and free of any business or other relationship
- ➔ Independent from substantial shareholders
- ➔ Independent based on length of service with the Company or parent of the Company

Three out of six Directors were considered by the Board to be independent as at Annual Report date.

## Directors' Interests

PI's Business Conduct and Ethics policy prohibits a Director, key management personnel or employee, from using their position or confidential and price-sensitive information, to benefit themselves or a third-party. Directors are required to inform the Board of conflicts or potential conflicts of interests in relation to business transactions or other directorships. Registers of individual Director's interests in and outside PI are maintained and updated regularly. Directors do not participate in the discussions or voting in a matter in which they may have a material interest. Such abstentions are recorded in the minutes by the Company Secretary.

## Access to Information

Upon appointment to the Board, all Directors undergo a comprehensive induction program allowing them to familiarise themselves with the Company's activities and governance philosophy. The induction pack provided to Directors include the Articles of Association, Policies and

Board procedure manuals and Director's Responsibilities while an overview of all compliance requirements and policies are provided by the Board Secretary.

Directors also have access to training opportunities to ensure that they are kept abreast of emerging industry developments. During the year, a session focusing on adoption of SLFRS 17 on Insurance Contracts was conducted for the Directors.

## Effective Meetings

The Board and its committees meet regularly as prescribed by their respective mandates. Special meetings may be convened as necessary at the request of the Chairperson or any Independent, Non-Executive Director. The Chairpersons set the meeting agendas, assisted by the CEO and the Company Secretary.

Meetings are scheduled in advance with enough time allocated for each agenda item. During the meeting each agenda item - circulated prior to the meeting - is discussed, and senior management made available for clarifications. After the meeting, matters raised are followed up by management, Board committees and the Board itself. The Board is aware of the various commitments of its Directors and is satisfied that all Directors allocate time sufficiently to discharge their responsibilities effectively. Details of the meetings held by the Board and its committees, the significant matters discussed and deliberated, and a snapshot of the time spent by the Board on various key areas are given below.

## Board/ Sub-committee Composition and Meeting Attendance in 2019

Board Member	Board Meetings	Audit Committee	Related Party Transactions Review Committee	Remuneration & Nomination Committee	Investment Committee
Mr. Jehan P. Amaratunga <sup>1</sup>	15/15	N/A	N/A	02/03	03/03
Mr. N. Vasantha Kumar <sup>2</sup>	06/07	3/3	N/A	N/A	01/01
Mr. Lakshman Abeysekera	15/15	5/5	N/A	03/03	N/A
Mr. M. A. Bandara <sup>1</sup>	15/15	5/5	02/02	N/A	N/A
Mr. N. P. Karunarathne <sup>1</sup>	15/15	N/A	02/02	N/A	N/A
Mr. S. P. K. Gunarathne <sup>4</sup>	07/07	N/A	01/01	01/01	01/02
Mr. A. S. Ibrahim	15/15	N/A	N/A	01/01	03/03
Mr. Pavithra Fernando <sup>1</sup>	08/08	N/A	01/01	02/02	02/02
Mr. Rasitha Gunawardana <sup>3</sup>	06/06	1/1	N/A	N/A	01/01

<sup>1</sup>Resigned with effect from 28th February 2020

<sup>2</sup>Resigned with effect from 31st May 2019

<sup>3</sup>Resigned with effect from 01st June 2020

<sup>4</sup>Resigned with effect from 04th September 2019

N/A - Not applicable

### Board Calendar

1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
30 January 2019 Board Meeting	14 May 2019 Board Meeting	05 July 2019 Board Meeting	04 October 2019 Board Meeting
20 February 2019 Board Meeting	14 May 2019 - 2019 1st quarter interim result announcement	26 July 2019 Board Meeting	24 October 2019 Board Meeting
21 February 2019 - 2018 4th quarter result announcement	17 May 2019 Board Meeting	29 July 2019 - 2019 2nd quarter interim result announcement	25 October 2019- 2019 3rd quarter interim result announcement
01 March 2019 Board Meeting		26 August 2019 Board Meeting	26 November 2019 Board Meeting
15 March 2019 Board Meeting		09 September 2019 Board Meeting	
27 March 2019 Board Meeting		26 September 2019 Board Meeting	

### Board Continuity

The Board has adopted a formal and transparent procedure for the appointment of Directors with the responsibility for overseeing the process delegated to the Remuneration and Nomination Committee. All appointments are made with the prior approval of the Regulator. The Articles of Association prescribes that a Director holds office until the next AGM following his/her appointment and should stand for re-election by shareholders. The Articles require 1/3rd of Non-executive Directors to retire by rotation at each AGM at which point they may offer themselves for reappointment by the shareholders.

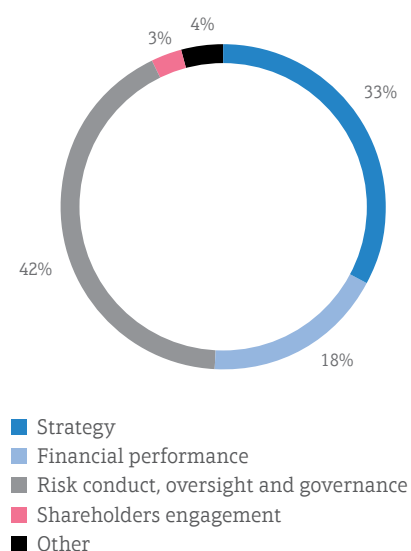
### Directors Remuneration

The Board, based on the directions issued by the government and provisions in the Articles of Association of the Company, collectively determines the remuneration of Non-executive Directors, including members of the Remuneration and Nomination Committee. Non-executive Directors are paid a fee for attending Board meetings and Board Committee meetings. This fee is not based on performance nor pensionable. Directors emoluments are disclosed on Note 20 to the financial statements.

### Relations with Stakeholders

The Annual General Meeting is the key platform facilitating shareholder engagement and the Company's AGM is typically well attended. The Chairmen of Board sub-committees are available at the AGM to respond to shareholders queries. The SID is also accessible to shareholders to assist in matters not addressed through other channels. Engagement with other stakeholders are facilitated through a range of formal and informal platforms as listed on pages 73 to 75 of this Report.

### Time Spent



### Board Evaluation

An annual Board evaluation is carried out that is structured along the lines recommended by the Code of Best Practice on Corporate Governance 2017. Key aspects considered include, contribution to strategy formulation, contribution to ensuring effective risk management, quality of stakeholder relationships and contribution towards discharging sub-committee responsibilities. However, the Board evaluation for 2019, due to be carried out in December, was not carried out pending reconstitution of the Board.



# Corporate Governance

## Accountability and Audit

### Risk Management and Internal Control

The Board holds apex responsibility for the Company's risk management and our Risk Management report on page 50 to 59 describes the risk governance structure at PI, the risk management framework, the key risks, how we mitigate/manage the risks and the KPI targets together with actual performance during the year. PI has in place a framework of stringent internal controls that operates and is monitored to implement the policies of the Board. Risks and controls are regularly reviewed and monitored by the Board with the assistance of the Board Audit Committee.

Meanwhile, the Integrated Risk Management Committee of the Parent Company also continuously monitors the Company's risk exposures through quarterly reports submitted to the Board.

### Code of Business Conduct and Ethics

The Chairman and the Board of Directors set the tone at the top and is responsible for instilling a culture of ethics and judicious empowerment. This is facilitated through a Business Conduct and Ethics Policy (which is signed off on by all Directors and employees) as well as the Code of Ethical Conduct for Employees.

#### Business Ethics Policy

- ➔ Honesty, fairness and diligence in conducting business activities
- ➔ Financial strength as a provider of financial protection
- ➔ Provide timely, meaningful, complete and relevant information to policyholders and potential policyholders
- ➔ Relationship with the community and public
- ➔ Conflicts of interest
- ➔ Resolution and reporting of violations

#### Code of Ethical Conduct

- ➔ Standards of personal behaviour
- ➔ Behaviour during work
- ➔ Anti-money laundering
- ➔ Improper payments
- ➔ Communication and information
- ➔ Breaches of the code

## Cybersecurity

As we continue to increasingly digitalise the way we do business, cybersecurity has emerged as a key risk. In this context, IT governance is integral in assuring the integrity and confidentiality of information management. The Board Audit Committee has been delegated with the authority of implementing the IT governance framework, with responsibility for execution assigned to the Group ICT Department. The Board Audit Committee ensures that risks are adequately addressed through risk monitoring and assurance and considers the impact of IT on financial controls in its annual audit plan.

The Group ICT department was awarded the ISO/IEC 27001:2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard.

## Environment, Society and Governance (ESG)

PI has recognised the growing importance of ESG factors in conducting business and these factors are built into PI's business model (pages 18 to 19), strategy (pages 46 to 47), sustainability policy (page 100) governance and the integrated risk management framework (pages 106 to 112 and 50 to 59).

Our Corporate Sustainability Committee (CSC) comprising the CEO, CFO and senior management is responsible for guiding the sustainability process and is accountable to the Board. The CSC supports the value creation process to stakeholders by integrating ethical, social and environmental responsibility into daily business activities and strategic decisions. The Board is regularly updated on ESG developments that could affect PI's performance and sustainability.

The Sustainability Coordinator appointed by the CSC is responsible for focusing on the sustainability strategy of PI. The sustainability coordinator submits periodical updates to the Board.

# Annual Report of the Board of Directors on the Affairs of the Company

The details set out herein provide information required by Section 168 of the Companies Act No. 07 of 2007 ('Companies Act') to be set out in the Annual Report of the Board of Directors on the Affairs of the Company and are guided by the Code of Best Practice on Corporate governance 2017.

## 1. General

The Board of Directors of People's Insurance PLC ('the Company') has pleasure in presenting this report to the shareholders together with the audited financial statements for the year ended 31st December 2019 of the Company and the Independent Auditor's Report on the Financial Statements conforming to all statutory requirements. This report was approved by the Board of Directors on 29th July 2020.

## 2. Nature of the Business

### [Section 168 (1) (a)]

The nature of the business of the Company and its subsidiaries together with any change thereof during the accounting period

### 2.1. Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on page 116 which were revised during the year under review. The Company's business activities have been carried out within the framework of the vision and mission statement, which reflects our commitment to the highest ethical standards and integrity as set out in the Code of Business Conduct and Ethics, and in conformity with the revised values of the Company stated on page 16 of this Report.

### 2.2. Principal Business Activities

The principal activity of the Company is carrying out non-life insurance business for both individual and corporate customers. There were no significant changes in the nature of principal activities of the Company during the financial year under review.

The Company has not engaged in any activities, which contravene laws and relevant regulations.

In line with the principal activity of the Company, we have obtained the approval from the Insurance Regulatory Commission of Sri Lanka to issue non-life Takaful products to our customers. This operation is setup as a window operation under the Company's main operation.

### 2.3. Company Ownership Structure

The details of the Company ownership structure is given on page 17 of this Annual Report.

### 2.4. Branch Network

The total branch network of the Company as at 31 December 2019 comprised of 12 regional offices, 113 window offices at People's Leasing & Finance PLC branch network and representatives at 25 People's Bank regional offices.

### 2.5. Review of Business

A review of the financial and operational performance and future business developments of the Company is contained in the Chairman's Message (pages 23 to 25), Chief Executive Officer's Review (pages 27 to 29) and Performance and Value Creation (pages 62 to 103). These reports form an integral part of the Annual Report of the Board of Directors and together with the audited financial statements reflect the state of the affairs of the Company.

### 2.6. Future Developments

An overview of the future developments of the Company is presented in the Chairman's Message (pages 23 to 25), Chief Executive Officer's Review (page 29) and Performance and Value Creation (pages 62 to 103).

## 3. Financial Statements

### [Section 168 (1) (b)]

Completed and signed financial statements of the Company

The financial statements of the Company for the year ended 31st December 2019 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 07 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000 as amended and which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the financial statements) and were approved by two members of the Board on behalf of the Board as appearing on pages 138 to 225 form an integral part of this Report.

### 3.1. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect the 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 Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto. The Statement of Directors' Responsibility for Financial Reporting provided on pages 131 to 132 forms an integral part of this report.

# Annual Report of the Board of Directors on the Affairs of the Company

## 3.2. Financial Results Appropriations

The Company recorded a net profit of Rs. 647.653 million for the year. A synopsis of the Company's performance is presented below.

	2019 Rs. '000	2018 Rs. '000
Profit after taxation	647,653	729,062
Profit brought forward from previous year	2,034,951	1,705,889
Adjustment for opening balance - SLFRS 16	(16,904)	-
Profit available for appropriation	2,665,700	2,434,951
<b>Appropriations</b>		
Interim dividend paid in respect of previous year	-	(200,000)
Final dividend paid in respect of previous year	(220,000)	(50,000)
Interim dividend paid in respect of current year	(150,000)	(150,000)
Unappropriated profit carried forward	2,295,700	2,034,951

## 3.3. Provision for Taxation

The tax position of the Company is disclosed in Note 21 (pages 164 to 165) to the financial statements.

## 3.4. Property, Plant and Equipment

Details of property, plant and equipment are shown in Note 25 (pages 169 to 171).

## 3.5. Reserves

The movement in reserves during the year is set out in the Statement of Changes in Equity on page 141.

## 3.6. Investments

Details of investments held by the Company are disclosed in Note 27 (pages 174 to 182) to the financial statements.

## 3.7. Turnover

The Company underwrote an amount of Rs. 6,030 Mn in 2019 (Rs. 5,592 Mn in 2018) as gross written premium. Gross written premium for the year by major classes of business is given on page 154.

## 3.8. Stated Capital and Shareholders' Funds

In compliance with the Companies Act, the financial statements reflect the stated capital of the Company. The stated capital of the Company as at 31st December 2019 amounted to Rs. 1,350 million (Rs. 1,350 million in 2018).

## 4. External Auditor

### [Section 168 (1) (c) (i) and (j)]

Auditors report on financial statements of the Company with a separate disclosure on amounts payable by the Company to Auditors as audit fees and fees for other services rendered during the accounting period and Auditors' relationship or any interest with the Company.

## 4.1. Auditor and their Independence

In accordance with the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in

relation to the financial statements are set out in the 'Independent Auditor's Report' given on page 136.

## 4.2. Auditor's Report

The Report of the Auditor General on the financial statements of the Company is provided on pages 135 to 137.

## 4.3. Auditor's Remuneration

A sum of Rs. 2,878,806 (2018 - Rs. 2,578,034) was payable to Auditors as audit fees during the year under review and a sum of Rs. 563,521 (2018 - Rs. 518,692) was payable by the Company for tax related services and other non-audit work performed.

## 4.4. Appointment of Auditors

Auditor General functions as the Auditor for the ensuing financial year in compliance with Article 154 of the 19th Amendment to the Constitution.

## 5. Accounting Policies

### [Section 168 (1) (d)]

Accounting Policies and changes made to the Accounting Policies during the year under review

Accounting policies of the Company are prepared based on the Sri Lanka Accounting Standards and industry best practices. 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.

### 5.1. New Accounting Policies and Regulation

The Board has taken into consideration the requirements of the Sri Lanka Accounting Standard – SLFRS 16 on Financial Instruments effective for the annual periods beginning on 1st January 2019, and the requirement of the new standard was fully implemented during the year.

Directors have also taken necessary steps to comply with the new Inland Revenue Act which became effective from 1st April 2018.

## 6. Board of Directors

### [Sections 168 (1) (e), (f), (h)]

Particulars of the entries in the Interest Registers of the Company during the accounting period, Remuneration and other benefits paid to the Directors of the Company during the accounting period and information on Directorate of the Company during and the end of the accounting period.

### 6.1. Profiles

Names of the Board of Directors together with their profiles, including skills and experience are set out on pages 30 to 33 of this Annual Report.

### 6.2. Appraisal of Board Performance

The method used to appraise the performance of the Board of Directors is presented in the 'Corporate Governance' section on page 111. However, pending the reconstitution of the Board in December 2019, Performance Evaluations could not be obtained from the Board.

### 6.3. Other Directorships/Significant Positions of Directors

Information of the other Directorships/significant positions of the present Directors of the Company are given in their profiles presented on pages 30 to 33.

### 6.4. Resignations and Appointments

During the year under review, the following Directors resigned from the Board of the Company:

- Mr. N. Vasantha Kumar - with effect from 31st May 2019
- Mr. S. P. K. Gunarathne - with effect from 4th September 2019

During the year under review, the following Directors were appointed to the Board of the Company:

- Mr. Pavithra Fernando - with effect 3rd June 2019
- Mr. Rasitha Gunawardana - with effect 4th September 2019

Subsequent to the year under review, following Directors resigned from the Board of the Company:

- Mr. Jehan P. Amaratunga - resigned from the post of Chairman/Director with effect from 28th February 2020;
- Mr. W. M. Abeyrathna Bandara - with effect from 28th February 2020;
- Mr. N. P. Karunaratne - with effect from 28th February 2020;
- Mr. Pavithra Fernando - with effect from 28th February 2020;
- Mr. Rasitha Gunawardana - with effect from 1st June 2020

The following Directors were appointed to the Board subsequent to the year under review:

- Mr. Isuru Balapatabendi - appointed as Chairman/Director with effect from 8th June 2020
- Mr. Ranjith Kodituwakku - with effect from 8th June 2020;
- Mr. Johnson Fernando - with effect from 8th June 2020;
- Dr. Kasun Wijetilleke - with effect from 8th June 2020.

### 6.5. Interests Register

In compliance with the requirements of the Companies Act, the Company maintains an Interests Register. Particulars of any entries made in the Interests Register are detailed below.

### 6.6. Directors' Interests in Transactions

The Directors of the Company have made general declarations as provided for in section 192 (2) of the Companies Act. Arising from this, details of contracts in which they have an interest are found in Note 48.2 on page 219, under related party transactions.

### 6.7. Loans to Directors

The Company has not granted any loans to the Directors.

# Annual Report of the Board of Directors on the Affairs of the Company

## 6.8. Directors' Interest in Shares

The Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof. The Directors' individual shareholding in the Company as at 31st December 2018 and 31st December 2019 are given below.

Name of Director	Number of Shares	
	As at 31st December 2019	As at 31st December 2018
Jehan P. Amaratunga	-	-
Lakshman Abeysekara	-	-
N. Vasantha Kumar	-	-
A. S. Ibrahim	-	-
S. P. K. Gunaratne	-	-
W. M. Abeyrathne Bandara	-	-
N. P. Karunarathne	-	-
Pavithra Fernando	-	-
Rasitha Gunawardana	-	-
Isuru Balapatabendi	-	-
Ranjith Kodituwakku	-	-
Johnson Fernando	-	-
Kasun Wijetilleke	-	-

## 6.9. Remuneration to Directors

The details of Directors' fees and Directors' emoluments paid during the year are stated below.

	2019 Rs. '000	2018 Rs. '000
Executive Directors' fees and emoluments	-	-
Non-executive, Non-independent Directors' fees and emoluments	3,275	2,225
Non-executive, Independent Directors' fees and emoluments	3,575	3,250
<b>Total</b>	<b>6,850</b>	<b>5,475</b>

## 6.10. Directors' Meetings

Details of Directors' meetings are presented on page 110.

## 7. Share Information

Significant shareholder information along with substantial shareholder details and other share related information.

### 7.1. Distribution Schedule of Shareholdings

Information on the distribution of shareholding and the respective percentages are given in the section on 'Shareholder Information' on pages 254 to 255.

### 7.2. Information on Earnings, Dividends, Net Assets and Market Value

Information relating to earnings, dividend, net assets and market value per share is given on page 257. Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the section on 'Shareholder Information' on page 256.

### 7.3. Substantial Shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the section on 'Shareholder Information' on pages 254 to 255.

### 7.4. Equitable Treatment to Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

### 7.5. Dividends

The first interim dividend of Rs. 0.75 per share was paid in October 2019. The Directors subsequently paid a second interim dividend of Rs. 1.10 per share in March 2020 for the financial year ended 31st December 2019.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56(3) of the Companies Act No. 07 of 2007 immediately after the payment of the said interim dividends. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained certificates of solvency from the Auditors in respect of the first interim dividend and the second interim dividend paid, thereby strictly conforming to the above statutory provision.



## 7.6. Information on ratios, market prices of shares and credit ratings

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Shareholder Information' on page 257.

## 8. Donations and CSR

### [Section 168 (1) (g)]

Total amount of donations made by the Company during the accounting period

During the year under review, the Company made donations amounting to Rs. 885,993 (2018 – Rs. 978,753) in terms of the Resolution passed at the last Annual General Meeting. The corporate social responsibility initiatives of the Company are presented in 'Social and Relationship Capital' on pages 97/98 and 'Natural Capital' on pages 99 to 102.

## 9. Corporate Governance

### [Code of Best Practice

**D.1,D.1.1,D.1.4,D.4] , [ G.1, G.2,G.3]**

Board of Directors emphasis on the corporate governance practices and procedures

The Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided the necessary resources and installed appropriate processes and procedures in compliance with the relevant codes of best practice issued by the regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka ('SEC') and the Institute of Chartered Accountants of Sri Lanka ('ICASL'). The measures taken in this regard and information to fulfil disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set

out on pages 228 to 249 of this Annual Report.

Further, the Directors declare that:

- The Company has not engaged in any activity which contravenes laws and regulations.
- All material interests in contracts involving the Company have been declared by the Directors and they have 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 internal controls covering financial, operational and compliance controls and risk management has been conducted and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

### 9.1. Board Sub-committees

The Board, while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board Sub-committees to ensure more effective control over certain affairs of the Company, conforming to the corporate governance standards of the Listing Rules of the CSE and adopting best practices thereon. Accordingly, the following Board Sub-committees have been constituted by the Board.

Board Sub-committees	Committee Report Reference
Board Audit committee	Pages 121 to 122
Remuneration and Nomination committee	Pages 125 to 126
Related Party Transactions Review committee	Pages 123 to 124

The composition of each Board Sub-committee and Directors' attendance at meetings are given on page 110.

### Related Party Transactions Review Committee

The Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard (LKAS) 24 – Related Party Disclosures, which has been adopted in the preparation of these financial statements.

Such transactions disclosed by the Directors are given in Note 48.2 to the financial statements on page 219 and form a part of the Annual Report of the Board of Directors. During the year, there were no recurrent and non - recurrent transactions which exceeded 10% of the equity or 5% the total assets which require immediate disclosure to the CSE and separate disclosure in the Annual Report.

The Company has complied with the requirements of the Code of Best Practices on Related Party Transactions issued by the SEC and has complied with all disclosure requirements as per the Code.

### Remuneration and Nomination Committee

The details of the Remuneration and Nomination Committee are given on pages 125 to 126 of this Annual Report.

### Board Audit Committee

All the members of the Board Audit Committee are Non-executive Directors. The Chief Executive Officer, Head of Finance and Head of Operations attend the meetings by invitation. The report of the Board Audit Committee is given on pages 121 to 122.

# Annual Report of the Board of Directors on the Affairs of the Company

## 9.2. System of Internal Controls

The Board of Directors has taken steps to oversee the implementation of an effective and comprehensive system of internal controls, covering financial operations and compliance controls required to carry its operation in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of financial and other information. The Board has confirmed that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements. The Directors have appointed a qualified internal auditor to carry out the internal audit function and report on the effectiveness of financial, operational and compliance controls to the Board Audit Committee.

## 9.3. Risk Management

The Board and executive management of the Company have put in place an adequate risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. In addition, a group level risk management committee is in place with Company level representatives.

A detailed overview of the process is outlined in the Risk Management report on pages 50 to 59.

## 9.4. Compliance with Laws and Regulations

To the best of knowledge and belief of the Directors, the Company has complied with all applicable laws and regulations. A separate paper on regulatory compliance is submitted to the Board on a monthly basis. Further, the Company complies with the prevention of money laundering

(amendment) Act No. 40 of 2011 and the Convention on the Suppression of Terrorist Financing Act No. 3 of 2013, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

## 9.5. Environment

The Directors confirm that to the best of their knowledge, the Company has not engaged in any activity, which causes detriment to the environment.

## 9.6. Environmental, Social and Governance Reporting

Environmental, social and governance (ESG) considerations affect value creation and the execution of strategies of the Company. The Company's Annual Report contains sufficient information on the recognition, management, measurement and reporting on ESG risks and opportunities as set out on page 66 to 103.

## 9.7. Internet of Things

Group IT policies by which the Company is governed, comprehensively cover the process to identify connections to the Company's network and cyber security risks identification, effectiveness of cyber security risk management. The functions of Chief Information Security Officer are delegated to the Head of IT of PLC group. Related information is set out in Corporate Governance Section on page 112.

## 9.8. Going Concern

After considering the financial position, the Company's corporate/business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka, there is a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason,

the Company continues to adopt the going concern basis in preparing the financial statements.

## 10. Stakeholder Management and Integrated Reporting

The Company has taken several measures to manage its valued stakeholders in value creation process. Economic, environment and social aspects are adequately addressed in the reporting process. Relevant details are presented in stakeholder engagement on pages 73 to 75 of this Annual Report.

## 11. Statutory Payments

To the best of knowledge and belief, the Directors are satisfied that all statutory payments due to the Government, other regulatory institutions and in relation to the employees have been made on time.

## 12. Outstanding Litigations

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 other than those arising in the normal course of conducting insurance business.

## 13. Events After the Reporting Date

Details of events after the reporting date are provided in Note 50 (pages 223 to 224) to the financial statements.

## 14. Annual General Meeting

The Annual General Meeting will be held at Block 02, Lotus Hall, Bandaranaike Memorial International Conference Hall (BMICH), Baddhaloka Mawatha, Colombo 07, Sri Lanka, on 14th October 2020 at 3.30 p.m. The Notice of the Meeting relating to the 11th Annual General Meeting is given on page 272.

## 15. Compliance with Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules

Rule Reference	Information Required to be Disclosed	Status of Compliance	Page Reference
7.6 (i)	Names of persons who were Directors of the Company during the financial year	√	109
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	√	144
7.6 (iii)	Information on 20 largest shareholders at the end of the year	√	254
7.6 (iv)	The public holding percentage	√	255
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	√	255
7.6 (vi)	Information pertaining to material foreseeable risk factors	√	52 to 59
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	√	59
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	√	169 to 171
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	√	256
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	√	256
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	√	257
7.6 (xii)	Significant changes in the Company's or subsidiaries' fixed assets	√	Not applicable
7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	√	Not applicable
7.6 (xiv)	Information in respect of Employee share ownership or stock option schemes	√	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance practice in terms of Rules 7.10.0, 7.10.5 c and 7.10.6 c of Section 7 of the Listing Rules	√	247 to 249
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity	√	117

## Acknowledgement of the Contents of the Report

### [Section 168 (1) (k)]

The Board of Directors does hereby acknowledge the contents of this Annual Report.



**Isuru Balapatabendi**  
Chairman



**A. S. Ibrahim**  
Director



**Lakmini Kottegoda**  
Company Secretary

10th August 2020  
Colombo

# Directors' Statement on Internal Control

In line with Section D1.5 of the Code of Best Practices on Corporate Governance 2017 (Code) issued by The Institute of Chartered Accountants of Sri Lanka (ICASL), the Board of Directors presents this report on Internal Control of People's Insurance PLC (the Company).

## Responsibility

The Board of Directors (Board) is responsible for maintaining sound system of internal controls in safeguarding the shareholder's investment and the Company's assets. Accordingly, the Board is of the view that the system of internal controls that is in place provides a reasonable assurance on reliability of financial reporting and the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has established an ongoing process to ensure the significant risks faced by the Company are identified, evaluated and managed within an acceptable risk profile and this process includes enhancing the system of internal control as and when there are changes to the business environment or regulatory guidelines. The process is in place and reviewed by the Board and the Board Audit Committee.

The Management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## System of Internal Control

The Board has implemented the following to obtain reasonable assurance that proper system of internal controls are in place:

- Board sub-committees are instituted to assist the Board in ensuring the effectiveness of the Company's operations and that those are in accordance with the corporate strategies and annual budget.
- Policies are developed covering most of the functional areas of the Company and these are approved by the Board or Board approved sub-committees. Such policies are reviewed and approved periodically.
- The internal audit department reviews for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes in accordance with the audit plan which is drawn based on the level of risk assessed which is approved by the Board Audit Committee. Findings of the internal audits are submitted to the Board Audit Committee for review at periodic meetings.
- The Board Audit Committee of the Company reviews the outcome of the audits carried out on internal control systems, regulatory authorities' and internal audits, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The proceedings of the Audit Committee are tabled at the Board Meetings of the Company. Further, details of the activities carried out by the Board Audit Committee are presented in the Board Audit Committee Report on pages 121 to 122.
- In assessing the internal control system, the Company continued to review and update procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. The internal audit department continues to verify the suitability of design and effectiveness of these procedures and controls on an on-going basis.

## Confirmation Statement

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

The Board of Directors confirms that the financial reporting system of People's Insurance PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the applicable Sri Lanka Accounting Standards and regulatory requirements of the Insurance Regulatory Commission of Sri Lanka and the Colombo Stock Exchange.

By order of the Board



**Isuru Balapatabendi**  
Chairman



**A. S. Ibrahim**  
Director



**Lakshman Abeysekera**  
Chairman - Board Audit Committee

10th August 2020  
Colombo

# Board Audit Committee Report

## Charter

The terms of reference of the Board Audit Committee is clearly demarcated in the Charter. The Charter of the Board Audit Committee approved by the Board is revisited and revised annually with the concurrence of the Board of Directors to ensure that the new developments relating to the functions of the Committee are addressed. The Committee is accountable to the Board and reports on its activities regularly to the Board of Directors.

The functions of the Committee are geared to assist the Board of Directors in its general oversight responsibilities in relation to financial reporting, internal control, risk management, compliance, internal audit and external audit.

The Composition, roles and functions of the Committee are in accordance with the Listing Rules on Corporate Governance of the Colombo Stock Exchange and the Code of Best practices on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

## Composition

The Board Audit Committee comprises of three non-executive directors, majority of whom are independent. The Committee is chaired by Mr. Lakshman Abeysekera who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka with over 25 years' experience in accounting, finance and management.

The Committee was reconstituted in February 2020 with the resignation of Mr. R. Gunawardena and Mr. W. M. Abeyrathna Bandara. Brief profiles of the following members of the Board Audit Committee as of the date of this report are given on pages 30 to 33 of this Annual Report.

- Mr. Lakshman Abeysekera (Non-executive, Independent Director) - Chairman
- Mr. Ranjith Kodituwakku (Non-executive, Non-independent Director)
- Dr. Kasun Wijethilleke (Non-executive, Independent Director)

The Board of Directors has satisfied themselves that the current members of the Audit Committee are collectively competent in the industry, financial matters and have recent and relevant experience which enable smooth functioning of the Committee. The Head of Internal Audit functions as the Secretary to the Audit Committee.

## The Objective and Role

The Committee is empowered by the Board and it assesses and ensures;

- Integrity of the Financial Reporting and compliance with financial reporting requirements under the Sri Lanka Accounting Standards and other reporting requirements under the related regulations
- Effectiveness of the Company's Internal Controls and Risk Management systems
- Company's ability to continue as going concern in the foreseeable future
- Independence and Performance of the External Auditors
- Performance of the Company's Internal Audit function
- Compliance with legal and regulatory requirements including performance of the Compliance function

## Authority

The Committee has the explicit authority to investigate in to any matter, full access to information and to obtain external professional advice at the Company's expense.

## Meetings

The proceedings of the Committee meetings are conducted in accordance with the terms of the Board Audit Committee. Meetings are held on a quarterly basis and the Chief Executive Officer, Technical Consultant and Head of Finance attends meetings by invitation. The External Auditors also attend meetings, on invitation, to brief the Committee on specific matters.

During the year 2019, the Committee held five meetings. Attendance of the members at meetings is set out in the table on page 110 of this Annual Report.

## Summary of Activities

### Reporting on Financial Position and Performance

In order for the Board to assure the integrity of the Financial Statements of the Company in the lines of significant financial reporting, disclosures, and judgments contained therein, the committee assisted the Board in its oversight responsibility. The assurance is assumed through an independent review of risks, controls and governance processes. The Committee quarterly reviews the financial statements and annual financial statements are reviewed in consultation with the external and internal auditors prior to making recommendation to the Board for approval.

### Compliance with Reporting Requirements

The Committee reviews with management the significant accounting and reporting issues and developments in Accounting Standards and adoption of applicable changes. The Committee continuously monitors the compliance with relevant accounting standards and keeps the Board abreast at regular intervals.



# Board Audit Committee Report

## Oversight on Regulatory Compliance

The Audit Committee scrutinises whether the conduct of the business is in compliance with applicable laws and regulations and policies of the Company by reviewing the compliance statements prepared by the management. The Internal Audit Department of the company is mandated to conduct independent test checks on regulatory compliance requirements and review the monthly compliance statements submitted to the Board by the management.

## Identification of Risk and Control Measures

The Company adopted a risk-based audit approach and the effectiveness of the internal control procedures that are in place to identify, manage and mitigate all significant risks are monitored by the Committee on a quarterly basis. A risk grading matrix is adopted for assessing and measuring the risks identified during the internal audits.

With the motive of maintaining an effective internal control environment, the Committee seeks required assurance from the business units on remedial actions taken in respect of the risks identified. During the year with the proposition of the Committee, the management initiated establishing a separate Risk and Compliance function which is the second line of defence and will be independent of the first line of defence.

## Appointment of the External Auditors

People's Insurance PLC falls under the definition of 'Auditee Entity' according to Section 55 of the National Audit Act No. 19 of 2018. Accordingly, the Auditor General or any person authorised by the Auditor General under Article 154 (4) of the Constitution of the Democratic Socialist Republic of Sri Lanka shall carry out the audit of the Company. Accordingly, Auditor General is the

External Auditor of the Company and he has authorised Ernst & Young to carry out the Audit of the Company for the year ended 31st December 2019 as per the constitution.

## External Audit

Audited financial statements, results of the external audit, letter of representation issued to the external auditors and recommendations contained in the Management Letter and management response thereto are reviewed by the Committee, while ensuring that appropriate follow-up actions were taken.

## Internal Audit

The Committee monitors the effectiveness of internal audit function by reviewing the adequacy of the audit coverage, functions, independence and resources of the internal audit department and ensures that the department has necessary authority to carry out its audits. It also ensured the independence of the Audit Function by appraising the activities it audited and that those were performed with impartiality, proficiency and due professional care.

The Committee approved the audit plan formulated by the Internal Audit Department and reviewed its progress of implementation regularly.

Significant findings of internal audits and investigations with recommendations to the management are considered and appropriate instructions have been issued by the Committee. Further, follow-up actions on internal and external audit recommendations are monitored. During the year 2019, the Committee assessed and apprised the management of the importance of an Anti-fraud and Response policy and necessary steps have been initiated by the management.

Performance of the Internal Audit Department is quarterly appraised by the Committee against the Audit Plan and set key performance indicators.

## Ethics and Good Governance

The Committee constantly emphasises on upholding ethical values of the staff members. In this regard the Whistleblowing policy was strengthened and followed educating and encouraging all employees to resort to whistle-blowing if they suspect any wrong doings or improprieties. Highest standard of good governance is ensured.

## Whistle Blowing and Fraud

The Company's whistle blower protection policy intends serving a wide-spread informal channel for the corporate fraud risk management. It encourages employees and others who have serious concerns about any aspect of the Company's work such as any improper or illegal activity or unethical practices in the Company or receives credible information of the same, to come forward and voice those concerns. Concerns raised are investigated by the company and overseen by the Audit Committee and the identity of the person raising the concern is kept confidential, as even anonymous complaints are looked at.



**Lakshman Abeysekera**

*Chairman – Board Audit Committee*

10th August 2020  
Colombo

# Related Party Transactions Review Committee Report

Related Party Transactions Review Committee (RPTRC) was established in October 2015 by the Board in compliance with the Code of Best Practices on the Related Party Transactions (Code) issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE). RPTRC is a formally constituted Sub-committee of the Board of Directors and it reports regularly to the Board.

## Composition

The RPTRC comprises the following Non-executive Directors with effect from 8th June 2020 with the subsequent reconstitution of the Board, whose brief profiles are given on pages 30 to 33 of this Annual Report. The composition of the RPTRC meets the requirements under the Listing Rules of CSE.

- Mr. Johnson Fernando - Chairman of the Committee (Non-executive, Independent Director)
- Mr. Ranjith Kodituwakku - Member (Non-executive, Non-independent Director)
- Mr. Lakshman Abeysekara - Member (Non-executive, Independent Director)

As at 31 December 2019, the following Non-executive Directors were members of the RPTRC and ceased to be members of the Committee with effect from 28th February 2020.

- Mr. Pavithra Fernando <sup>Note 1</sup> - Chairman of the Committee (Independent, Non-executive Director)
- Mr. N. P. Karunaratne - Member (Independent, Non-executive Director)
- Mr. W. M. Abeyrathna Bandara - Member (Independent, Non-executive Director)

**Note 1** – Mr. Pavithra Fernando was appointed to the Related Party Transactions Review Committee with effect from 5th July 2019. With the resignation of Mr. S. P K. Gunarathne with effect from 4th September 2020, Mr. Pavithra Fernando was appointed as the Chairman of the Related Party Transactions Review Committee at the Board meeting held on 26th September 2019.

## Functions of the Committee

The primary function of the Committee is to review all proposed related party transactions, other than those transactions explicitly exempted under Rule 27 of the code, prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

## Meetings and Activities

The proceedings of the Committee meetings which mainly include activities under its mandate are reported to the Board of Directors. The Committee had two meetings during the year 2019 and details of attendance of the Committee members are set out in the table under page 110. Pending reconstitution of the Board, no meeting could be convened during the period from 26th November 2019 to 31st December 2020. The Chief Executive Officer and members of the management of the Company are invited to attend meetings as and when required.

The Board of Directors continuously monitors whether the transactions entered into with related parties are carried out in the ordinary course of business and at arm's length via the reporting by the RPTRC on their observations on all related party transactions. During the year, there has not been any transaction that required reporting and approval of the Board of Directors.

## Methodology Adopted by the Committee

The methodology adopted by the RPTRC is set out in the terms of reference of the Committee approved by the Board of Directors and are in compliance with the requirements under the Code. As such, the mandate of the Committee consists of inter alia the following:

- Adopt policies and procedures to review related party transactions of the Company.
- Review in advance all proposed related party transactions of the Company except those explicitly exempted in the Code.
- Determine whether such related party transactions require the approval of the Board or shareholders of the Company as determined in Rule 13 of the Code, and if necessary forward the same for their approval.
- If related party transactions are recurrent, the Committee shall establish guidelines for senior management to follow in its ongoing dealings with the relevant related party. Thereafter, the Committee on an annual basis shall review and assess ongoing relationships with the related party to see that they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.
- Ensure that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approve the proposed related party transaction.

## Related Party Transactions Review Committee Report

- ➔ Ensure that immediate market disclosures and disclosures in the Annual Report as required by the Code are made in a timely and detailed manner.

### Declaration

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Related party transactions that took place during the year in terms of the Sri Lanka Accounting Standards are disclosed in the financial statements and have been approved by the Board of Directors. It may also be noted that there were no related party transactions that occurred during the financial year under review which required approval of the shareholders of the Company as determined in Rule 13 of the Code. Please refer the Annual Report of the Board of Directors on the Affairs of the Company, page 117 for the declaration made by the Board of Directors, confirming that no related party transaction falling within the ambit of the Listing Rules which required an immediate market disclosure was entered into by the Company during year ended 31st December 2019.



**Mr. Johnson Fernando**

*Chairman - Related Party Transactions  
Review Committee*

10th August 2020  
Colombo

# Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee is appointed by the Board. The Committee reviews human resources and remuneration aspects of the Company, including the remuneration of Board of Directors in accordance with the government directives and Key Management Personnel (KMP) below the main Board.

## Composition and Committee Meetings

The Remuneration and Nomination Committee comprises the following Non-executive Directors with effect from 8th June 2020 with the subsequent reconstitution of the Board, whose brief profiles are given on pages 30 to 33 of this Annual Report.

- ➔ Mr. Isuru Balapatabendi – Chairman of the Committee (Non-executive, Non-independent Director)
- ➔ Mr. Lakshman Abeysekara – Member (Non-executive, Independent Director)
- ➔ Mr. A. S. Ibrahim – Member (Non-executive, Non-independent Director)
- ➔ Dr. Kasun Wijetilleke – Member (Non-executive, Independent Director)

As at 31 December 2019, following Non-executive Directors were members of the Remuneration and Nomination Committee.

- ➔ Mr. Jehan P. Amarathunga <sup>Note 1</sup> Chairman of the Committee (Non-executive, Non-independent Director)
- ➔ Mr. Lakshman Abeysekera - Member (Non-executive, Independent Director)
- ➔ Mr. Pavithra Fernando <sup>Note 2</sup> - Member (Non-Executive Independent Director)
- ➔ Mr. A. S. Ibrahim <sup>Note 3</sup> - Member (Non-executive, Non-independent Director)

**Note 1** – Mr. Jehan P. Amarathunga ceased to be a member of Committee with effect from 28th February 2020.

**Note 2** – Mr. Pavithra Fernando was appointed to the Remuneration and Nomination Committee with effect from 5th July 2019 and ceased to be a member of the Committee with effect from 28th February 2020.

**Note 3** – Mr. A. S. Ibrahim was appointed to the Remuneration and Nomination Committee with effect from 26th November 2019. However, pending the reconstitution of the Board, no meeting was held during the period from 26th November 2019 to 31st December 2019.

**Note 4** – Mr. S. P. K. Gunarathne ceased to be a member of the Committee with effect from 4th September 2019.

The Secretary of the Company functions as the secretary to the Committee.

The proceedings of the Committee meetings which mainly include activities under its mandate are regularly circulated among all Directors of the Board.

CEO attends meetings of the Committee by invitation, other than in instances where matters relating to him are discussed. The CEO reports to the Committee on the changes in salary structures and terms of the KMP below the main Board, if any.

During the year, the Committee conducted three meetings and the details pertaining to the attendance are provided on page 110 of this Annual Report.

## Roles and Responsibilities

The overall focus of the Committee is in terms of the following:

Nomination related responsibilities are as follows:

- ➔ Propose a suitable Charter for the appointment and reappointment of Directors to the Board.
- ➔ Identify and recommend to the Board or the Chairman, suitable candidates to fill any vacancy/vacancies of the Board and all reappointments to the Board as well as proposing selection and appointment of the Chairman in case of a vacancy.
- ➔ Consider and determine if a Director is able to and has been adequately carrying out the duties as a Director and if necessary propose the maximum number of listed company Board representations which any Director may hold.
- ➔ Review and propose changes if required to the structure, size, composition and competencies of the Board and make recommendations to the Board if changes are required.

Remuneration related responsibilities are as follows:

- ➔ Responsible for the remuneration policy and its specific application to the Executive Directors and KMP below the main Board.
- ➔ Recommend to the Board on the remuneration and incentive framework (inclusive of equity incentives and terminal benefits) for Executive Directors and KMP below the main Board.
- ➔ Review of objectives and key performance indicators of the Executive Directors and KMP, management development plans and succession planning of the Company.
- ➔ Formalise the strategic human resource policy.
- ➔ Recommend and ensure that appropriate service contracts for Executive Directors and KMP are available.

# Remuneration and Nomination Committee Report

## Reward Strategy

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Our reward strategies and remuneration structure is designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment.

Accordingly, a key feature of our remuneration policy is pay for performance. The skills, experience of the individual and his/her level of responsibility are also taken into account in deciding on the remuneration.

## Remuneration Principles

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- To enable the attraction and retention of high-calibre people, with the right mix of experience, skills and knowledge to delivery on the strategy.
- To support and reinforce our desired culture and encourage behaviour consistent with values.
- To create an appropriate balance and alignment between the needs and expectations of stakeholders to ensure the creation of long-term value for them.
- To incentivise employees to deliver and sustain high levels of performance and the execution of strategic priorities.
- To align with the principles of good corporate governance.
- To promote performance based on culture, team work and recognise individual/group performance.
- To provide single or multiple levels of recognition based on the individual and team based contributions.
- To improve employee productivity, efficiency and quality of work.
- To maintain high standards of customer service.

## Authority

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The Committee has the authority to discuss issues relating to remuneration and nomination and report to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary.

## Evaluation of the Committee

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As part of the annual self-assessment of the Board of Directors, the performance and effectiveness of the Board Committees is assessed by the Board as a whole. However, pending the reconstitution of the Board of the Company in December 2019, annual self- assessment could not be obtained from the Board.

## Directors' Compensation

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Compensations paid to the Board of Directors are specified on page 163 of this Annual Report.



**Isuru Balapatabendi**  
*Chairman - Remuneration and  
Nomination Committee*

10th August 2020  
Colombo



# Investment Committee Report

## Charter of the Committee

The Investment Committee of People's Insurance PLC is appointed by and is responsible to the Board of Directors. The primary purpose of the Investment Committee is to assist the Board in fulfilling their responsibility to shareholders and policyholders in relation to the management of the investment portfolio, including the development of overall and portfolio specific investment guidelines. The Committee is empowered to review and amend policies and programmes falling under its purview and recommend to the Board on their adoption.

## Composition and Meetings

The Investment Committee consists of six members, four of whom are Non-executive Directors of the Company and two from the management. As at the annual report date, the Committee includes the following members:

- Mr. Isuru Balapatabendi (Non-executive, Non-independent Director) - Chairman of the Committee
- Mr. A. S. Ibrahim - Member (Non-executive, Non-independent Director)
- Mr. Johnson Fernando - Member (Non-executive, Non-independent Director)
- Dr. Kasun Wijethilleke - Member (Non-executive, Independent Director)
- Mr. Deepal Abeysekera - Member (Chief Executive Officer)
- Mr. Nilushan Somarathna - Member (Head of Finance)

With the resignation of Mr. Jehan P. Amaratunga (former Chairman of the Committee) and Mr. Pavithra Fernando from the Board with effect from 28th February 2020 and Mr. Rasitha Gunawardana with effect from 1st June 2020, Mr. Isuru Balapatabendi was appointed as the new Chairman of the Committee while Mr. Johnson Fernando and Dr. Kasun Wijetilke were appointed as members to the

Committee with the reconstitution of the Board of the Company with effect from 08th June 2020. The Board Secretary of Peoples Insurance PLC functions as the Secretary to the Investment Committee. Meetings are held on a quarterly basis and Manager Investment attends meetings by invitation. During the year 2019, the Investment Committee held three meetings. Attendance of the Investment Committee members at meetings is set out in the table on page 110 of this Annual Report.

## Objectives

The key objectives of the Committee are summarised below.

- Advice on formulation of investment strategy
- Guidance on the asset allocation of investment portfolio
- Review investment performance
- Review of solvency and approved assets
- Review of risk exposure
- Review compliance with internal and external investment regulations

## Activities Carried out during the Year

At each quarterly meeting, the Committee reviewed the details of the macro-economy, investment strategy and performance of the investment portfolio of the Company presented by the management. Extensive discussions were held on economic, political, social and other conditions that could impact the performance of the Company's investment returns and the investment strategy was structured upon agreements reached during such discussions.

- Investment Operations Manual of the Company was reviewed and amended during the year to keep the Operations Manual relevant and up to date.
- Apart from the scheduled meetings, the Committee also maintained constant dialogue with the management throughout the year,

discussing matters as and when they arose. Any issues that needed the attention of the Investment Committee were promptly attended to and solutions reached through close communication between the Investment Committee and the management.

- The Committee provided guidance on maximising investment returns while working within the Company's investment risk appetite to simultaneously ensure the achievement of benchmark investment yield, budgeted income and adherence to all internal guidelines and external regulations.
- The Committee also reviewed areas such as asset allocation, maturity mix, asset and liability management of the fund.
- Regular and strict scrutiny was maintained throughout the year in relation to compliance with applicable criteria, guidelines and policies stipulated in the Company's Investment Operations Manual as well as with statutory rules and regulations. A separate compliance report was tabled at each meeting affirming the state of compliance with all such requirements.

## Conclusion

Despite the uncertain and challenging market conditions that prevailed during the year, the Committee is of the view that the Company recorded a commendable performance by managing its investment portfolios to surpass set targets, while operating within the regulations applicable and the framework prescribed by the Investment Operations Manual of the Company.



**Isuru Balapatabendi**  
Chairman - Investment Committee

10th August 2020  
Colombo



## Financial Information





**Our perspective is 360  
degrees, in order to  
view and understand  
the bigger picture.**

---

**The part of the Sunflower in the middle of the petals (the pistil) follows the Fibonacci Sequence much more intensely than other pieces of nature, but the result is an incredible piece of art. The pattern formed by the curve the produces sequence creates used repeatedly produces a lovely and intricate design.**

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## Financial Calendar

	2019	2018
<b>Dividends</b>		
Fist Interim Dividend Paid	18 October 2019	18 September 2018
Second Interim Dividend Paid	20 March 2020	-
Final Dividend Paid	-	-
Final Dividend Proposed	-	20 February 2019
<b>Submission of Interim Financial Statements as per Rule 7.4 of the Colombo Stock Exchange</b>		
Interim Financial Statements – First Quarter	14 May 2019	01 May 2018
Interim Financial Statements – Second Quarter	29 July 2019	08 August 2018
Interim Financial Statements – Third Quarter	25 October 2019	13 November 2018
Interim Financial Statements – Fourth Quarter	28 February 2020	21 February 2019
Audited Financial Statements for the Year	In September 2020	07 March 2019
<b>Annual General Meeting (AGM)</b>		
10th Annual General Meeting		29 March 2019
11th Annual General Meeting	14 October 2020	

# Statement of Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 ('Companies Act') is set out in this statement. The responsibilities of the External Auditors in relation to the financial statements are set out in the Independent Auditor's Report given on page 135.

As per sections 150(1) and 151 of the Companies Act, the Directors of the Company have a responsibility for ensuring that the Company keeps proper books of accounts of all the transactions and prepare financial statements that give a true and fair view of the state of affairs of the Company as at the financial reporting date and of the financial performance for the year and place the same before the Annual General Meeting.

The financial statements comprise the statement of financial position as at 31st December 2019, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the financial statements of the Company give a true and fair view of:

1. The state of affairs of the Company as at 31st December 2019; and
2. The financial performance of the Company for the financial year then ended.

The financial statements for the year 2019, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:

- ➔ Sri Lanka Accounting Standards (SLFRSs and LKASs);
- ➔ Companies Act No. 07 of 2007;
- ➔ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;

- ➔ Insurance Industry Act No. 43 of 2000 and amendments thereto;
- ➔ Statement of Recommended Practice (SoRP) issued by Insurance Regulatory commission of Sri Lanka (IRCSL);
- ➔ Listing Rules of the Colombo Stock Exchange (CSE) and;
- ➔ Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities.

The Board of Directors accepts responsibility for the integrity and objectivity of the financial statements presented in this Annual Report. The Directors confirm that in preparing these financial statements;

1. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;
2. All applicable accounting standards as relevant have been followed;
3. Judgments and estimates have been made which are reasonable and prudent and;
4. The information required by and otherwise complies with the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange (CSE) or requirements of any other regulatory authority are provided in full.

The Directors 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 financial statements of the Company have been certified by the Chief Financial Officer, the officer responsible for their preparation as required by section 150(1)(b) of the Companies Act. In addition, the financial statements of the Company have been signed by two Directors on 8th June 2020 as required by Section 150(1)(c) of the Companies Act and other regulatory requirements. In compliance with section 148(1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements, in accordance with the Companies Act and further enabling the financial statements to be readily and properly audited.

The financial statements for the year 2019 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

The Directors have also instituted effective and comprehensive systems of internal control for identifying, recording, evaluating and managing the significant risks faced by the Company throughout the year and it has been under the regular review of the Board of Directors. This comprises internal reviews, internal audit and the whole system of financial and other controls required to carry on the business in an orderly manner, safeguard its assets, prevent and detect frauds and other irregularities and secure as far as practicable the accuracy and reliability of the records.



## Statement of Directors' Responsibility for Financial Reporting

As required under section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors wish to confirm that they have authorised the distribution of the interim dividends paid after being satisfied that the Company would be able to satisfy the solvency test immediately after such distributions are made in accordance with section 57 of the Companies Act No. 7 of 2007 and have obtained certificates of solvency from the external auditors in respect of dividends paid.

The Board of Directors also wish to confirm that as required under sections 166(1) and 167(1) of the Companies Act, they have prepared this Annual Report within the prescribed time and ensured that a copy thereof is sent to the shareholders within the stipulated period of time.

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

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The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, and the Government and other statutory bodies that were due in respect of the Company as at the financial reporting date have been paid or, where relevant provided for.

By order of the Board



**Lakmini Kottegoda**  
*Company Secretary*

10th August 2020  
Colombo

# CEO's and CFO's Responsibility Statement

The financial statements are prepared and presented in compliance with the following;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Regulatory Commission of Sri Lanka (IRCSL);
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance issued by CA Sri Lanka.

The formats used in the preparation of the financial statements and disclosures made comply with the specified formats prescribed in the SoRP issued by IRCSL. The Company presents the financial results to its shareholders on a quarterly basis.

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.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to these financial statements were made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as

well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The internal audit department conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Board Audit Committee of the Company meets periodically with the internal auditors and external auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditors have full and free access to the members of the Board Audit Committee to discuss any matter of substance.

The financial statements of the Company were audited by the Auditor General and his report is given on page 135 of this Annual Report.

We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review;
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements;
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance;
4. There are no material litigations that are pending against the Company other than those disclosed in Note 51.2 of the financial statements of this Annual Report;

5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2019 have been paid or where relevant provided for;
6. The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act;
7. The Company has arranged treaty reinsurance with approved reinsurers as per the IRCSL guidelines;
8. Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets and;
9. The equity capital meets the set minimum capital requirement in accordance with the applicable regulations;



**Deepal Abeysekara**  
Chief Executive Officer



**Nilushan Somarathna**  
Chief Financial Officer

8th June 2020  
Colombo

# IBNR and LAT Certification



11 February 2020

To the shareholders of People's Insurance PLC

## People's Insurance PLC 31 December 2019 Net IBNR and LAT Certification

I hereby certify that the undiscounted 75% confidence level IBNR provision of LKR 485,490,160 inclusive of Claims Handling Expenses, is adequate in relation to the Claim Liability of People's Insurance PLC as at 31 December 2019, net of reinsurance. This provision applies to claims from Accident Years 2010 to 2019. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 75th percentile to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2019, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 3,061,197,350 set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of People's Insurance PLC as at 31 December 2019, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The results have been determined in accordance with internationally accepted actuarial principles.

I have relied upon information and data provided by the management of the above company and I have not independently verified the data supplied, beyond applying checks to satisfy myself as to the reasonability of the data.

A handwritten signature in black ink, appearing to read "S. Kumar".

**Sivaraman Kumar**

Fellow of the Institute and Faculty of Actuaries (FIA)

For and on behalf of NMG Consulting

Dated: 11 February 2020

T: +65 6325 9855 F: +65 6325 4700 E: [contact@NMG-Group.com](mailto:contact@NMG-Group.com)

[www.NMG-Group.com](http://www.NMG-Group.com)

30 Hill Street, #03-02A, Singapore 179360

# Independent Auditor's Report



## ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය  
எனது இல.  
My No.

BAF/D/PI/2020/02

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

07 July 2020

The Chairman  
People's Insurance PLC

### Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Insurance PLC for the year ended 31 December 2019 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

#### 1. Financial Statements

##### 1.1 Opinion

The audit of the Financial Statements of the People's Insurance PLC (the "Company") for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019, and statement of profit or loss, statement of 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, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying Financial Statements of the Company gives a true and fair view of the financial position of the Company as at

31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### 1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### 1.3 Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the Financial Statements of the current period. These matters were addressed in the context of my audit of the Financial Statements of the Company as a whole, and in forming my audit opinion thereon, and I do not provide a separate opinion on these matters.

##### Key audit matter

##### Valuation of Insurance contract liabilities

The Company has Insurance contract liabilities of Rs. 4,923,641,866/- which represents 83% of Company's total liabilities.

Insurance contract liabilities represent the claims liability including claims incurred but not yet reported (IBNR) and premium liability. The valuation of the insurance contract

liabilities required the application of significant assumptions such as previous claims experience, existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses.

Given the magnitude and subjectivity of the assumptions involved in the valuation, I considered this is to be a Key Audit Matter.

##### How my audit addressed the key audit matter

To assess the reasonableness of the insurance contract liabilities, my audit procedures (among others) included following;

- ➔ Testing the key controls on over the process of recognition, measurement and submission of data for estimating the insurance contract liabilities.
- ➔ Engaging specialized resources to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities with reference to the industry data and considering the both historical experience and business expectation of the Company.
- ➔ Assessing the adequacy of the related disclosures in Notes 37 and 47.9 to the Financial Statements.

##### 1.4 Other Matter

The Financial Statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 26 February 2019.

අංක 306/72, පොල්දොර පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்தொரு வீதி, பத்தரமுல்ல, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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## Independent Auditor's Report



### 1.5 Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report, other than the Financial Statements and my Auditors' Report thereon. Management is responsible for the other information.

My opinion on the Financial Statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the Financial Statements, my 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 Statement or my knowledge obtained in the audit or otherwise appears to be materially misstated.

### 1.6 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 determine 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 intend 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 and the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic Financial Statements to be prepared of the Company.

### 1.7 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 the management.
- ➔ Conclude on the appropriateness of the 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



## 2. Report on Other Legal and Regulatory Requirements

As required by Section 47(2) of the regulation of Insurance Industry Act. No. 43 of 2000, we state that, 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.

National Audit Act, No. 19 of 2018 and Companies Act. No.7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act.No.7 of 2007 and section 12 (a) of National Audit Act. No. 19 of 2018.
- The Financial Statements of the Company comply with the requirement of section 151 of the Companies Act. No. 07 of 2007.
- The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act. No. 19 of 2018.
- The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (I) (d) (iv) of the National Audit Act. No. 19 of 2018.

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention:

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act. No. 19 of 2018;
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act. No. 19 of 2018;
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act. No. 19 of 2018:
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.



**W. P. C. Wickramaratne**  
 Auditor General

## Statement of Profit or Loss

			2019	2018
	Note	Page	Rs.	Rs.
<b>Revenue</b>	6	154	6,108,525,950	5,432,668,375
Gross written premium	7	154	6,029,973,270	5,591,815,141
Change in reserve for unearned insurance premium	8	154	(228,585,742)	(430,497,807)
Gross earned premium			5,801,387,528	5,161,317,334
Premium ceded to reinsurers	9	155	(580,764,338)	(482,181,063)
Change in reserve for unearned reinsurance premium	10	155	41,112,688	30,349,349
<b>Net earned premium</b>			5,261,735,878	4,709,485,620
<b>Claims and expenses</b>				
Net claims	11	156	(3,552,575,189)	(3,237,226,440)
Underwriting and net acquisition costs	12	158	(517,151,047)	(461,795,813)
Other operating and administrative expenses	13	160	(1,100,691,791)	(886,630,201)
Finance cost	14	161	(26,078,185)	-
			(5,196,496,212)	(4,585,652,454)
<b>Underwriting results</b>			65,239,666	123,833,166
<b>Other revenue</b>				
Fee income	15	161	53,993,709	49,393,044
Interest and dividend income	16	161	781,340,659	664,296,927
Net realised gains/(losses)	17	162	(3,065,725)	(9,745,623)
Net fair value gains/(losses)	18	163	3,079,351	(4,185,970)
Other income	19	163	11,442,077	23,424,377
			846,790,072	723,182,755
<b>Profit before tax</b>	20	163	912,029,738	847,015,921
Income tax expense	21	164	(264,375,758)	(117,953,614)
<b>Profit for the year</b>			647,653,980	729,062,307
Basic earnings per share	22	165	3.24	3.65

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.

# Statement of Comprehensive Income

			2019	2018
	Note	Page	Rs.	Rs.
<b>Profit for the year</b>			647,653,980	729,062,307
<b>Other comprehensive income</b>				
<b>Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods:</b>				
- Net change in fair value during the year	27.4	182	10,440,909	(2,688,967)
- Deferred tax effect on above	21.2	164	(2,669,997)	951,082
			7,770,912	(1,737,885)
<b>Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods:</b>				
- Actuarial losses on defined benefit obligations	38.2	192	(521,342)	(2,225,774)
- Deferred tax effect on above	21.2	164	(498,095)	239,861
			(1,019,437)	(1,985,913)
<b>Other comprehensive income for the year, net of tax</b>			6,751,475	(3,723,798)
<b>Total comprehensive income for the year, net of tax</b>			654,405,455	725,338,509

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.

# Statement of Financial Position

	Note	Page	2019 Rs.	2018 Rs.
<b>Assets</b>				
Intangible assets	24	167	1,876,389	2,388,131
Property, plant and equipment	25	169	238,214,775	82,008,927
Deferred tax asset	26	172	11,527,522	3,006,071
Financial investments	27	174	7,349,838,553	6,658,264,189
Reinsurance receivables	28	182	503,594,537	153,118,635
Insurance receivables	29	183	981,900,517	963,276,019
Deferred expenses	30	185	289,575,427	264,162,186
Other assets	31	186	75,200,225	69,952,648
Cash and cash equivalents	32	186	128,771,323	221,391,043
<b>Total assets</b>			<b>9,580,499,268</b>	<b>8,417,567,849</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Stated capital	33	187	1,350,000,000	1,350,000,000
Retained earnings	34	187	2,295,700,987	2,034,950,758
Fair value reserve	35	188	4,257,285	(3,513,627)
Other reserves	36	188	(7,309,300)	(6,289,863)
<b>Total equity</b>			<b>3,642,648,972</b>	<b>3,375,147,268</b>
<b>Liabilities</b>				
Insurance contract liabilities	37	188	4,923,641,866	4,367,565,525
Employee defined benefit obligations	38	191	37,238,009	27,490,317
Other financial liabilities	39	193	676,308,209	400,727,257
Other liabilities	40	194	31,769,549	49,383,144
Reinsurance payables	41	194	7,527,409	61,807,635
Income tax payables	42	195	110,748,700	49,392,448
Bank overdrafts	43	195	150,616,554	86,054,255
<b>Total liabilities</b>			<b>5,937,850,296</b>	<b>5,042,420,581</b>
<b>Total equity and liabilities</b>			<b>9,580,499,268</b>	<b>8,417,567,849</b>

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.

## Certification

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



**Nilushan Somarathna**  
Chief Financial Officer

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by:



**Isuru Balapatabendi**  
Chairman



**Lakshman Abeysekera**  
Director

8th June 2020  
Colombo

## Statement of Changes in Equity

	Note	Page	Stated capital Rs.	Retained earnings Rs.	Fair value reserve Rs.	Other reserves Rs.	Total Rs.
<b>Balance as at 31 December 2017</b>			1,350,000,000	1,710,724,129	819,647	(4,303,950)	3,057,239,826
Adjustment on initial application of SLFRS 9, net of tax			-	(4,835,678)	(2,595,389)		(7,431,067)
<b>Restated balance as at 1 January 2018</b>			1,350,000,000	1,705,888,451	(1,775,742)	(4,303,950)	3,049,808,759
Profit for the year			-	729,062,307	-	-	729,062,307
Other comprehensive income	35, 36	188	-	-	(1,737,885)	(1,985,913)	(3,723,798)
Dividends paid during the year	34	187	-	(400,000,000)	-	-	(400,000,000)
<b>Balance as at 31 December 2018</b>			1,350,000,000	2,034,950,758	(3,513,627)	(6,289,863)	3,375,147,268
Adjustment on initial application of SLFRS 16, net of tax	34	187		(16,903,751)	-	-	(16,903,751)
<b>Restated balance as at 1 January 2019</b>			1,350,000,000	2,018,047,007	(3,513,627)	(6,289,863)	3,358,243,517
Profit for the year			-	647,653,980	-	-	647,653,980
Dividends paid during the year	34	187	-	(370,000,000)	-	-	(370,000,000)
Other comprehensive income	35, 36	188			7,770,912	(1,019,437)	6,751,475
<b>Balance as at 31 December 2019</b>			1,350,000,000	2,295,700,987	4,257,285	(7,309,300)	3,642,648,972

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.



## Statement of Cash Flows

	Note	Page	2019 Rs.	2018 Rs.
<b>Operating activities</b>				
Premium received from customers			6,038,762,990	5,453,273,701
Reinsurance premium paid			(680,629,191)	(456,089,267)
Claims paid	11	156	(3,697,462,502)	(3,298,454,547)
Reinsurance receipts in respect of claims			250,848,682	36,522,045
Interest received			691,995,261	641,580,071
Dividends received	16.2	162	1,239,786	5,739,383
Other operating cash flows			(1,422,377,595)	(1,287,624,137)
<b>Cash flows from operating activities</b>	A		1,182,377,431	1,094,947,249
Gratuity paid	38.2	192	(1,006,522)	(694,734)
Income tax paid	42	195	(153,607,261)	(47,522,289)
Interest paid on lease liability	46.4	202	(26,078,185)	-
<b>Net cash flows from operating activities</b>			1,001,685,463	1,046,730,227
<b>Investing activities</b>				
Purchase of liquid investments			(4,011,495,338)	(22,466,695,822)
Purchase of other investments			(8,010,800,664)	(4,698,589,664)
Sale of liquid investments			4,214,870,644	22,838,691,027
Sale of other investments			7,077,169,817	3,822,503,593
Purchase of intangible assets			-	(2,558,712)
Purchase of property, plant and equipment			(20,986,338)	(21,014,593)
<b>Net cash flows used in investing activities</b>			(751,241,879)	(527,664,172)
<b>Net cash flows before financing activities</b>			250,443,584	519,066,055
<b>Financing activities</b>				
Ordinary dividends paid	34	187	(370,000,000)	(400,000,000)
Payment of lease liabilities	46.4	202	(58,011,815)	-
<b>Net cash flows used in financing activities</b>			(428,011,815)	(400,000,000)
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>	B		(177,568,231)	119,066,055

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.

## Notes to the Statement of Cash Flows

	Note	Page	2019 Rs.	2018 Rs.
<b>A. Cash flows from operating activities</b>				
Profit before tax			912,029,738	847,015,921
<b>Adjustments for:</b>				
Net fair value (gains)/losses	18	163	(3,079,351)	4,185,970
Provision for employee defined benefit obligations			10,199,769	8,077,423
Depreciation and amortisation expenses			89,703,327	34,568,924
Provision for impairment			18,138,385	14,222,132
Interest paid on lease liability	46.4	202	26,078,185	-
<b>Profit before working capital changes</b>			1,053,070,052	908,070,370
<b>Changes in working capital</b>				
(Increase)/decrease in reinsurance receivables			(350,475,902)	96,627,910
Increase in insurance receivables and other assets			(42,010,458)	(200,603,371)
Increase in deferred expenses			(25,413,241)	(25,905,400)
Increase in insurance liabilities			556,076,341	294,011,004
Increase/(decrease) in other liabilities			(8,869,361)	22,746,736
<b>Cash flows from operating activities</b>			1,182,377,431	1,094,947,249
<b>B. Increase/(decrease) in cash and cash equivalents</b>				
Cash and cash equivalents	32.1	187	164,242,273	277,248,205
Bank overdrafts	43	195	(150,616,554)	(86,054,255)
Net cash and cash equivalents as at 31 December			13,625,719	191,193,950
Less: Net cash and cash equivalents as at 1 January	32.1	187	191,193,950	72,127,895
Net increase/(decrease) in cash and cash equivalents during the period			(177,568,231)	119,066,055

The notes to the financial statements as set out on pages 144 to 225 form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 Reporting entity

People's Insurance PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is situated at No. 07, Havelock Road, Colombo 05. Ordinary shares of the Company are listed on the Colombo Stock Exchange (CSE). The Company is registered under the Companies Act No. 07 of 2007 and regulated under the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto.

For more information, please refer page 271 of this Annual Report.

### 1.2 Parent entity and ultimate parent entity

The Company's parent entity is People's Leasing & Finance PLC. The Company's ultimate parent undertaking and controlling entity is People's Bank which is owned by the Government of Sri Lanka.

### 1.3 Principal activities and nature of operations

The principal activity of the Company is carrying out non-life insurance business for both individual and corporate customers. There were no significant changes in nature of the principal activities of the Company during the financial year under review.

### 1.4 Responsibility for financial Statements

The Board of Directors is responsible for preparation and presentation of these financial statements. The responsibilities of the Board of Directors in relation to the financial statements are set out in the Statement of Directors' Responsibility for Financial Reporting on page 131 in this Annual Report.

### 1.5 Number of employees

Staff strength of the Company as at 31 December 2019 is 607 (2018 - 554).

### 1.6 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2019 were approved and authorised for issue on 8 June 2020 in accordance with the resolution of the Board of Directors on 8 June 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of the Companies Act No. 7 of 2007, the Regulation of Insurance Industry Act No. 43 of 2000 and amendments thereto and Listing Rules of the CSE.

### 2.2 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position:

Item	Basis of Measurement	Note No.	Page Reference
Insurance contract liabilities	Values are determined in accordance with internationally accepted actuarial principles	37	188
Employee defined benefit obligations	Present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	38	191
Financial investments at fair value through profit or loss (FVPL)	Fair value	27.1	175
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	27.3	181

The financial statements include the following components;

- ➔ a statement of profit or loss and statement of comprehensive income providing information on the financial performance of the Company for the year under review (pages 138 to 143);
- ➔ a statement of financial position providing information on the financial position of the Company as at the year-end (page 140);
- ➔ a statement of changes in equity depicting all changes in shareholders' equity (page 141);
- ➔ a statement of cash flows providing information to the users on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows (pages 142 to 143); and
- ➔ notes to the financial statements comprising accounting policies and other explanatory information (pages 144 to 225).

### 2.3 Presentation of financial statements

An alternative format has been used in presenting accounting policies to minimise the disclosure overload and clutter in the financial statements. The assets and liabilities of the Company in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement period is presented in Note 47 (Risk management framework – exposure to liquidity risk). No adjustments have been made for inflationary factors affecting the financial statements.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable 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 liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

### 2.4 Financial period

The financial statements are prepared to a financial year ended 31 December.

### 2.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable 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 not offset in the income statement unless required or permitted by an accounting standards or interpretation.

### 2.6 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.

### 2.7 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (Rs.) which is the functional currency of the Company.

### 2.8 Materiality and aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or functions are presented separately unless they are immaterial.

### 2.9 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed

below whereas the respective carrying amounts of such assets and liabilities are given in related notes.

#### 2.9.1 Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### 2.9.2 Fair value of financial instruments

Determination of fair values of financial assets and financial liabilities recorded on the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

#### 2.9.3 Assessment of impairment

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ➔ The external credit grading model, which assigns probability of defaults (PDs) to the individual grade
- ➔ The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life-time expected credit loss (LTECL) basis and the qualitative assessment
- ➔ The segmentation of financial assets when their ECL is assessed on a collective basis

## Notes to the Financial Statements

- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as gross domestic product and the effect on PDs, exposure at default (EAD) and loss given defaults (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models

### 2.9.4 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. The management has made judgments 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 respective legal jurisdictions.

### 2.9.5 Transfer pricing

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly, critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of the management's interpretation and application of transfer pricing regulations.

## 3. CHANGES IN ACCOUNTING POLICIES

### 3.1 New and amended standards and interpretations

In these financial statements, the Company has applied SLFRS 16, Lease effective for annual periods beginning on or after 1st January 2019 for the first time. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3.2 SLFRS 16 - Leases

#### New and amended standards and interpretations

In the financial statements, the Company has applied SLFRS 16, Lease effective for annual period beginning on or after 1 January 2019.

#### SLFRS 16 - Leases

SLFRS 16 replaces Sri Lanka Accounting Standard (LKAS 17) - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16, Lease sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17.

The Company applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

## Changes to classification and measurement

### After 1 January 2019

The Company has recognised only one asset which is the head office building under SLFRS 16, Lease. The Company previously classified leases as operating leases based on its assessment of whether the lease transferred significantly the entire risks and rewards incidental to ownership of the underlying asset to the Company.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability.

The Company recognised its lease liabilities in relation to leases and liabilities were measured at the present value of the future lease payments, discounted using the lessee's incremental borrowing rate as of commencement date of the lease. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2017 was 13%.

### Before 1 January 2019

Previously, the Company recognised operating lease expenses on a straight-line basis over the term of the lease and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognised.



### Impact on transition

On transition to SLFRS 16, the Company recognised additional right-of-use (ROU) assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Details	ROU Assets	Lease Liability	Impact to Retained Earnings
	Rs.	Rs.	Rs.
Present value of future lease payment on lease commencement date as at 01.07.2017	316,175,771	316,175,771	-
Reversal of rent expense identified for the period of 01.07.2017-31.12.2018	-	-	126,135,000
Depreciation adjustment on right-of-use assets for the period of 01.07.2017-31.12.2018	(94,852,731)	-	(94,852,731)
Lease liability settlement for the period of 01.07.2017-31.12.2018	-	(77,948,980)	-
Interest expenses on lease liability for the period of 01.07.2017-31.12.2018	-	-	(48,186,019)
Balance/adjustment as at 01.01.2019	221,323,040	238,226,791	(16,903,751)

The classification of sub-lease in which the Company is a lessor, is not applicable. Since the Company does not hold any lease contract in which the Company is a lessor.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by the Company are explained in detail in respective notes to the financial statements.

Set out below is an index of the significant policies;

Significant Accounting Policies	Note	Page No.
Foreign currency translation	4.1	148
Impairment of non-financial assets	4.2	148
Amortised cost measurement	4.3	149
Impairment of financial assets	4.4	149
Provisions	4.5	150
Leases	3.2/46	146/200
New standard and interpretation not yet adopted	4.7	150
Operating segments	5	152
Revenue	6	154
Gross written premium	7	154
Change in reserve for unearned premium	8	154
Premium ceded to reinsurers	9	155
Change in reserve for unearned reinsurance premium	10	155
Net claims	11	156
Underwriting and net acquisition costs	12	158
Other operating and administrative expenses	13	160
Finance cost	14	161
Fee income	15	161
Interest and dividend income	16	161
Net realised gains/(losses)	17	162
Net fair value gains/(losses)	18	163

## Notes to the Financial Statements

Significant Accounting Policies	Note	Page No.
Other income	19	163
Profit before tax	20	163
Income tax expense	21	164
Basic earnings per share (EPS)	22	166
Dividends	23	166
Intangible assets	24	167
Property, plant and equipment	25	169
Deferred tax asset	26	172
Financial investments	27	174
Reinsurance receivables	28	182
Insurance receivables	29	183
Deferred expenses	30	185
Other assets	31	186
Fair value reserve	35	188
Other reserves	36	188
Insurance contract liabilities	37	188
Employee defined benefit obligations	38	191
Other financial liabilities	39	193
Other liabilities	40	194
Reinsurance payables	41	194
Income tax payable	42	195
Accounting classification and fair value	45	196
Event after the reporting date	50	224
Capital commitments and contingencies	51	225

Other significant accounting policies which have been applied consistently by the Company are as follows;

### 4.1 Foreign currency translation

The Company's financial statements are presented in Sri Lankan Rupees which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are

translated using the exchange rates at the date when the fair value was determined.

### 4.2 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed, only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

### 4.3 Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset 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.

### 4.4 Impairment of financial assets

#### 4.4.1 Overview of the ECL principles

Based on forward-looking impairment approach, the Company has been recording the allowance for expected credit losses for all insurance receivables and other debt financial assets not held at FVPL in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 4.4.2). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 47.1.2.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective

basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for Companying financial assets measured on a collective basis is explained in Note 47.1.2.i.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 47.1.2.i based on the above process, the Company groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

- ➔ Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12mECLs.
- ➔ Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial instrument also include instruments, where the credit risk has improved and the instrument has been reclassified from Stage 3.
- ➔ Stage 3: Financial instruments considered credit-impaired (as outlined in Note 47.1.2.i). The Company records an allowance for the LTECLs.

#### 4.4.2 The calculation of ECLs

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- ➔ PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 47.1.2.e.
- ➔ EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- ➔ LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the counterparty would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. LGD is further explained in Note 47.1.2.e.

When estimating ECLs, the Company considers three scenarios (a base case, good and bad). Each of these is associated with different PDs, EADs and LGD as set out in Note 47.1.2.i. When relevant, the assessment of multiple scenarios also incorporates how defaulted financial instruments are expected to be recovered, including the probability that the instrument will cure and the value of collateral or the amount that might be received for selling the asset.

## Notes to the Financial Statements

### 4.4.3 The mechanics of the ECL method

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial instruments considered credit-impaired (as defined in Note 47.1.2.i), the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

### 4.4.4 Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

### 4.4.5 Impairment of debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the statement of profit and loss upon de-recognition of the assets.

### 4.5 Provisions

#### General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 4.6 Statement of cash flows

The statement of cash flows has been prepared using the direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - Cash Flow Statements. Interest and dividends received are classified as investing cash flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

### 4.7 New standards and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

#### Sri Lanka Financial Reporting Standard (SLFRS) 17 – Insurance Contracts

The institute of chartered accountants of Sri Lanka issued SLFRS 17 - Insurance Contracts in January 2020, effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. SLFRS 17 supersedes SLFRS 4 - Insurance Contracts, an interim standard that allows entities to use a wide variety of accounting practices for insurance contracts.

The standard contains a core measurement approach to measure groups of insurance contracts known as 'General Model'. Apart from the core measurement model, if certain criteria are met, an entity may apply a simplified version of general model known as 'Premium Allocation Approach' and 'Variable Fee Approach' for the contracts with direct participation features. The IFRS 17 model combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided. The general model in the standard requires insurance contract liabilities to be measured using probability-weighted current estimates of future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts.

The Company has commenced preliminary work on Implementation of IFRS 17 with the support of a consultancy firm. Based on the initial work carried out, the Company believes significant portion of the Company's products will be qualified to be measured under the Simplified Premium Allocation Approach. The Company is also in the process of carrying out an operational impact assessment to assist key commercial and change decisions, with consideration of strategic aspirations with the approval of the Board.



## Notes to the Financial Statements

### 5. OPERATING SEGMENTS

#### Basis of Segmentation

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

For the management purposes, the Company has mainly classified overall business in to Motor and Non-motor segments and non-motor segment has been further classified in to three main segments based on their products and services.

The segmental information reported below is used by the chief operating decision maker for the allocation of resources and assessment of performance.

Reportable Segments	Details of Operating Segments
Motor insurance	Provides cover for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of physical injuries or property damage
Marine insurance	Provides the insured with indemnity and financial protection for loss of or damage to cargo during transit.
Fire insurance	Provides property cover for damage and losses caused by fire and other incidents as applicable to property
Miscellaneous insurance	Provides cover for variety of risks mainly for personal accident and other general insurance which are not categorised under other segments

#### Segment Results - 2019

	Note	Operating Segments				Total
		Motor	Fire	Marine	Miscellaneous	
Gross written premium	7	5,131,620,183	483,140,054	18,831,267	396,381,766	6,029,973,270
Change in reserves for unearned insurance premium	8	(173,634,860)	(33,490,490)	(5,504,144)	(15,956,248)	(228,585,742)
Gross earned premium		4,957,985,323	449,649,564	13,327,123	380,425,518	5,801,387,528
Reinsurance premium	9	(144,279,387)	(331,397,777)	(15,286,734)	(89,800,440)	(580,764,338)
Change in reserves for unearned reinsurance premium	10	-	29,189,360	4,812,980	7,110,348	41,112,688
<b>Net earned premium</b>		<b>4,813,705,936</b>	<b>147,441,147</b>	<b>2,853,369</b>	<b>297,735,426</b>	<b>5,261,735,878</b>
Net claims	11	(3,142,530,455)	(66,738,039)	(1,676,530)	(341,630,165)	(3,552,575,189)
Underwriting and net acquisition costs	12	(546,296,278)	26,750,818	1,865,865	528,548	(517,151,047)
<b>Underwriting results before other operating and administrative expenses</b>		<b>1,124,879,203</b>	<b>107,453,926</b>	<b>3,042,704</b>	<b>(43,366,191)</b>	<b>1,192,009,642</b>
Other operating and administrative expenses	13					(1,126,769,976)
<b>Underwriting results</b>						<b>65,239,666</b>
Investment income						781,354,286
Fee and other income						65,435,786
<b>Profit before tax</b>						<b>912,029,738</b>
Income tax						(264,375,758)
<b>Profit for the year</b>						<b>647,653,980</b>

## Segment Results - 2018

	Note	Operating Segments				Total
		Motor	Fire	Marine	Miscellaneous	
Gross written premium	7	4,747,346,927	446,803,008	9,277,422	388,387,784	5,591,815,141
Change in reserves for unearned insurance premium	8	(394,783,780)	(36,173,455)	(93,639)	553,067	(430,497,807)
Gross earned premium		4,352,563,147	410,629,553	9,183,783	388,940,851	5,161,317,334
Reinsurance premium	9	(120,515,159)	(286,595,187)	(7,225,452)	(67,845,265)	(482,181,063)
Change in reserves for unearned reinsurance premium	10	-	29,396,127	335,101	618,121	30,349,349
<b>Net earned premium</b>		4,232,047,988	153,430,493	2,293,432	321,713,707	4,709,485,620
Net claims	11	(2,899,186,195)	(88,534,649)	(556,678)	(248,948,918)	(3,237,226,440)
Underwriting and net acquisition costs	12	(473,005,500)	9,879,506	1,188,986	141,195	(461,795,813)
<b>Underwriting results before operating and administrative expenses</b>		859,856,293	74,775,350	2,925,740	72,905,984	1,010,463,367
Other operating and administrative expenses	13					(886,630,201)
<b>Underwriting results</b>						123,833,166
Investment income						650,365,334
Fee and other income						72,817,421
<b>Net profit before tax</b>						847,015,921
Income tax						(117,953,614)
<b>Profit for the year</b>						729,062,307

Chief operating decision maker uses only operating segments' profit or loss in assessing segment performance and deciding how to allocate resources. Therefore, according to SLFRS 8 - Operating Segments, the Company discloses only operating segments' profit or loss in the financial statements.

The Company operates in Sri Lanka and the economic environment in which the Company operates is not subject to significant change in risk and rewards. Therefore, disclosures are not provided geography wise.

## Notes to the Financial Statements

### 6. REVENUE

#### Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Net earned premium	5,261,735,878	4,709,485,620
Other revenue	846,790,072	723,182,755
	6,108,525,950	5,432,668,375

### 7. GROSS WRITTEN PREMIUM

#### Accounting policy

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks and accounted on accrual basis. Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and is recognised on the date on which the policy commences.

Premium income for the year by major classes of business are as follows;

For the year ended	31.12.2019			31.12.2018		
	Basic	*SRCC/TC	Total	Basic	*SRCC/TC	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor	4,254,383,642	877,236,541	5,131,620,183	4,016,262,696	731,084,231	4,747,346,927
Fire	268,823,913	214,316,141	483,140,054	301,381,996	145,421,012	446,803,008
Marine	18,582,879	248,388	18,831,267	9,265,454	11,968	9,277,422
Miscellaneous	380,405,715	15,976,051	396,381,766	381,641,061	6,746,723	388,387,784
	4,922,196,149	1,107,777,121	6,029,973,270	4,708,551,207	883,263,934	5,591,815,141

\*SRCC/TC - Strike, Riot and Civil Commotion Cover and Terrorism Cover; both ceded to the SRCC and TC Fund.

### 8. CHANGE IN RESERVE FOR UNEARNED PREMIUM

#### Accounting policy

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premium is calculated on the 365 basis. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Motor	(173,634,860)	(394,783,780)
Fire	(33,490,490)	(36,173,455)
Marine	(5,504,144)	(93,639)
Miscellaneous	(15,956,248)	553,067
	(228,585,742)	(430,497,807)

## 9. PREMIUM CEDED TO REINSURERS

### Accounting policy

Gross reinsurance premium written comprises the total reinsurance premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Motor	(144,279,387)	(120,515,159)
Fire	(331,397,777)	(286,595,187)
Marine	(15,286,734)	(7,225,452)
Miscellaneous	(89,800,440)	(67,845,265)
	(580,764,338)	(482,181,063)
<b>Payee-wise</b>		
National Insurance Trust Fund		
-Compulsory reinsurance cessions	(73,486,612)	(72,681,376)
-Strike, Riot, Civil Commotion and Terrorism cover	(335,808,965)	(239,909,811)
Foreign reinsurers	(171,468,761)	(169,589,876)
	(580,764,338)	(482,181,063)

## 10. CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

### Accounting policy

Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. Unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Fire	29,189,360	29,396,127
Marine	4,812,980	335,101
Miscellaneous	7,110,348	618,121
	41,112,688	30,349,349

# Notes to the Financial Statements

## 11. NET CLAIMS

### Accounting policy

#### Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related 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.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors 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.

#### Recognition of reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

For the year ended	Note	31.12.2019 Rs.	31.12.2018 Rs.
Claims paid	11.1	(3,697,462,502)	(3,298,454,547)
Claims recovered from reinsurers	11.2	163,183,073	51,654,513
Net change in contract liabilities	11.3	(18,295,760)	9,573,594
		(3,552,575,189)	(3,237,226,440)

### 11.1 Claims paid

For the year ended	31.12.2019 Rs.	31.12.2018 Rs.
<b>Class-wise</b>		
Motor	(3,141,851,253)	(2,939,198,755)
Fire	(221,097,367)	(98,037,487)
Marine	(2,405,551)	(1,549,069)
Miscellaneous	(332,108,331)	(259,669,236)
	(3,697,462,502)	(3,298,454,547)



## 11.2 Claims recovered from reinsurers

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Class-wise</b>		
Motor	1,345,005	14,767,516
Fire	141,453,107	36,036,781
Marine	1,497,495	850,216
Miscellaneous	18,887,466	-
	163,183,073	51,654,513

## 11.3 Net change in contract liabilities

For the year ended	Note	31.12.2019	31.12.2018
		Rs.	Rs.
Gross change in insurance claims outstanding	11.3.1	(368,739,640)	106,137,456
Change in reinsurance recoverable on claims outstanding	11.3.2	350,443,880	(96,563,862)
		(18,295,760)	9,573,594

### 11.3.1 Gross change in insurance claim outstanding

For the year ended	31.12.2019		
	Change in gross claims outstanding	Change in provision for IBNR	Total
	Rs.	Rs.	Rs.
<b>Class-wise</b>			
Motor	(26,023,013)	(4,590,401)	(30,613,414)
Fire	(235,008,122)	(57,168,507)	(292,176,629)
Marine	(1,147,519)	(1,575,367)	(2,722,886)
Miscellaneous	(24,470,687)	(18,756,024)	(43,226,711)
	(286,649,341)	(82,090,299)	(368,739,640)

For the year ended	31.12.2018		
	Change in gross claims outstanding	Change in provision for IBNR	Total
	Rs.	Rs.	Rs.
<b>Class-wise</b>			
Motor	27,459,424	98,476,441	125,935,865
Fire	(33,493,532)	(5,553,604)	(39,047,136)
Marine	649,748	616,711	1,266,459
Miscellaneous	14,092,081	3,890,187	17,982,268
	8,707,721	97,429,735	106,137,456

## Notes to the Financial Statements

### 11. NET CLAIMS (Contd.)

#### 11.3.2 Change in reinsurance recoverable on claims outstanding

For the year ended	31.12.2019		
	Change in reinsurance recovery on claims outstanding	Change in reinsurance recovery on provision for IBNR	Total
	Rs.	Rs.	Rs.
<b>Class-wise</b>			
Motor	43,811,006	(15,221,799)	28,589,207
Fire	245,040,629	60,042,221	305,082,850
Marine	712,477	1,241,935	1,954,412
Miscellaneous	-	14,817,411	14,817,411
<b>Total</b>	<b>289,564,112</b>	<b>60,879,768</b>	<b>350,443,880</b>

For the year ended	31.12.2018		
	Change in reinsurance recovery on claims outstanding	Change in reinsurance recovery on provision for IBNR	Total
	Rs.	Rs.	Rs.
<b>Class-wise</b>			
Motor	(16,110,000)	(84,580,821)	(100,690,821)
Fire	10,944,065	1,569,128	12,513,193
Marine	(574,507)	(549,777)	(1,124,284)
Miscellaneous	-	(7,261,950)	(7,261,950)
<b>Total</b>	<b>(5,740,442)</b>	<b>(90,823,420)</b>	<b>(96,563,862)</b>

### 12. UNDERWRITING AND NET ACQUISITION COSTS

#### Accounting policy

##### *Recognition of underwriting and deferred acquisition costs*

Acquisition expenses, representing commissions which vary with and are directly related to the production of business are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

For the year ended		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Acquisition cost	12.1	(622,263,850)	(544,749,072)
Change in deferred acquisition cost		31,832,439	31,733,611
		(590,431,411)	(513,015,461)
Reinsurance commission	12.1	79,699,562	57,047,858
Change in unearned commission reserve		(6,419,198)	(5,828,210)
		73,280,364	51,219,648
		(517,151,047)	(461,795,813)

### 12.1 Class-wise

For the year ended	31.12.2019				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Class-wise</b>					
Motor	(575,870,365)	29,574,087	-	-	(546,296,278)
Fire	(39,727,146)	1,448,608	69,872,331	(4,842,975)	26,750,818
Marine	(1,391,281)	456,586	3,553,199	(752,639)	1,865,865
Miscellaneous	(5,275,058)	353,158	6,274,032	(823,584)	528,548
	(622,263,850)	31,832,439	79,699,562	(6,419,198)	(517,151,047)

For the year ended	31.12.2018				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Class-wise</b>					
Motor	(504,846,854)	31,841,354	-	-	(473,005,500)
Fire	(37,076,388)	162,061	52,185,952	(5,392,119)	9,879,506
Marine	(421,852)	46,540	1,618,546	(54,248)	1,188,986
Miscellaneous	(2,403,978)	(316,344)	3,243,360	(381,843)	141,195
	(544,749,072)	31,733,611	57,047,858	(5,828,210)	(461,795,813)

## Notes to the Financial Statements

### 13. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

#### Accounting policy

Other operating and administrative expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment are charged to the statement of profit or loss.

For the year ended	Note	31.12.2019 Rs.	31.12.2018 Rs.
Staff expenses	13.1	(496,237,244)	(376,484,369)
Administrative expenses		(469,359,538)	(461,392,454)
Amortisation and depreciation		(89,703,327)	(34,568,918)
Impairment loss		(45,391,682)	(14,184,461)
		(1,100,691,791)	(886,630,201)

#### 13.1 Staff expenses

#### Accounting policy

##### Short-term employee benefits

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 or profit-sharing plans, 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.

##### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company recognises the changes in the defined benefit obligations under staff expenses in the statement of profit or loss.

- (a) current service cost
- (b) interest cost

For more details please refer Note 38 on defined benefit obligations.

##### Defined contribution plans

A defined contribution plan is a post employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Company contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

For the year ended	31.12.2019 Rs.	31.12.2018 Rs.
Wages and salaries	(313,694,775)	(243,983,296)
Staff benefit expenses	(136,038,238)	(96,506,864)
Contributions made to the EPF	(29,042,173)	(22,333,429)
Contributions made to the ETF	(7,262,289)	(5,583,357)
Defined benefit plan expenses	(10,199,769)	(8,077,423)
	(496,237,244)	(376,484,369)

#### 14. FINANCE COST

##### Accounting policy

Finance costs comprise interest expense on lease liability and recorded as it accrues using the effective interest rate (EIR) method. Accrued interest included within the carrying value of the interest bearing financial liability.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Interest expense on lease liability	26,078,185	-
	26,078,185	-

#### 15. FEE INCOME

##### Accounting policy

Policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or become due.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Policy fees	35,767,385	32,614,978
Administration fees	18,226,324	16,778,066
	53,993,709	49,393,044

#### 16. INTEREST AND DIVIDEND INCOME

##### Accounting policy

##### Interest income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Under both SLFRS 9 and LKAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similar to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

##### Dividend income

Dividend income is recognised when the right to receive the dividend is established.

For the year ended		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Interest income from debt instruments	16.1	780,100,873	658,557,544
Dividend income	16.2	1,239,786	5,739,383
		781,340,659	664,296,927



## Notes to the Financial Statements

### 16. INTEREST AND DIVIDEND INCOME (Contd.)

#### 16.1 Interest income

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Interest income from FVOCI investments		
-Treasury bonds	62,486,601	5,738,213
Debt instruments at amortised cost		
-Treasury bills	50,937,048	77,850,131
-Debentures	256,330,519	211,553,919
-Fixed deposits	382,321,264	329,262,288
-Reverse repurchase agreements	10,232,511	22,078,357
-Staff loans	8,356,306	3,660,156
-Others	9,436,624	8,414,480
	780,100,873	658,557,544

#### 16.2 Dividend income

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Dividend income from financial assets at fair value through profit or loss (FVPL)		
-Listed equity securities	1,239,786	5,739,383

### 17. NET REALISED GAINS/(LOSSES)

#### Accounting policy

Net realised gains/(losses) comprises gains less losses related to financial instruments. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost which are recorded on occurrence of the sales, on de-recognition of investment classified as FVPL, the cumulative gain or loss previously recognised in OCI is recycled to the statement of profit or loss.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Net realised gains/(losses) from financial assets at fair value through profit or loss:		
Realised gains		
-Unit trust	233,699	-
-Treasury bonds/bills	3,014,406	-
Realised losses		
-Listed equity securities	(6,313,830)	(9,745,623)
	(3,065,725)	(9,745,623)

## 18. NET FAIR VALUE GAINS/(LOSSES)

### Accounting policy

Net fair value gains recorded in the income statement on investment include fair value gains/(losses) on financial assets at FVPL.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
-Listed equity securities	(706,000)	(4,185,970)
-Unit trust	3,785,351	-
	3,079,351	(4,185,970)

## 19. OTHER INCOME

### Accounting policy

Other income includes disposal gains/(losses) on property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Profit from disposal of property, plant and equipment	-	-
Unclaimed other liabilities written back	10,636,710	13,637,180
Miscellaneous income	805,367	9,787,197
	11,442,077	23,424,377

## 20. PROFIT BEFORE TAX

The profit before tax for the year is stated after charging following expenses;

For the year ended	Note	31.12.2019	31.12.2018
		Rs.	Rs.
Auditors' remuneration - statutory audit services		2,878,806	2,578,034
- other services		563,521	518,692
Amortisation of intangible assets	24	511,742	11,170,581
Depreciation of property, plant and equipment	25	89,191,583	23,398,337
Office equipment disposal		43,602	-
Directors' emoluments		6,850,000	5,475,000

## Notes to the Financial Statements

### 21. INCOME TAX EXPENSE

#### Accounting policy

##### Recognition of income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

Major components of income tax expense are as follows;

#### 21.1 Tax recognised in statement of profit or loss

		31.12.2019	31.12.2018
	Note	Rs.	Rs.
<b>Current income tax</b>			
Income tax on current year's profits		(275,503,001)	(119,604,204)
Under provision for income tax in respect of previous year		(562,300)	(538,914)
		(276,065,301)	(120,143,118)
<b>Deferred tax</b>			
Reversal/(charge) of deferred tax liability	26.3	2,731,716	(3,199,899)
Origination of deferred tax asset	26.3	8,957,827	5,346,775
Deferred taxation reversal		11,689,542	2,146,876
Effect of adopting of SLFRS 9		-	42,628
Net deferred taxation reversal		11,689,542	2,189,504
Income tax expense		(264,375,758)	(117,953,614)

#### 21.2 Tax recognised in statement of comprehensive income

		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Change in deferred tax asset due to actuarial gains/losses	26.3	(498,095)	239,861
Change in deferred tax asset due to fair value gains/losses	26.3	(2,669,997)	951,082
		(3,168,092)	1,190,943

### 21.3 Reconciliation of effective tax rate

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Profit for the year	647,653,980	729,062,307
Income tax expense	276,065,301	120,143,118
Deferred taxation reversal	(11,689,542)	(2,146,876)
Profit before income tax	912,029,739	847,058,549
<b>At the statutory income tax rate of 28% (2018 - 14%)</b>		
Income exempt from income tax	(7,982,713)	(38,697,423)
Aggregate allowable expenses	(26,966,002)	(22,347,183)
Aggregate disallowable expenses	106,858,266	68,301,793
	983,939,290	854,315,736
Statutory tax rate	28%	14%
Tax at applicable rate	(275,503,001)	(119,604,204)
Net deferred taxation reversal	11,689,542	2,189,504
Under provision for income tax in respect of previous year	(562,300)	(538,914)
Income tax expense	(264,375,758)	(117,953,614)

### 21.4 Income tax rate

Current tax is the expected tax payable on the taxable income for the year using tax rate enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous year. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of the previous period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

The company is liable for income tax at 28% (2018 - 14%), in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

The concessionary tax rate of 14% which was available for the Company for a period of 3 years has expired in the financial year ended 31 December 2018.

## 22. BASIC EARNINGS PER SHARE (EPS)

### Accounting policy

Company presents basic and diluted Earnings Per Share (EPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

## Notes to the Financial Statements

### 22. BASIC EARNINGS PER SHARE (Contd.)

For the year ended	31.12.2019	31.12.2018
Profit for the year (Rs.)	647,653,980	729,062,307
Number of shares	200,000,000	200,000,000
Basic earnings per share (Rs.)	3.24	3.65

#### 22.1 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as the basic earnings per share stated above.

### 23. DIVIDENDS

#### Accounting policy

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends approved by the Board of Directors and interim dividends are deducted from equity when they are paid.

Dividends proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a note to the financial statements.

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Interim dividends</b>		
First interim dividend paid (Rs.)	150,000,000	150,000,000
Second interim dividend authorised (Rs.)	220,000,000	-
Number of ordinary shares	200,000,000	200,000,000
Interim dividend per share (Rs.)	1.85	0.75
<b>Final dividend</b>		
Final dividend proposed (Rs.)	-	220,000,000
Number of ordinary shares	200,000,000	200,000,000
Final dividend per share (Rs.)	-	1.10

#### 23.2 Second interim dividend

Subsequent to the reporting date, the Board of Directors of the Company has proposed and paid second interim dividend of Rs. 1.10 per share for the financial year ended 31 December 2019. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this second interim dividend has not been recognised as a liability as at 31 December 2019.



## 24. INTANGIBLE ASSETS

### **Accounting policy**

The Company's intangible assets include the value of acquired computer software.

### ***Basis of recognition***

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on intangible 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.

### ***Amortisation***

Intangible assets are amortised on a straight-line basis over the period of services to be rendered. Amortisation is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortised over the useful economic life. Amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. 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 or method, as appropriate, and they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Class	Useful Life	Amortisation Method
Computer software	5 years	Straight-line method

### ***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 the de-recognition of such intangible assets is included in the statement of profit or loss when the item is de-recognised.

### ***Impairment***

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

## Notes to the Financial Statements

### 24. INTANGIBLE ASSETS (Contd.)

	Software Rs.
<b>Cost</b>	
As at 1 January 2018	66,579,892
<b>As at 31 December 2018</b>	66,579,892
Additions during the year	-
<b>As at 31 December 2019</b>	66,579,892
<b>Accumulated amortisation</b>	
As at 1 January 2018	53,021,180
Amortisation during the year	11,170,581
<b>As at 31 December 2018</b>	64,191,761
Amortisation during the year	511,742
<b>As at 31 December 2019</b>	64,703,503
<b>Carrying amount</b>	
As at 31 December 2018	2,388,131
<b>As at 31 December 2019</b>	1,876,389

#### 24.1 Fully amortised intangible assets in use

Intangible assets also includes fully amortised assets which are still in use of normal business activities.

Initial cost of fully amortised intangible assets which are still in use as at the reporting date is as follows;

	31.12.2019 Rs.	31.12.2018 Rs.
<b>As at 31 December</b>		
Call handling software	4,021,180	4,021,180
General insurance system	60,000,000	60,000,000
	64,021,180	64,021,180

#### 24.2 Title restriction on intangible assets

No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.

#### 24.3 Acquisition of intangible assets during the year

There were no intangible assets purchased during the year ended 31 December 2019 (2018 - Nil).

#### 24.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 31 December 2019 (2018 - Nil).

#### 24.5 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2019. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

## 25. PROPERTY, PLANT AND EQUIPMENT

### **Accounting policy**

Property, plant and equipment (PPE) are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. Property, plant and equipment include computer hardware, office equipment, furniture and fittings and motor vehicles.

### **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 measured reliably.

### **Measurement**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

The Company applies the cost model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

### **Repairs and maintenance**

Repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. 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.

### **Depreciation**

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation charge begins when an assets is available for use. The estimated useful lives are as follows;

Asset Class	Useful Life
Computer hardware	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years

### **De-recognition**

Carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of profit or loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

## Notes to the Financial Statements

### 25. PROPERTY, PLANT AND EQUIPMENT (Contd.)

	Computer Hardware Rs.	Office Equipment Rs.	Furniture and Fittings Rs.	Motor Vehicles Rs.	Right-of-use Assets - Land and Building* Rs.	Total Rs.
<b>Cost</b>						
As at 1 January 2018	40,071,310	45,603,609	39,390,455	18,004,201	-	143,069,575
Additions during the year	9,122,000	7,945,390	3,947,203	-	-	21,014,593
Disposals during the year	-	(1,257,049)	-	-	-	(1,257,049)
<b>As at 31 December 2018</b>	49,193,310	52,291,950	43,337,658	18,004,201	-	162,827,119
Initial application of SLFRS 16	-	-	-	-	316,175,771	316,175,771
<b>Adjusted Balance as at 1 January 2019</b>	49,193,310	52,291,950	43,337,658	18,004,201	316,175,771	479,002,890
Additions during the year	10,400,433	9,242,030	4,475,532	-	-	24,117,995
Disposals during the year	(1,141,955)	(1,989,705)	-	-	-	(3,131,659)
<b>As at 31 December 2019</b>	58,451,790	59,544,276	47,813,188	18,004,201	316,175,771	499,989,226
<b>Accumulated depreciation</b>						
As at 1 January 2018	24,436,827	27,292,347	5,450,828	1,496,902	-	58,676,904
Depreciation during the year	5,741,490	6,142,572	7,913,435	3,600,840	-	23,398,337
Disposals during the year	-	(1,257,049)	-	-	-	(1,257,049)
<b>As at 31 December 2018</b>	30,178,317	32,177,870	13,364,263	5,097,742	-	80,818,192
Initial application of SLFRS 16	-	-	-	-	94,852,731	94,852,731
<b>Adjusted Balance as at 1 January 2019</b>	30,178,317	32,177,870	13,364,263	5,097,742	94,852,731	175,670,923
Depreciation during the year	7,100,594	6,672,044	8,582,951	3,600,840	63,235,154	89,191,583
Depreciation on disposals	(1,141,953)	(1,946,102)	-	-	-	(3,088,055)
Disposals during the year	-	-	-	-	-	-
<b>As at 31 December 2019</b>	36,136,958	36,903,812	21,947,214	8,698,582	158,087,885	261,774,451
<b>Carrying amount</b>						
As at 31 December 2018	19,014,993	20,114,080	29,973,395	12,906,459	-	82,008,927
Adjusted Balance as at 1 January 2019	19,014,993	20,114,080	29,973,395	12,906,459	221,323,040	303,331,967
<b>As at 31 December 2019</b>	22,314,832	22,640,464	25,865,974	9,305,619	158,087,886	238,214,775

\*The adoption of SLFRS16, the Company has presented right-of-use assets that do not meet the definition of investment property within 'Property, plant and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns. Accounting policy for Lease is described separately in Note 46.

### 25.1 Fully depreciated property, plant and equipment in use

Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities. 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	31.12.2019	31.12.2018
	Rs.	Rs.
Computer hardware	20,601,055	18,218,510
Office equipment	22,519,554	19,978,850
Furniture and fittings	2,513,358	2,173,494
	45,633,967	40,370,854

### 25.2 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.

### 25.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment amounting to Rs. 24,117,995 (2018 - Rs. 21,014,593). Cash payments amounting to Rs. 24,117,995 (2018 - Rs. 21,014,593) were made during the year to purchase property plant and equipment.

### 25.4 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the year ended 31 December 2019 (2018 - Nil).

### 25.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year ended 31 December 2019 (2018 - Nil).

### 25.6 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at the year ended 31 December 2019 (2018 - Nil).

### 25.7 Assessment of impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2019. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

### 25.8 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.



## Notes to the Financial Statements

### 26. DEFERRED TAX ASSET

#### **Accounting policy**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ➔ When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ➔ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### ***Valuation of deferred tax assets and liabilities***

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions based on the tax laws and interpretations.

As at		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Deferred tax assets	26.1	18,240,431	12,450,696
Deferred tax liabilities	26.2	(6,712,909)	(9,444,625)
		11,527,522	3,006,071

Statement of financial position				
As at	31.12.2019		31.12.2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
	Rs.	Rs.	Rs.	Rs.
<b>26.1 Deferred tax asset</b>				
Employee benefits	36,716,667	8,812,000	23,895,416	6,690,715
Debtors impairment recognised in statement of profit or loss	45,100,225	10,824,054	14,241,106	3,987,510
Actuarial loss recognised in other comprehensive income	521,342	125,122	2,225,774	623,217
Fair value gains recognised in other comprehensive income	(6,336,431)	(1,520,745)	4,104,478	1,149,254
	76,001,803	18,240,431	44,466,774	12,450,696
<b>26.2 Deferred tax liability</b>				
Property, plant and equipment	(27,970,454)	(6,712,909)	(39,513,900)	(9,444,625)
	(27,970,454)	(6,712,909)	(39,513,900)	(9,444,625)
Recognised net deferred tax asset	48,031,349	11,527,522	4,952,874	3,006,071

### 26.3 Change in deferred tax asset/liability

For the year ended 31 December	Statement of profit or loss		Statement of other comprehensive income	
	2019	2018	2019	2018
	Change in deferred tax asset/liability	Change in deferred tax asset/liability	Change in deferred tax asset/liability	Change in deferred tax asset/liability
	Rs.	Rs.	Rs.	Rs.
<b>Deferred tax asset</b>				
Employee benefits	2,121,284	2,067,153	-	-
Debtors impairment	6,836,543	3,279,622	-	-
Actuarial gains/(losses)	-	-	(498,095)	239,861
Fair value gains/(losses)	-	-	(2,669,997)	590,850
	8,957,827	5,346,775	(3,168,092)	830,711
<b>Deferred tax liability</b>				
Property, plant and equipment	2,731,716	(3,199,899)	-	-
	2,731,716	(3,199,899)	-	-
<b>Total</b>	11,689,543	2,146,876	(3,168,092)	830,711

## Notes to the Financial Statements

### 26.4 Reconciliation of deferred tax asset

	2019	2018
	Rs.	Rs.
Balance as at 1 January	3,006,071	28,484
Amounts recorded in the statement of profit or loss	11,689,543	2,146,876
Amounts recorded in other comprehensive income	(3,168,092)	830,711
Balance as at 31 December	11,527,522	3,006,071

## 27. FINANCIAL INVESTMENTS

### Financial investments

#### Accounting policy

##### **Recognition and initial measurement**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in business model assessment and the SPPI test below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day 1 profit or loss as described below.

##### **Measurement categories of financial assets**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- ➔ Fair value through profit or loss (FVPL) as explained in Note 27.1
- ➔ Debt instruments at amortised cost as explained in Note 27.2
- ➔ Fair value through other comprehensive income (FVOCI) as explained in Note 27.3

##### **De-recognition and substantial modification**

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

##### **Offsetting of financial investments**

Financial assets and liabilities are offset and net amount is presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's financial investments are summarised below based on measurement category.

Debt instruments at FVPL and debt instruments at FVOCI have been valued at fair value. Debt instruments at amortised cost has been valued at amortised cost.

As at	Note	Carrying value		Fair value	
		31.12.2019 Rs.	31.12.2018 Rs.	31.12.2019 Rs.	31.12.2018 Rs.
Financial assets at FVPL	27.1	228,545,550	58,170,496	228,545,550	58,170,496
Debt instruments at amortised cost	27.2	6,746,534,203	6,547,843,993	6,842,990,618	6,578,695,344
Debt instruments at FVOCI	27.3	374,758,800	52,249,700	374,758,800	52,249,700
		7,349,838,553	6,658,264,189	7,446,294,968	6,689,115,540

## 27.1 Fair value through profit or loss (FVPL)

### Accounting policy

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised under 'Fair value gains/(losses)' in the statement of profit or loss. Dividend income is recorded in 'Interest and dividend income' when the right to payment has been established.

As at	Note	31.12.2019 Rs.	31.12.2018 Rs.
Equity securities at FVPL	27.1.1	14,526,500	58,170,496
Unit trust	27.1.2	214,019,050	-
		228,545,550	58,170,496

## Notes to the Financial Statements

### 27. FINANCIAL INVESTMENTS (Contd.)

#### 27.1.1 Investments in listed equity securities

As at	31.12.2019				31.12.2018			
Sector and Company	No. of shares	Cost of the investment	Market value	Fair value gain/(loss)	No. of shares	Cost of the investment	Market value	Fair value gain/(loss)
<b>Bank, finance and insurance</b>								
Commercial Bank of Ceylon PLC (Non-voting)	95,000	9,832,500	9,025,000	(807,500)	82,620	6,965,551	7,848,900	883,349
<b>Sector total</b>	95,000	9,832,500	9,025,000	(807,500)	82,620	6,965,551	7,848,900	883,349
<b>Diversified holdings</b>								
John Keells Holdings PLC	-	-	-	-	250,000	39,329,952	39,925,000	595,048
Melstacorp PLC	-	-	-	-	50,000	1,692,663	2,515,000	822,337
Sunshine Holdings PLC	-	-	-	-	50,921	2,825,250	2,739,550	(85,700)
Access Engineering PLC	-	-	-	-	-	-	-	-
<b>Sector total</b>	-	-	-	-	350,921	43,847,865	45,179,550	1,331,685
<b>Chemicals and pharmaceuticals</b>								
CIC Holdings PLC (Non-voting)	-	-	-	-	22,622	1,752,529	678,660	(1,073,869)
<b>Sector total</b>	-	-	-	-	22,622	1,752,529	678,660	(1,073,869)
<b>Manufacturing</b>								
Kelani Cables PLC	-	-	-	-	20,000	2,522,102	1,516,000	(1,006,102)
Teejay Lanka PLC	-	-	-	-	-	-	-	-
Royal Ceramics Lanka PLC	-	-	-	-	19,422	2,427,750	1,448,881	(978,869)
Tokyo Cement Company (Lanka) PLC	-	-	-	-	50,000	3,605,000	1,260,000	(2,345,000)
<b>Sector total</b>	-	-	-	-	89,422	8,554,852	4,224,881	(4,329,970)
<b>Beverage, food and tobacco</b>								
Distilleries Company of Sri Lanka PLC	-	-	-	-	14,814	109,772	238,505	128,734
Ceylon Tobacco Company PLC	5,000	5,400,000	5,501,500	101,500	-	-	-	-
<b>Sector total</b>	5,000	5,400,000	5,501,500	101,500	14,814	109,772	238,505	128,734
<b>Total</b>	100,000	15,232,500	14,526,500	(706,000)	560,399	61,230,568	58,170,496	(3,060,072)

#### 27.1.2 Investments in listed unit trusts

As at	31.12.2019				31.12.2018			
Sector and Company	No. of units	Cost of the investment	Market value	Unrealised gain/(loss)	No. of units	Cost of the investment	Market value	Unrealised gain/(loss)
Guardian Acuity Money Market Fund	11,301,396	210,233,699	214,019,051	3,785,351	-	-	-	-
	11,301,396	210,233,699	214,019,051	3,785,351	-	-	-	-



## 27.2 Debt instruments at amortised cost

### **Accounting policy**

The Company only measures insurance receivables, reinsurance receivables and financial investments at amortised cost if both of the following conditions are met:

1. The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below;

### **Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### **The SPPI test**

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is to be measured at FVPL.

### **Impairment**

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 4.4 for further details on ECL policy.

## Notes to the Financial Statements

### 27. FINANCIAL INVESTMENTS (Contd.)

As at	Note	Carrying value		Fair value	
		31.12.2019 Rs.	31.12.2018 Rs.	31.12.2019 Rs.	31.12.2018 Rs.
Repurchase agreements	27.2.1	-	203,375,306	-	203,375,306
Staff loans	27.2.2	66,152,462	40,984,132	77,554,126	47,495,227
Rent deposits		59,561,103	51,885,986	59,561,102	51,885,986
Fixed deposits	27.2.3	3,110,744,201	3,285,720,783	3,239,436,462	3,432,269,637
Savings accounts		35,470,950	55,857,162	35,470,943	55,857,162
Treasury bills	27.2.4	431,929,575	977,448,250	431,983,353	976,094,609
Listed debentures	27.2.5	2,611,052,531	1,932,572,374	2,551,701,771	1,811,717,416
Treasury bond	27.2.4	431,623,381	-	447,282,861	-
		6,746,534,203	6,547,843,993	6,842,990,618	6,578,695,344

#### 27.2.1 Repurchase agreements

The Company invests in reverse repurchase agreements (REPO) with People's Bank and Commercial Bank which are fully secured against the assigned government securities with ISIN numbers. The REPO rates during the year were in the range of between 6.25% - 8.10% depending on the maturity period and held to meet liquidity requirements. No expected credit losses (ECL) are recognised for government securities since those are rated as risk free investments. No outstanding balance existed as at 31 December 2019 (2018 - Rs. 203,375,306)

#### 27.2.2 Staff loans

The Company grants vehicle loans and supporting loans for the employees of the Company. Terms of the staff loans and interest rate prevailing for the staff loans as follows.

Loan category	Interest rate	Term
Vehicle loans	6%	6 years (maximum)
Supporting loans	0%	3 years (maximum)

The carrying value of the staff loans has been computed based on the market interest rates which prevailed at the time of granting the loan and the fair value of the same has been computed based on the interest rates prevailed at the reporting date.

#### Impairment of staff loans

No expected credit losses (ECL) were recognised for staff loans since those are fully pledged with securities and ability of deducting from the salary.

### 27.2.3 Fixed deposits

The Company has invested in fixed deposits on licensed commercial banks and registered finance companies during the period for a maximum term of one year. The interest rates for fixed deposits fluctuate between the range of 9.5% - 14.5% based on the tenures and the risk of institutions.

As at	Note	Carrying value	
		31.12.2019 Rs.	31.12.2018 Rs.
Licensed commercial banks	27.2.4.1	2,290,510,264	2,283,745,945
Registered finance companies	27.2.4.2	820,517,798	1,002,262,355
		3,111,028,062	3,286,008,300
Less : Allowance for expected credit losses		(283,861)	(287,517)
		3,110,744,201	3,285,720,783

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

#### 27.2.4.1 Licensed commercial banks

As at	Carrying value	
	31.12.2019 Rs.	31.12.2018 Rs.
People's Bank	522,412,108	473,079,051
Other banks	1,768,098,156	1,810,666,894
	2,290,510,264	2,283,745,945

#### 27.2.4.2 Registered finance companies

As at	Carrying value	
	31.12.2019 Rs.	31.12.2018 Rs.
People's Leasing & Finance PLC	396,079,553	465,611,497
Other banks	424,438,245	536,650,858
	820,517,798	1,002,262,355

### 27.2.4 Treasury bills/bonds

The Company has invested in treasury bills/bonds through People's Bank and Commercial Bank primary dealers. The treasury bill /bonds rates for the outstanding balances were in the range of between 8.70% - 10.95% . No expected credit losses (ECL) are recognised for treasury bills/bonds since those are rated as risk free investments.

## Notes to the Financial Statements

### 27. FINANCIAL INVESTMENTS (Contd.)

#### 27.2.5 Listed debentures

As at	Carrying value	
	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Institution</b>		
<b>People's Leasing &amp; Finance PLC</b>		
12.80% 1,257,800 debentures redeemable on 18.04.2023	136,959,358	136,865,937
<b>Sampath Bank PLC</b>		
8.25% 1,250,000 debentures redeemable on 14.12.2019	-	135,325,991
9.90% 500,000 debentures redeemable on 18.12.2020	50,594,661	50,591,072
12.50% 1,000,000 debentures redeemable on 20.03.2023	103,481,645	103,481,654
13.90% 1,000,000 debentures redeemable on 24.02.2024	111,521,333	-
<b>National Development Bank PLC</b>		
Zero coupon 282,800 debentures redeemable on 24.06.2020	25,561,824	23,668,188
13.95% 2,000,000 debentures redeemable on 30.03.2024	220,663,297	-
<b>DFCC Bank PLC</b>		
9.40% 332,100 debentures redeemable on 10.06.2020	35,007,811	35,009,958
10.62% 1,000,000 debentures redeemable on 18.03.2019	-	108,331,501
12.75% 1,000,000 debentures redeemable on 09.11.2023	101,812,018	101,812,087
13.00% 844,500 debenture redeemable on 29.03.2025	92,682,469	92,651,370
13.50% 1,000,000 debenture redeemable on 28.03.2024	110,113,528	-
<b>Seylan Bank PLC</b>		
12.85% 750,000 debentures redeemable on 29.03.2023	77,445,288	77,445,294
<b>MTD Walkers PLC</b>		
11.75% 254,624 debentures redeemable on 30.09.2019	26,954,137	26,205,866
<b>Commercial Credit &amp; Finance PLC</b>		
10.40% 1,000,000 debentures redeemable on 10.12.2020	100,614,225	100,614,227
<b>Sanasa Development Bank PLC</b>		
10.30% 500,000 debentures redeemable on 31.12.2020	52,621,821	52,621,828
<b>Commercial Bank PLC</b>		
10.75% 2,000,000 debentures redeemable on 08.03.2021	206,709,436	206,648,961
12.00% 421,900 debentures redeemable on 27.10.2021	43,075,258	43,075,258
12.00% 881,700 debentures redeemable on 22.07.2023	92,850,586	92,820,768

As at	Carrying value	
	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Hatton National Bank PLC</b>		
11.25% 2,000,000 debentures redeemable on 01.11.2023	217,131,630	216,981,693
13.00% 193,300 debentures redeemable on 01.11.2023	19,729,156	19,729,207
12.30% 413,300 debentures redeemable on 22.09.2024	42,663,135	-
<b>Nations Trust Bank PLC</b>		
12.65% 2,000,000 debentures redeemable on 09.11.2023	203,667,260	203,667,084
12.80% 2,000,000 debentures redeemable on 23.12.2024	200,528,093	-
<b>Hayleys PLC</b>		
12.5% 1,000,000 debentures redeemable on 31.07.2023	105,211,317	105,211,605
<b>Siyapatha Finance PLC</b>		
13.33% 1,500,000 debentures redeemable on 08.08.2024	157,636,334	-
<b>National Savings Bank</b>		
11.00% 1,000,000 debentures redeemable on 10.09.2022	103,250,768	-
	2,638,486,388	1,932,759,549
Less : Allowance for expected credit losses	27,433,857	187,176
	2,611,052,531	1,932,572,373

Total allowance for expected credit loss stemmed from 12 months ECL and Lifetime ECL.

### 27.3 Fair value through other comprehensive income (FVOCI)

#### Accounting policy

Under SLFRS 9, debt instruments measured at FVOCI when both of the following conditions are met:

- 1 The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- 2 The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in statement of profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 4.4.5. ECL calculation for debt instruments at FVOCI is explained in Note 4.4.5. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to statement of profit or loss.

As at	Carrying value		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	Rs.	Rs.	Rs.	Rs.
Treasury bonds	374,758,800	52,249,700	374,758,800	52,249,700
	374,758,800	52,249,700	374,758,800	52,249,700

No expected credit losses (ECL) were recognised for treasury bonds since those are rated as risk free investments.



## Notes to the Financial Statements

### 27. FINANCIAL INVESTMENTS (Contd.)

#### 27.4 Movement in financial investments

	Financial assets at FVPL	Debt instruments at amortised cost	Debt instruments at FVOCI	Total
	Rs.	Rs.	Rs.	Rs.
<b>As at 1 January 2019</b>	58,170,496	6,547,843,993	52,249,700	6,658,264,189
Purchases	259,787,000	9,714,770,457	927,749,067	10,902,306,524
Maturities/sales	(95,551,369)	(9,488,820,915)	(615,680,876)	(10,200,053,160)
Fair value gains recorded in statement of profit or loss	6,139,423	-	-	6,139,423
Fair value gains recorded in statement of comprehensive income	-	-	10,440,909	10,440,909
Allowance for expected credit losses	-	(27,259,332)	-	(27,259,332)
<b>As at 31 December 2019</b>	228,545,550	6,746,534,203	374,758,800	7,349,838,553

#### 27.5 Determination of fair value

Methodologies and assumptions used to determine fair value of the financial investments are disclosed in Note 45 to the financial statements.

#### 27.6 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 47 to the financial statements.

#### 27.7 Financial investments pledged as security

The carrying value of financial assets pledged as security are disclosed in note 49 to the financial statements.

### 28. REINSURANCE RECEIVABLES

#### Accounting policy

The Company cedes insurance risk to reinsurance in the normal course of business. Reinsurance receivables 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.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component the amortised cost will be equal to carrying value.

#### Assessment of impairment of reinsurance receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts section 20, impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

As at	2019	2018
	Rs.	Rs.
Reinsurance receivables on outstanding claims as at 1 January	153,118,635	249,691,212
Change during the year	350,475,902	(96,572,577)
Reinsurance receivables on outstanding claims as at 31 December	503,594,537	153,118,635
As at	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Payee-wise</b>		
National Insurance Trust Fund	151,078,361	36,677,516
Foreign reinsurers	352,516,176	116,441,118
	503,594,537	153,118,635

### 28.1 Reinsurance receivables on outstanding claims

This includes reinsurance reserve of claims that has not been paid yet.

### 28.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

### 28.3 Fair value of reinsurance receivables

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

### 28.4 Risk management

Please refer Note 47.1.1.ii for risk management measures taken relating to reinsurance.

## 29. INSURANCE RECEIVABLES

### Accounting policy

#### Insurance receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), non-performing (stage 3) the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

#### De-recognition due to substantial modification of terms and conditions

The Company de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, the Company considers the following factors:

- ➔ Loss of insurable interest
- ➔ Change in counterparty

#### Assessment of impairment of insurance receivables

The Company assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories is provided below.

## Notes to the Financial Statements

As at		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Insurance receivables		1,033,606,659	996,811,754
Less: Allowance for impairment	29.1	(51,706,142)	(33,535,735)
Insurance receivables net of impairment		981,900,517	963,276,019

### 29.1 Impairment movement

	31.12.2019	31.12.2018
	Rs.	Rs.
Opening balance	33,535,735	19,366,722
Allowance for impairment	18,170,407	14,169,013
Closing balance	51,706,142	33,535,735

The carrying value of insurance receivables approximates the fair value at the reporting date.

### 29.2 Analysis of impairment provision on insurance receivables

As at	31.12.2019		31.12.2018	
	Exposure	ECL allowance for impairment	Exposure	ECL allowance for impairment
	Rs.	Rs.	Rs.	Rs.
Performing (Stage 1)	539,354,735	357,785	529,781,928	342,652
Under-performing (Stage 2)	324,116,458	2,040,413	411,922,626	2,389,213
Non-performing (Stage 3)	170,135,466	49,307,944	55,107,200	30,803,869
	1,033,606,659	51,706,142	996,811,754	33,535,735

### 29.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

### 29.4 Fair value of insurance receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

### 29.5 Risk management

Please refer Note 47.1.1.i for risk management measures taken relating to insurance receivables.

### 30. DEFERRED EXPENSES

#### Accounting policy

##### Acquisition expenses

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance expenses which vary with and directly related to production of new businesses 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. Subsequent to initial recognition, deferred acquisition costs (DAC) are amortised over the period on the basis unearned premium 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.

DAC is de-recognised when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

##### Reinsurance commissions

Commissions receivable on outward reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

	2019	2018
	Rs.	Rs.
<b>Reserve for deferred acquisition expenses</b>		
As at 1 January	285,163,534	253,429,922
Increase in deferred acquisition expenses	31,832,442	31,733,612
As at 31 December	316,995,976	285,163,534
<b>Reserve for deferred reinsurance commission</b>		
As at 1 January	21,001,348	15,173,136
Increase in deferred reinsurance commission	6,419,201	5,828,212
As at 31 December	27,420,549	21,001,348
	289,575,427	264,162,186

## Notes to the Financial Statements

### 31. OTHER ASSETS

#### Accounting policy

##### Recognition of other assets

Other assets which consist of non-financial assets are recognised at cost less any impairment losses.

##### Tax recoverable

Tax recoverable of the Company consists of withholding tax (WHT) receivable.

##### Inventory

Inventory includes all consumable items which are stated at lower of cost and net realisable value.

As at	31.12.2019	31.12.2018
	Rs.	Rs.
<b>Non-financial assets</b>		
Advances, deposits and prepayments	68,098,351	62,150,096
Inventory	4,083,344	5,117,031
Tax recoverable	287	-
Other receivables	3,018,243	2,685,521
	75,200,225	69,952,648

### 32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand with a maturity of three months or less which are subject to an insignificant risk of changes in value.

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Cash in hand	250,864	166,826
Balances at bank	128,521,645	221,231,439
	128,772,509	221,398,265
Less: Allowance for expected credit losses	(1,186)	(7,222)
	128,771,323	221,391,043

Total allowance for expected credit loss is applicable to balances at bank and it stemmed from 12 months ECL since all investments under this category are investment grade instruments.

**32.1** Bank overdraft, which form an integral part of cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. In the statement of financial position, overdrafts are included under liabilities. Cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at	Note	31.12.2019 Rs.	31.12.2018 Rs.
Cash in hand and balances at bank		128,771,323	221,391,043
Saving accounts		35,470,950	55,857,162
Cash and cash equivalents		164,242,273	277,248,205
Bank overdrafts	43	(150,616,554)	(86,054,255)
		13,625,719	191,193,950

### 33. STATED CAPITAL

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

	2019		2018	
	No. of shares	Rs.	No. of shares	Rs.
Balance as at 1 January	200,000,000	1,350,000,000	200,000,000	1,350,000,000
Balance as at 31 December	200,000,000	1,350,000,000	200,000,000	1,350,000,000

#### 33.1 Rights of ordinary shareholders

All issued shares are fully paid and shares of the Company are listed on the Colombo Stock Exchange. 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 General Meetings of the Company.

### 34. RETAINED EARNINGS

	2019	2018
	Rs.	Rs.
Balance as at 1 January	2,034,950,758	1,705,888,451
Adjustment on initial application of SLFRS 16	(16,903,751)	-
Profit for the year	647,653,980	729,062,307
Dividends paid	(370,000,000)	(400,000,000)
Balance as at 31 December	2,295,700,987	2,034,950,758



## Notes to the Financial Statements

### 35. FAIR VALUE RESERVE

#### Accounting policy

Fair value reserve comprises the cumulative net change in the fair value of debt instruments at FVOCI and is carried forward until the respective assets are de-recognised or impaired.

	2019	2018
	Rs.	Rs.
Balance as at 1 January	(3,513,627)	(1,775,742)
Other comprehensive income for the year	7,770,912	(1,737,885)
Balance as at 31 December	4,257,285	(3,513,627)

### 36. OTHER RESERVES

Other reserves comprises the actuarial gains/(losses) arising from valuation of gratuity liability as required by LKAS 19 - Employee Benefits.

	2019	2018
	Rs.	Rs.
Balance as at 1 January	(6,289,863)	(4,303,950)
Other comprehensive income for the year	(1,019,437)	(1,985,913)
Balance as at 31 December	(7,309,300)	(6,289,863)

### 37. INSURANCE CONTRACT LIABILITIES

#### Accounting policy

##### *Provision for net unearned premium*

Provision for unearned premium represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Company performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

##### *Provision for gross outstanding claims*

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision which are 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.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

**Provision for gross incurred but not reported claims**

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.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

As at		31.12.2019	31.12.2018
	Note	Rs.	Rs.
Provision for net unearned premium	37.2	3,061,197,350	2,873,860,649
Provision for gross outstanding claims	37.3	1,226,611,838	939,962,497
Provision for gross incurred but not reported (IBNR) claims	37.4	635,832,678	553,742,379
		4,923,641,866	4,367,565,525

**37.1 Insurance contract liabilities**

As at		31.12.2019			31.12.2018		
		Gross liabilities	Reinsurance	Net liabilities	Gross Liabilities	Reinsurance	Net liabilities
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Provision for net unearned premium	37.2	3,205,124,398	(143,927,048)	3,061,197,350	2,976,675,008	(102,814,360)	2,873,860,649
Provision for gross outstanding claims	37.3	1,226,611,838	(367,794,266)	858,817,572	939,962,497	(78,262,180)	861,700,317
Provision for gross IBNR claims	37.4	635,832,678	(135,800,271)	500,032,407	553,742,379	(74,920,503)	478,821,876
		5,067,568,914	(647,521,585)	4,420,047,329	4,470,379,884	(255,997,042)	4,214,382,842

## Notes to the Financial Statements

### 37. INSURANCE CONTRACT LIABILITIES (Contd.)

#### 37.2 Provision for net unearned premium

	2019			2018		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	2,976,675,008	(102,814,360)	2,873,860,648	2,546,177,201	(72,465,011)	2,473,712,190
Premium written during the year	6,029,973,270	(580,764,338)	5,449,208,932	5,591,815,141	(482,181,063)	5,109,634,078
Premium earned during the year	(5,801,387,528)	539,515,298	(5,261,872,230)	(5,161,317,334)	451,831,714	(4,709,485,620)
As at 31 December	3,205,260,750	(144,063,400)	3,061,197,350	2,976,675,008	(102,814,360)	2,873,860,648

#### 37.3 Provision for gross outstanding claims

	2019			2018		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	939,962,497	(78,262,180)	861,700,317	948,670,217	(83,947,289)	864,722,928
Claims incurred during the year	3,984,111,843	(452,715,159)	3,531,396,684	3,289,746,827	(45,978,119)	3,243,768,708
Claims paid during the year	(3,697,462,502)	163,183,073	(3,534,279,429)	(3,298,454,547)	51,663,228	(3,246,791,319)
As at 31 December	1,226,611,838	(367,794,266)	858,817,572	939,962,497	(78,262,180)	861,700,317

#### 37.4 Provision for gross IBNR claims

	2019			2018		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	553,742,379	(74,920,503)	478,821,876	651,172,114	(165,743,923)	485,428,191
Provision made during the year	82,090,299	(60,879,768)	21,210,531	(97,429,735)	90,823,420	(6,606,315)
As at 31 December	635,832,678	(135,800,271)	500,032,407	553,742,379	(74,920,503)	478,821,876

#### 37.5 Liability adequacy test

A liability adequacy test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2019 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Company was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2019 (2018 - Nil).

#### 37.6 Valuation of IBNR and IBNER

The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2019.

This valuation exercise was carried out to determine the required claim liability reserve (in particular the IBNR reserve) in respect of Company's non-life Insurance operations, net of reinsurance.

The central estimate of the net claim liability has been determined based upon the net analysis performed for People's Insurance as at 31 December 2019. This is a full review of the loss development factors, such that the value of the insurance liabilities is reflective of People's Insurance general insurance portfolio at 31 December 2019.

The volatility of the central estimate of net claim liability is then projected to secure an overall level of sufficiency of not less than 75% confidence. In assessing the claim liability at a 75% confidence level, the provision of risk margin for adverse deviation (PRAD) loading provided by the Insurance Regulatory Commission of Sri Lanka (IRCSL) is adopted. The 75th percentile is calculated for each line of business independently using the risk margin highlighted in Table 5 of the Regulation of Insurance Industry Act, No. 43 of 2000, revised on 15 December 2015. During the analysis, classes of business in the Company portfolio were closely matched with the IRCSL prescribed business categories.

### 37.7 Changes in assumptions

There were no material estimation changes from the previous valuation done for the balance as at 31 December 2019.

### 37.8 Reconciliation between insurance provision and technical reserves

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance contract liabilities	4,923,641,866	4,367,565,525
Reinsurance on case reserves	(367,794,266)	(78,262,180)
Reinsurance on IBNR provision	(135,800,271)	(74,920,503)
Deferred expenses	(289,575,427)	(264,162,186)
Technical reserves	4,130,471,902	3,950,220,656

## 38. EMPLOYEE DEFINED BENEFIT OBLIGATIONS

### Accounting policy

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The value of defined benefit obligation is calculated by a qualified actuary as at the reporting date, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - Employee Benefits. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

The re-measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 38.2.4 to the financial statements.

However, according to the Payment of gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

The provision of the Company is not externally funded.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### 38.1 Defined benefit plans - Provision for employee benefits

As at	2019	2018
	Rs.	Rs.
<b>38.1 Present value of unfunded obligation</b>	<b>37,238,009</b>	<b>27,490,317</b>

## Notes to the Financial Statements

### 38. EMPLOYEE DEFINED BENEFIT OBLIGATIONS (Contd.)

#### 38.2 Movement in the present value of the employee benefits for the year ended

	Note	2019 Rs.	2018 Rs.
As at 1 January		27,490,314	17,881,854
Expenses recognised in statement of profit or loss	38.2.1	10,232,872	8,077,423
Payments during the year		(1,006,522)	(694,734)
Actuarial loss recognised in statement of comprehensive income	38.2.2	521,342	2,225,774
As at 31 December		37,238,009	27,490,317

#### 38.2.1 Expenses recognised in statement of profit or loss

For the year ended	31.12.2019 Rs.	31.12.2018 Rs.
Interest cost	3,298,838	1,788,185
Current service cost	6,934,034	6,289,238
	10,232,872	8,077,423

#### 38.2.2 Expenses recognised in statement of comprehensive income

For the year ended	31.12.2019 Rs.	31.12.2018 Rs.
Actuarial loss	521,342	2,225,774

#### 38.2.3 Valuation of employee benefit obligations

As at 31 December 2019, gratuity liability was actuarially valued under the Projected Unit Credit method by Smiles Global (Private) Limited, a firm with actuarial expertise as required by LKAS 19 - Employee Benefits.

#### 38.2.4 Principal actuarial assumptions used

	2019	2018
<b>Actuarial information</b>		
(a) Discount rate	10%	12%
(b) Salary increase	10%	10%
(c) Incidence of withdrawal	18%	16%
(e) Mortality rates	A67/70	A67/70
(g) Disability rates	Standard RI rates	Standard RI rates
<b>Employee information</b>		
(a) Average age	29	28
(b) Average service period (years)	2.68	2.30
(c) Expected future working life time (years)	5.33	5.99
(d) Number of employees	608	554

### 38.3 Sensitivity analysis

The sensitivity analysis below has 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 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.

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

As at	31.12.2019		31.12.2018	
	Increase	Decrease	Increase	Decrease
	Rs.	Rs.	Rs.	Rs.
Discount rate 1%	(1,574,165)	1,733,484	(1,071,109)	1,178,641
Future salary growth 1%	1,894,763	(1,752,178)	1,300,712	(1,202,529)

## 39. OTHER FINANCIAL LIABILITIES

### Accounting policy

#### Recognition - financial liabilities

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in the statement of profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities except lease liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

#### De-recognition of other financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

As at	Note	31.12.2019		31.12.2018	
		Carrying value	Fair value	Carrying value	Fair value
		Rs.	Rs.	Rs.	Rs.
Other creditors including accrued expenses	39.1	278,121,249	278,121,249	211,425,413	211,425,413
Lease liability	46.3	180,214,976	180,214,976	-	-
Commission payable		203,229,808	203,229,808	187,522,404	187,522,404
Amounts due to related parties	39.2	14,742,176	14,742,176	1,779,440	1,779,440
		676,308,209	676,308,209	400,727,257	400,727,257



## Notes to the Financial Statements

### 39. OTHER FINANCIAL LIABILITIES (Contd.)

#### 39.1 Other creditors including accrued expenses

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Other creditors	210,843,643	156,751,121
Accrued expenses	67,277,606	54,674,292
	278,121,249	211,425,413

#### 39.2 Amounts due to related parties

As at	31.12.2019	31.12.2018
	Rs.	Rs.
People's Leasing & Finance PLC	13,837,839	1,391,015
People's Leasing Fleet Management Limited	904,337	388,425
	14,742,176	1,779,440

### 40. OTHER LIABILITIES

#### Accounting policy

Other liabilities include government levies payable other than income tax payable. These liabilities are recorded at amounts expected to be payable as at the reporting date.

	31.12.2019	31.12.2018
	Rs.	Rs.
Value Added Tax (VAT) payable	19,179,480	26,650,477
CESS payable	5,377,876	5,241,292
Nation Building Tax (NBT) payable	912,175	9,091,212
Other government levies payable	6,300,018	8,400,163
	31,769,549	49,383,144

### 41. REINSURANCE PAYABLES

#### Accounting policy

##### **Recognition and measurement of reinsurance payables**

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

#### Payee-wise

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Domestic reinsurer - National Insurance Trust Fund (NITF)	15,483,940	39,543,559
Foreign reinsurers	(7,956,531)	22,264,076
	7,527,409	61,807,635

The carrying amount disclosed above approximates the fair value at the reporting date.

All amounts payable on reinsurance business are payable within one year.

#### 42. INCOME TAX PAYABLES

##### Accounting policy

Current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

	2019	2018
	Rs.	Rs.
Balance as at 1 January	49,392,448	38,429,964
Provision for the year	275,503,000	119,604,204
Under provision of taxes in respect of prior years	562,300	538,914
Self-assessment payments	(153,607,261)	(47,522,289)
Tax credits	(61,101,787)	(61,658,345)
Balance as at 31 December	110,748,700	49,392,448

#### 43. BANK OVERDRAFTS

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Bank overdrafts	150,616,554	86,054,255

The bank overdraft facility amounting to Rs. 75,000,000 is subject to variable overdraft interest rate of People's Bank. The overdraft facility is secured by a fixed deposit of Rs. 75,000,000 and unused overdraft facility amounted to Rs. 75,000,000 as at the reporting date (2018 - Rs. 9,000,000).

## Notes to the Financial Statements

### 44. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at	31.12.2019			31.12.2018		
	Carrying amount Rs.	Less than 12 months Rs.	More than 12 months Rs.	Carrying amount Rs.	Less than 12 months Rs.	More than 12 months Rs.
<b>Assets</b>						
Intangible assets	1,876,389	-	1,876,389	2,388,131	-	2,388,131
Property, plant and equipment	238,214,775	-	238,214,775	82,008,927	-	82,008,927
Deferred tax asset	11,527,522	-	11,527,522	3,006,071	-	3,006,071
Financial investments	7,349,838,553	4,087,181,586	3,262,656,967	6,658,264,189	4,826,979,427	1,831,284,762
Reinsurance receivables	503,594,537	503,594,537	-	153,118,635	153,118,635	-
Insurance receivables	981,900,517	981,900,517	-	963,276,019	963,276,019	-
Deferred expenses	289,575,427	289,575,427	-	264,162,186	264,162,186	-
Other assets	75,200,225	75,200,225	-	69,952,648	69,952,648	-
Cash and cash equivalents	128,771,323	128,771,323	-	221,391,043	221,391,043	-
<b>Total assets</b>	<b>9,580,499,268</b>	<b>6,066,223,615</b>	<b>3,514,275,653</b>	<b>8,417,567,849</b>	<b>6,498,879,958</b>	<b>1,918,687,891</b>
<b>Liabilities</b>						
Insurance contract liabilities	4,923,641,866	4,850,912,015	72,729,851	4,367,565,525	4,303,049,787	64,515,738
Employee defined benefit obligations	37,238,009	-	37,238,009	27,490,317	-	27,490,317
Other financial liabilities	676,308,209	676,308,209	-	400,727,257	400,727,257	-
Other liabilities	31,769,549	31,769,549	-	49,383,144	49,383,144	-
Reinsurance payables	7,527,409	7,527,409	-	61,807,635	61,807,635	-
Income tax payables	110,748,700	110,748,700	-	49,392,448	49,392,448	-
Bank overdrafts	150,616,554	150,616,554	-	86,054,255	86,054,255	-
<b>Total liabilities</b>	<b>5,937,850,296</b>	<b>5,827,882,436</b>	<b>109,967,860</b>	<b>5,042,420,581</b>	<b>4,950,414,526</b>	<b>92,006,055</b>

### 45. ACCOUNTING CLASSIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on 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 the principal market, in the most advantageous market for the asset or liability.

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. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts, fair value is determined by reference to published bid-values. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price and is consistent with

accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument i.e. without modification or re-packaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in the statement of profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into accounting pricing a transaction.

Financial assets and liabilities based on the accounting classification with their carrying values and fair values are tabulated below.

As at	31.12.2019					
	Note	Equity instruments through profit or loss Rs.	Debt instruments at amortised cost Rs.	Debt instruments through FVOCI Rs.	Total carrying amount Rs.	Fair value Rs.
<b>Financial assets</b>						
Financial investments	27					
-Measured at fair value		228,545,550	-	374,758,800	603,304,350	603,304,350
-Measured at amortised cost		-	6,746,534,203	-	6,746,534,203	6,842,990,618
Reinsurance receivables	28	-	503,594,537	-	503,594,537	503,594,537
Insurance receivables	29	-	981,900,517	-	981,900,517	981,900,517
Cash and cash equivalents	32	-	128,771,323	-	128,771,323	128,771,323
<b>Total</b>		228,545,550	8,360,800,580	374,758,800	8,964,104,930	9,060,561,345
<b>Financial liabilities</b>						
Other financial liabilities						
(excluding government levies)	39	-	676,308,209	-	676,308,209	676,308,209
Reinsurance payables	41	-	7,527,409	-	7,527,409	7,527,409
Bank overdrafts	43	-	150,616,554	-	150,616,554	150,616,554
<b>Total</b>		-	834,452,172	-	834,452,172	834,452,172

## Notes to the Financial Statements

### 45. ACCOUNTING CLASSIFICATION AND FAIR VALUE (Contd.)

As at		31.12.2018				
		Equity instruments through profit or loss	Debt instruments at amortised cost	Debt instruments through FVOCI	Total carrying amount	Fair value
	Note	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>						
Financial investments	27					
-Measured at fair value		58,170,496	-	52,249,700	110,420,196	110,420,196
-Measured at amortised cost		-	6,547,843,993	-	6,547,836,771	6,547,695,344
Reinsurance receivables	28	-	153,118,635	-	53,118,635	53,118,635
Insurance receivables	29	-	963,276,019	-	963,276,019	963,276,019
Cash and cash equivalents	32	-	191,193,950	-	191,193,950	191,193,950
<b>Total</b>		58,170,496	7,855,432,597	52,249,700	7,865,845,571	7,865,704,144
<b>Financial liabilities</b>						
Other financial liabilities						
(excluding government levies)	39	-	400,727,257	-	400,727,257	400,727,257
Reinsurance payables	41	-	61,807,635	-	61,807,635	61,807,635
Bank overdrafts	43	-	86,054,255	-	86,054,255	86,054,255
<b>Total</b>		-	548,589,147	-	548,589,147	548,589,147

#### 45.1 Determination of fair value and fair value hierarchy

##### Valuation of fair value of financial instruments

Determination of fair values of financial assets and financial liabilities recorded in the statement of financial position for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- ➔ **Level 1:** Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- ➔ **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. 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 less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- ➔ **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

## 45.2 Fair value measurement

The following table analyses financial investment measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31 December	2019			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value;</b>				
<b>Equity instruments at fair value through profit or loss</b>				
Listed equity securities	228,545,550	-	-	228,545,550
<b>Debt instruments at FVOCI</b>				
Treasury bonds	-	374,758,800	-	374,758,800
<b>Assets measured at amortised cost and fair values are disclosed*;</b>				
<b>Debt instruments at amortised cost</b>				
Staff loans	-	77,554,126	-	77,554,126
Rent deposits	-	59,561,102	-	59,561,102
Fixed deposits	-	3,239,436,462	-	3,239,436,462
Savings accounts	-	35,470,943	-	35,470,943
Treasury bills	-	431,983,353	-	431,983,353
Listed debentures	-	2,551,701,771	-	2,551,701,771
Treasury bonds	-	447,282,861	-	447,282,861
<b>Total financial investments</b>	<b>228,545,550</b>	<b>7,217,749,418</b>	<b>-</b>	<b>7,446,294,968</b>

As at 31 December	2018			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value;</b>				
<b>Equity instruments at fair value through profit or loss</b>				
Listed equity securities	58,170,496	-	-	58,170,496
<b>Debt instruments at FVOCI</b>				
Treasury bonds	-	52,249,700	-	52,249,700
<b>Assets measured at amortised cost and fair values are disclosed*;</b>				
<b>Debt instruments at amortised cost</b>				
Repurchase agreements	-	203,375,306	-	203,375,306
Staff loans	-	47,495,227	-	47,495,227
Rent deposits	-	51,885,986	-	51,885,986
Fixed deposits	-	3,432,269,637	-	3,432,269,637
Savings accounts	-	55,857,162	-	55,857,162
Treasury bills	-	976,094,609	-	976,094,609
Listed debentures	-	1,811,717,416	-	1,811,717,416
<b>Total financial investments</b>	<b>58,170,496</b>	<b>6,630,945,044</b>	<b>-</b>	<b>6,689,115,540</b>

\* Fair values are determined based on the assumptions given in Note 45.1.



## Notes to the Financial Statements

### 45. ACCOUNTING CLASSIFICATION AND FAIR VALUE (Contd.)

#### Financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

#### Assets for which fair value approximates carrying value

For financial assets/liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value due to their short term nature. This assumption is also applied to savings accounts without a specific maturity.

Assets	Liabilities
Cash in hand and balances at bank	Bank overdraft
Repurchase agreements	Outstanding commission payable
Fixed deposits with less than three months remaining maturity	Amounts due to related parties
Savings accounts	Other creditors including accrued expenses
Insurance receivables	Reinsurance payables
Reinsurance receivables	

#### Fixed deposits with more than three months remaining maturity

The fair values are estimated based on discounted cash flows using rates currently available for similar instruments on similar term, credit risk and remaining maturities.

#### Debentures

The fair values of debentures are determined based on the last traded market price of the instrument published at the Colombo Stock Exchange.

#### Staff loans

Fair values are computed based on the interest rate that prevailed at reporting date.

### 46. LEASES

SLFRS 16 - Leases has replaced Sri Lanka Accounting Standard (LKAS 17) - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The Company has applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

#### 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.

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 stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### Right-of-use assets

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 if applicable. 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, plant 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.

### Lease liabilities

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 lease liability is re-measured 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 re-measured 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 in 'Property, plant and equipment' and lease liabilities in 'Other financial liabilities' 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, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 46.1 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

Land and Building	2019
	Rs.
Balance as at 1 January (Present value of future lease payments)	221,323,040
Depreciation charged for the year	63,235,154
Additions to right-of-use assets	-
De-recognition of right-of-use assets	-
Balance as at 31 December	284,558,194

## Notes to the Financial Statements

### 46. LEASES (Contd.)

#### 46.2 Amounts recognised in statement of profit or loss

	2019	2018
	Rs.	Rs.
<b>Leases under SLFRS 16</b>		
Interest on lease liabilities	26,078,185	-
<b>Operating leases under LKAS 17</b>		
Contingent rent expense	-	84,090,000

#### 46.3 Lease liability

	2019
	Rs.
Balance recognised as at 01 January	238,226,791
New lease agreement	-
De-recognition of lease liabilities	-
Payments	(58,011,815)
Balance as at 31 December	180,214,976

#### 46.4 Amounts recognised in statement of cash flows

	2019
	Rs.
<b>Total cash outflow for leases</b>	
Interest paid on lease	26,078,185
Payment on lease liability	58,011,815
	84,090,000

#### 46.5 Extension options

Extension and termination options are included in the lease agreement of the Company. These are used to maximise operational flexibility in terms of managing the asset used in the Company's operations. The extension and termination options held are exercisable with the three months written consent by either party.

### 47. RISK MANAGEMENT FRAMEWORK

The Company has implemented a proper system of risk and financial management framework to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The Board of Directors has the overall responsibility and the oversight of the risk management framework of the Company. The Board oversees risk management process through the Board Audit Committee and internal audit department. The Board has delegated its authorities and responsibilities to the management to establish the Company's risk management policy and to manage overall risk framework of the Company.

At the group level, Enterprises Risk Management Committee operates to strengthen the Group's risk management process. members from the management are invited to the Group Risk Management Committee and the Company's risk management framework and the risks are monitored by this Group Committee.

Risk governance, risk management framework and risk management strategies are described in detail on pages 50 to 59 in the Risk Management Report.

### Capital management framework

The Company's capital management framework forms the basis for activity managing capital within the Company and seeks to optimise the structure and source of capital to ensure that it consistently maximises returns to the shareholders and policyholders while complying with the regulatory requirements.

The Company has established the following capital management objectives, policies and approaches in managing the risks that affect its capital position.

- ➔ To maintain the robust level of stability of the Company thereby providing a degree of security to policyholders.
- ➔ To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.
- ➔ To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- ➔ To align the profile of assets and liabilities taking account of risks inherent in the business.
- ➔ To maintain financial strength to support new business growth and to satisfy the requirement of the policyholders, regulators and stakeholders.
- ➔ To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The Operations of the Company are also subject to regulatory requirements of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The regulations imposed, not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy under the risk based capital regime) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Company has complied with all these regulatory requirements during the financial year.

The primary source of capital used by the Company is equity which includes stated capital and the retained earnings.

Capital requirements are measured on the risk based capital regime which is calculated on a periodic basis and assessed against the available capital and determined by the capital adequacy ratio. The process is ultimately subject to the approval of the Board.

The Company has made no significant changes from previous years to its policies and processes of its capital structure.

Available capital resources based on risk based capital;

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Total shareholders' funds as per financial statements	3,642,648,972	3,375,147,268
Adjustments based on regulatory requirements	(1,587,382)	8,220,918
Deductions based on regulatory requirements	(619,912,282)	(230,261,851)
<b>Total available capital</b>	<b>3,021,149,308</b>	<b>3,153,106,335</b>

### Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs to provide policyholders' benefits.

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 has implemented the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. The Company was able to maintain the Total Available Capital (TAC) and Risk Based Capital Adequacy Ratio (CAR) as at 31 December 2019 at Rs. 3,141,245,536 (2018 - Rs. 3,036,641,385) and 248% in 2019 (2018 - 237%) respectively.

## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

In addition to the IRCSL monitoring, the Company is also subject to control by various regulators such as the Colombo Stock Exchange (CSE), Security and Exchange Commission of Sri Lanka (SEC), Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (DIR) and Company Registrar.

#### Risk Management Framework of People's Insurance PLC

##### 47.1 Financial risks

This is the risk that could bring financial losses to the Company which generally arises due to instability and loss in the financial market. The Company is exposed to the financial risks as a result of investing in financial instruments. The main financial risks exposed to the Company and the risk responses that are undertaken to mitigate such risks are given below.

##### 47.1.1 Credit risk

Credit risk is the risk that associates with a loss or potential loss from customer or counter-party failing to meet its contractual obligation in accordance with agreed terms. The Company's credit risk exposure analysis is provided in not 47.1.2.

##### i. Insurance receivables

Risk of customers failing to settle their outstanding dues.

##### Risk response

- ➔ Regular and rigorous follow ups for premium outstanding.
- ➔ Periodic policy cancellation for not settling within the given credit period.
- ➔ Check the status of outstanding premium before settling claims.
- ➔ Periodic review of the premium receivables to provide adequate impairment provisions.
- ➔ Refer insurance receivables based on credit rating and credit risk exposure as shown below.

##### ii. Reinsurance Receivables

Risk of not receiving reinsurance receivables.

##### Risk response

- ➔ Assessment of credit worthiness of reinsurers in selection and periodic review of their ratings.
- ➔ Review of outstanding balances on a monthly basis and ensure that all dues are collected or set-off against payables.

List of reinsurers and the ratings with the issuing agency as at 31st December 2019.

Reinsurer	Country of Origin	Issuing Agency	Ratings
Asia Capital Reinsurance Group Pte Ltd.	Singapore	AM Best	A-
Asian Reinsurance Corporation	Thailand	AM Best	B+
Best Meridian Insurance Company	USA	AM Best	A-
Chubb Insurance Singapore Limited	Singapore	AM Best	AA-
General Insurance Corporation of India	India	AM Best	A-
Lloyds	United Kindom	AM Best	A
National Insurance Trust Fund	Sri Lanka	Fitch	AA-
Ocean International Re. Co.	Barbados	AM Best	A-
Santam/Munich Re	South Africa	S & P	A-

### iii. Financial investments

Risk of borrowers failing to repay or meet contractual obligation.

#### Risk response

- Assess the credit worthiness of the financial institute/instruments using credit ratings before investing.
- Assess on tolerable levels, concentration risk and portfolio monitoring in line with the Company's risk appetite level documented in the investment operations manual.
- Obtain adequate collateral to secure the investment. Regularly review its market value to ensure the adequacy of such collateral and request additional collateral in accordance with the underlying agreement. Reasonable margin of safety is maintained in collateral value as tabulated below.

Collateral adequacy	2019	2018
	Rs.	Rs.
Carrying value of investments in repurchases agreements	-	203,375,306
Fair value of collateral	-	226,244,035
Excess value of collateral	-	22,868,729

#### 47.1.2 Credit quality analysis

The table below sets out information about the credit quality of financial assets held by the Company net allowances for impairment/expected credit losses against those assets.

##### i. Expected credit losses

With the adoption of SLFRS 9 - Financial Instruments, the Company manages credit quality using a three stage approach which is in line with the new standard requirements.

Stage one (performing) : 12 - month expected credit losses

Stage two (under-performing) : Lifetime expected credit losses - Not-credit impaired

Stage three (non-performing): Lifetime expected credit losses - Credit impaired

Table below shows the classification of assets based on the above-mentioned three stage model.

	12-month ECL	Life time ECL - Not credit impaired	Life time ECL - credit impaired	Unclassified	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>As at 31 December 2019</b>					
Cash and cash equivalents	-	-	-	128,771,323	128,771,323
Financial investment	7,094,338,865	-	26,954,137	228,545,551	7,349,838,553
Reinsurance receivables	-	-	-	503,594,537	503,594,537
Insurance receivables	539,052,393	442,848,124	-	-	981,900,517
Other non-financial assets	-	-	-	616,394,338	616,394,338
<b>Total assets</b>	<b>7,633,391,258</b>	<b>442,848,124</b>	<b>26,954,137</b>	<b>1,477,305,749</b>	<b>9,580,499,268</b>
<b>As at 31 December 2018</b>					
Cash and cash equivalents	-	-	-	221,391,043	221,391,043
Financial investment	6,548,843,993	-	-	109,420,196	6,658,264,189
Reinsurance receivables	-	-	-	153,118,635	153,118,635
Insurance receivables	517,769,388	445,506,632	-	-	963,276,020
Other non-financial assets	-	-	-	421,517,962	421,517,962
<b>Total assets</b>	<b>7,066,613,381</b>	<b>445,506,632</b>	<b>-</b>	<b>905,447,836</b>	<b>8,417,567,849</b>



# Notes to the Financial Statements

## 47. RISK MANAGEMENT FRAMEWORK (Contd.)

### **ii. Amounts arising from expected credit losses**

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – Financial Instruments.

#### **a) Significant increase in credit risk**

When determining whether the risk of default on a financial assets has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company historical experience and expert credit assessment and including forward-looking information.

#### **b) Credit risk**

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of financial assets.

Each exposure is assessed at initial recognition based on available information about the financial assets. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade based on 3 stage model. The monitoring typically involves change in investment credit ratings of counter parties and instruments and number of days over due in terms of insurance and reinsurance receivables.

#### **c) Generating the term structure of probability of default (PD)**

Date past due has been taken as the primary input into the determination of the term structure of PD for insurance receivables. The Company collects performance and default information about its credit risk exposures analysed by customer segments. For investment portfolio, information gathered from external credit agencies is used (debt instruments).

The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors.

Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables (GDP growth and effect) as well as a representative range (best case and worst case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

#### **d) Incorporation of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (best case and worst case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

#### **e) Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

**Probability of default (PD)**

PD estimates are estimates at a certain date which are calculated based on statistical models and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

**Loss given default (LGD)**

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

**f) Loss allowance**

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in 47.1.2.i.

**Movement in allowance for expected credit losses (stage transition)**

	31.12.2019			
Company	Stage 1: 12 month ECL  Rs.	Step 2: Life-time ECL non-credit impaired  Rs.	Step 3: Life-time ECL credit- impaired  Rs.	Total ECL  Rs.
Balance as at the beginning of the year	7,440,123,059	445,506,632	-	7,885,629,691
Change during the year	1,462,619,484	(2,658,508)	26,954,137	1,486,915,113
Balance as at the end of the year	8,902,742,543	442,848,124	26,954,137	9,372,544,804

	31.12.2018			
Company	Stage 1: 12 month ECL  Rs.	Step 2: Life-time ECL non-credit impaired  Rs.	Step 3: Life-time ECL credit impaired  Rs.	Total ECL  Rs.
Balance as at the beginning of the year	6,772,290,523	431,800,720	-	7,204,091,243
Change during the year	667,832,536	13,705,911	-	681,538,447
Balance as at the end of the year	7,440,123,059	445,506,632	-	7,885,629,690

## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

#### iii. Credit ratings of financial instruments

Table below sets out the credit quality of financial investments based on the institutes's instruments' credit rating.

	Risk Free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	Total Rs.
<b>Financial investments</b>						
Debt instruments at FVOCI						
Treasury bonds	374,758,800	-	-	-	-	374,758,800
Debt instruments at amortised cost						
Treasury bonds	431,623,381	-	-	-	-	431,623,381
Repurchase agreements	-	-	-	-	-	-
Staff loans	-	-	-	-	66,152,462	66,152,462
Rent deposits	-	-	-	-	59,561,102	59,561,102
Fixed deposits	-	1,103,202,902	2,007,541,299	-	-	3,110,744,201
Savings accounts	-	30,235,626	5,235,323	-	-	35,470,949
Treasury bills	431,929,575	-	-	-	-	431,929,575
Listed debentures	-	796,731,501	1,475,988,639	235,081,622	-	2,507,801,762
Unlisted debentures	-	103,250,768	-	-	-	103,250,768
Unit trust at FVPL	-	-	-	-	214,019,051	214,019,051
Reinsurance receivables	-	170,158,750	333,435,789	-	-	503,594,539
Insurance receivables	-	-	-	-	981,900,517	981,900,517
Cash and cash equivalents	-	126,967,017	1,553,441	-	250,865	128,771,323
<b>Total</b>	<b>1,238,311,757</b>	<b>2,330,546,565</b>	<b>3,823,754,491</b>	<b>235,081,622</b>	<b>1,321,883,997</b>	<b>8,949,578,431</b>

#### 47.2 Liquidity Risk

Generally, liquidity risk is the risk that a company may not be able to meet short term financial demands. This occurs when financial resources are insufficient to meet the Company's obligation when they fall due and the timing difference between gross claim cash out flows and expected reinsurance recoveries.

#### Risk response

- ➔ Regular review of cash flow projections and ensure sufficient funds are available to meet claims and operational payments.
- ➔ Maintain a portfolio of readily marketable securities to strengthen the liquidity position.
- ➔ Maintain diversified durations of investments and regular review of maturity periods based on the cash flow requirements.
- ➔ Agreements with the reinsurers to immediate draw funds to meet claim payments which exceed the certain agreed level.
- ➔ Availability of a stand-by overdraft facility to use in the event of an emergency.
- ➔ Determining the maturity profiles of insurance contract liabilities and reinsurance assets based on the estimated timing of net cash flows from recognised insurance liabilities.
- ➔ Planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.

#### Maturity profile

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access when meeting liquidity needs.

Following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities. Unearned premiums have been excluded from the analysis as they are not considered as contractual obligations.

Contractual maturities of undiscounted cash flows of financial assets and liabilities are provided below.

As at 31 December 2019	0-6 months	7-12 months	1-2 years	Over 2 tears	No stated maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>						
Financial assets at FVPL						
Unit trust	-	-	-	-	214,019,051	214,019,051
Listed securities	-	-	-	-	14,526,500	14,526,500
Debt instruments at FVOCI	-	-	105,231,800	269,527,000	-	374,758,800
Debt instruments at amortised cost	-	-	-	-	-	-
Treasury bonds	-	-	52,554,585	379,068,799	-	431,623,384
Fixed deposits	1,602,178,969	1,508,565,236	-	-	-	3,110,744,205
Staff loans and rent deposits	8,770,085	7,320,886	12,693,928	96,928,666	-	125,713,564
Savings accounts	-	-	-	-	35,470,943	35,470,943
Treasury bills	431,929,575	-	-	-	-	431,929,575
Listed debentures	60,569,635	203,830,706	670,583,585	1,572,817,836	-	2,507,801,762
Unlisted debentures	-	-	-	103,250,768	-	103,250,768
Insurance receivables	981,900,517	-	-	-	-	981,900,517
Reinsurance receivables	503,594,537	-	-	-	-	503,594,537
Cash and cash equivalents	128,771,323	-	-	-	-	128,771,323
<b>Total</b>	<b>3,717,714,640</b>	<b>1,719,716,828</b>	<b>841,063,898</b>	<b>2,421,593,070</b>	<b>264,016,494</b>	<b>8,964,104,930</b>
<b>Financial liabilities</b>						
Insurance contract liabilities	3,993,345,985	857,566,030	18,846,432	53,883,419	-	4,923,641,866
Reinsurance payables	752,409	-	-	-	-	752,409
Other financial liabilities	347,654,657	33,779,409	74,080,840	40,578,326	-	496,093,232
Lease liabilities	-	-	-	180,214,976	-	180,214,976
Bank overdraft	150,616,554	-	-	-	-	150,616,554
<b>Total</b>	<b>4,492,369,605</b>	<b>891,345,439</b>	<b>92,927,272</b>	<b>274,676,721</b>	<b>-</b>	<b>5,751,319,037</b>

### 47.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market variables. Market risk comprises of three types risks: market interest rates (interest rate risk), foreign exchange rate (currency risk) and market prices (price risk). The Company has imposed following policies and procedures to manage the market risks.

#### Market risk mitigating strategies

- Overall market risk impact is closely monitored by the management, Investment Committee and the Integrated Risk Committee at group level on a regular basis.
- Investment portfolio and the fluctuation of macro-economic indicators are reviewed by the top management regularly.
- Set limits for investments and portfolio allocations in the investment operation manual to ensure that risk exposure is at the desired risk tolerance limit of the Company.

## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

#### 47.4 Interest Rate Risk

Interest rate risk is the risk of fluctuation of value of the future cash flows of financial instrument due to changes in market interest rates. Floating rate instruments typically expose the Company to cash flow interest risk whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

#### Interest rate risk mitigating strategies

- The management follows the guidelines set out in the investment policy and investment operations manual which are regularly reviewed by the Investment Committee.
- Preferred investment horizon for the investment portfolio is limited to a maximum of ten years from the time of the investment.
- Forecasting and monitoring future cash flows when formulating investment strategies.
- Relative amount of each portfolio is determined by the Company's liquidity position, availability of market value and individual securities' risk/return profiles.

Following table describes the Company's sensitivity to interest rate risks. The sensitivity of reported fair value of financial instruments is monitored by assessing the projected changes in the fair value of financial instrument held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points and +/- 200 basis points.

Collateral adequacy	2019		2018	
	Impact on PBT*	Impact on equity	Impact on PBT*	Impact on equity
	Rs.	Rs.	Rs.	Rs.
+ 100 base points	(9,361,600)	(9,361,600)	(1,422,800)	(1,422,800)
- 100 base points	9,703,150	9,703,150	1,372,800	1,372,800
+ 200 base points	(18,396,600)	(18,396,600)	(2,845,600)	(2,845,600)
- 200 base points	19,762,950	19,762,950	2,745,600	2,745,600

\* PBT - Profit before tax

Following table summarises the exposure to the interest rate risks by the Company.

As at 31 December 2019	Variable interest Rs.	Fixed interest Rs.	Non-interest bearing Rs.	Total Rs.
<b>Financial Assets</b>				
Financial assets at FVPL	-	-	228,545,551	228,545,551
Debt instruments at FVOCI	-	374,758,800	-	374,758,800
Debt instruments at amortised cost				
Treasury bonds	-	431,623,381	-	431,623,381
Staff loans	-	60,777,951	5,374,511	66,152,463
Rent deposits	-	-	59,561,102	59,561,102
Fixed deposits	-	3,110,744,201	-	3,110,744,201
Savings accounts	-	35,470,949	-	35,470,949
Treasury bills	-	431,929,575	-	431,929,575
Listed debentures	-	2,507,801,762	-	2,507,801,762
Unlisted debentures	-	103,250,768	-	103,250,768
<b>Total</b>	-	7,056,357,389	7,643,319,718	7,349,838,553

As at 31 December 2018	Variable interest Rs.	Fixed interest Rs.	Non-interest bearing Rs.	Total Rs.
<b>Financial Assets</b>				
Financial assets at FVPL	-	-	58,170,496	58,170,496
Debt instruments at FVOCI	-	52,249,700	-	52,249,700
Debt instruments at amortised cost				
Repurchase agreements	-	203,375,306	-	203,375,306
Staff loans	-	35,161,906	5,822,226	40,984,132
Rent deposits	-	-	51,885,986	51,885,986
Fixed deposits	-	3,285,720,783	-	3,285,720,783
Savings accounts	-	55,857,162	-	55,857,162
Treasury bills	-	977,448,250	-	977,448,250
Listed debentures	-	1,932,572,374	-	1,932,572,374
<b>Total</b>	-	6,542,385,481	115,878,708	6,658,264,189

#### 47.5 Currency risk

Interest rate risk is the risk of fluctuation of value of the future cash flows of financial instruments due to changes in foreign exchange rates.

The Company's principal transactions are carried out in Sri Lankan Rupees (Rs.). The Company's exposure to foreign exchange risk arises primarily with respect to US Dollar denominated assets maintained in order to honor liabilities of foreign currency denominated reinsurance policies.

However, no material foreign currency denominated liability was reported during the financial year ended 31 December 2019.

As at	31.12.2019		31.12.2018	
	Amount in USD	Amount in Rs.	Amount in USD	Amount in Rs.
Fixed deposits	166,497	29,887,562	160,086	29,004,435
Savings accounts	70,486	12,995,521	180,440	32,692,201
<b>Total</b>	236,983	42,883,084	340,526	61,696,636

As at	31.12.2019		31.12.2018	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
5% strengthening of rupee	(2,238,968)	(2,238,968)	3,084,776	3,084,776
5% weakening of rupee	2,025,733	2,025,733	(3,084,776)	(3,084,776)



## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

#### 47.6 Equity price risk

Equity price risk arises due to fair value or future cash flows of a financial instrument fluctuates due to changes in equity prices other than those arising from interest rate or foreign exchange rate risk.

The Company's investment policy and investment operation manual guides the management on setting and monitoring objectives and constrains on investments, diversification plans as well as limits on each investment under each investment instrument. This policy is regularly reviewed to ensure that it suits with the prevailing market and risk environment. Further, the Company manages its equity price risk by investing in relatively less volatile sectors and in spreading the risk in different sectors.

The Company has no significant concentration of equity price risk.

Following tables show the Company's equity portfolio diversification and sensitivity analysis performed for reasonably possible movements in All Share Price Index with all other variables held constant, showing the impact on profit before tax.

#### Equity Portfolio Diversification

As at 31 December	2019		2018	
	Rs.	%	Rs.	%
Bank, finance and insurance	9,025,000	62.13	7,848,900	13.49
Diversified holdings	-	-	45,179,550	77.67
Chemicals and pharmaceuticals	-	-	678,660	1.17
Manufacturing	-	-	4,224,881	7.26
Beverage, food and tobacco	5,501,500	37.87	238,505	0.41
<b>Total</b>	<b>14,526,500</b>	<b>100.00</b>	<b>58,170,496</b>	<b>100.00</b>

#### Percentage change in benchmark index (ASPI)

As at 31 December	2019		2018	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
10% increase in equity market price	1,452,650	5,817,050	5,817,050	5,817,050
10% decrease in equity market price	(1,452,650)	(5,817,050)	(5,817,050)	(5,817,050)
20% increase in equity market price	2,905,300	11,634,099	11,634,099	11,634,099
20% decrease in equity market price	(2,905,300)	(11,634,099)	(11,634,099)	(11,634,099)

#### Concentration of other financial investments

The Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVPL, debt instruments at amortised cost and FVOCI.

As at 31 December	2019		2018	
	Rs.	%	Rs.	%
Treasury bonds	806,382,181	11	52,249,700	1
Treasury bills	431,929,575	6	977,448,250	15
Repurchase agreements	-	-	203,375,306	3
Quoted equity securities	14,526,500	1	58,170,496	1
Quoted corporate debentures	2,507,801,762	35	1,932,572,374	30
Unquoted corporate debentures	103,250,768	1	-	-
Unit trust	214,019,051	3	-	-
Fixed deposits	3,110,744,201	43	3,285,720,783	50
<b>Total financial investments</b>	<b>7,188,654,039</b>	<b>100</b>	<b>6,509,536,909</b>	<b>100</b>

#### 47.7 Strategic risk

Strategic risk addressing business risk and regulatory risk is described in detail along with risk mitigation strategies on page 52 in the Risk Management Report.

#### 47.8 Operational risk

Operational risk comprised of socio/economic/political risk, environmental risk, technology risk, human resources risk, reputational risk and fraud risk is described in detail along with risk mitigation strategies on page 43 in the Risk Management Report.

#### 47.9 General insurance business risk

General insurance business risk arising from product design, underwriting, claims settlement, reserving, reinsurance and credit risk is described in detail along with risk mitigation strategies on page 43 in the Risk Management Report.

The table below sets out the concentration of insurance claim liabilities by type of the contract

	31.12.2019			31.12.2018		
	Gross liability	Reinsurance receivables	Net liabilities	Gross liability	Reinsurance receivable	Net liabilities
Motor	1,142,291,966	52,796,529	1,089,495,437	111,678,552	24,207,322	87,471,230
Marine	4,400,574	3,290,165	1,110,409	1,677,688	1,335,753	341,935
Fire	496,500,507	415,940,965	80,559,542	1,204,323,178	110,826,090	1,093,497,088
Miscellaneous	219,251,472	31,566,880	187,684,592	176,024,761	16,749,469	159,275,292
<b>Total</b>	<b>1,862,444,518</b>	<b>503,594,539</b>	<b>1,358,849,979</b>	<b>1,493,704,179</b>	<b>153,118,634</b>	<b>1,340,585,545</b>

## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

#### Claim development table

The following tables show the estimate of cumulative incurred claims for each year, together with cumulative payment to date.

#### Gross non-life insurance outstanding claims provision for 2019

(All figures are in Rupees thousands unless otherwise stated)

Accident period	Current estimate of cumulative claims incurred										Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
2019	-	42,085	5,515	1,591	1,014	2,662	4,183	31,282	92,881	3,803,005	
2018	(120)	11,385	51	(8,584)	4,918	(9,647)	21,099	73,912	3,165,480		
2017	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805			
2016	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203				
2015	1,703	6,377	(5,165)	35,874	31,044	2,182,704					
2014	1,465	1,577	28,391	(15,126)	2,040,473						
2013	3,148	50,297	(167,837)	2,042,094							
2012	4,224	(58,704)	2,042,934								
2011	2,762	1,396,938									
2010	213,653										
<b>Current estimate of cumulative claims incurred</b>	<b>225,046</b>	<b>1,454,580</b>	<b>1,886,275</b>	<b>2,055,592</b>	<b>2,088,550</b>	<b>2,247,058</b>	<b>2,693,740</b>	<b>2,897,999</b>	<b>3,258,361</b>	<b>3,803,005</b>	<b>22,610,206</b>

Accident period	Cumulative payments to date										Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
2019	-	(84,791)	(9,222)	(4,101)	(13,820)	(21,259)	(15,975)	(39,809)	(551,787)	(2,956,804)	
2018	-	(16,329)	(5,532)	(14,079)	(15,396)	(26,780)	(26,927)	(515,478)	(2,646,682)		
2017	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)			
2016	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)				
2015	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)					
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)						
2013	(3,495)	(57,574)	(252,384)	(1,621,312)							
2012	(5,154)	(311,763)	(1,465,582)								
2011	(72,227)	(893,615)									
2010	(134,902)										
<b>Cumulative payments to date</b>	<b>(222,344)</b>	<b>(1,416,840)</b>	<b>(1,842,705)</b>	<b>(2,021,416)</b>	<b>(2,048,378)</b>	<b>(2,211,999)</b>	<b>(2,641,769)</b>	<b>(2,822,871)</b>	<b>(3,198,469)</b>	<b>(2,956,804)</b>	<b>(21,383,594)</b>
<b>Total gross claims outstanding</b>	<b>2,703</b>	<b>37,740</b>	<b>43,569</b>	<b>34,177</b>	<b>40,173</b>	<b>35,058</b>	<b>51,971</b>	<b>75,129</b>	<b>59,892</b>	<b>846,201</b>	<b>1,226,612</b>

### Net non-life insurance outstanding claims provision for 2019

(All figures are in Rupees thousands unless otherwise stated)

Accident period	Current estimate of cumulative claims incurred										Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
2019	-	321	5,515	1,591	1,014	2,667	4,325	37,666	79,873	3,398,413	
2018	(120)	11,400	51	(11,575)	5,037	(3,500)	24,501	77,270	3,106,289	-	
2017	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279	-	-	
2016	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666	-	-	-	
2015	1,599	6,454	(3,982)	34,203	16,076	2,100,737	-	-	-	-	
2014	1,465	2,382	28,151	(15,127)	2,023,094	-	-	-	-	-	
2013	3,157	51,344	(158,485)	2,034,121	-	-	-	-	-	-	
2012	4,239	(15,515)	1,976,422	-	-	-	-	-	-	-	
2011	4,621	1,224,086	-	-	-	-	-	-	-	-	
2010	209,132	-	-	-	-	-	-	-	-	-	
<b>Current estimated of cumulative</b>	<b>222,304</b>	<b>1,289,346</b>	<b>1,830,115</b>	<b>2,046,991</b>	<b>2,057,827</b>	<b>2,174,912</b>	<b>2,616,208</b>	<b>2,807,216</b>	<b>3,186,162</b>	<b>3,398,413</b>	<b>21,629,493</b>

Accident period	Cumulative payments to date										Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
2019	-	(13,201)	(9,222)	(4,101)	(13,820)	(21,259)	(15,969)	(32,630)	(521,977)	(2,902,120)	
2018	-	(16,329)	(5,532)	(11,079)	(15,396)	(26,799)	(25,385)	(492,761)	(2,619,040)	-	
2017	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)	-	-	
2016	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)	-	-	-	
2015	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)	-	-	-	-	
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)	-	-	-	-	-	
2013	(3,495)	(32,280)	(226,969)	(1,593,260)	-	-	-	-	-	-	
2012	(5,123)	(248,760)	(1,424,239)	-	-	-	-	-	-	-	
2011	(71,904)	(881,711)	-	-	-	-	-	-	-	-	
2010	(131,282)	-	-	-	-	-	-	-	-	-	
<b>Cumulative payments to date</b>	<b>(218,266)</b>	<b>(1,243,233)</b>	<b>(1,753,312)</b>	<b>(1,989,471)</b>	<b>(2,000,656)</b>	<b>(2,223,135)</b>	<b>(2,564,237)</b>	<b>(2,735,228)</b>	<b>(3,141,018)</b>	<b>(2,902,120)</b>	<b>(20,770,675)</b>
<b>Total gross claims outstanding</b>	<b>4,039</b>	<b>46,113</b>	<b>76,802</b>	<b>57,520</b>	<b>57,170</b>	<b>(48,223)</b>	<b>51,972</b>	<b>71,988</b>	<b>45,144</b>	<b>496,293</b>	<b>858,818</b>

## Notes to the Financial Statements

### 47. RISK MANAGEMENT FRAMEWORK (Contd.)

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation.

**Table 1: Impact on claim liability to changes in key variables**

Variable	Change in variable	75% claim liabilities Rs.	Change in 75% claim liabilities Rs.
Original		1,344,307,732	-
Claim handling expenses (CHE)	10%	1,348,979,071	4,671,340
Claim handling expenses (CHE)	-10%	1,339,636,392	(4,671,340)
Accident year-2019 ultimate loss ratio (ULR)	10%	1,749,419,870	405,112,138
Accident year-2019 ultimate loss ratio (ULR)	-10%	939,195,593	(405,112,138)
Provision for adverse deviation (PRAD)	Double	1,478,181,837	133,874,105
Provision for adverse deviation (PRAD)	Halve	1,277,370,679	(66,937,053)

**Table 2: Impact on premium liability to changes in key variables**

Variable	Change in variable	URR at 75% confidence level Rs.	Premium liabilities (PL) Rs.	Change in premium liabilities
Original		2,520,268,493	3,061,197,348	-
Claim handling expenses (CHE)	10%	2,534,091,694	3,061,197,348	-
Claim handling expenses (CHE)	-10%	2,506,445,291	3,061,197,348	-
Provision for adverse deviation (PRAD)	Double	2,836,859,499	3,061,197,348	-
Provision for adverse deviation (PRAD)	Halve	2,322,399,114	3,061,197,348	-

#### 48. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on an arm's length with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

##### 48.1 Transactions and outstanding balances with the ultimate parent - People's Bank Transactions

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	252,607,859	220,019,726
Insurance premium in respect of customers introduced	108,011,557	97,066,364
Service charge expense	14,432,151	13,918,876
Claims expense	160,001,118	60,854,415
Investment in repurchase agreements (including reinvestments made during the year)	9,092,794,474	19,768,999,900
Settlement of repurchase agreements (including settlement for reinvestments)	8,857,540,650	20,118,326,014
Investment income from overnight repurchase agreements	2,168,514	6,063,212
Treasury bills purchased	286,728,734	2,957,553,210
Treasury bills matured	1,122,941,800	2,237,536,300
Interest income from fixed deposits	57,774,705	32,366,394
Interest income from special foreign currency savings account	223,874	332,139
Building rent expense	900,000	900,000
<b>Outstanding balances</b>		
As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	237,494	122,202
Insurance premium receivable in respect of customers introduced	38,848,964	29,563,941
Service charge expense payable	1,107,789	3,398,871
Claims outstanding	143,887,511	177,801,253
Fixed deposits	522,963,177	473,079,051
Special foreign currency savings account	12,995,521	32,692,201
Building rent expenses payable	75,000	900,000
Cash at bank	148,232,619	144,416,124
Bank overdraft	126,968,403	147,913,637
	995,316,478	1,009,887,280



## Notes to the Financial Statements

### 48. RELATED PARTY TRANSACTIONS (Contd.)

#### 48.1 Transactions and outstanding balances with the immediate parent - Peoples' Leasing & Finance PLC

##### Transactions

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	141,269,870	125,525,438
Insurance premium in respect of customers introduced	3,567,151,542	3,680,031,773
Service charges	565,577,108	506,725,248
Support service expense <sup>Note</sup>	9,311,304	9,940,712
Computer maintenance expense	46,476,906	41,487,092
Debenture interest	16,193,261	14,941,936
Interest income from savings accounts	1,381,145	1,237,208
Interest income from fixed deposits	52,441,878	46,907,137
Building rent expenses	16,532,560	12,530,996
Vehicle yard expenses	4,252,082	2,785,898
Claims expence	113,354,531	-
Accommodation income on Negombo branch of PLC	89,286	153,061
Dividends paid	277,500,000	300,000,000

##### Outstanding balances

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	4,413,873	922,373
Insurance premium receivable in respect of customers introduced	621,939,996	689,171,777
Service charges payable	208,233,791	195,279,894
Claims outstanding	10,740,630	5,631,914
Support service charges payable	1,551,884	-
Computer maintenance expense payable	8,252,152	-
Debentures	136,959,358	136,865,937
Savings accounts	2,048,739	10,180,841
Fixed deposits	396,079,553	465,611,497
Building rent expenses payable	2,354,267	689,946
Inter-company current account payable	13,837,839	6,584,921
Vehicle yard expense receivable	298,050	228,263
Accommodation income receivable on Negombo branch of PLC	-	12,755
	1,406,710,133	1,511,180,118

Note: Support service expenses mainly include amounts payable in respect of information and communication technology and management services provided to the Company.

#### 48.2 Transactions and outstanding balances with the key management personnel

According to the LKAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

People's Insurance PLC considers its Board of Directors and their immediate family members as key management personnel of the Company.

##### a) Key management personnel compensation

###### Transactions

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Short-term employment benefits	24,716,208	21,230,975

##### b) Other transactions with key management personnel

###### Transactions

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Claim expense	25,961	677,700

#### 48.3 Transactions and outstanding balances with other related companies

##### People's Leasing Fleet Management Limited

###### Transactions

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	7,851,899	10,823,610
Vehicle hiring expenses	4,476,520	4,672,764
Claims expenses	6,801,136	-
Assessors' fees	15,187,468	14,727,513

###### Outstanding balances

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable	452,939	580,076
Inter company current account payable	910,105	388,424
Claims expenses	914,999	-
	2,278,043	968,500

## Notes to the Financial Statements

### 48. RELATED PARTY TRANSACTIONS (Contd.)

#### **People's Leasing Property Development Limited Transactions**

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	2,327,394	2,132,809
Claims expense	191,011	-

#### **Outstanding balances**

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	446,119	1,072,867
	446,119	1,072,867

#### **People's Micro-commerce Limited Transactions**

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	6,152,317	6,684,526
Insurance premium in respect of customers introduced	140,590,238	141,603,726
Service charges	19,202,526	19,080,894
Rent income receivable from Galle branch	698,497	1,018,583

#### **Outstanding balances**

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	755,512	303,155
Insurance premium receivable in respect of customers introduced	35,524,018	24,075,716
Service charges payable	5,155,934	4,656,341
Rent income from Galle branch	-	94,778
	41,435,464	29,129,990

**People's Merchant Finance PLC**  
**Transactions**

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	591,237	397,900
Insurance premium in respect of customers introduced	4,420,892	4,530,803
Service charges	571,069	558,067

**Outstanding balances**

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	1,480,813	1,094,670
Insurance premium receivable in respect of customers introduced	761,364	234,012
Service charges payable	42,414	122,031
	2,284,591	1,450,713

**People's Leasing Havelock Properties Limited**  
**Transactions**

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Insurance premium in respect of their own policies	2,149,629	2,002,754
Building rent expenses	85,806,120	57,204,080

**Outstanding balances**

As at	31.12.2019	31.12.2018
	Rs.	Rs.
Rent paid in advance	87,000,000	87,000,000
	87,000,000	87,000,000

## Notes to the Financial Statements

### 48. RELATED PARTY TRANSACTIONS (Contd.)

#### 48.4 Transactions with other related parties

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

##### **Outstanding balances**

As at	Control, joint control or significant influence by key management personnel	Nature of transaction	2019	2018
			Rs.	Rs.
MTD Walkers PLC	Mr. Jehan P. Amaratunga (Resigned on 28th February 2020)	Invest income from debentures	748,271	4,402,739
		Amount invested and accrued interest	26,954,137	26,205,866
Sanasa Development Company PLC	Mr. Lakshman Abeysekera	Invest income from debentures	4,698,834	5,149,993
		Amount invested and accrued interest	52,621,821	52,621,828

### 48. RELATED PARTY TRANSACTIONS (Contd.)

#### 48.5 Transactions with the Government of Sri Lanka and its related entities

Transactions with the Government of Sri Lanka and entities controlled and jointly controlled, significantly influenced by the Government of Sri Lanka are provided below.

The Government of Sri Lanka has the right to directly control the ultimate parent company People's Bank at 31 December 2019 and thereby holds an indirect control over the Company. Accordingly, the Company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties according to LKAS 24 - Related Party Disclosures.

Name of the company/entity	Nature of transaction	31.12.2019	31.12.2018
		Rs.	Rs.
Government of Sri Lanka	Investment balance	1,244,046,123	1,233,073,257
	Investment income	9,377,782	99,928,488
Other Government related banks	Investment balance	522,963,177	473,079,051
	Investment income	57,774,705	32,366,394

Apart from the transactions listed above the Company has carried out transactions with other Government related entities in the form of premium income, reinsurance premium, claims, taxes, utility bills, regulatory charges, etc. The total of such payments made during the nine months ended are as follows:

For the year ended	31.12.2019	31.12.2018
	Rs.	Rs.
Premium income from Government and other Government related entities	133,064,585	51,102,926
Claims paid to the Government and other Government related entities	46,683,807	60,854,415
Reinsurance premium (net of commission)	477,012,566	277,847,022
Taxes paid	1,039,961,233	883,355,820
Regulatory charges	35,095,775	25,533,855
Utility expenses	569,724	17,289,790

#### 49. ASSETS PLEDGED

The following assets have been pledged as a security for liabilities.

Nature of asset	Nature of liability	2019	2018	Classification
		Rs.	Rs.	
Fixed deposit at People's Bank	Bank overdraft facility	75,000,000	10,000,000	Loans and receivables
Fixed deposit at People's Bank	Bank guarantee	24,613,625	2,000,000	Loans and receivables
Nations Trust Bank	Bank guarantee	2,000,000	-	Loans and receivables

#### 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 post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

Except for the following mentioned post balance events there have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.



# Notes to the Financial Statements

## 50. EVENTS AFTER THE REPORTING DATE (Contd.)

### 50.1 Dividends

Subsequent to the reporting date, the Board of Directors of the Company has approved and paid a second interim dividend of Rs. 1.10 per share for the financial year ended 31 December 2019. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this dividend has not been recognised as a liability as at 31 December 2019.

### 50.2 Changes to the Board of Directors

Subsequent to the reporting date, the Board of Directors was reconstituted with the following Directors;

Mr. Isuru Balapatabendi  
Mr. Ranjith Kodituwakku  
Mr. A. S. Ibrahim  
Mr. Lakshman Abeysekera  
Mr. Johnson Fernando  
Dr. Kasun Wijetilleke

### 50.3 Changers in income tax rate

As per the notice (PN/IT/2020-03) issued by Inland Revenue Department on 12th February 2020, 'Implementation of Proposed change to the Inland Revenue Act, No. 24 of 2017', the income tax rate applicable to Company reduced from 28% to 24% with effect from 1 January 2020. This change is pending enactment.

### 50.4 Impact of COVID-19

The outbreak and spread of COVID-19 globally since January 2020 have caused disruption to business and economic activities, and uncertainty to the global economy. Containing measures taken by respective countries widely affected the Company's clients directly or indirectly linked to many industries. Recent COVID-19 containing measures taken by the Local Government has also caused temporal disruption to business operations and economic activities of the Company and its customers.

The Insurance Regulatory Commission of Sri Lanka announced a three months' grace period to all policyholders to pay their premiums if the payable period is from 1 March 2020 to 30 June 2020. Due to this direction and the current status in the country as result of COVID-19, premium collections and investment income are likely to have a negative impact on the earnings, cash flows and liquidity position of the Company while motor claims are likely to decline if traveling/transport is continued to be restricted within the country, having a positive impact.

General insurance contract liabilities were estimated based on the assumptions such as existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses. It may cause a doubt on the appropriateness of such assumptions due to the COVID-19 outbreak. Decrease in the prices of equity and debt instruments will be negatively impacted to the solvency position of the Company where market consistent value of the investments is considered for risk-based capital calculations. However, the Company's capital adequacy ratios are currently well above the stipulated minimum levels.

The Company will continue to take appropriate actions to mitigate any potential impact and will keep its contingency and risk management measures under review, as the situation evolves. Since the COVID-19 still evolving, the impact to our core markets and also to the Company's financial results cannot be reasonably estimated as at the reporting date.

## 51. CAPITAL COMMITMENTS AND CONTINGENCIES

### Accounting policy

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

### 51.1 Capital commitments

There were no significant capital commitments as at the reporting date (2018 - Nil).

### 51.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

All pending litigation for claims has been evaluated and adequate provisions have been made in the financial statements.

### 51.3 Assessment on VAT and NBT on Financial Services

The Company received Notice of Assessments on VAT and NBT on Financial Services (FS) for the taxable period from 01.01.2016 to 31.12.2016 from the Department of Inland Revenue (DIR). The Company has dully appealed for the assessments as the Company's stance is that it is in the business of insurance hence is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of assessments is provided in the table below.

Tax period	Status of assessment	Tax type	Measurement of contingent impact to the Company		
			Tax in default	penalty	Total
			Rs.	Rs.	Rs.
01.01.2016 - 31.12.2016	Pending decision from DIR	VAT	9,928,843	5,560,152	15,488,995
01.01.2016 - 31.12.2016	Pending decision from DIR	NBT	1,600,046	800,023	2,400,069
<b>Total</b>			<b>11,528,889</b>	<b>6,360,175</b>	<b>17,889,064</b>

## 52. COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.



**Supplementary  
Information**





**With innovation and technology on our side, our revolutionary ideas are taking flight.**

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**Even the intricate pattern on the wings of a dragonfly can relate to this mathematical sequence. As delicate as they may seem, these wings are built for strength, speed and endurance.**

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# Annex i – Code of Best Practice on Corporate Governance

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE 2017 (THE CODE) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA)

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, the Company voluntarily adheres to the Code, issued in 2008 and last revised and updated in 2017. The Company's adherence to the updated Code is tabulated below.

Reference to the Code	Principle	Status and Manner of Compliance
<b>Section 1 – The Company</b>		
<b>A. Directors</b>		
<b>Principle A.1 - The Board</b>		
<b>The Company to be headed by an effective Board that directs, leads and controls it.</b>		
As at the annual report date, the Board comprised six experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on pages 30 to 33. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees.		
Board provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls and has ultimate accountability and responsibility for the performance and affairs of the Company.		
<b>A.1.1</b>	<b>Regular Board Meetings</b>	<p>Unless the business exigencies demand the convening of additional special meetings, the Board of Directors meet at least on a monthly basis to discharge their responsibilities. The frequency of Board meetings and the structure and process of submitting the information to the Board at these meetings have been agreed. The details of meetings of the Board and attendance of the members thereat are given on page 110.</p> <p>During 2019, a total of 15 Board meetings were held and the Board devoted a substantial time in evaluating the information provided to it at these meetings, including the information required to be reported under this Section A.1.1 thereby ensuring that appropriate and prompt action was taken to align the strategies and operations of the Company with the interests and expectations of all stakeholders.</p>
<b>A.1.2</b>	<b>Responsibilities of the Board</b>	<p>The Board being the highest decision-making body in the Company, is charged with the responsibility for overseeing the Company's operations and providing effective governance over its key affairs, setting the Company's vision and mission, approving of business strategies and objectives, evaluation of performance and assessment of major risks facing the Company, and ensuring compliance with related laws and regulations as well as the Company's Articles of Association.</p>
	(i) Ensure formulation and implementation of a sound business strategy	The Board sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management the detailed planning and implementation thereof within appropriate risk parameters. The corporate plan and the budgets prepared by the Management are approved and regularly reviewed by the Board and achievement of the objectives set out therein is closely monitored through monthly Board meetings and the Board sub-committees.

Reference to the Code	Principle	Status and Manner of Compliance
	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy	<p>The CEO and the Senior Management team possess extensive knowledge and skills with widespread experience in the industry in which the Company operates.</p> <p>The profiles of the CEO and the Corporate Management are presented on pages 34 to 35.</p> <p>The Board actively oversees the recruitment of the Senior Management to ensure that it continues to have the right balance and capability of skills, experience and knowledge to accomplish their responsibilities.</p>
	(iii) Adopt effective CEO and senior management succession strategy	<p>In terms of the policy decisions made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally and the structure of the Company facilitates subordinates to replace senior management positions where necessary. Human resources development is a key focus area of the Board and the Company makes a significant investment therein to ensure that employees acquire the necessary expertise and skills to develop their careers.</p>
	(iv) Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management	<p>The Company has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Company's assets and to ensure the reliability and integrity of information.</p> <p>With the assistance of the Board Audit Committee, the Board regularly reviews and monitors the risks and control framework for its relevance and effectiveness.</p> <p>"Director's Statement on Internal Controls over Financial Statements" on page 120 provides further details on the above.</p>
	(v) Compliance with laws, regulations and ethical standards	<p>The Company is in compliance with all laws and regulations applicable to it and ensures the highest levels of ethical standards. The Company has a strong organisational culture of entrenched values, which forms the cornerstone of its behavior towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced.</p>
	(vi) Ensure that all stakeholder interests are considered in corporate decisions	<p>All charters and policies of the Company have been developed to ensure that responsibilities to shareholders and other stakeholders are timely and appropriately discharged. Particular emphasis is given by the Board to the framework of these charters and policies in the decision making process.</p>
	(vii) Recognise sustainable business development in corporate strategy, decisions and activities	<p>Sustainable business development is an integral part of the Company's corporate strategy, decisions and activities. Accordingly, due emphasis is given to the stakeholders of the Company and the community and the environment within which the Company operates when business strategies are formulated, decisions are made and business activities are carried out.</p>



## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	<p>The Board Audit Committee reviews accounting policies annually to ensure that they are in line with the business model of the Company and developments of international and local accounting standards and industry best practice. The Board ensures that the approved accounting standards and financial regulations are complied with when financial statements are being prepared.</p> <p>An affirmation that the Company's financial statements are in line with the applicable standards and regulations is contained in the "Directors' Statement on Internal Controls on page 120 and the "Independent Auditor's Report" on page 135.</p>
	(ix) Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation	During the year, every endeavor was made by the Board to fulfill its obligations towards all stakeholders and the same is reflected in the performance of the Company. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Company.
A.1.3	Compliance with laws and access to independent professional advice	<p>There is significant emphasis across the Company to ensure compliance with applicable laws and regulations. The Board collectively as well as individually complied with the laws of the country that are applicable to the Company.</p> <p>The Directors are permitted to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company. However, no such advice was sought during the year 2019.</p>
A.1.4	Access to advice and services of the Company Secretary	<p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>All Directors have access to the services of the Company Secretary who possesses the required qualifications as set out in the Companies Act No. 7 of 2007. The appointment and removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent judgment of Directors	All Directors bring their independent judgment to matters discussed at Board meetings. Details of Directors' deliberation are contained in the minutes maintained by the Company Secretary.
A.1.6	Dedication of adequate time and effort by the Board and Board Committees	<p>Dates of regular Board meetings and regular Board Sub-committee meetings are scheduled well in advance as far as possible and the relevant papers are circulated ensuring that the Directors are given adequate time to review the same and seek additional information or clarifications, if required.</p> <p>The Board is aware of the other commitments of its' Directors and is satisfied that all Directors allocate sufficient time so as to be able to discharge their responsibilities effectively.</p> <p>The number of Board and Board Committee meetings held during 2019 and the attendance of each Director thereat is presented on page 110 whilst the manner in which the Board dedicated its' time to the affairs of the Company is set out on page 111 of this Report.</p>
A.1.7	Director's right to call for resolutions	The Directors are permitted to call for a resolution to be presented to the Board whenever they deem it is in the interest of the Company. However, no such instance occurred during the period under review.

Reference to the Code	Principle	Status and Manner of Compliance
A.1.8	Training for new and existing Directors	<p>On their first appointment to the Board, Directors are apprised comprehensively on the general aspects of directorship and matters specific to the industry. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Company and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and, as appropriate, to the full Board.</p> <p>The Board recognises the importance of continuous training and expansion of the knowledge and skills to effectively perform their duties as Directors. The Board regularly reviews and agrees on their training and development needs.</p> <p>Accordingly, during the year 2019, session on SLFRS 17 - Insurance Contracts was conducted for the Directors.</p>
<b>Principle A.2 - Chairman and the Chief Executive Officer (CEO)</b>		
The roles of the Chairman and the Chief Executive Officer of the Company are to be distinct and separate, ensuring the balance of power and authority		
A.2.1	Divisions of responsibilities between the Chairman and CEO	The roles of the Chairman and the CEO are clearly defined and are separated in line with best practices in order to maintain a balance of power and authority.
<b>Principle A.3 - Chairman's Role</b>		
The Chairman is responsible for providing leadership to the Board and preserving order and facilitating the effective discharge of duties of the Board.		
A.3.1	Role of the Chairman in conducting Board proceedings in a proper manner	The Chairman is a Non-executive, Non Independent Director and is responsible for preserving good corporate governance and running the Board in an orderly and effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of Directors thereby maintaining a balance of power among directors. The Chairman ensures that the agenda for each meeting was developed in consultation with the CEO and the Company Secretary and that all Board proceedings were conducted in a proper manner.
<b>Principle A.4 - Financial Acumen</b>		
The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A.4.1	Availability of sufficient financial acumen and knowledge	<p>One Director of the Board, is a Fellow Member of CA Sri Lanka ensuring sufficient financial acumen within the Board on matters of finance. In addition, all members of the Board possess experience in various aspects of financial management.</p> <p>The knowledge and skills of each member along with profiles of individual Directors are set out on pages 30 to 33.</p>
<b>Principle A.5 - Board Balance</b>		
Board to have a balance of Executive and Non-executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.		
A.5.1	Presence of Non-executive Directors	The Board comprises only Non-executive Directors who bring a wealth of knowledge and experience covering a wide spectrum of topics and their views carry a significant weight in the Board's decisions.
A.5.2	Presence of Independent Non-executive Directors	3 out of the 6 Non-executive Directors are independent thus complying with the requirement of this Section A.5.2 that two or one-third of the Non-executive Directors should be independent.

## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
A.5.3	Independence of Non-executive Directors	All of the 3 Independent Non-executive Directors met the criteria for independence as set out in the applicable rules and regulations and are deemed to be independent of management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	Annual declarations by Non-executive Directors of their independence or Non-independence	During the year under review, self-declarations due to be submitted by each Non-executive Director declaring his status of independence in terms of the applicable rules and regulations could not be obtained, pending reconstitution of the Board in December 2019. However, self-declarations were obtained from the Board after the reconstitution of the Board on 8th June 2020.
A.5.5	Determination of the independence or non-independence of Non-executive Directors	Based on the self declarations submitted by the Directors of their independence, the Board determined that the following Directors who were in office as at annual report date were independent, <ul style="list-style-type: none"> <li>➔ Mr. Lakshman Abeysekara</li> <li>➔ Mr. Johnson Fernando</li> <li>➔ Dr. Kasun Wijetilleke</li> </ul>
A.5.6	Alternate Directors to meet the criteria for independency/executive status of the appointer	No alternate Directors were appointed during the year 2019.
A.5.7 & A.5.8	Appointment of Senior Independent Director	The Company has designated Mr. Lashman Abeysekera as the Senior Independent Director.  Page 109 contains details of the role of the Senior Independent Director.
A.5.9	Chairman to hold meetings with the Non-executive Directors without the presence of Executive Directors	The Board comprises only Non-executive Directors and therefore the necessity to hold meetings only with the Non-executive Directors has not arisen.
A.5.10	Recording in Board Minutes Directors' concerns that cannot be unanimously resolved	The Directors' concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board Minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them.  However, no such issues arose during the year under review.

### Principle A.6 - Supply of Information

The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.

A.6.1	Management's obligation to provide the Board with appropriate and timely information	The Management ensures that the Board is provided with accurate, relevant and comprehensive information including both quantitative and qualitative information before the Board meeting every month, with adequate time for them to review the same and prepare for discussions. The Board makes inquiries for additional information from the Management where necessary.  Further, the Chairman ensures that all Directors are adequately briefed on issues arising at Board meetings.
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Reference to the Code	Principle	Status and Manner of Compliance
A.6.2	Board papers and agenda to be circulated seven days prior to meetings	<p>The agenda and Board papers are circulated prior to Board meetings thus providing the Directors with adequate time to study the papers and prepare themselves for constructive discussions at Board meetings.</p> <p>Directors who are unable to attend a meeting is apprised of the proceedings of such meeting through formally documented minutes, which are also discussed at the next meeting and minutes of a meeting is ordinarily provided to Directors at least within two weeks after the meeting date.</p>
<b>Principle A.7 - Appointments to the Board</b>		
There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1	Availability of a formal and transparent procedure for new appointments through an established Nomination Committee	The Remuneration and Nomination Committee makes recommendations to the Board on all new appointments of Directors. The composition of the Committee is given on page 125.
A.7.2	Annual assessment of the Board-composition by the Nomination Committee	During the annual self-evaluation process, the Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken into consideration in the appointment of new Directors.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors	<p>All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange and subsequently through the Company's Annual Report.</p> <p>Approval for appointment of new Directors is obtained from the IRCSL in terms of the applicable regulations.</p>
<b>Principle A.8 - Re-election</b>		
All Directors should submit themselves for re-election at regular intervals.		
A.8.1	Non-executive Directors are appointed for specified terms subject to re-election	Although the Non-executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms the Articles of Association of the Company and to the provisions of the Companies Act relating to the removal of a Director.
A.8.2	All Directors including Chairman to be subject to re-election at first opportunity after appointment and re-election at least every three years thereafter	<p>In terms of the Articles of Association of the Company, all Directors, including the Chairman, are subject to re-election by shareholders at the first opportunity after their appointment and to retirement by rotation thereafter at intervals of no more than three years.</p> <p>In accordance with this provision, Mr. Isuru Balapatabendi, Mr. Ranjith Kodituwakku, Mr. Johnson Fernando and Dr. Kasun Wijetilleke who were appointed after the last Annual General Meeting have offered themselves for re-election and Mr. A. S. Ibrahim who retires has offered himself for re-election by the Shareholders at the AGM.</p>

## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
<b>Principle A.9 - Appraisal of Board Performance</b>		
Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1	Annual appraisal of Board performance	The Board annually assesses its own performance to ensure that it is discharging its responsibilities satisfactorily. This process requires each Director to fill a performance evaluation questionnaire in line with the provisions of the Code. The assessment focused, inter-alia, on the Board's contribution to the development, monitoring and implementation of the strategy; ensuring robust and effective risk management; quality of the relationships with the management, employees and shareholders; and ensuring proper functioning of Board Sub-committees. However, the Board evaluation for 2019, due to be carried out in December 2019, was not carried out pending reconstitution of the Board.
A.9.2	Annual appraisal of the Board Committees	The self-evaluation that is carried out by the Board includes an evaluation of the performance of the Board as a whole as well as of its committees. However, the Board evaluation for 2019, due to be carried out in December 2019, was carried out during 2020 due to pending reconstitution of the Board.
A.9.3	Review of Directors' contribution to and engagement with the Company at the time of their re-election	The Board has taken into account the overall contribution, participation and engagement of the individual Directors when considering their re-appointments.
A.9.4	Disclosure of the method of appraisal of the Board and Board Sub Committee performance	The process of self-evaluation of the Board is carried out under guidance of the Chairman and is supported by the Company Secretary. Views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire.
<b>Principle A.10 - Disclosure of Information in respect of Directors</b>		
Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Annual Report to disclose specified information regarding Directors	<p>Name, qualifications, expertise and brief profiles are given on pages 30 to 33.</p> <p>Details of whether a Director is Executive Non-executive, Independent Non-independent are given on pages 30 to 33.</p> <p>Related party transactions and material business interests are given on page 219.</p> <p>Membership of Board Sub-committees and attendance at Board Meetings and Board Sub-committee meetings are given on page 110.</p>
<b>Principle A.11 - Appraisal of Chief Executive Officer (CEO)</b>		
The Board should be required, at least annually to assess the performance of the CEO.		
A.11.1	Set reasonable financial and non-financial targets to be met by the CEO	<p>At the commencement of every financial period, the Board in consultation with the CEO, sets financial and non-financial targets that should be achieved by the CEO in line with the short, medium and long-term objectives of the Company.</p> <p>The main corporate goals and objectives emanating from the Company's Corporate Plan and the Budget are incorporated as personal goals of the CEO.</p>

Reference to the Code	Principle	Status and Manner of Compliance
A.11.2	Evaluate performance of the CEO with reference to targets	Assessment of the performance of the CEO by the Board is an on-going process. The performance of the CEO is evaluated by the Board quarterly and at the end of each financial year to ascertain if the financial and non-financial targets set at the beginning of the financial year have been achieved and if not, whether the reasons and circumstances justifies the failure to achieve same.

## B. Directors 'S Remuneration

### Principle B.1 - Remuneration Procedure

The Company should establish a formal and transparent procedure for developing policy on both Executive and Non-executive Directors remuneration.

B.1.1	Appointment of a Remuneration Committee	<p>The Board has established a Remuneration and Nomination Committee with written terms of reference and the Committee is responsible for overseeing of remuneration related policies and practices of the Company.</p> <p>The Committee makes recommendations to the Board within agreed terms of reference, on the Company's framework of remunerating the Directors.</p>
B.1.2	Remuneration Committee to comprise exclusively of Non-executive Directors	As at the Annual Report date, the Remuneration and Nomination Committee comprises 5 Non-executive Directors 3 of whom are Independent Directors.
B.1.3	Requirement to list the Chairman and members of the Remuneration Committee in the Annual Report	The composition of the Remuneration and Nomination Committee is given on page 125.
B.1.4	Determination of remuneration of Non-executive Directors	<p>Within the limits set out in the Articles of Association, the Board collectively decides the Remuneration of the Non-executive Directors, including the members of the Remuneration and Nomination Committee. The Non-executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-executive Directors are neither performance related nor pensionable.</p> <p>Page 163 provides for details of the remuneration paid to the Directors during the year under review.</p>
B.1.5	Access to professional advice	The Terms of Reference of the Remuneration and Nomination Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.

### Principle B.2 - The level and make up of Remuneration

The remuneration of Executive and Non-executive Directors should be sufficient to attract and retain the services of Directors.

B.2.1 & B.2.2	Remuneration for Executive Directors should attract, retain and motivate	<p>There were no Executive Directors on the Board of the Company during the year under review.</p> <p>Nevertheless, the Board is aware that the remuneration of Executive and Non-executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.</p>
B.2.3	Positioning company remuneration levels relative to other companies	The Remuneration and Nomination Committee is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-caliber people, at all levels of the organisation, in a highly competitive environment. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.



## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
B.2.4	Positioning company remuneration levels relative to the Group	The Remuneration and Nomination Committee is sensitive to remuneration and employment conditions of other companies within the PLC Group.
B.2.5	Performance related elements of remuneration for Executive Directors	There were no Executive Directors on the Board of the Company during the year under review.
B.2.6	Executive share options	The Company does not have any executive share option schemes at present.
B.2.7	Designing schemes of performance related remuneration	The Remuneration and Nomination Committee follows the provisions set out in Schedule E to the Code in designing schemes of performance related remuneration.
B.2.8 & B.2.9	Compensation for early termination of employment of Directors	There were no Executive Directors on the Board of the Company during the year under review.
B.2.10	Levels of remuneration for Non-executive Directors	Non-Executive Directors are remunerated in line with market practices also taking into account the commitment and responsibilities of their role. However, they are not entitled to receive any performance based remuneration share options.

### Principle B.3 - Disclosure of Remuneration

The Annual Report should contain a statement of remuneration policy and details of remuneration of the Board as a whole.

B.3.1	Composition of the Remuneration Committee, remuneration policy and disclosure of aggregate remuneration paid to Directors	<p>The composition of the Remuneration and Nomination Committee is given on page 125.</p> <p>The aggregate remuneration paid to Non-executive Directors are given in Note 20 to the financial statements on page 163.</p> <p>The remuneration policy of the Company is given on page 88.</p>
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## C. RELATIONS WITH SHAREHOLDERS

### Principle C.1 - Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings

The Board should use the AGM to communicate with shareholders.

C.1.1	Notice of meeting	<p>The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes.</p> <p>The Annual Report for the year 2018 was submitted to the Colombo Stock Exchange on 7th March 2019 and was dispatched to all shareholders on the same day. The AGM was held on 29th March 2019.</p>
C.1.2	Separate resolutions for each substantially separate issue and adoption of annual report and accounts	<p>The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately.</p> <p>The adoption of the Annual Report of the Board of Directors, the financial statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.</p>
C.1.3	Count proxy votes lodged	<p>As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution.</p> <p>The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.</p>

Reference to the Code	Principle	Status and Manner of Compliance
C.1.4	Availability of Board Sub-committee Chairperson at AGM	<p>The Chairman of the Board ensures that the Chairmen of Board sub-committees are present at the AGM to answer any query by shareholders.</p> <p>The Chairmen of the Board Sub committees were present at the previous years' AGM held on 29th March 2019 and no queries were raised by the shareholders to them.</p>
C.1.5	Summary of procedures governing voting at the AGM	A summary of the procedures governing voting at the AGM is provided in the Proxy Form, which is circulated to shareholders 15 working days prior to the AGM.
<b>Principle C.2 - Communication with Shareholders</b>		
The Board should implement effective communication with shareholders.		
C.2.1	Channel to reach all shareholders of the Company	The Company reaches its shareholders through its website and the CSE in order to disseminate timely information.
C.2.2	Policy and methodology for communication with shareholders	The Company implements communication through effective channels to reach all shareholders of the Company to build up strong relationships and to disseminate timely information.
C.2.3	Implementation of the policy and methodology for communication with shareholders	Shareholders are provided with quarterly financial statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders and are published through the CSE.
C.2.4	Contact person in relation to shareholder matters	The Company Secretary and CEO will be the main contact persons with regard to any public disclosures. Further, the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.
C.2.5	Process to make all Directors aware of major issues and concerns of shareholders	<p>The Company Secretary maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution. All major issues and concerns of shareholders are referred to the Board.</p> <p>Upon receipt of instructions from the Board or other relevant channel on issues/ concerns referred to them as above, the Company Secretary revert to the respective shareholder with an appropriate response.</p>
C.2.6	Identification of a person to be contacted on shareholder matters	<p>Shareholders can contact the Company Secretary, whose details are given below, on matters relating them,</p> <p>Ms. Lakmini Kottegoda, The Company Secretary, People's Insurance PLC, No 7, Havelock Road, Colombo 5, Sri Lanka.</p> <p>Tel: 011-2631103 Fax: 011-2631190</p> <p>The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.</p>
C.2.7	Process of responding to shareholder matters	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. The Company Secretary maintains a dialogue with the shareholders to answer and to attend to all the correspondences.

## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
<b>Principle C.3 - Major and Material Transactions</b>		
Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company and Group if entered into.		
C.3.1	Need to disclose major and material transactions	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.
C.3.2	Compliance with disclosure and shareholder approval requirements under applicable rules and regulations	The Company will ensure compliance with all disclosure and shareholder approval requirements necessitated by various rules and regulations applicable to it if and when a major or material transaction is proposed to be entered into by the Company.
<b>D. Accountability and Audit</b>		
<b>Principle D.1 - Financial Reporting</b>		
The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects		
D.1.1 & D.1.2	Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements	<p>The Board is aware that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be furnished by statutory requirements.</p> <p>Accordingly, the Company has complied with the requirements of the Companies Act No. 7 of 2007 in the preparation and presentation of its annual and interim financial statements in conformity with Sri Lanka Accounting Standards.</p> <p>During 2019, the interim accounts and annual financial statements were published on a timely basis and regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year.</p>
D.1.3	Declarations by CEO and CFO	<p>Prior to approving the financial statements covering a particular financial period, the Board obtains the declaration of the CEO and the CFO on their responsibility in respect of financial reporting.</p> <p>CEO's and CFO's Responsibility Statement is given on page 133.</p>
D.1.4	Declarations by Directors in the Directors' Report	The declarations by the Directors as required by this section D.1.4. of the Code are included in the Annual Report of the Board of Directors on the Affairs of the Company on page 117.
D.1.5	Responsibilities of the Board for the preparation and presentation of financial statements and statement by the Auditors about their reporting responsibilities	<p>Statement on Directors' Responsibility for Financial Reporting is set out on pages 131 to 132.</p> <p>Auditors' responsibility over financial statements is covered in the Independent Auditors' Report on page 136.</p> <p>Directors' Statement on Internal Controls over Financial Reporting is set out on page 120.</p>

Reference to the Code	Principle	Status and Manner of Compliance
D.1.6	Inclusion of a Management Discussion and Analysis in the Annual Report	Performance and value creation is set out on pages 61 to 103.
D.1.7	Notify shareholders in case net assets of the Company fall below 50%	This situation has not arisen during the year 2019 and the likelihood of such a situation is remote. However, should such a situation arise, an EGM would be convened to keep the shareholders informed thereof.
D.1.8	Disclosure of related party transactions in the Annual Report	<p>The Company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions, review, approval or ratification of transactions and disclosures in financial statements.</p> <p>The Code of Business Conduct and Ethics ('the Code') requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it and records thereof are maintained by the Company Secretary in the Interest Register.</p> <p>The Related Party Transactions Review Committee further strengthens the effective management and oversee related party transactions.</p> <p>Details of the Related Party Transactions Review Committee are disclosed in the Related Party Transactions Review Committee Report on pages 123 to 124.</p> <p>Details on related party transactions during 2019 are disclosed under Note 48 on pages 217 to 223 in the financial statements.</p>
<b>Principle D.2 - Internal Controls</b>		
The Company should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.		
D.2.1	Annual review of internal controls	<p>The Company's internal controls are designed to support the identification, evaluation and management of risks affecting its overall operations. These cover financial, operational, compliance and information technology controls, as well as risk management policies and mechanisms.</p> <p>Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Audit Committee assists the Board in this regard.</p>
D.2.2	Directors' assessment of the risks facing the Company	Details of the risks facing the Company and the measures taken to mitigate same are explained in the Risk Management section on pages 52 to 59.
D.2.3	Need for an internal audit function	<p>The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them as and when necessary.</p> <p>Details of the internal audit function are set out in the Board Audit Committee Report on pages 121 to 122.</p>

## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
D.2.4	Audit Committee to review the process and effectiveness of risk management and internal controls	<p>The Board Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls.</p> <p>The functions of the Board Audit Committee are presented on pages 121 to 122.</p>
D.2.5	Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control	Information on Directors' responsibility for maintaining a sound system of internal control is disclosed in the Directors Statement on Internal Controls over Financial Reporting on page 120.
<b>Principle D.3 – Audit Committee</b> Board should establish formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles.		
D.3.1	Composition of the Audit Committee	<p>As at the annual report date, the Board Audit Committee comprises 3 Directors, all of whom are Non-executive. 2 Directors of the Committee, including the Chairman are Independent, Non-Executive Directors.</p> <p>The CEO and the CFO attend meetings by invitation whilst the Manager - Internal Audit acts as the secretary to the Committee.</p> <p>The input of the Statutory Auditors is obtained, where necessary. The Board Audit Committee supports the Company to achieve a balance between conformance and performance.</p> <p>The composition of the Board Audit Committee is disclosed on page 121.</p>
D.3.2	Terms of Reference of the Audit Committee	<p>The Audit Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference are in line with the Code.</p> <p>The Terms of Reference of the Board Audit Committee is detailed in the Audit Committee Report on page 121.</p>
D.3.3	Disclosures relating to the Audit Committee	The report of the Board Audit Committee covering the information referred to in this Section D.3.3. is given on pages 121 to 122.
<b>Principle D.4 – Related Party Transactions Review Committee</b> Board should establish a procedure to ensure the proper management of related party transactions.		
D.4.1	Definition of related parties and related party transactions	The Company follows the definition set out in LKAS 24 in determining the related parties and related party transactions.
D.4.2	Related Party Transactions Review Committee	The Company has set up a Related Party Transactions Review Committee to oversee the related party transactions of the Company.

Reference to the Code	Principle	Status and Manner of Compliance
D.4.3	Terms of Reference of the Related Party Transactions Review Committee	<p>The Related Party Transactions Review Committee operates within clearly defined Terms of Reference approved by the Board. The duties and responsibilities of the Committee as set out in the said Terms of Reference, are in line with the Code.</p> <p>The report of the Related Party Transactions Review Committee is given on pages 123 to 124.</p>

#### **Principle D.5 - Code of Business Conduct and Ethics**

Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel (KMPs) and must promptly disclose any waivers of the Code for Directors or others

D.5.1	Disclosures on the presence of a Code of Business Conduct and Ethics	The Corporate Governance Report from pages 106 to 112 and pages 228 to 244 of this report serve this purpose.
D.5.2	Identification and reporting of price sensitive information	The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities.
D.5.3	Policy governing dealing in shares	The Code of Business Conduct and Ethics entails as part of it a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company.
D.5.4	Chairman's affirmation on compliance with the Code of Business Conduct and Ethics	The required affirmation is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 117.

#### **Principle D.6 - Corporate Governance Disclosures**

The Directors should disclose the extent to which the Company adheres to established principles and practices of good corporate governance.

D.6.1	Inclusion of a Corporate Governance Report in the Annual Report	This report from pages 228 to 244 sets out the manner in and the extent to which the Company has complied with the Code.
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## **SECTION 2 – SHAREHOLDERS**

### **E. INSTITUTIONAL INVESTORS**

#### **Principle E.1 - Shareholder Voting**

Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.

E.1.1	Regular and structured dialogue with shareholders	<p>The Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership.</p> <p>From the Company's perspective, the AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions of the Directors and to use their votes responsibly.</p> <p>Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues are discussed.</p>
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## Annex i – Code of Best Practice on Corporate Governance

Reference to the Code	Principle	Status and Manner of Compliance
<b>Principle E.2 - Evaluation of Governance Disclosures</b>		
When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.		
E.2.	Encourage institutional investors to give due weight to relevant governance arrangements	Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.
<b>F. Other Investors</b>		
<b>Principle F.1 - Investing/divesting Decisions</b>		
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions	Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
<b>Principle F.2 - Shareholder Voting</b>		
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights	Individual shareholders are encouraged to participate at general meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods.
<b>G. Internet of Things and Cybersecurity</b>		
<b>Principle G.1 – Internet of Things</b>		
G.1	Process to identify connections to the Company's network and cyber security risks	PLC Group's IT policies by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software.
<b>Principle G.2 - Chief Information Security Officer</b>		
G.2	Appointment of Chief Information Security Officer and cyber security risk management policy	The functions of the Chief Information Security Officer are delegated to the Head of IT of PLC Group. The details relating to the policy on cyber security risk management can be found in Risk Management section from page 59.
<b>Principle G.3 - Cyber security Risk Management</b>		
G.3	Board discussions on cyber security risk management	Risks relating to all IT matters including that arising from cyber security are discussed and assessed in detail by the Board Audit Committee.
<b>Principle G.4 – Independent Reviews and Assurance</b>		
G.4	Independent reviews and assurances to be carried out to ensure effectiveness of cyber security risk management	Board Audit Committee engages the services of independent/outsourced Information Technology Auditors whenever they deem that expert advice is required. Review of information security has been carried out by the External Auditors at the year-end audit as well.

Reference to the Code	Principle	Status and Manner of Compliance
<b>Principle G.5 – Identification of Cyber Security Risks</b>		
G.5	Disclosure in the Annual Report of the process of identifying cyber security risks	The manner in which cyber security risks are identified and mitigated are disclosed in risk management section from page 59 of this report.
<b>H. Sustainability Reporting</b>		
<b>Principle H.1 – Environment, Society and Governance (ESG)</b>		
The Company's Annual Report should contain sufficient information on ESG risks and opportunities.		
H.1.1	Reporting on ESG relevance to business model and risks and opportunities	ESG principles are embedded in the Company's business operations and considered in formulating its business and operational strategy and reported with a holistic view. Information required by this section of the Code is given in the following sections: <ul style="list-style-type: none"> <li>➔ Performance and value creation on pages 60 to 103.</li> <li>➔ Corporate Governance and Risk Management on pages 50 to 59.</li> </ul>
<b>Principle H.1.2 – Environmental Factors</b>		
H.1.2.1	Reporting on environmental governance	Details on environmental governance measures are given on page 112 of this report.
<b>Principle H.1.3 – Social Factors</b>		
H.1.3.1	Reporting on social governance	Details on social governance practices of the Company are given on page 112 of this report.
<b>Principle H.1.4 – Governance</b>		
H.1.4.1	Reporting on governance structures	Details on governance structures of the Company are given on page 108 of this report.
<b>Principle H.1.5 – Governance</b>		
H.1.5.1	Board's role on ESG factors	Details Board's role on ESG factors are given on page 112 of this report.

## Annex i – Code of Best Practice on Corporate Governance

### Insurance Regulatory Commission of Sri Lanka's Direction on Corporate Governance for Insurers

Insurance Regulatory Commission of Sri Lanka has issued direction 17 on Corporate Governance for Insurance Companies under the Regulation of Insurance Industry Act No. 43 of 2000 and it is effective from 1st July 2019. The level of compliance of the Company is depicted below.

	Aspects covered in Direction No. 17	Level of Compliance
<b>A</b>	<b>Code of Best Practice on Corporate Governance, 2017</b>	
	The Board is recommended to adhere the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.	This report from pages 228 to 244 set out the manner in and extent to which the Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.
<b>B</b>	<b>The Board</b>	
1	<b>Board composition</b>	
	Minimum of 2 Directors who are citizens of Sri Lanka and also resident of Sri Lanka;	All Directors are citizens of Sri Lanka and residents of Sri Lanka.
2	<b>Service period</b>	
2 (a)	Total period of service of a Director of an insurer (other than an Executive Director) shall not exceed 9 years and such period in office shall be inclusive of the total period of service served by such Director up to 1st July 2019.	Service period of all Directors are below 9 years.
2(b)	Transitional provisions: A Director who has completed 9 years as at 1st July 2019 or who completed such term at any time prior to June 30th 2020, may continue for a further maximum period of 2 years commencing from July 1st 2019.	Not applicable.
3	<b>Age of a Director</b>	
3(a)	Age of a Director who serves on the Board shall not exceed 70 years:	No director is aged above 70 years.
3(b)	Exemptions for 3(a)	
	If over 75 as at July 1st 2019, may continue up to June 30th 2020 and deemed vacated afterwards	Not applicable.
	If between 70 - 75 years as at July 1st 2019, can continue up to June 30th 2021 and deemed vacated afterwards.	Not applicable.
	If 70 years is reached by July 1st 2019, can continue up to June 30th 2022 and deemed vacated afterwards	Not applicable.
4	<b>CSE Listing Rule 7.10</b>	
	The Board must adhere to the CSE Corporate Governance Rules:	Please refer pages 247 to 249.
5	<b>Appointments in other Boards</b>	
	A Director cannot be on more than 20 companies/entities/institution including subsidiaries or associate companies of the insurer.	Compliant with the provision.
	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the insurer of such 20 companies/entities/institution, not more than 10 companies shall be those classified as specified business entities in terms of the Sri Lanka Accounting and Auditing Standard Act No. 15 of 1995.	Compliant with the provision.

## Annex ii – Listing Rules of the Colombo Stock Exchange

### Report on compliance with the requirements on the Content of the Annual Report in Rule 7.6 and requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange (Listing Rules)

The table below provides reference to the relevant sections in the Annual Report where the aforementioned reports and disclosures required can be found and the information on the level of compliance by the Company with the corporate governance rules.

#### Compliance with Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.6(i)	Names of persons who during the financial year were Directors of the Company	Please refer Report of the Board of Directors on the Affairs of the Company	115
7.6(ii)	Principal activities of the Company and any changes therein	Please refer Annual Report of the Board of Directors on the Affairs of the Company	113
		Note 1 in Notes to the Financial Statements	144
7.6(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	Please refer Shareholder Information for the 20 largest holders of voting shares. The Company has not issued any non-voting shares	254
7.6(iv)	The public holding percentage	Please refer Shareholder Information	255
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Please refer Annual Report of the Board of Directors on the Affairs of the Company	116
		Shareholder Information	255
7.6(vi)	Information pertaining to material foreseeable risk factors of the Company	Please refer Enterprise Risk Management Report	52 to 59
7.6(vii)	Details of material issues pertaining to employees and industrial relations	During the year 2019, there we no material issues pertaining to employees and industrial relations of the Company	
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties of the Company	The Company does not possess any land holding and investment properties	
7.6(ix)	Number of shares representing the stated capital	Please refer Note 33 to the Financial Statements on Stated Capital	187
		Please refer Shareholder Information	256
7.6(x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Please refer Shareholder Information	256

## Annex ii – Listing Rules of the Colombo Stock Exchange

Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.6(xi)	Ratios and market price information on:  Equity 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)	Please refer Shareholder Information	257
	Debt 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Changes in credit rating	The Company does not have any listed debts	257
7.6(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	Please refer Note 25 to the Financial Statements on Property, Plant & Equipment	169 to 171
7.6(xiii)	Details of funds raised through a public issue, rights issue and a private placement	Please refer Annual Report of the Board of Directors on the Affairs of the Company	258
7.6(xiv)	Information in respect of employee share ownership or stock option schemes	The Company does not have any employee share ownership or stock option schemes at present	
7.6(xv)	Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5c. and 7.10.6c. of Section 7 of the Listing Rules	This section provides the disclosures referred to in Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	245 to 249
7.6(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	The Company did not have any related party transaction exceeding this threshold during the year 2019.	117

## Compliance with Requirements on Corporate Governance Requirements in Rule 7.10 of the Listing Rules

Rule Reference	Requirement	Details of Company's Action for compliance
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	The Board of Directors as at the annual report date of the Company comprises only Non-executive Directors.
7.10.1 (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.	All of the Directors who were in office as at the conclusion of the immediately preceding Annual General Meeting were also Non-executive Directors.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	<p>Pursuant to the resignation of Directors, Mr. Jehan P. Amaratunga, Mr. W. M. Abeyrathna Bandara, Mr. N. P. Karunaratne and Mr. Pavithra Fernando from the Board of the Company with effect 28th February 2020 and pursuant to the resignation of Director Mr. Rasitha Gunawardana with effect from 1st June 2020, the total number of Directors comprising the Board of Directors of the Company reduced to two (2). However, following Directors were appointed to the Board of the Company with effect from 8th June 2020:</p> <ol style="list-style-type: none"> <li>1. Mr. Isuru Balapatabendi</li> <li>2. Mr. Ranjith Kodituwakku</li> <li>3. Mr. Johnson Fernando</li> <li>4. Dr. Kasun Wijetilleke</li> </ol> <p>Accordingly, the total number of Directors comprising the Board of Directors of the Company increased to six (6), including three (3) Non-executive, independent Directors.</p>
7.10.2 (a)	Two or one third of Non-executive Directors, whichever is higher, should be independent	Of the six Non-executive Directors of the Company as at annual report date, three were Independent Non-executive Directors.
7.10.2 (b)	Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	All Non-executive Directors submitted the requisite declarations as at the annual report date.
7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	Please refer profiles of the Directors on pages 30 to 33.
7.10.3 (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	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Please refer pages 30 to 33 for the profiles of the members of the Board of Directors.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Brief profiles of the Directors appointed to the Board were provided to the Exchange for dissemination to the public, along with the announcements for new appointments.



## Annex ii – Listing Rules of the Colombo Stock Exchange

Rule Reference	Requirement	Details of Company's Action for compliance
7.10.4 (a-h)	Requirements for meeting criteria to be independent	All of the Independent Directors of the Company as at the annual report date met the criteria for independence specified in this rule.
7.10.5	A listed company shall have a Remuneration Committee	The Company has a Remuneration and Nomination Committee, the details of which are provided on pages 125 to 126.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-executive Directors or a majority of Independent, Non-executive Directors, whichever is higher	As at the annual report date, Remuneration and Nomination Committee comprises three independent Directors. Please refer Remuneration and Nomination Committee Report on pages 125 to 126 for the composition thereof.
	One Non-executive Director shall be appointed as Chairman of the committee by the Board	Mr. Isuru Balapatabendi, Non-executive, Non-independent Director function as the Chairman of the Remuneration and Nomination Committee.  Please refer Remuneration and Nomination Committee Report on pages 125 to 126 for further details on the above.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	The functions of the Remuneration and Nomination Committee are set out in the Committee's Report on pages 125 to 126.
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee	Please refer page 125 for the composition of the Remuneration and Nomination Committee.
	A statement of remuneration policy	Remuneration Policy of the Company is set out in the Remuneration and Nomination Committee Report on page 126.
	Aggregate remuneration paid to Executive and Non-executive Directors	The aggregate remuneration paid to Executive and Non-executive Directors is disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 114.
7.10.6	A listed company shall have an Audit Committee	The Company has an Audit Committee the details of which are provided on pages 121 to 122.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-executive Directors, or a majority of Independent Non-executive Directors, whichever is higher	The Audit Committee comprises a majority of Independent Non-executive Directors representing two. Audit Committee Report on page 121 provides the details of the composition thereof.
	One Non-executive Director shall be appointed as Chairman of the Audit Committee by the Board	Mr. Lakshman Abeysekera, a Non-executive Independent Director of the Company function as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Both the Chief Executive Officer and the Chief Financial Officer attend the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	The Chairman of the Committee, Mr. Lakshman Abeysekera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Association of Accounting Technicians of Sri Lanka (AAT).

Rule Reference	Requirement	Details of Company's Action for compliance
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	The Board Audit Committee Report on pages 121 to 122 provides a brief description of its functions.
7.10.6 (c)	The Annual Report shall set out; The names of the Directors who comprise the Audit Committee	Please refer page 110 for the composition of the Board Audit Committee.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	Please refer the Board Audit Committee Report on page 122 for the required disclosure.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	Please refer pages 121 to 122 for the Board Audit Committee Report.

## Annex iii – Greenhouse GAS Verification Opinion



### GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund

Ministry of Environment & Wildlife Resources

Organization Level GHG statement developed by

**People's Insurance PLC**

No.07, Havelock Road, Colombo 05

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance\*

Opinion No	: SLCF/CFP/0062
Date of Issue	: 11.03.2020
Period of Assessment	: 01.01.2019 – 31.12.2019
Selected Boundary	: Financially controlled business operations of People's Insurance PLC
Direct GHG Emissions	: 27 tonnes of CO <sub>2</sub> equivalent
Indirect GHG Emissions	: 492 tonnes of CO <sub>2</sub> equivalent
Total GHG Emissions	: 519 tonnes of CO <sub>2</sub> equivalent



  
Chief Executive Officer  
Sri Lanka Climate Fund

Period of Validity: 11.03.2020 – 31.12.2020

**Exclusions:** Emissions from food waste disposal in Head office, Regional Branches and Window Branches, Emission from solid waste disposal of Regional Branches and Window Branches, Emission from imported energy and municipal water consumption of Window Branches.

\*Materiality threshold is below 5%

## Annex iv – GRI Content Index – ‘In Accordance’ - Core

GRI Standard	Disclosure	Page Number(s)	Remarks
<b>Universal Standards</b>			
<b>General Disclosures</b>			
GRI 102: General Disclosures	102-1 Name of the organisation	271	
	102-2 Activities, brands, products, and services	16 - 17	
	102-3 Location of Headquarters	271	
	102-4 Location of operations	271	
	102-5 Ownership and legal form	271	
	102-6 Markets served	94 - 95	
	102-7 Scale of the organisation	10 - 13	
	102-8 Information on employees and other workers	83 - 89	
	102-9 Supply chain	94 - 96	
	102-10 Significant changes to the organisation and its supply chain		There were no significant changes to the organisation or to the Company's supply Chain during the year.
	102-11 Precautionary principle or approach		Being an insurance service provider, our products do not have a direct impact on the environment and therefore, we do not assess the environment impact before launching products.
	102-12 External initiatives	6	
	102-14 Statement from senior decision-maker	22 - 25	
	102-16 Values, principles, standards and norms of behaviour	16 - 17	
	102-18 Governance structure	108	
	102-40 List of stakeholder groups	73 - 75	
	102-41 Collective bargaining agreements	87	
	102-42 Identifying and selecting stakeholders	73 - 75	
	102-43 Approach to stakeholder management	73 - 75	
	102-44 Key topics and concerns raised	73 - 75	
	102-45 Entities included in the consolidated financial statements	144	
	102-46 Defining report content and report boundaries	6 - 9	
	102-47 List of material topics	47 - 49	
	102-48 Restatements of information	6	
	102-49 Changes in reporting	6	
	102-50 Reporting period	6	

## Annex iv – GRI Content Index – ‘In Accordance’ - Core

GRI Standard	Disclosure	Page Number(s)	Remarks
	102-51 Date of most recent report	6	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding the report	8	
	102-54 Claims of reporting in accordance with the GRI standards	6	
	102-55 GRI content index	251 - 253	
	102-56 External assurance	7	
<b>Economic Standards</b>			
103-1	Explanation of the material topic and its boundary	48 - 49	
103-2	The management approach and its components	47 - 49	
103-3	Evaluation of the management approach	47 - 49	
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	103	
	201-3 Defined benefit plan obligations and other retirement plans	191 - 192	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	97	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken		No incidents of corruption reported during the year under review.
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	96	
<b>Environmental Standards</b>			
103-1	Explanation of the material topic and its boundary	48 - 49	
103-2	The management approach and its components	47 - 49	
103-3	Evaluation of the management approach	47 - 49	
GRI 302: Energy	302-1 Energy consumption within the organisation	100 - 101	
	302-3 Energy intensity	101	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG Emissions	101	
	305-2 Energy indirect (Scope 2) GHG Emissions	101	
	305-3 Other indirect (Scope 3) GHG Emissions	101	
	305-4 GHG Emissions Intensity	101	
GRI 306: Effluents & waste	306-2 Waste by type and disposal methods	100	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	100	

GRI Standard	Disclosure	Page Number(s)	Remarks
<b>Social Standards</b>			
103-1	Explanation of the material topic and its boundary	48 - 49	
103-2	The management approach and its components	47 - 49	
103-3	Evaluation of the management approach	47 - 49	
GRI 401: Employment	401-1 New employee hires and employee turnover	85 - 89	
	401-2 Benefits provide to full-time employees that are not provided to temporary or part-time employees	88	
GRI 402: Labour/ Management Relations	402-1 Minimum notice periods regarding operational changes	87	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	13	
	404-2 Programs for upgrading employee skills and transition assistance programs	86	
	404-3 Percentage of employees receiving regular performance and career development reviews	88	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	85	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	84	
GRI 417: Marketing & Labelling	417-1 Requirements for product and service information and labeling	95	
	417-2 Incidents of non-compliance concerning product and service information and labeling	95	
	417-3 Incidents of non-compliance concerning marketing communications	95	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breach of customer privacy and losses of customer data	95	
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	95	



# Shareholder Information

## Company Overview

People's Insurance PLC was incorporated as a public limited liability company on 22nd July 2009 under the Companies Act No. 7 of 2007 and was registered as a non-life insurance provider under the Regulation of Insurance Industry Act No. 43 of 2000.

The Company commenced commercial operations in January 2010, with its main focus on motor insurance, although many other non-life insurance products were also offered to its clients.

The information required by section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) in its annual report and accounts is disclosed below.

## Names of Directors

The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 115.

## Principal Activities of the Company

The principal activities of the Company during the year are given in the Annual Report of the Board of Directors on page 113 and Note 1.3 to the Financial Statements on page 144.

## Top 20 Shareholders

The 20 largest shareholders as at 31st December 2019 and 31st December 2018 are given in the following table.

Name of the Shareholder	31st December 2019		31st December 2018	
	Shareholding	% on Total No. of Shares	Shareholding	% on Total No. of Shares
People's Leasing & Finance PLC	150,000,000	75.00	150,000,000	75%
Mr. Kulappu Arachchige Don Anurada Perera	10,000,000	5.00	7,363,784	3.68
J.B. Cocoshell (Pvt) Ltd.	3,619,295	1.81	4,766,838	2.38
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,934,413	1.47	2,934,413	1.47
Askold (Private) Limited	2,422,600	1.21	2,422,600	1.21
Rubber Investment Trust Limited A/C # 01	1,960,760	0.98	2,489,400	1.24
Seylan Bank PLC/Pinnaduwege Aravinda De Silva	1,519,352	0.76	2,476,242	1.24
DFCC Bank PLC/I.K. De Silva	1,500,800	0.75	-	-
Ceylon Investment PLC A/C # 02	1,215,200	0.61	1,765,200	0.88
Ceylon Guardian Investment Trust PLC A/C # 02	1,167,194	0.58	1,717,194	0.86
Jafferjee Brothers (Exports) Limited	1,159,300	0.58	1,159,300	0.58
Mr. Murtaza Ali Jafferjee	1,025,467	0.51	1,025,467	0.51
Mr. Divale Jayampathi Bandaranayake, Joint - Dr. Vasantha Bandaranayake/Miss. Ishani Bandaranayake	810,213	0.41	-	-
Mr. Divale Jayampathi Bandaranayake, Joint - Miss.Niluka Bandaranayake/Dr. Vasantha Bandaranayake	799,218	0.40	-	-
Bank of Ceylon A/C NDB Wealth Growth Fund	775,000	0.39	775,000	0.39
Miss. Anushka Wijenayake	774,329	0.39	774,329	0.39
Hallsville Trading Group Inc.	626,500	0.31	626,500	0.31
E.W. Balasuriya & Co. (Pvt) Ltd.	626,500	0.31	626,500	0.31
ACL Plastics Ltd.	585,500	0.29	585,500	0.29
Deutsche Bank AG as Trustee to Alliance Quantitative Equity Fund	557,919	0.28	-	-
	184,079,560	92.04	181,508,267	90.75
Others	15,920,440	7.96	18,491,733	9.25
	200,000,000	100%	200,000,000	100%

### Public Shareholding

The details of the public shareholding is given below.

As at	31st December 2019		31st December 2018	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Number of shareholders	1,714	99.94	1,629	99.93
Number of shares	50,000,000	25%	50,000,000	25%

### Float Adjusted Market Capitalisation

As at 31 December 2019, the float adjusted market capitalisation is Rs. 1,085,000,000.

The Company complies with minimum public holding requirement as at the reporting date based on the “option 5” of rule 7.13.1 (a).

### Directors' Shareholding

The details of the Directors' shareholding as at the end of the year are provided below.

As at	Number of Shares	
	As at 31st December 2019	As at 31st December 2018
Jehan P. Amaratunga*	-	-
N. Vasantha Kumar*	-	-
Lakshman Abeysekera	-	-
W. M. Abeyrathna Bandara*	-	-
N. P. Karunarathne*	-	-
S. P. K. Gunarathne*	-	-
A. S. Ibrahim	-	-
P. Fernando*	-	-
G. B. R. P. Gunawardana*	-	-

\* Resigned

### Chief Executive Officer's Shareholding

As at	Number of Shares	
	As at 31st December 2019	As at 31st December 2018
D. D. C. Abeysekera	-	-

### Material Foreseeable Risk Factors of the Company

Information pertaining to material foreseeable risk factors is given on the Risk Management report on pages 50 to 59.

### Material Issues Pertaining to Employees and Industrial Relations to the Company

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which require disclosure as per Rule No. 7.6 (vii) of the Listing Rules of the CSE.

### Company's Land Holdings and Investment Properties

The Company does not hold any land or investment properties as of the reporting date.

## Shareholder Information

### Stated Capital

The number of shares representing the Company's stated capital is given below.

As at	As at 31st December 2019	As at 31st December 2018
Stated capital (Rs.)	1,350,000,000	1,350,000,000
No. of shares	200,000,000	200,000,000
Class of shares	Ordinary shares	Ordinary shares
Voting rights	One vote per ordinary share	One vote per ordinary share

### Shareholdings

#### a) Distribution and Composition of Shareholding

There were 1,715 registered shareholders as at 31 December 2019. The distribution and composition of shareholders are given as follows;

Shareholding	Resident			Non-resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares
1 – 1,000 shares	927	294,417	0.15	3	2,044	-	930	296,461	0.15
1,001 – 10,000 shares	522	2,485,912	1.24	8	35,396	0.02	530	2,521,308	1.26
10,001 – 100,000 shares	195	5,784,724	2.89	5	176,200	0.09	200	5,960,924	2.98
100,001 – 1,000,000 shares	39	10,790,881	5.40	4	1,906,045	0.95	43	12,696,926	6.35
Over 1,000,000 shares	12	178,524,381	89.26	-	-	-	12	178,524,381	89.26
<b>Total</b>	<b>1,695</b>	<b>197,880,315</b>	<b>98.94</b>	<b>20</b>	<b>2,119,685</b>	<b>1.06</b>	<b>1,715</b>	<b>200,000,000</b>	<b>100.00</b>

#### b) Analysis of Shareholders

##### i. Resident/Non-resident

Shareholding	31st December 2019		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Resident	1,695	197,880,315	98.94
Non-resident	20	2,119,685	1.06
<b>Total</b>	<b>1,715</b>	<b>200,000,000</b>	<b>100.00</b>

##### ii. Individual/Institutional

Shareholding	31st December 2019		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Individual	1,605	25,154,699	12.58
Institutional	110	174,845,301	87.42
<b>Total</b>	<b>1,715</b>	<b>200,000,000</b>	<b>100.00</b>

## Investor Ratios

Year	Earnings Per Share (EPS) Rs.	Dividend Per Share (DPS)		Dividend Pay-out Ratio %	Net Assets Per Share (NAPS) Rs.
		Interim	Final		
2011	0.48	-	0.20	12	10.67
2012	1.56	-	1.00	25	14.38
2013	2.47	1.50	0.75	36	18.08
2014	3.00	1.50	2.00	47	23.50
2015	3.09	2.00	0.60	52	15.01
2016	3.29	1.50	0.25	53	13.14
2017	3.87	1.75	0.25	52	15.35
2018	3.65	0.75	1.10	51	16.88
2019	3.24	1.85	-	57	18.27

## Share Performance

Details relating to the share performance are given below.

	2019			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Number of transactions	940	556	883	661
Number of shares traded	2,553,928	1,215,379	3,544,830	2,434,183
Value of shares traded (Rs.)	49,900,943	22,392,376	72,693,669	53,907,356
Market price per share				
- Highest (Rs.)	20.50	19.10	22.50	23.00
- Lowest (Rs.)	18.80	17.20	18.50	20.10
- Last traded price (Rs.)	19.70	18.60	21.00	21.70
P/E Ratio	7.13	5.60	6.46	6.70

## Valuation of Property Plant and Equipment

There were no significant changes in the Company's property, plant and equipment (PPE) and the Company did not own lands as assets. Details relating to the changes in the Company's PPE are given in Note 25 to the financial statements on pages 169 to 171.

## Employee Share Option Scheme

There is no employee share ownership scheme in the Company.

## Insurer Financial Strength Rating

Fitch Ratings affirmed People's Insurance at 'A+(lka)' with a stable outlook for the year under review.

## Disclosures Pertaining to the Corporate Governance

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 rules are given in the on pages 245 to 249.

## Related Party Transactions

There were no non-recurring individual transactions exceeding the limit of 10% of the equity or 5% of the total assets during the year with any related party of the Company. The disclosure on aggregate related party transactions exceeding 10% of the gross revenue/income is given below. Further, all related party transactions at aggregate level have been disclosed in Note 48 to the financial statements.

## Shareholder Information

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the Related Party Transactions entered into during the Financial Year (Rs.)	Aggregate Value of Related Party Transactions as a % of Gross Written Premium	Terms and Conditions of the Related Party Transactions
People's Leasing & Finance PLC	Parent company	Insurance premium income in respect of their own policies and customers introduced	3,708,421,412	62%	Under the ordinary course of business on arms' length basis.

### Initial Public Offering

#### Raise of funds

The Company offered 50 million ordinary shares at Rs. 15 per share to the public and raised Rs. 750 million from the Initial Public Offering (IPO) carried out in December 2015. New ordinary shares in respect of the IPO were issued in January 2016. The objectives of the IPO were as follows;

- ➔ Meet the regulatory requirement of listing the Company on a licensed stock exchange by 7th February 2016 as per section 52(1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011.
- ➔ Further strengthen the equity base of the Company and thereby the Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) regime implemented by the IRCSL effective from 2016.

The funds raised from the IPO were to be invested in financial securities keeping in line with asset allocation strategy of the Company.

#### Utilisation of Funds

According to the objective number two specified above, the funds raised were invested in financial securities. A detailed analysis of the utilisation of funds is tabulated below.

Obj. No.	Objective as per Prospectus	Amount Allocated as per Prospectus in Rs.	Proposed Date of Utilisation as per Prospectus	Amount Allocated from Proceeds in (A) Rs.	% of Total Proceeds	Amount Utilised in (B) Rs.	% of Utilisation Against Allocation (B/A)	Classification if Not Fully Utilised Including where the Funds are Invested
2	Please refer objective no. 2 above. The proposed asset allocation for the funds raised through IPO as per the prospectus is as follows;							
	Corporate debt 50%	375,000,000	During the financial year 2016	375,000,000	50%	375,000,000	100%	
	Fixed deposits 25%	187,500,000		187,500,000	25%	187,500,000	100%	
	Government securities 15%	112,500,000		112,500,000	15%	172,267,500	153%	Note
	Equity 10%	75,000,000		75,000,000	10%	15,232,500	20%	
		750,000,000		750,000,000	100%	750,000,000		

Note: The amount invested in equity does not include the listed shares amounting to Rs. 59,767,500 which were purchased using the IPO funds and sold depending on the market performance. Unutilised funds under equity have been invested in government securities.

## Quarterly Analysis 2019

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Revenue</b>	1,453,708,430	1,512,847,006	1,564,039,101	1,577,931,413	6,108,525,950
Gross written premium	1,451,611,876	1,505,766,687	1,641,740,587	1,430,854,120	6,029,973,270
Change in reserve for unearned insurance premium	(68,810,592)	(54,599,794)	(181,742,753)	76,567,397	(228,585,742)
Gross earned premium	1,382,801,284	1,451,166,893	1,459,997,834	1,507,421,517	5,801,387,528
Premium ceded to reinsurers	(106,861,063)	(272,675,932)	(114,842,381)	(86,384,962)	(580,764,338)
Change in reserve for unearned reinsurance premium	(13,529,234)	131,834,342	(14,648,435)	(62,543,985)	41,112,688
<b>Net earned premium</b>	1,262,410,987	1,310,325,303	1,330,507,018	1,358,492,570	5,261,735,878
<b>Claims and expenses</b>					
Net claims	(885,971,878)	(840,551,486)	(927,673,437)	(898,378,388)	(3,552,575,189)
Underwriting and net acquisition costs	(119,748,098)	(126,541,492)	(134,018,720)	(136,842,737)	(517,151,047)
Other operating and administrative expenses	(252,715,500)	(271,072,748)	(284,438,416)	(318,543,312)	(1,126,769,976)
	(1,258,435,476)	(1,238,165,726)	(1,346,130,573)	(1,353,764,437)	(5,196,496,212)
Underwriting results	3,975,511	72,159,577	(15,623,555)	4,728,133	65,239,666
<b>Other revenue</b>					
Fee income	13,043,593	12,402,174	14,653,533	13,894,409	53,993,709
Interest and dividend income	181,355,188	187,304,972	215,100,179	197,580,320	781,340,659
Net fair value gains/(losses)	(3,396,881)	(1,572,797)	933,836	4,049,468	13,626
Other operating revenue	295,543	4,387,354	2,844,535	3,914,646	11,442,077
	191,297,443	202,521,703	233,532,083	219,438,843	846,790,072
<b>Profit before tax</b>	195,272,954	274,681,280	217,908,528	224,166,976	912,029,738
Income tax expense	(57,146,833)	(80,552,470)	(62,339,511)	(64,336,944)	(264,375,758)
<b>Profit for the period</b>	138,126,121	194,128,810	155,569,017	159,830,032	647,653,980
<b>Share Performance</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	
Net asset value per share as at end of the quarter	16.38	17.40	17.44	18.27	
Highest price per share for the interim period	20.50	19.10	22.50	23.00	
Lowest price per share for the interim period	18.80	17.20	18.50	20.10	
Last traded price per share as at end of the quarter	19.70	18.60	21.00	21.70	



## Quarterly Analysis 2018

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Revenue</b>	1,275,629,836	1,306,940,192	1,385,053,574	1,465,044,773	5,432,668,375
Gross written premium	1,235,717,617	1,371,817,595	1,598,137,310	1,386,142,619	5,591,815,141
Change in reserve for unearned insurance premium	(40,976,821)	(114,380,398)	(265,300,090)	(9,840,498)	(430,497,807)
Gross earned premium	1,194,740,796	1,257,437,197	1,332,837,220	1,376,302,121	5,161,317,334
Premium ceded to reinsurers	(71,045,455)	(214,232,768)	(120,054,042)	(76,848,798)	(482,181,063)
Change in reserve for unearned reinsurance premium	(29,424,625)	103,864,605	3,067,012	(47,157,643)	30,349,349
<b>Net earned premium</b>	1,094,270,716	1,147,069,034	1,215,850,190	1,252,295,680	4,709,485,620
<b>Claims and expenses</b>					
Net claims	(742,777,113)	(821,905,656)	(855,461,976)	(817,081,695)	(3,237,226,440)
Underwriting and net acquisition costs	(104,102,506)	(113,621,405)	(120,876,382)	(123,195,520)	(461,795,813)
Other operating and administrative expenses	(190,513,948)	(205,221,221)	(225,227,212)	(265,667,820)	(886,630,201)
	(1,037,393,567)	(1,140,748,282)	(1,201,565,570)	(1,205,945,035)	(4,585,652,454)
Underwriting results	56,877,149	6,320,752	14,284,620	46,350,645	123,833,166
<b>Other revenue</b>					
Fee income	11,212,424	11,391,933	13,851,340	12,937,347	49,393,044
Interest and dividend income	167,287,001	158,814,934	165,758,185	172,436,807	664,296,927
Net fair value gains/(losses)	1,682,919	(11,963,177)	(12,482,253)	8,830,918	(13,931,593)
Other operating revenue	1,176,776	1,627,468	2,076,112	18,544,021	23,424,377
	181,359,120	159,871,158	169,203,384	212,749,093	723,182,755
<b>Profit before tax</b>	238,236,269	166,191,910	183,488,004	259,099,738	847,015,921
Income tax expense	(27,045,171)	(27,752,069)	(29,253,462)	(33,902,912)	(117,953,614)
<b>Profit for the period</b>	211,191,098	138,439,841	154,234,542	225,196,826	729,062,307

Share Performance	Rs.	Rs.	Rs.	Rs.
Net asset value per share as at end of the quarter	15.08	15.77	15.79	16.88
Highest price per share for the interim period	23.90	24.00	20.40	21.00
Lowest price per share for the interim period	21.20	21.40	19.00	18.70
Last traded price per share as at end of the quarter	21.50	22.00	19.50	19.10

## Five Year Summary

Statement of Income (Rs.)	2019	2018	2017	2016	2015
<b>Revenue</b>	6,108,525,950	5,432,668,375	4,791,413,814	4,250,108,228	3,617,209,197
Gross written premium	6,029,973,270	5,591,815,141	4,781,919,014	4,339,579,669	3,813,271,656
Net earned premium	5,261,735,878	4,709,485,620	4,097,182,435	3,723,232,913	3,267,940,026
Net claims	(3,552,575,189)	(3,237,226,440)	(2,840,950,188)	(2,628,295,063)	(2,257,436,973)
Underwriting and net acquisition costs	(517,151,047)	(461,795,813)	(407,022,478)	(380,484,389)	(337,631,756)
Other operating and administrative expenses	(1,100,691,791)	(886,630,201)	(676,749,665)	(508,318,624)	(419,175,966)
Finance Cost	(26,078,185)				
Underwriting results	65,239,666	123,833,166	172,460,104	206,134,837	253,695,331
Other revenue	846,790,072	723,182,755	694,231,379	526,875,315	349,269,171
Profit before tax	912,029,738	847,015,921	866,691,483	733,010,152	602,964,502
Income tax expense	(264,375,758)	(117,953,614)	(93,606,037)	(75,012,884)	(138,797,208)
Profit for the year	647,653,980	729,062,307	773,085,446	657,997,268	464,167,294
<b>Statement of Financial Position (Rs.)</b>					
<b>Assets</b>					
Intangible assets	1,876,389	2,388,131	11,000,000	23,388,110	36,164,330
Property, plant and equipment	238,214,775	82,008,927	84,392,671	21,388,037	21,600,023
Deferred tax asset	11,527,522	3,006,071	28,484	1,871,693	-
Financial investments	7,349,838,553	6,658,264,189	6,136,594,446	5,469,881,112	4,931,438,835
Reinsurance and insurance receivables	1,485,495,054	1,116,394,654	1,088,633,562	828,695,737	686,355,800
Deferred expenses	289,575,427	264,162,186	238,256,786	220,580,020	200,827,593
Other assets	75,200,225	69,952,648	69,549,058	16,003,150	20,016,352
Cash and cash equivalents	128,771,323	221,391,043	116,659,642	138,335,984	745,691,980
<b>Total assets</b>	9,580,499,268	8,417,567,849	7,745,114,649	6,720,143,843	6,642,094,913
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	1,350,000,000	1,350,000,000	1,350,000,000	1,350,000,000	1,350,000,000
Reserves	2,292,648,972	2,025,147,268	1,707,239,826	1,279,456,934	900,994,133
Total equity	3,642,648,972	3,375,147,268	3,057,239,826	2,629,456,934	2,250,994,133
<b>Liabilities</b>					
Insurance contract liabilities	4,923,641,866	4,367,565,525	4,073,554,521	3,557,794,382	3,166,616,516
Retirement benefit obligations	37,238,009	27,490,317	17,881,854	12,920,220	6,027,515
Financial and other liabilities	818,826,458	499,502,849	491,885,420	404,295,518	1,133,942,877
Reinsurance payable	7,527,409	61,807,635	35,715,836	41,432,353	36,820,195
Deferred tax liability	-	-	-	-	5,940,989
Bank overdraft	150,616,554	86,054,255	68,837,192	74,244,436	41,752,688
<b>Total liabilities</b>	5,937,850,296	5,042,420,581	4,687,874,823	4,090,686,909	4,391,100,780
<b>Total equity and liabilities</b>	9,580,499,268	8,417,567,849	7,745,114,649	6,720,143,843	6,642,094,913
<b>Investor Information</b>					
Return on net assets (%)	18.27	22.55	27.35	25.03	*20.62
Earnings per share (Rs.)	3.24	3.65	3.87	3.29	3.09
Dividend per share - Interim (Rs.)	1.85	0.75	1.75	1.50	2.00
Dividend per share - Final (Rs.)	-	1.10	0.25	0.25	0.60
Net assets per share (Rs.)	18.21	16.88	15.29	17.52	15.01
Last traded price per share as at end of the year (Rs.)	21.70	19.10	23.00	19.00	-
<b>Other Information</b>					
Number of employees	607	554	385	330	284
Number of shares	200,000,000	200,000,000	200,000,000	200,000,000	150,000,000

\* Total equity used as the denominator in calculation of return on net assets includes capital raised through the IPO amounting to Rs. 750 million in December 2015.

# Glossary of Insurance Terms

## A

### Accumulation

The total combined risks that could be involved in a single loss event (involving one or more insured perils).

### Acquisition Expenses

Direct costs an insurer incurs to 'acquire' the premium such as commissions paid to a broker. These costs are required to be expensed in the same ratio as the premiums to which they relate are earned. The amount to be expensed in future periods recorded as deferred acquisition costs (an asset) in the statement of financial position.

### Actuary

A specialist in the mathematics of insurance who calculates rates, reserves, dividends and other statistics.

### Administrative Expenses

Costs of an administrative nature including those arising from premium collection, portfolio administration 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 position. Such assets are specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

### Agent

An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

### All Risks

A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.

### Annual Basis of Accounting

A basis of accounting for non-life insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

### Automobile Liability Insurance

Coverage for bodily injury and property damage incurred through ownership or operation of a vehicle.

## B

### Broker

A firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

### Burglary and Theft

Coverage for property taken or destroyed by breaking and entering the insured's premises, burglary or theft, forgery or counterfeiting, fraud, kidnap and ransom and off-premises exposure.

## C

### Capital Adequacy Ratio

A risk based Capital Adequacy Ratio (CAR) measures the relative adequacy of an insurer's capital. The CAR value reports on the adequacy of the Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk based Capital Required (RCR).

### Captive Agent

An individual who sells or services insurance contracts for a specific insurer or fleet of insurers.

### Casualty Insurance

A form of liability insurance providing coverage for negligent acts and omissions such as workers compensation, errors and omissions, fidelity, crime, glass, boiler and various malpractices coverage.

### Cedent

A ceding insurer. A ceding insurer is an insurer that underwrites and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer.

### Cession

A particular risk exposure that is transferred under a reinsurance treaty.

### Claim Handling Expenses (CHE)

Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

### Claims Incurred

Claims incurred include paid claims and movements in outstanding claims.

### Claims Notification Clause

A clause in an insurance or reinsurance contract which sets out the procedure that the insured or reassured must follow in order to make a claim under the contract. Such clauses frequently provide for prompt notification of claims and events which may give to claims in the future.

### Claims Outstanding

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date, including Incurred But Not Reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

### Co-insurance

An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

### Combined Ratio

The claims and expenses of an insurer for a given period divided by its net earned premium for the same period. It is normally expressed as a percentage with any figure in excess of 100%, signifying a technical underwriting loss.

### Commercial Package Policy

A broad package of property and liability coverage for commercial ventures other than those provided insurance through a business owner's policy.

### Cover Note

A document issued by an insurer/broker, pending the issue of a policy which confirms the arrangement of cover for the named insured/reassured. Motor insurance cover notes that are issued in Sri Lanka are usually of short duration.

## D

### Deductible

Loss retention of the reinsured in non-proportional reinsurance. Limit above which the reinsurer becomes liable for losses up to the amount of the agreed cover limit.

### Deferred Acquisition Costs

Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.

## E

### Earned Premium

The proportion of premium that relates to a used period of cover.

### Excess

The amount or proportion of some or all losses arising under an insurance or reinsurance contract that is the insured or reassured must bear. If the loss is less than the amount of the excess then the insured/reassured must meet the cost of it (unless there is other insurance in place to cover the excess). Excesses may either be compulsory or voluntary. An insured who accepts an increased excess in the form of a voluntary excess will usually receive a reduction in premium.

### Excess of Loss

A type of reinsurance that covers specified losses incurred by the reassured in excess of a stated amount (the excess) up to a higher amount. An excess of loss reinsurance is a form of non-proportional reinsurance.

### Exclusion

A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy or it may be limited to specific sections of it. In certain circumstances, an exclusion may be limited or removed altogether following the payment of an additional premium.

### Ex-gratia Payment

A payment made by underwriters 'as a favour' or 'out of kindness' without an admission of liability so as to maintain goodwill.

## F

### Facultative Reinsurance

Reinsurance for a single risk or a defined package of risks. The ceding company (the primary issuer) is not compelled to submit these risks to the reinsurer, but neither is the reinsurer compelled to provide reinsurance protection.

## G

### General Average

A loss that arises from the reasonable sacrifice at a time of peril of any part of a ship or its cargo for the purpose of preserving the ship and the remainder of its cargo together with any expenditure made for the same purpose. An example of a general average loss would include jettisoning cargo to keep a ship afloat and an example of general average expenditure would include towing a stricken vessel into port. An average adjuster calculates the value of each saved interest to each interested party which is then obliged to contribute towards the general average loss or expenditure proportionately. Subject to the terms of the policy, insurance will generally only apply if the loss was incurred to avoid or in connection with the avoidance of an insured peril.

### Gross Written Premium

Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

## I

### Incurred But Not Reported (IBNR) Losses

Estimated losses which an insurer or reinsurer, based on its knowledge or experience of underwriting similar contracts, believes have arisen or will arise under one or more contracts of insurance or reinsurance, but which have not been notified to an insurer or reinsurer at the time of their estimation.

## Glossary of Insurance Terms

### Indemnity

The principle according to which a person who has suffered a loss is restored (so far as possible) to the same financial position that he was in immediately prior to the loss, subject in the case of insurance to any contractual limitation as to the amount payable (the loss may be greater than the policy limit). The application of this principle is called indemnification. Most contracts of insurance are contracts of indemnity. Life insurances and personal accident insurances are not contracts of indemnity as the payments due under those contracts for loss of life or bodily injury are not based on the principle of indemnity.

### Insurance Contract

A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

### Insurance Provision

Usually relates to the proportion of net written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods, as well as the gross claims outstanding.

### 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.

## L

### Layer

Section of cover in a non-proportional reinsurance programme in which total coverage is divided into number of consecutive layers. Individual layers may be placed with different reinsurers.

### Liability Adequacy Test (LAT)

A test that needs to be performed by an insurer to determine whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts as per the Sri Lanka Accounting Standards.

### Loss Adjuster

A person who is appointed to investigate the circumstances of a claim under an insurance policy and to advise on the amount that is payable to the policyholder in order to settle that claim.

### Loss Development Factors (LDF)

There is a general upward trend in claim totals after the initial reporting period called 'loss development'. A common method of adjusting losses for the growth in claims and Incurred But Not Reported (IBNR) losses is to apply loss development factors.

## N

### Net Expense Ratio

Expenses associated with running an insurance business, such as commission, professional fees and other administrative costs, expressed as a percentage of net earned premiums.

## P

### Premium

The payment a policyholder makes in return for insurance cover. Usually paid annually.

### Premium Liability

The amount required to be held in respect of the unexpired period of exposure and considers the unearned premium reserves held and estimate of unexpired risk reserves.

### Provision Of Risk Margin For Adverse Deviation (PRAD)

The provision of risk margin for adverse deviation that relates to the inherent uncertainty in the central estimate value of both the premium and claim liabilities at a 75% level of sufficiency.

## R

### Reinsurance

A form of insurance bought by insurance companies to protect themselves from the risk of large losses. One insurer pays to place part of an insured risk or an entire book of business with one or more other insurance companies, known as the reinsurers.

### Reinsurance Commission

Commission received or receivable in respect of premiums paid or payable to a reinsurer.

### Reinsurance Inwards

The acceptance of risks under a contract of reinsurance.

### Reinsurance Outwards

The placing of risks under a contract of reinsurance.

### Reinsurance Premium

The premium payable to the reinsurer. Reinsurance is 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 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.

### Related Party

A related party is a person or an entity that is related to the reporting entity:

- ➔ A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- ➔ An entity is related to a Reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

### Retention

The amount of any loss or combination of losses that would otherwise be payable under an insurance/reinsurance contract which the insured/reassured must bear itself before the insurer or reinsurer becomes liable to make any payment under that contract. An insured or reassured may be able to insure its retention with another insurer/reinsurer.

### Risk Based Capital

Capital to be allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments.

## S

### Short-period Cancellation

When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro-rata basis.

### Solvency Margin

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on general insurance business as defined in Solvency Margin (General Insurance) Rules, 2004 and subsequent amendments thereto made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

### Subrogation

The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance, subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

### Sum Insured

The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

### Surplus Treaty or Surplus Lines Treaty

A type of reinsurance under which bands of cover known as lines are granted above a given retention which is referred to as the cedant's line. Each line is of equivalent size and the capacity of the treaty is expressed as a multiple of the cedant's line. The reinsurer receives an equivalent proportion of the full risk premium. A surplus treaty is a form of proportional reinsurance.

## T

### Technical Reserve

This comprises the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

### Total Available Capital

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

### Treaty Reinsurance

A reinsurance contract under which the reassured agrees to offer and the reinsurer agrees to accept all risks of certain size within a defined class.

## U

### Underinsurance

Insurance where the sum insured is less than the full value at risk and would not be adequate to meet a total loss.

### Underwriting

The process of selecting which risks an insurance company can cover and deciding the premiums and terms of acceptance.

### Underwriting Profit

The underwriting result generated by transacting non-life insurance business, without taking into account the investment income.

### Unearned Premium

The proportion of premium that relates to the unused period of cover.

### Unexpired Risk Reserve (URR)

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

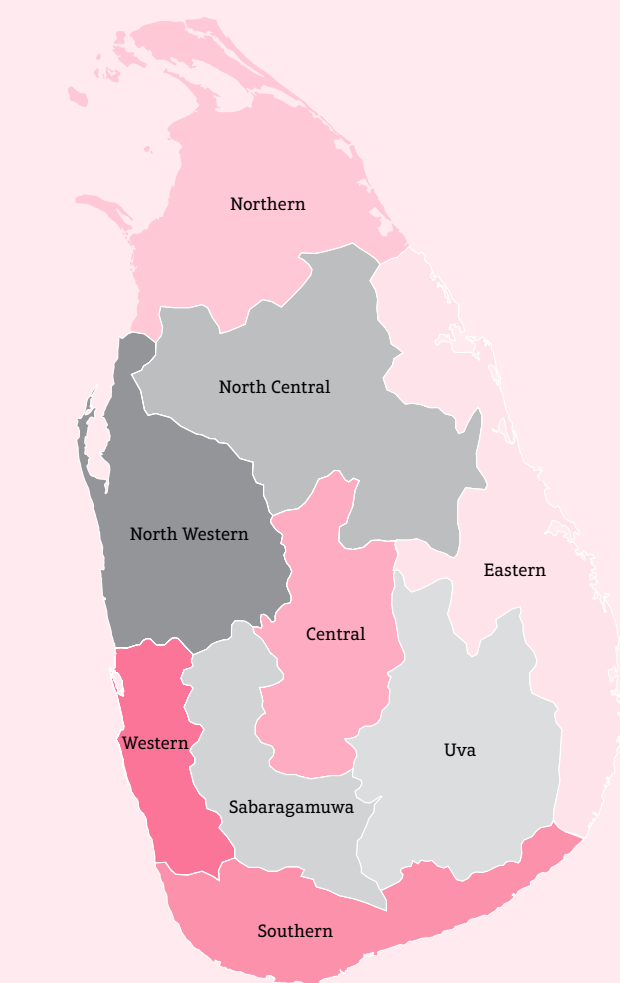


# Distribution Network

North Western Province	
1. Kurunegala	⊙
2. Anamaduwa	□
3. Chilaw	□
4. Giriulla	□
5. Kuliapitiya	□
6. Melsiripura	□
7. Narammala	□
8. Nattandiya	□
9. Puttalam	□
10. Wariyapola	□
11. Wennappuwa	□

Western Province	
1. Negombo	⊙
2. Metropolitan	⊙
3. Kalutara	⊙
4. Aluthgama	□
5. Awissawella	□
6. Battaramulla	□
7. Divulapitiya	□
8. Gampaha	□
9. Grandpass	□
10. Hanwella	□
11. Havelock	□
12. Homagama	□
13. Horana	□
14. Ja-ela	□
15. Kadawatha	□
16. Kaduwela	□
17. Kelaniya	□
18. Kiribathgoda	□
19. Kirindiwela	□
20. Kollupitiya	□
21. Maharagama	□
22. Mathugama	□
23. Minuwangoda	□
24. Mirigama	□
25. Moratuwa	□
26. Mount Lavinia	□
27. Nittambuwa	□
28. Nugegoda	□
29. Panadura	□
30. Pettah	□
31. Piliyandala	□
32. Ragama	□
33. Union Place	□
34. Ward Place	□
35. Wattala	□
36. Wellawatte	□

Northern Province	
1. Jaffna	⊙
2. Vavuniya	⊙
3. Chunnakam	□
4. Kilinochchi	□
5. Kodikamam	□
6. Mannar	□
7. Nelliady	□



Sabaragamuwa Province	
1. Rathnapura	⊙
2. Balangoda	□
3. Embilipitiya	□
4. Godakawela	□
5. Kalawana	□
6. Kegalle	□
7. Mawanella	□
8. Pelmadulla	□
9. Warakapola	□

North Central Province	
1. Anuradhapura	⊙
2. Polonnaruwa	⊙
3. Galenbindunuwewa	□
4. Hingurakgoda	□
5. Kekirawa	□
6. Medawachchiya	□
7. Thambuttegama	□

Uva Province	
1. Badulla	□
2. Bandarawela	□
3. Mahiyanganaya	□
4. Monaragala	□
5. Welimada	□
6. Wellawaya	□

Eastern Province	
1. Ampara	□
2. Batticaloa	□
3. Kalawanchchikudy	□
4. Kalmunai	□
5. Kanthale	□
6. Kattankudy	□
7. Muthur	□
8. Trincomalee	□

Central Province	
1. Kandy	⊙
2. Dambulla	□
3. Digana	□
4. Gampola	□
5. Hatton	□
6. Katugasthota	□
7. Matale	□
8. Nawalapitiya	□
9. Nuwara Eliya	□
10. Pilimathalawa	□

Southern Province	
1. Galle	⊙
2. Matara	⊙
3. Akuressa	□
4. Ambalangoda	□
5. Ambalanthota	□
6. Benthota	□
7. Deniyaya	□
8. Elpitiya	□
9. Hambanthota	□
10. Kamburupitiya	□
11. Neluwa	□
12. Tangalle	□
13. Thissamaharama	□
14. Udugama	□
14. Urubokka	□
15. Walasmulla	□

⊙ Regional Office  
 □ Window office at People's Leasing & Finance PLC branch network

**Head Office**

No.7, Havelock Road, Colombo 05.

Tel : 011-2126126

Fax : 011-2126322

**Regional Offices****Anuradhapura**

No. 387, Harischandra Mawatha,  
Anuradhapura.

Tel : 025-2226060

Fax : 025-2234966

**Galle**

No. 118, Matara Road, Galle.

Tel : 091-2248671

Fax : 091-2235615

**Jaffna**

No. 12, Stanley Road, Jaffna.

Tel : 021-2228031

Fax : 021-2229627

**Kalutara**

No. 314 1/1, Main Street,  
Kalutara South,  
Kalutara.

Tel : 034-2235799

Fax: 034-2235800

**Kandy**

No. 483/B,

William Gopallawa Mawatha, Kandy.

Tel : 081-2238051

Fax: 081-2238054

**Kurunegala**

No. 183B, Colombo Road,  
Kurunegala.

Tel : 037-2222830

Fax : 037-2231505

**Matara**

No. 45/A,

Anagarika Dharmapala Mawatha,  
Matara.

Tel : 041-2220129

Fax: 041-2225985

**Metropolitan**

No. 67, Sir Chiththampalam A Gardiner  
Mawatha, Colombo 02.

Tel : 011-2481000

Fax: 011-2481123

**Negombo**

No. 159, Colombo Road,  
Negombo.

Tel : 031-2235517

Fax : 031-2235516

**Polonnaruwa**

No. 388/B, Hospital Junction,  
Polonnaruwa.

Tel : 027-2057510

Fax: 027-2057510

**Rathnapura**

No. 244A,  
Moragahayata,  
Colombo Road, Rathnapura.

Tel : 045-2224755

Fax: 045-2230678

**Vavuniya**

No. 42,46, 1st Cross Street,  
Vavuniya.

Tel : 024-2225856

Fax: 024-2225861

**Window Offices at People's Leasing & Finance PLC Branch Network**

Branch	Address	Telephone Number	Fax Number	Contact Person
<b>Central Province</b>				
Dambulla	No. 632, Anuradhapura Road, Dambulla.	066-2284855	066-2284158	Mr. Kasun Chathuranga
Digana	No. 118/E, Rajawella 2, Rajawella.	081-2376923	081-2376223	Mr. Viraj Thushara
Gampola	No. 131, Nuwara Eliya Road, Gampola.	081-2353030	081-2354154	Mr. Sandaruwan Herath
Hatton	No. 199/ B-1, Dimbulla Road, Hatton.	051-2224667	051-2225681	Mr. Isuru Heshan
Kandy	No. 177, D. S. Senanayaka Veediya, Kandy.	081-2205419	081-4471654	Mr. Lahiru Madusanka
Kandy 02	No. 483/B, Wiliyam Gopallawa Mawatha, Kandy.	081-2238051	081-2238054	Mrs. Windya Pinnawala
Kandy (Islamic)	No. 45, Katugasthota Road, Kandy.	081-2205651	081-2205044	Mr. Susantha Herath
Katugasthota	No. 431, Katugasthota Road, Kandy.	081-2205947	081-2205937	Mr. Palitha Bandara
Matale	No. 568, Trincomalee Street, Matale.	066-2226400	066-2226402	Mr. Sudesh Liyanage
Nawalapitiya	No. 65, Ambagamuwa Road, Nawalapitiya.	054-2224482	054-2224485	Mr. Tharindu Dilshan
Nuwara Eliya	No. 36, K. Ramanathan Complex, Park Road, Nuwara Eliya.	052-2224119	052-2224122	Mr. Sameera Janaruwan
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa.	081-2056338	081-2056339	Mr. Chamara Sampath

## Distribution Network

Branch	Address	Telephone Number	Fax Number	Contact Person
<b>Eastern Province</b>				
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2223395	063-2224850	Mr. Pradeep Madushan
Batticaloa	No. 26, New Kalmunai Road, Batticaloa.	065-2226537	065-2226754	Mrs. Tharaha Priyandren
Kalawanchchikudy	No. Ward 09, Main Street, Kalawanchchikudy.	065-2251661	065-2251531	Mr. Ravindran Shopanathas
Kalmunai	No. 82, Main Street, Kalmunai.	067-2225486	067-2225485	Mr. Mohamed Risky
Kanthale	No. 72/1, Agrabodhi Mawatha, Kanthale.	026-2234935	026-2234936	Mr. Gihan Madushanka
Kattankudy	No. 187, Main Street, Kattankudy 6.	065-3122022	065-2248340	Mr. T. Thanusiyan
Muthur	No. 257, Batticaloa Road, Muthur 2.	026-2238276	-	Mr. M. Deneshan
Trincomalee	No. 445/1, Dockyard Road, Trincomalee.	026-2225285	026-2225286	Mr. Nadeeth Prithikumara
<b>North Central Province</b>				
Galenbindunuwewa Service Center	No. 87/61, Galenbindunuwewa.	025-2258001	025-2258008	Mr. Nilan Chathuranga
Hingurakgoda Service Center	Yamuna, Airport Road, Hingurakgoda.	027-2055055	027-2055054	Mr. Nuwan Sanjeewa
Kekirawa	No. 12/A, Thalawa Road, Kekirawa.	025-2264820	025-2264566	Mr. Lakshitha Madusanka
Medawachchiya	No. 76/D, Jaffna Road, Medawachchiya.	025-2245209	025-2245414	Mr. Pramod Deshanjaya
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Chamika Bandara
Thambuttegama	No. 326, Queen Junction, Kurunagala Road, Thambuttegama.	025-2276180	025-2275511	Mr. Janith Dilshan
<b>Northern Province</b>				
Chunnakam	No. 15, K. K. S. Road, Chunnakam.	021-2241105	021-2242072	Mr. Sivapalan Sivakajan
Kilinochchi	No. 253, Kandy Road, Kilinochchi.	021-2283869	021-2285308	Mr. Nadarajah Arun
Kodikamam Service Center	People's Bank Building, Kandy Road, Kodikamam.	021-2050233	021-2050235	Mr. Sathinthan Sudarshan
Mannar	No. 109, Hospital Road, Sinnakadi, Mannar.	023-2251342	023-2251370	Mr. Jesuthasan Jenushan
Nelliady Service Center	No. 148, Jaffna Road, Nelliady	021-2262809	021-2261825	Mr. Ravindran Ajithram
<b>North Western Province</b>				
Anamaduwa Service Center	Peoples Bank Building, Kurunegala Road, Anamaduwa.	032-2263487	032-2263487	Mr. Chamara Lakshan
Chilaw	No. 10, Colombo Road, Chilaw.	032-2224844	032-2224103	Mr. Chamara Ranga
Giriulla	No. 199, Kurunegala Road , Giriulla.	037-2288316	037-2288805	Mr. M. T. Roshan
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya.	037-2281343	037-2281525	Mr. Sithija Sankalpa
Melsiripura	No. 237, Dambulla Road, Melsiripura.	037-2250229	037-2250482	Mr. Lahiru Maduranga
Narammala	No. 105, Kuliyapitiya Road, Narammala.	037-2249651	037-2248670	Mr. Neranjan Kaushalya
Nattandiya	No. 26, Rathmalwatta, Nattandiya.	032-2251588	032-2251522	Mr. Hasitha Malshan
Puttalam	No. 97B, Kurunegala Road, Puttalam.	032-2266893	032-2266895	Mr. Mohamed Ikram
Wariyapola	No. 119, Kurunegala Road, Wariyapola.	037-2233426	037-2268311	Mr. Madawa Chathuranga
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa.	031-2245663	031-2245662	Mr. Gayan Kavinda

Branch	Address	Telephone Number	Fax Number	Contact Person
<b>Sabaragamuwa Province</b>				
Balangoda	No. 118A, Barns Rathwaththa Mawatha, Balangoda.	045-2289500	045-2289502	Mr. Chathuranga Umesh
Embilipitiya	No. 122, New Town Road, Embilipitiya.	047-2261387	047-2261972	Mr. Sumudu Madushanka
Godakawela	No. 52, Main Street, Godakawela.	045-2240607	045-2240604	Mr. Buddika Priyanath
Kalawana	No. 43, Mathugama Road, Kalawana.	045-2256001	045-2256003	Mr. Chamindu Chathuranga
Kegalle	No. 345, Main Street, Kegalle.	035-2230101	035-2230195	Mr. Gayashan Tharuka
Mawanella	No. 37, New Kandy Road, Mawanella.	035-2249364	035-2249366	Mr. Roshan Madusanka
Pelmadulla	No. 118/1, Rathnapura Road, Pelmadulla.	045-2276081	045-2276083	Mr. Pushpika Sampath
Warakapola	No. 177, Kandy Road, Warakapola.	035-2268124	035-2268264	Mr. Gayan Wijesooriya
<b>Southern Province</b>				
Akuressa	No. 77, Matara Road, Akuressa.	041-2284711	041-2283925	Mr. Dinuja Dilshan
Ambalangoda	No. 105A, New Galle Road, Ambalangoda.	091-2255646	091-2255649	Mr. Oshan Bawantha
Ambalanthota	No. 32 1/1, Tissa Road, Ambalanthota.	047-2225265	047-2225266	Mr. Amila Isanka
Benthota	No. 415, Galle Road, Aluthgama.	034-2271640	034-2271633	Mr. Rajith Priyankara
Deniyaya	No. 150, Akuressa Road, Deniyaya.	041-2273341	041-2273713	Mr. Madhura Chathuranga
Elpitiya	No. 44, Ambalangoda Road, Elpitiya.	091-2290817	091-2291847	Mr. Vihan Devith
Hambanthota	No. 102K, Main Street, Hambanthota.	047-2221276	047-2221277	Mr. Anil Geeganage
Kamburupitiya	No. 217, Matara Road, Kamburupitiya.	041-2294620	041-2294622	Mr. Sachith Buddhika
Neluwa	No. 08, 1st Floor, Manuka Building, Dellawa Road, Neluwa.	091-3094691	091-4943766	Mr. Lahiru Kavinda
Tangalle	No. 05, 5A, Annapitiya Road, Tangalle.	047-2242501	047-2242503	Mr. Ashan Dinuka
Thissamaharama	No. 171, Main Street, Tissamaharamaya.	047-2239671	047-2239673	Mr. Nimesh Indika
Udugama Service Center	Bar Juntion, Udugama.	091-2285445	091-2285447	Mr. Hashan Danangaya
Urubokka	No. 466D, Main Street, Urubokka.	041-2272175	041-2272176	Mr. Dinesh Madushanka
Walasmulla	No. 74, Beliaththa Road, Walasmulla.	047-2245651	047-2245654	Mr. Chamila Chamara
<b>Uva Province</b>				
Badulla	No. 33/9, Modern Complex, Cocowatta Road, Badulla.	055-2223903	055-2223777	Mr. Aruna Kumara
Bandarawela	No. 35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Sajitha Thilan
Mahiyanganaya	No. 03, Sri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257738	055-2257737	Mr. Thushara Namal
Monaragala	No. 32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Oshan Ishara
Welimada	No. 11A, Boralanda Road, Welimada.	057-2244994	057-2244995	Mr. Chanaka Samantha
Wellawaya	No. 128, Monaragala Road, Wellawaya.	055-2274035	055-2274025	Mr. Kasun Lakmal
<b>Western Province</b>				
Awissawella	No. 15, Kudagama Road, Awissawella.	036-2233791	036-2233793	Mr. Lahiru Suranjith
Battaramulla	No. 261, Main Street, Battaramulla.	011-2886818	011-2886824	Mr. Mithila Dhananjaya
Divulapitiya Service Center	No. 73, Meerigama Road, Divulapitiya.	031-2248161	031-2248160	Mr. Saranga Rasika
Gampaha	No. 65, Yakkala Road, Gampaha.	033-2233892	033-2232733	Mr. Harshan Fernando

## Distribution Network

Branch	Address	Telephone Number	Fax Number	Contact Person
Grandpass	No. 507, Sirimavo Bandaranayake Mawatha, Colombo 14.	011-2340013	011-2340025	Mr. Dinesh Kanagarathnam
Hanwella	No. 132/3, Colombo Road, Hanwella.	036-2251330	036-2251333	Mr. Gayan Madushanka
Havelock	No. 07, Havelock Road, Colombo 05.	011-2592432	011-2592445	Mr. Hasini Ridma
Homagama	No. 121/3, Highlevel Road, Homagama.	011-2098141	011-2098144	Mr. Dimuthu Sandaruwan
Horana	No. 101, Rathnapura Road, Horana.	034-2267701	034-2267706	Mr. Sahanjaya Gunathilaka
Ja-Ela	No. 112/A, Negambo Road, Ja-Ela.	011-2228078	011-2228076	Mr. Milan Thakshila
Kadawatha	No. 657A, Kandy Road, Bandarawatta, Kadawatha.	011-2926909	011-2926911	Mr. Thoshan Indika
Kaduwela	No. 349/A/1, New Kandy Road, Kothalawala, Kaduwela.	011-2548578	011-2548590	Mr. Rinosh Dilshan
Kalutara	No. 314/1/1, Main Street, Kaluthara South, Kalutara.	034-2235336	034-2235800	Mr. Gayan Kalhara
Kelaniya	No. 950, Kandy Road, Hibutuwelgoda, Dalugama, Kelaniya.	011-2914112	011-2908484	Mr. Yohan Uditha
Kiribathgoda Service Center	No. 94-1/4, Makola Road, Kiribathgoda (Udeshi City).	011-2911766	011-2911866	Mr. Nelka madushanka
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela.	033-2247581	033-2247580	Mr. Charundya Senadheera
Kollupitiya	No. 385, Galle Road, Colombo 03.	011-2376476	011-2376477	Mr. Sasmitha Basnayaka
Maharagama	No. 215, Highlevel Road, Maharagama.	011-2088599	011-2851646	Mr. Jimutha Indeewara
Mathugama	No. 98/3, Agalawaththa Road, Mathugama.	034-2249230	034-2248882	Mr. Nimesh Gunathilaka
Minuwangoda	No. 26H, Colombo Road, Minuwangoda.	011-2298641	011-2298655	Mr. Chathuranga Lahiru
Mirigama	No. 69/A, Giriulla Road, Mirigama.	033-2275528	033-2275521	Mr. Chanaka Pradeep
Moratuwa	No. 553, Galle Road, Rawathawaththa, Moratuwa.	011-2648474	011-2648472	Mr. Tharanga Madumal
Mount Lavinia	No. 271, Galle Road, Mount Lavinia.	011-2720720	011-2725904	Mr. Chanaka Prasad
Negombo	No. 29/1, Colombo Road, Negombo.	031-2227775	031-2224882	Mr. Dinesh Fernando
Nittambuwa	No. 83, Batadole Walauwa Junction, Kandy Road, Nittambuwa.	033-2298110	033-2298112	Mr. Janith Dissanayake
Nugegoda	No. 290, Highlevel Road, Nugegoda.	011-2813997	011-2813991	Mr. Sachithra Ferdinando
Panadura	No. 482, Arther V. Dias Mawatha, Panadura.	038-2237331	038-2237332	Mr. Manju Lakruwan
Pettah	No. 319, Main Street, Colombo 11.	011-2437708	011-2473549	Mr. Aropyanadan Vinoshan
Piliyandala	No. 71, Moratuwa Road, Piliyandala.	011-2609835	011-2609838	Mr. Charith Yasantha
Ragama Service Center	No. 26/8, UDA Block, Kadawatha Road, Ragama.	011-2958151	011-2958515	Mr. Kasun Chamara
Union Place - Alsafa	No. 167, Union Place, Colombo 02.	011-2377877	011-2304463	Mr. Mohomad Sharaff
Ward Place	No. 24/A, Ward Place, Colombo 07.	011-2678692	011-2678696	Mr. Danushka Harshana
Wattala	No. 540A, Negombo Road, Wattala.	011-2948441	011-2947411	Mr. Janith Randika
Wellawatte	No. 44, W. A. Silva Mawatha, Colombo 06.	011-2557170	011-2361564	Mr. M. R. M. Rashad

# Corporate Information

## **Name of Company**

People's Insurance PLC  
(Subsidiary of People's Leasing & Finance PLC)

## **Legal Form**

Public Limited Liability Company  
(Incorporated and domiciled in Sri Lanka)

## **Date of Incorporation**

22nd July 2009

## **Company Registration Number**

PB 3754 PQ

## **Stock Exchange Listing**

Ordinary shares of the company are listed on the Main Board of the Colombo Stock Exchange

## **Tax Payer Identification Number (TIN)**

134037547

## **VAT Reregistration Number**

134037547-7000

## **SVAT Reregistration Number**

SVAT004235

## **Principal Activities**

General Insurance Business

## **Accounting Year-end**

31st December

## **Registered Office**

People's Insurance PLC  
No. 07,  
Havelock Road,  
Colombo 05.

## **Head Office (Registered Office) and Principle Place of Business**

People's Insurance PLC  
No. 07,  
Havelock Road,  
Colombo 05.  
Telephone : +94 11 2126126  
Fax : +94 11 2126322

## **Board of Directors**

Mr. Isuru Balapatabendi– Chairman  
Mr. Ranjith Kodituwakku  
Mr. A. S. Ibrahim  
Mr. Lakshman Abeysekera  
Mr. Johnson Fernando  
Dr. Kasun Wijetilleke

## **Principal Officer**

Mr. D. D. C. Abeysekara

## **Company Secretary**

Ms. Lakmini Kottegoda

## **Registrars**

SSP Corporate Services (Pvt) Ltd  
No. 101,  
Inner Flower Road,  
Colombo 03.

## **Auditors**

Auditor General  
Auditor General's Department,  
No. 306/72, Polduwa Road,  
Battaramulla.

## **Consultant Actuaries**

NMG Financial Services Consulting Pte Limited  
30, Hill Street,  
#03-02A,  
Singapore.

## **Gratuity**

Smiles Global (Pvt) Limited  
14A, Boyd Place,  
Colombo 03.

## **Bankers**

People's Bank  
Nations Trust Bank PLC  
Sampath Bank PLC  
Seylan Bank PLC

## **Reinsurance Panel**

Asia Capital Reinsurance Group Pte Ltd.  
Asian Reinsurance Corporation  
Best Meridian Insurance Company  
Chubb Insurance Singapore Limited  
General Insurance Corporation of India  
Lloyd's  
National Insurance Trust Fund  
Ocean International Re. Co.  
Santam/Munich Re

## **Insurer Financial Strength Rating**

'A+ (lka)' by Fitch Ratings



# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the eleventh (11th) Annual General Meeting of People's Insurance PLC will be held on 14th October 2020 at 3.30 p.m. at Block 02, Lotus Hall, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st December 2019 together with the report of the Auditors thereon.
2. To re-elect as a Director Mr. Isuru Balapatabendi, who retires in terms of Article 27 (2) of the Articles of Association.
3. To re-elect as a Director Mr. Ranjith Kodituwakku, who retires in terms of Article 27 (2) of the Articles of Association.
4. To re-elect as a Director Mr. Johnson Fernando, who retires in terms of Article 27 (2) of the Articles of Association.
5. To re-elect as a Director Dr. Kasun Wijethilleke, who retires in terms of Article 27 (2) of the Articles of Association.
6. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

## Auditors of the Company

According to Section 55 of the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'auditee entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

By order of the Board,



**Lakmini Kottegoda**  
Company Secretary

Colombo  
10th August 2020

## Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

# Form of Proxy

I/we ..... of  
 ..... being a member/s of People's Insurance PLC  
 hereby appoint Mr./Mrs./Miss .....  
 (holder of N.I.C. No ..... ) of .....failing him/her

Mr. Isuru Balapatabendi	failing him
Mr. A. S. Ibrahim	failing him
Mr. Lakshman Abeysekera	failing him
Mr. Ranjith Kodituwakku	failing him
Mr. Johnson Fernando	failing him
Dr. Kasun Wijethilleke	failing him

as my/ our proxy to represent me/ us and vote on my/ our behalf at the eleventh (11th) Annual General Meeting of the Company to be held on 14th October 2020 at 3.30 p.m. at Block 02, Lotus Hall, Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No:

		For	Against
1	To receive and consider the Annual Report of the Board of Directors together with the financial statements of the Company for the year ended 31st December 2019 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect as a Director, Mr. Isuru Balapatabendi, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect as a Director, Mr. Ranjith Kodituwakku, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect as a Director, Mr. Johnson Fernando, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-elect as a Director, Dr. Kasun Wijethilleke, who having been appointed to the Board in terms of Article 27(2) of the Articles of Association of the Company, retires at this Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
6	To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

## Auditors of the Company

According to Section 55 of the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'auditee entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

Signed this ..... day of..... 2020

.....  
 Signature

.....  
 Shareholder's N.I.C./ P. P./Co. Reg. No.

## Notes:

1. Proxy need not be a member of the company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

# Form of Proxy

## Instructions as to Completion

1. As provided for in Article 19(3) of the Articles of Association of the Company, the instrument appointing a proxy should be in writing.
2. The full name and address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
  - a. In case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the complete proxy if it has not already been registered with the company.
  - b. In case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
  - c. In the case of joint-holder, be signed by the joint-holder whose name appears first in the Register of Members.
4. The completed form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited a No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholders, signing the Proxy.

6. An extract of Articles 15,18 and 22 of the Articles of Association of the Company which deal with meetings of shareholders is produced below for the information of the shareholders,

### “15. Method of Holding Meetings

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

### 18. Voting

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
  - a) the chairperson; or
  - b) not less than five (5) shareholders having the right to vote at the meeting; or
  - c) a shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The chairperson of a shareholders' meeting is not entitled to a casting vote.

### 22. Votes of Joint Holders

Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders.

Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote.”

# Investor Feedback Form

We welcome your valuable feedback on this Integrated Annual Report.

To request information or submit a comment/query to the Company, please complete and return this page to,

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People's Insurance PLC,  
No. 07, Havelock Road,  
Colombo 05,  
Sri Lanka.  
Fax : 011-2126322  
E-mail : nilushan@plc.lk

Name	:	..... .....
Mailing address	:	..... .....
Contact numbers - Tel.	:	.....
- Fax	:	.....
E-mail address	:	.....
Name of company (If applicable)	:	.....
Designation (If applicable)	:	.....
Company address (If applicable)	:	.....
Comments/queries	:	..... .....









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