

Ceylinco General Insurance Limited | Annual Report 2021

 **Sri Lanka, We Always Believe**

# PEOPLE

# *Principles*

# PROGRESS





# PEOPLE *Principles* PROGRESS

People. Principles. Two words that form the blueprint of our progress. For over three decades, we have allowed our founding principles to guide us to the pinnacle of our industry, creating transformation crucial for the progress of our nation. Our people have made it their mission to deliver excellence on par with our entrepreneurial vision - turning challenges into opportunity, evolving at the speed of your life.

As we braved every adversity with optimism, we engineered our success to be sustainable and our efforts to be purposeful to deliver lasting value to every life we touch across Sri Lanka. As we cement our strength in the business we operate today, tomorrow we will embark on yet another vibrant chapter guided by our people and principles, the result of which is lasting progress.



# DELIVERING LASTING VALUE



GROSS WRITTEN  
PREMIUM

RS. **20.2** BN

LARGEST  
OUTDOOR



DIGITAL  
NETWORK

PROFIT AFTER  
TAX

RS. **1.5** BN



ONE OF THE  
LARGEST

**24x7**  
CALL CENTRES

CLAIMS AND  
BENEFITS PAID

RS. **13.7** BN



CUSTOMER TOUCH  
POINTS - OVER

700



NO.1

IN SERVICE EXCELLENCE  
IN INSURANCE



SLIM

PEOPLES INSURER  
OF THE YEAR



ONLY  
COMPANY  
TO SETTLE  
CLAIMS  
ON THE  
SPOT



7 VIP

REST SPOTS FOR  
CUSTOMERS TO  
RELAX



CUSTOMER BASE  
OF OVER

2.8 MN



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### CORPORATE GOVERNANCE

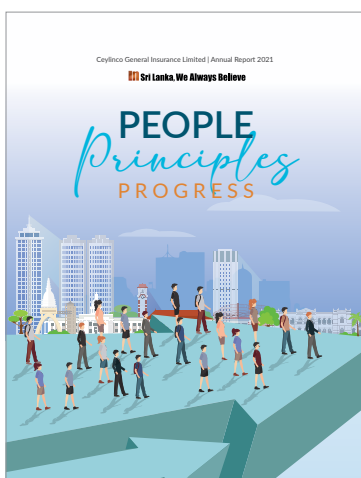
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### ABOUT THE REPORT



This Integrated Report provides a concise yet thorough insight into Ceylinco General Insurance Ltd's operations for the financial year ended 31st December 2021. The Board has taken into account the financial, manufacturing, intellectual, social and relationship and human capitals as key pillars of our value creation process. This report combines the International Integrated Reporting Council (IIRC) framework, combining non-financial information with financial reporting.



## OUR MISSION

Our Mission is to provide protection and financial security of the highest quality to society, whilst adding to shareholders' wealth and recognising, rewarding and valuing the dignity of our staff.



## OUR CORPORATE GOALS

- To provide an attractive return on investment to the shareholders, whilst retaining adequate funds for growth and to achieve a high degree of stability which would enable us to hold true to our mission in all business conditions.
- To be a leading provider of protection and financial security in Sri Lanka and selected international markets.
- To develop highly-satisfied and motivated employees at all levels, who will contribute effectively and efficiently towards achieving the overall objectives of the Company.
- To contribute to the economic development of Sri Lanka and enhance the quality of life of its people.

## ABOUT US

At Ceylinco General Insurance, we have served the people of our nation with the finest in innovative insurance products and services for over 30 years. Yet our history can be traced as far back as 1939, when the Company was originally registered as The Ceylon Insurance Company, which was in fact, the first Ceylonese Company ever registered. This is the heritage of the pledge of trust that has made us one of the most distinguished insurance service providers in Sri Lanka today. Ceylinco Insurance has weathered many storms to become a respected name in the insurance industry.

# PERFORMANCE HIGHLIGHTS

## PROFITABILITY

Year ended 31st December	2021 Rs.000	2020 Rs.000	Change %
Gross Written Premium	20,206,104	20,094,192	0.56
Net Earned Premium	13,253,522	13,555,494	(2.23)
Investment & Other Income	2,534,915	2,009,735	26.13
Insurance Claims & Benefits	(7,063,541)	(6,635,199)	6.46
Profit Before Taxation	1,747,523	1,862,479	(6.17)
Profit After Taxation	1,509,346	1,471,800	2.55

## FINANCIAL POSITION

As at 31st December	2021 Rs.000	2020 Rs.000	Change %
Total Assets	36,648,668	32,061,287	14.31
Total Liabilities	22,180,564	19,088,641	16.20
Total Equity	14,468,104	12,972,646	11.53

## PER ORDINARY SHARE

	2021 Rs.	2020 Rs.	Change %
Earnings	603.50	588.48	2.55
Dividends	185.00	39.98	362.69
Net Assets	5,784.93	5,186.98	11.53

Rs. **15.8** Bn. ↑  
Total Revenue

Rs. **1.5** Bn. ↑  
Profit After Tax



Rs. 20.2 Bn. ↑

Premium Income

Rs. 36.6 Bn. ↑

Total Assets

Rs. 14.5 Bn. ↑

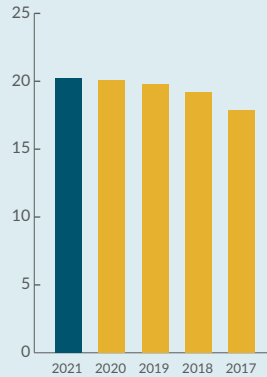
Shareholders' Funds

Rs. 7.1 Bn. ↑

Net Claims

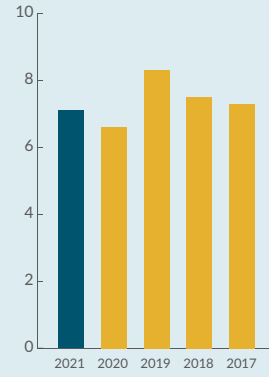
GWP

(Rs. Bn.)



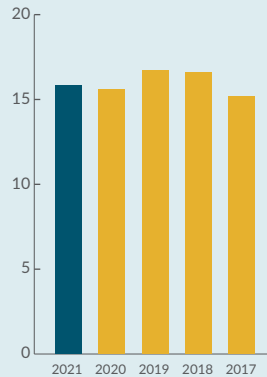
Net Claims

(Rs. Bn.)



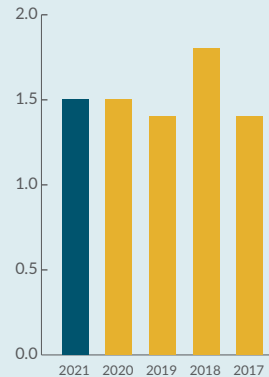
Revenue

(Rs. Bn.)



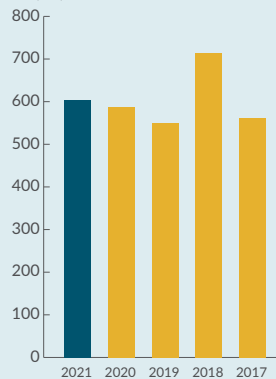
PAT

(Rs. Bn.)



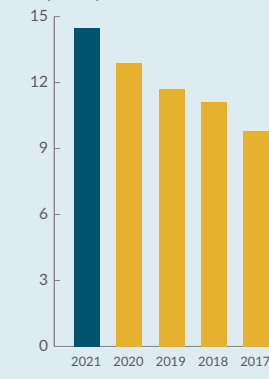
EPS

(Rs.)



Shareholders' Funds

(Rs. Bn.)



# CHAIRMAN'S REVIEW





“

The theme of this annual report, ‘People, Principles, Progress’ evokes the foundation on which we navigated the year. The professionalism of our people, the ethical principles we follow in our business, and our determination to make steady progress despite challenges were the key pillars on which the Company surmounted odds in the year 2021.

”

Mr. Patrick Alwis  
*Executive Chairman/Chief Executive Officer*

# CHAIRMAN'S REVIEW

## OVERVIEW OF THE ECONOMY

The outbreak of the Covid-19 pandemic impacted multiple sectors of the economy and ravaged businesses across the world. Throughout 2021, subsequent waves of the pandemic were seen in every continent, posing severe consequences for every aspect of human life.

On the economic side, the key impact was the sudden drop in both demand and supply, triggered by widespread closures of businesses in response to control the pandemic. This caused a decline in supply while a drop in consumption and investment further resulted in a demand decline. There is hardly any doubt that it is impossible for the world to come out of the COVID-19 crisis unscathed.

The Sri Lankan economy too suffered significant losses, especially in foreign exchange earnings. Revenue from tourism alone dropped by US\$3 billion over the first eight months of 2021 compared to the same period in 2020. However, a successful vaccination drive gave the country a ray of hope to emerge from pandemic-related activity, but the weakening economic conditions prevailing through 2021 never really allowed the local economy to arrive at a position of strength.

## IMPACT ON THE GENERAL INSURANCE INDUSTRY

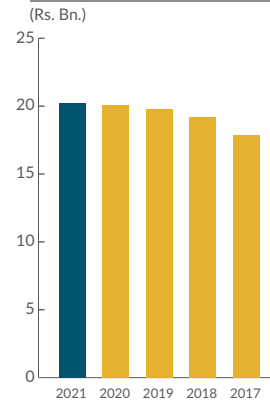
As is the case in many countries, the economic and social impacts of the COVID-19 pandemic created similar challenges as well as opportunities for the Sri Lankan Insurance industry. The General insurance industry had to contend with difficult conditions created by the pandemic, as lockdowns, restrictions on mobility, disruptions to businesses and the resulting erosion

of business and personal incomes had a bearing on people's affordability, thereby impacting the industry. The biggest impact for the general insurance industry caused by pandemic-induced conditions was the government's decision to ban vehicle imports to conserve foreign exchange, as motor insurance accounts for a larger share of the general insurance business in Sri Lanka, accounting for nearly 60% of the total non-life Gross Written Premiums (GWP). This is amply reflected in the fall of motor insurance premiums in 2021.

Even under the adverse effects of the pandemic, the General insurance industry showed its resilience by recording an overall growth of 2.8% with a premium income of Rs. 102.3 billion mainly due to the accelerated growth of 11.3% recorded by the non-motor segment. The year-on-year growth of the motor insurance premiums fell to a negative of 2.3% in 2021 with a premium income of Rs. 60.7 billion against the premium income of Rs. 62.2 billion recorded in 2020. Non-Motor Insurance premiums, which amounted to 40.6% of the General Insurance industry, stood at Rs. 41.6 billion in 2021. Even with a considerable decline, Motor Insurance remained the largest contributor (59.4%) followed by Fire and Engineering (16.1%), Health products (13.3%), General Accident (8.2%) and Marine (3.0%) as at end 2021.

Together with the Life Insurance industry, the overall insurance industry in Sri Lanka recorded Gross Written Premiums valued at Rs. 226.3 billion in 2021, which reflects an increase of 12% year-on-year. Of this combined performance, General insurance accounted for 45% of total premiums, while Life premiums accounted for 55%.

## GWP



## OUR STRATEGIC APPROACH

The theme of this annual report, 'People, Principles, Progress' evokes the foundation on which we navigated the year. The professionalism of our people, the ethical principles we follow in our business, and our determination to make steady progress despite challenges were the key pillars on which the Company surmounted odds in the year 2021. Neither the pandemic nor any other unfavourable economic conditions could defeat us, as we remained proactive to take control of the situation swiftly.

Our main objective was to keep the staff healthy and safe. As a first step, we activated the business continuity plan in place which was developed almost three years ago – bringing in less than 20% of staff at one time for most of 2021. During the peak of lockdown, less than 10% of our key staff was physically working in office while the rest of the teams worked from home. To ensure operations flowed smoothly and were practically contactless, all internal approvals and correspondence was facilitated online through digital platforms. The drive to automate processes will continue in the future for a wholly contactless process.

Cohesive policy decisions were taken on how to care of our staff and dependents, negotiating with hospitals and intermediate care centres for our staff. We spent over Rs. 50 million for COVID-19 related hospitalizations of staff and their dependants during 2021. Those with complications were kept in private hospitals and those who did not have complications were kept at intermediate care centres. In instances where the entire family was affected, they were kept at intermediate care centres too. A clear framework was established to look after staff financially and health-wise.

Secondly, the Company was committed to providing job security; as a result, not a single staff member was retrenched nor did they have fixed income deducted during the pandemic period. Thus, the Company was powered by a very motivated and loyal team determined to do all they could to mitigate any negative impact of the challenging economic environment on the Company.

However challenging the circumstances became, business activities continued uninterrupted and customers were provided with the complete gamut of services, with an even more special emphasis to see that they were being well taken care of. Another notable and a bold move was to purchase a large stock of spare parts of almost all popular models of vehicles. Though initially a considerable amount of capital had to be blocked for this purpose, in the long run this initiative proved cost effective as prices of spares were escalating by the day. As a result, the Company was able to provide the spare parts needed without any hindrance, which was highly appreciated by customers.

Rs. 20.2 Bn.

## Premium Income

### COMPANY PERFORMANCE

Though uncertainty and upheaval were the order of the day in the wider economy, Ceylinco General Insurance recorded another noteworthy performance in Profits as well as in Turnover. Profit after tax increased by 2.5% compared to previous year and stood at Rs. 1.5 billion while Profit before tax stood at Rs. 1.7 billion.

Similarly, the Company earned a premium income of Rs. 20.2 billion, an increase of 0.6%. Though not up to expectations in view of the prevailing tough macro conditions discussed in detail elsewhere in this report, this could be classified a satisfactory performance. Our ability to navigate even in the most turbulent conditions coupled with the untiring efforts of the Company's machinery enabled us to achieve the impossible.

### PRODUCT INNOVATION

With the outbreak of the pandemic, demand for health-related products increased considerably. A greater awareness of medical insurance benefits due to hospitalizations resulting from COVID-19 led to an increased demand for insurance products related to health and hospitalization. Aligning with this trend, the Company introduced several solutions through digital channels.

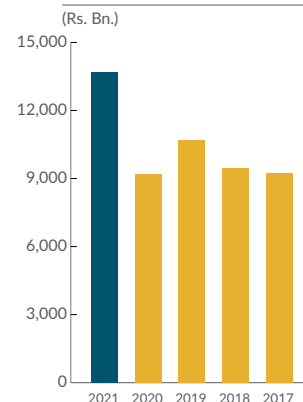
Further steps have been taken to adopt digital channels in lieu of face-to-face sales, and product developments accelerated to better align with demands

of the younger generation whose interest in purchasing insurance notably increased with the outbreak of the pandemic.

### DELIVERING ON OUR PROMISES

Even under the most trying situations that the country faced, the Company never avoided its responsibility for offering benefits and compensation to policy holders. Claims to the tune of Rs. 13.7 billion were paid during the year 2021 of which Rs. 321 million was paid for COVID-19 related hospitalizations. Compensation amounting to Rs. 453 million paid to a local manufacturing plant that was completely gutted was the biggest claim settled during the year 2021. There's no doubt that swift settlement of claims helped ease the burdens of policy holders to a great extent, bringing them much-needed relief.

### Gross Claims



### BRANCH AND CHANNEL EXPANSION

The 550-strong branch network gave the Company an unprecedented advantage in every aspect of operations; not only did it generate a mammoth revenue, but it enabled the Company to provide an unparalleled service to valued customers. Nine new outlets were opened during the year under review notwithstanding

# CHAIRMAN'S REVIEW

the trying circumstances that prevailed. All product offerings were sustained through the year under review, as were specialised insurance services through bancassurance partnerships and by fulfilling needs of the clientele of partner banks.

## IT FRAMEWORK

During 2021, the Company further strengthened the 'work from home' mode for employees, adapting to the lockdowns and travel restrictions as per recommendations from health authorities. Aiding this process was a sound IT framework, systems and processes, and digitalization initiatives that the Company had already embarked upon. Committed to facilitate customer convenience, various initiatives were introduced to ensure the Company remains abreast of digitalization trends that customers are seeking. We remain committed to investing in technologies that will deliver tangible benefits both to the organization and our stakeholders, chiefly our customers.

## STRONG PARTNERSHIPS

The strong bonds the Company enjoys with the world's leading Reinsurers provide optimal support and served to catapult it to the forefront of the industry as an insurer that always honours claims amidst any catastrophe. The highest reinsurance coverage levels were maintained during the year, well beyond statutory levels.

## MATTER OF CONCERN

In a recent move, the Insurance Regulatory Commission of Sri Lanka banned selling of insurance schemes through mobile operators. At a time when insurance penetration is low and people are finding it extremely difficult to afford high premiums, schemes such

as these marketed through mobile operators are extremely affordable and beneficial to the masses. At the time of imposing the ban, four insurance companies collectively had over 10% of the population covered under such insurance schemes promoted through mobile operators. We expect that the regulator will look to reverse their decision in a prudent manner.

## LOOKING AHEAD

We are heading towards a more challenging economic and social environment which will have a huge impact on consumer lifestyles, spending patterns, buying behaviours and needs and wants. We remain hopeful that the economic climate in Sri Lanka will take a turn for the better so that all sectors of the economy can come back on track. We remain optimistic about the Company's future prospects, as macroeconomic conditions improve. After navigating two of the most highly volatile years in our history, no challenge will be too great for the Company to surmount.

## APPRECIATION

I take this opportunity to express my gratitude to the Chairman, Director-General, the Members of the Board and officials of the Insurance Regulatory Commission of Sri Lanka for their unstinted support. The guidance offered by Insurance Ombudsman, Dr. Ranjith Ranarajah, has been valuable in steering through the year.

All our Reinsurers and Reinsurance Brokers have also been extremely supportive, which has helped to sustain our growth momentum. I am grateful to all our insurance agents and brokers who extended their utmost cooperation.

I wish to place on record my gratitude to Mr. Ajith Gunawardena, Executive Chairman/CEO of Ceylinco Insurance PLC for his visionary leadership and immense contribution. I also wish to commend the Managing Director, Mr. Upali Witharana and all my colleagues on the Board, who provided balanced leadership and guidance to administer my duties.

Our employees are our greatest asset and they have contributed in an extraordinary manner this year. Their commitment, proactive approach and dedication to achieving targets helped us achieve strong growth against all odds. Our customers require our strongest appreciation for remaining loyal to the Company and for recognizing the inherent strengths that have brought us to the forefront of the industry. It is this belief in our ability that inspires us to reach higher.



Mr. Patrick Alwis  
Executive Chairman/Chief Executive  
Officer



# BOARD OF DIRECTORS



**MR. PATRICK ALWIS**

*Executive Chairman/Chief Executive Officer*



**MR. U. WITHARANA**

*Managing Director  
Director (Finance)/Chief Operations Officer*



**DR. W.C.J. ALWIS**

*Director (Technical)/ Chief Technical Officer*



**MR. R.A. GUNATHILAKE**

*Director - Branch Operations*



**MR. H.D.A.N. PERERA**

*Director*



**MR. K.D.A.S.R. ARSAKULARATNE**

*Director*

# BOARD OF DIRECTORS



**MR. E.M.M. BOYAGODA**  
*Director*



**MR. B. SARADA M. DE SILVA**  
*Director*



**MR. A.R.H. FERNANDO**  
*Director*



**MR. S.C.G. GURUGE**  
*Director*



**MR. YU KITAI**  
*Director*



**MR. M.D.E.A.G. SAPARAMADU**  
*Director*





**DR. U.D. DE SILVA**  
*Director*



**MR. G.S. SUNDARARAJAN**  
*Director*



**DR. S.D. WANIGARATNE**  
*Director*



**MR. C.P.A. WIJEYESEKERA**  
*Director*

# BOARD OF DIRECTORS

## 01

### MR. PATRICK ALWIS

*Executive Chairman/Chief Executive Officer*

Commencing his association with Ceylinco Insurance - General Division - on 15th May 1990 as a Regional Manager, Mr. Patrick Alwis blazed a dynamic career, rapidly rising to the position of Deputy General Manager by 1998. He was subsequently appointed to the Board on 10th January 2001 and currently serves as Director of Ceylinco Insurance PLC and served as the Managing Director/Chief Executive Officer of Ceylinco General Insurance Limited until February 2021. In March 2021, he was appointed as Executive Chairman/Chief Executive Officer of Ceylinco General Insurance Ltd

He was instrumental in spearheading strategic alliances with leading insurance companies in the Middle East (United Arab Emirates, Bahrain, Oman, Qatar, Saudi Arabia and Kuwait), providing valuable management expertise in promoting unique Ceylinco General Insurance solutions to migrant workers of all nationalities residing in the Gulf.

Also, he is credited with setting up the branch network for Ceylinco General Insurance in Sri Lanka, which has become one of the key factors in the Company's exponential growth in a fast-paced economy. Today, Ceylinco General Insurance can claim the largest branch network in the industry.

His initiative and drive resulted in the successful implementation of a unique system for the sales force to accurately prospect for clients. His visionary methodology practiced by the gamut of

the sales force at all levels has resulted in stupendous results for individual sales personnel as well as the Company. The system in question has also paved the way to monitor and manage the direct sales force of Ceylinco General Insurance efficiently.

He also spearheaded the setting-up of a 24-hour call centre which facilitates on-the-spot claims settlement process of the company. The nerve centre, which has become the nucleus of the company's claim settlement providing speedy solutions, is another concept initiated by Mr. Alwis. He was also responsible for setting-up an island-wide network of Automobile Engineers and Assessors who play a major role in on-the-spot inspections. To-date, he personally monitors the operations of this unit. His hands-on involvement and able leadership has become the key strength of Ceylinco General Insurance Ltd.

In a proactive approach to career development and enhancement of skills and professionalism of the staff, he initiated the introduction of an online Staff Performance Management System in 2019 which is a methodical process that enables the company to evaluate the performance and contribution of each and every staff member in a fair and a systematic manner - leaving out bias and personal preferences, a prudent step with the growing number of employees.

Under his initiative, a sales force dashboard was also introduced in 2019 which facilitates the close monitoring of the movement of sales personnel, customer visits, etc. of the entire sales force by the superiors on a real-time basis. This has also given the opportunity

to digitalize areas such as customer information, including renewal details, follow-up info, prospects and monthly sales plans.

Prior to joining the Company, he began his illustrious career in 1978 at M/s. Hatton National Bank and subsequently served at Lever Brothers (Ceylon) Limited and Richard Peiris & Company in the field of Sales and Marketing.

## 02

### MR. U. WITHARANA

*Managing Director*

*Director (Finance)/Chief Operations Officer*

Mr. Upali Witharana joined Ceylinco Insurance PLC as an Assistant General Manager - Finance (General Insurance Division) on 04th January, 1999 He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He also holds a Master of Business Administration Degree from the University of Colombo. Mr. Witharana has over 30 years of management experience in the Insurance industry both in Sri Lanka and overseas.

He is a past Chairman of the Finance Technical Sub Committee of the Insurance Association of Sri Lanka (IASL).

Mr. Witharana was appointed to the Board of Ceylinco Insurance PLC on the 25th of October, 2005 He also serves as the Finance Director/Director in other Associate and Subsidiary Companies of Ceylinco Insurance PLC. He served in the capacity of Deputy Managing Director/Director Finance/Chief Operations Officer of Ceylinco General

Insurance Ltd. until February 2021. He was appointed as Managing Director of Ceylinco General Insurance Ltd. in March 2021.

In addition to his contribution to the financial management of the Ceylinco Insurance Group, he extends his capabilities by leading a team of professionals in the capacity of the CEO, to successfully develop and manage a number of hydro power projects within the group.

## 03

### **DR. W.C.J. ALWIS**

*Director (Technical)/Chief Technical Officer*

Dr. Jagath Alwis graduated as a Bachelor of Science (B.Sc) majoring in mathematics and physics and joined the National Insurance Corporation in 1982 as a Trainee. He became an Associate Member of the Chartered Insurance Institute, London (ACII) in 1985 and a Fellow (FCII) in 1990. Also a Fellow of the Indian Insurance Institute (FIII), he is a Chartered Insurer by profession. Dr. Alwis is a Fellow of the Institute of Directors, UK.

Dr. Alwis joined Ceylinco Insurance Company in March 1988 as the Reinsurance Manager and was appointed to the Board as the Director (Technical) in January 1993.

He is also heading the Education Sector of Ceylinco Insurance PLC as the Chairman of CEG Education Holdings which is the largest private education conglomerate in Sri Lanka, in addition to his responsibilities as Director (Technical) /Chief Technical Officer of Ceylinco General Insurance Limited.

He is one of the past Presidents of the Insurance Association of Sri Lanka (IASL) and is presently an Executive Committee Member.

Dr. Alwis was also the President/ Chairman of the Executive Board of the Association of Insurers and Reinsurers of Developing Countries (AIRDC) for the years 2012 to 2014 and is presently a member of the Board of Trustees.

He was conferred a Doctorate from the University of Middlesex, United Kingdom in 2013.

Dr. Alwis won the Award for the 'Personality of the Year' at the 18th Asia Insurance Industry Awards Ceremony held in Taipei in November 2014 and also won the Awards for 'Outstanding Contribution for Education' and 'Educational Entrepreneur of the year' at the World Private Universities Awards held in Mumbai, India in 2014.

Dr Alwis has also presented Technical Papers at many International Insurance/ Reinsurance Conferences and is a regular contributor to the International Insurance/Reinsurance press.

## 04

### **MR. R.A. GUNATHILAKE**

*Director - Branch Operations*

Mr. Rex Gunathilake joined Ceylinco Insurance PLC in August 1994 as a Regional Manager and having being progressively promoted to several higher designations, held the post of General Manager (Branches) at the time that he was appointed to the Board of Ceylinco General Insurance Limited in April 2014.

He played a major role in expanding the branch network of the Company, now considered one of the largest distribution networks in the country.

Mr. Gunathilake started his career in the field of sales at Lever Brothers (Ceylon) Limited in 1985 and was the Area Manager in-charge of Kandy, Katugastota, Gampaha, Kegalle and Matale regions, before joining Ceylinco.

## 05

### **MR. H.D.A.N. PERERA**

*Director*

Mr. Perera joined the company on 16th September 1981 as a Trainee of Ceylinco Limited. He was appointed as the Manager-Miscellaneous Department, of Ceylinco Insurance PLC in 1988. He was promoted as the General Manager in 2010. He represents the Company at the General Insurance Forum of the Insurance Association of Sri Lanka to date and represented the Working Committee of the Strike, Riots, Civil Commotion and Terrorism Fund (SRCC & TR Fund) till 2016. He represents the Technical Advisory Committee of the SRCC & TR Fund to-date of National Insurance Trust Fund.

Mr. Perera was invited to the Board of Ceylinco General Insurance Ltd., in January 2018.

He is a regular member representing the Company at the Singapore International Reinsurance Conference held annually. He has also represented the Company at many National/International Insurance & Reinsurance Forums and had been a Panellist and presented many papers.

# BOARD OF DIRECTORS

Presently, he serves on the boards of many subsidiaries of Ceylinco Insurance PLC as a Director including Ceylinco Insurance Company (Pvt) Ltd., Maldives.

## 06

### MR. K.D.A.S.R. ARSAKULARATNE *Director*

Mr. Shervin Arsakularatne holds a Honours Degree as a Bachelor of Commerce from the University of Sri Jayewardenepura.

He is a Director of Blue Ocean Heritage Limited. He is also the former Executive Director of Gartex Industries (Pvt) Ltd and Chairman/Managing Director of Ruchi Clothing (Pvt) Ltd.

## 07

### MR. E.M.M. BOYAGODA *Director*

Mr. Mangala Boyagoda has many years of experience in the fields of banking and treasury management having worked at DFCC Bank, Standard Chartered Bank, Union Bank and Bank of Ceylon.

He is the Chairman of Wealth Lanka Management (Pvt) Limited, Director of SAFE Holdings (Pvt) Limited, Asset Trust Management (Pvt) Limited, Ceylon Hotels Corporation PLC, Sierra Construction (Pvt) Limited, Royal Fernwood Porcelain Limited, Chemanex PLC, Faber Capital Lanka (Pvt) Limited, United Hotel (Pvt) Limited, C A Crushing (Pvt) Limited, Asset Holding (Pvt) Ltd, Sri Lanka Gateway Industries (Pvt) Limited,

Ambeon Holding PLC, Dhamma Parami Trust and CEISOT.

Mr. Boyagoda holds a MBA from Irish University – European Union.

## 08

### MR. B. SARADA M. DE SILVA *Director*

Mr. Sarada De Silva counts over 45 years experience in the Spice Industry, specially in the Cinnamon Industry and is the Founder Chairman of the Spice Council of Sri Lanka.

He has held many positions in the Spice industry including the Chairmanship of the Spices & Allied Products, Producers and Traders Association, the Export Development Board, Advisory Committee on Spices & Allied Products, Trade facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices & Allied Products. He was a Member of the National Council for Economic Development (NCED), Export Cluster and Member of the Steering Committee to form the National Competitiveness Council of the Ministry of Finance. Mr. De Silva is also the Immediate past President of National Chamber of Exporters of Sri Lanka and member of the core team in developing the National Export Strategy.

He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Private) Limited, Intercom Cinnamon Exports (Private) Limited and the Chairman of Cinnamon Training Academy Limited. He is a Director of the Sri Lanka International Arbitration Centre (Guarantee) Limited and

Chairman of HVA Foods PLC. He is also Director of Blue Ocean Heritage Limited and Onicorn Ventures (Private) Limited. He was the Chairman and Managing Director of Intercom Group of Companies until his retirement in 2014.

Mr. De Silva as Founder Chairman of the Ceylon Cinnamon Association was instrumental in highlighting the importance of the Cinnamon Industry over the last three decades. He is also the Chairman of Ceylon Cinnamon Geographical Indications Association and leading the effort to obtain Sri Lanka's first Geographical Indications for Ceylon Cinnamon.

Mr. De Silva counts over 30 years experience in the Tourism and Leisure Industry with the Serendib Hotels Group, as Director of Dolphin Hotels PLC, Hotel Sigiriya PLC and several other companies.

He was a Director of the Co-operative Wholesale Establishment (CWE) from 1994 to 2000 and Acting Chairman in 1998 and Chairman of the Committee appointed by the Minister of Trade and Commerce in drafting procurement procedure of the CWE.

He is a consultant on Spices to the World Trade Organisation - International Trade Centre.

He was the former Chairman of Ceylinco General Insurance Ltd and served in the position during the period from 22.04.2014 to 01.03.2021.

# 09

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## MR. A.R.H. FERNANDO

*Director*

Mr. Fernando has over 40 years of experience in the tea industry and has been successful in innovation, promoting and marketing the traditional beverage of tea in many variants. He is the creator of the global tea brand HELADIV registered in 40 countries. He began his career as a Tea Taster at Carson Cumberbatch & Co., Ltd., in 1975 and joined Brooke Bond Ceylon Limited and served as a Manager in the Tea Department from 1979 to 1989 with a secondment of one year as a Tea Trader, at its headquarters in the United Kingdom in 1982. In 1990, he established HVA Lanka Exports as a joint venture with the Dutch agricultural conglomerate HVA Holdings bv. and expanded the organisation to include several subsidiary companies, HVA Foods PLC., HVA Beverages & HVA Holdings. He was the Chairman and CEO of the HVA Group until 2020 and currently functions as the founder adviser in the board of directors of HVA Foods PLC.. He is the Chairman of HVA Farms (Pvt) Ltd., an organic agro-resort in the NWP.

He served on the Colombo Tea Traders Association as a member and also as a Director on the Sri Lanka Tea Board and as an Independent Director of the Sri Lanka Industrial Technology Institute from 2015 to 2016. He is an independent director and non-executive chairman of the SLT Group comprising of Mobitel, Vision-com, SLT Digital Service, SLT Services, SLT Campus and E-channeling PLC.

Mr. Fernando functioned as the President of the National Chamber of Exporters in 2008 and 2009. He served as the elected Chairman of the Tea Exporters Association of Sri Lanka from 2014 to 2016.

Mr. Fernando is a National award winner since 1997 at the NCE Exports Awards and was selected "Exporter of the Year" winning Gold awards in 4 categories, in 1999. He was also awarded "Sri Lankan Entrepreneur of the year 2015," winning the National Gold award and "Sri Lankan Entrepreneur of the year 2015," with a Provincial Gold award.

He was a multi disciplined sportsman at school and represented and captained Sri Lanka at rowing. Mr. Fernando was the elected president of the Sri Lanka Amateur Rowing Association from 2010 to 2020. He was also a senior member of the National Olympic Committee and Chairman of its finance management committee. He has represented Sri Lanka as Chef de Mission in 2006 & 2009 at Lusofonia Games in Macau & Portugal and the 2nd Asian Indoor Games in 2007 in Macau. Currently he serves as a member of the National Sports Council of Sri Lanka.

# 10

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## MR. S.C.G. GURUGE

*Director*

From his first job as an apprentice of Aitken Spence (Pvt) Ltd subsidiary – the agent of Singapore Airlines – to the many Chairmanship posts he holds today, Mr. Sumith Guruge has accumulated over 40 years in business experience in numerous industries.

In 1990, having acquired knowledge and skills inherent to the service and logistics industries, established his own freight forwarding firm, Union Transport. This company was acquired by Fritz Companies Inc. in 1994, and by UPS in 2001. Mr. Guruge continued to be the Managing Director in the local arms of these companies until 2004.

In 1992, Mr. Sumith Guruge became a minority shareholder of industrial and medical gas solutions provider Industrial Gases (Pvt) Ltd (IGL), a subsidiary of Messer Griesheim GmbH of Frankfurt, Germany. In 2007, Mr. Guruge acquired the controlling shareholding of IGL, and subsequently established Gas World (Pvt) Ltd in 2011. Under his leadership, IGL became the first in Sri Lanka to produce dry ice from liquid CO2 and introduce dry ice blast cleaning. IGL was selected amongst the top 10 award winners at the CNCI Awards 2019/20 and 2020/21.

Mr. Guruge is the Chairman/Managing Director of Industrial Gases (Pvt) Limited, Gas World (Pvt) Limited, Frontier Freight (Pvt) Limited, and Ashiyaki Holdings; and he is also a Director of Lanka Carbonics Industries (Pvt) Limited, Serene Pavilions Limited, Mobile Cash (Pvt) Limited, Ceyaki Shipping (Pvt) Limited and SLFFA Cargo Services Limited.

He also held the post of Chairman, Freight Forwarders Association of Sri Lanka during the period 1998-2000.

Having represented the National team in badminton during his playing days, he became involved in the administration of badminton and held the post of President of Sri Lanka Badminton Association from 2004 to 2007.



# BOARD OF DIRECTORS

## 11

### MR. YU KITAI

*Director*

Mr. Yu Kitai holds a bachelor's degree in Economics from Rikkyo (St. Paul's) University in Japan.

Mr. Kitai joined Mitsui Sumitomo Insurance Company Limited in 1976 immediately after graduated Rikkyo University. For 12 years in Tokyo Commercial Business Division, he was a specialist of Commercial business, especially in Plant engineering business which actively pursued in South East Asian and Middle East Countries at that time. In 1988, Mr. Kitai was dispatched to Former Mitsui Marine Indonesia, and appointed to the youngest Board of Director. After five years' tenure, he held various director positions at Mitsui Sumitomo Insurance Group Companies. 2001-2004, Director Executive Vice President of Mitsui Sumitomo Seguros (Brazil), 2004-2007, Director of American Appraisal Japan Inc., 2007-2010, Whole-time Director of Cholamandaram MS General Insurance (India), 2011-2014, Director of PT. Asuransi Jiwa Sinarmas MSIG (Indonesia). From 2014, he was assigned as an advisor of Mitsui Sumitomo Insurance to develop South Asian markets and started feasibility studies. He visited Ceylinco Insurance PLC in April 2015 to conduct a feasibility study and review the long years' relationship between Ceylinco Insurance and Mitsui Sumitomo Insurance. He represented Mitsui Sumitomo Insurance had a rare opportunity to acquire a 6% stake in Ceylinco Insurance. It took four years of twists and turns to become true to our name as partners.

In 2018, the ownership of Mitsui Sumitomo Insurance reached to 15%, and Mr. Kitai was appointed a director of Ceylinco General Insurance Limited to encourage development of Japanese customers, to serve as a bridge for successful partnership and harmonious growth between Ceylinco General Insurance and Mitsui Sumitomo Insurance Group.

## 12

### MR. M.D.E.A.G. SAPARAMADU

*Director*

Mr. Gamini Saparamadu is the founder Chairman and Managing Director of Kent Holdings Ltd. Eight Private Limited Liability companies operate in diverse business disciplines under the umbrella of the Kent Group. Under his leadership, the company that exports high end value added packaging has received several export accolades including The Lanka Star Award, The Asia Star Award and The World Star Award for Packaging Excellence. He is a recipient of The National Gold Award and The National Platinum Award for the Sri Lankan Entrepreneur of the Year, awarded by the Federation of Chambers of Commerce and Industry of Sri Lanka. Recipient of the Global Recognition Medal for Science & Technology in Photography, nominated as an Honorary Fellow of Earth Space Science Photographers in the World [ESSP]. Member of the National Geographic Society USA. Certified Member in Good Standing of the Awards and Recognition Association of USA (ARA). He is a Board member of six private organisations and the Co-founder of Anugaa Boutique Hotels and Chiller Ceylon Tourist Hostels. Mr.

Saparamadu is a Committee Member of several Chambers of Commerce. He is a Toast Master and a guest speaker on entrepreneurship.

Mr. Saparamadu holds a MPSc. from UK.

## 13

### DR. U.D. DE SILVA

*Director*

Dr. Upendra De Silva as a Dermatologist counts over 27 years of experience in the field of Dermatology in Sri Lanka. Presently he has his own practice at Skin Clinic located in Colombo 04 .Dr De Silva was awarded a fellowship in Dermatology from Thomas Jefferson University, Philadelphia USA and a fellowship in Occupational medicine and Toxicology from University of California San Francisco,USA.

Dr. De Silva was presented with the Samuel J. Zakon award by the History of Dermatology Society ,USA. He is a member of the American Academy of Dermatology, member of the Sri Lanka College of Dermatologists, member of the International Academy of Dermatologists and a member of the International Society of Dermatology .

## 14

### MR. G.S. SUNDARARAJAN

*Director*

Mr. G. S. Sundararajan is presently serving on the Boards of several reputed companies in the Banking and Financial Service Industry. He is also

actively involved in the field of Social Entrepreneurship in an advisory capacity.

Mr. Sundararajan was till recently, the Group Director of Shriram Group. He joined Shriram Group as the Managing Director of Shriram Capital Ltd., the Holding Company of Shriram Group's financial services and Insurance businesses across India and overseas. Sundararajan's experience in the Asian market and his understanding of the major countries and the business opportunities therein made Sanlam Emerging Markets induct him into their Board in South Africa in August 2013. In his capacity as Group Director, Mr. Sundararajan was a director on the Board of these subsidiaries to provide oversight in critical areas of strategic growth opportunities for each of these companies. Specifically, Mr. Sundararajan was responsible for the Retail and MSME business housed in Shriram City Union Finance and the life and non-life insurance businesses housed in the two Insurance ventures in collaboration with Sanlam, South Africa.

Prior to his Shriram stint, Mr. Sundararajan was the CEO & Managing Director of Fullerton India Credit Company Ltd., a registered Non Banking Finance Company catering to the financial services needs of the retail and commercial mass markets. He was also the Managing Director of Fullerton Enterprises Private Limited, a KPO, which had formed a strategic alliance with the Centurion Bank of Punjab to jointly drive the SME business.

Mr. Sundararajan was nominated to the Boards of two Financial Services investments of Temasek in China, one in Nanjing for the SME Business and the other in Chengdu in their Village Bank franchise. He was an integral part of

Temasek's vision for India in the Banking and Financial Services space that went on to become the fastest growing and largest networked Finance Company in the country.

Earlier to this, he was the Managing Director and Head of Citibank's SME and Asset Based Finance business in India. He had an exceptional stint at Citibank where he built the SME and ABF business of the bank across the country.

He started his career in Sales with Eicher Mitsubishi and went on to head the captive finance arm of this company in India.

Mr. Sundararajan holds a Bachelor of Engineering degree from Coimbatore and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.

## 15

### DR. S.D. WANIGARATNE

*Director*

Dr. Shamil Wanigaratne is a Consultant Clinical Psychologist and Senior Advisor to H.E. Director General at the National Rehabilitation Centre, Abu Dhabi. He is Adjunct Professor at the United Arab Emirates University and Visiting Associate at King's College London. Until April 2011, he was Consultant Clinical Psychologist and Head of Clinical Psychology for Addictions at the Maudsley Hospital, London and Honorary Senior Lecturer in Psychology at the Institute of Psychiatry, King's College London. He was a founding member of the British Psychological Society's Faculty of Addiction and in 1996, the UK-Sri Lanka Trauma Group.

He is currently Chair of the UK-Sri Lanka Trauma Group, a UK registered charity and a Director of Samutthana, the King's College London Resource Centre for Trauma, Displacement and Mental Health in Sri Lanka. He is a Honorary Consultant to Mel Medura in Colombo. In 2011, in recognition of his contribution to his field and profession he was elected as a Fellow of the British Psychological Society.

## 16

### MR. C.P.A. WIJEYSEKERA

*Director*

Mr. Ajith Wijeyesekera is the Founder, Chairman of Union Apparels (Pvt) Ltd. which commenced operations in 1983. He was also the President of The National Apparel Exporters Association in 1997. In 1997, he founded Union Resorts (Pvt) Ltd., the owning company of The Blue Water (Wadduwa) and in 2016 he founded the Hotel Water Garden, Sigiriya, a luxury boutique hotel. He is also Chairman/MD of Northstar Holdings (Pvt) Ltd., Union Resorts & Spas (Pvt) Ltd., Union North (Pvt) Ltd and Dilly's Fashions (Pvt) Ltd.

# PEOPLE

# *Delivering*

# EXCELLENCE

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# OPERATIONAL REVIEW

## OPERATING ENVIRONMENT

### GLOBAL MACRO-ECONOMIC ENVIRONMENT

The long-term influences of the COVID-19 pandemic for the global economy are becoming apparent. The global economy appears to be poised for growth in 2021 although on a lower trajectory than was intended before the COVID-19 health crisis. But there were several potential downside risks that could lead the global economy to underperform. Most of the governments forged ahead with large spending packages to sustain demand and maintain income and employment. Massive government spending, however, has generated extraordinary levels of public debt. There are concerns that this could eventually trigger inflation. Prices have indeed begun to rise and interest rates may eventually follow a trend that would have important negative consequences, particularly for highly leveraged developing countries. Moreover, it is not yet clear how this mass of debt will ultimately be financed. This will remain a compelling challenge for hard-pressed governments over the medium and longer-term.

Countries that managed to contain the pandemic have also kept their economies more or less functioning, which has invariably conferred a strategic advantage. Strong policy effort at the bilateral level is needed on vaccine deployment, climate change, and international liquidity to strengthen global economic prospects. National policies to match the mutual effort will require much more tailoring to country-specific conditions and better targeting, as policies become more binding the longer the pandemic lasts.

### LOCAL MACRO-ECONOMIC ENVIRONMENT

In Sri Lanka, continued macroeconomic challenges, mainly the high debt burden, huge refinancing needs and weak external buffers will unfavourably affect growth and poverty reduction over the medium term. Despite increased policy rates and price controls imposed by the government, inflationary pressure is expected to remain strong amid partial fabrication of the fiscal deficit, currency depreciation and rising global commodity prices.

Through the various stages of the pandemic-related health and economic crises, the Government of Sri Lanka responded with a number of policy initiatives that often attempted to balance competing policy objectives. As the health crisis subsides and economic activity resumes, policymakers may consider evaluating the various policy approaches for lessons learned and for best practices to employ in addressing similar crises.

Sensitive near-term vulnerabilities in the external sector and pressures observed in the financial system owing to the moderation of foreign inflows are being addressed by the Government and the Central Bank of Sri Lanka through coordinated efforts. Concerted measures are being taken to promote foreign exchange earnings of the country, in terms of merchandise and services exports and workers' remittances. The external current account balance is expected to improve over the medium term, supported by these efforts.

Foreign Direct Investments (FDI) to large scale projects, and monetization of non-strategic assets, among others, are expected to attract sizeable non-debt creating foreign inflows to the

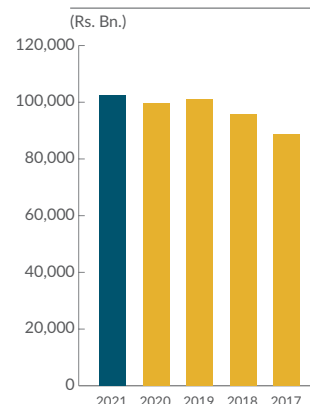
Government in the period ahead, thereby facilitating foreign currency debt servicing, along with several connecting finance facilities that are under discussion. Gross official reserves are expected to be enhanced to adequate levels in the period ahead, despite near term volatilities. The exchange rate continues to remain competitive as reflected by the real effective exchange rate indices.

Amidst measures to stabilize the economy from the effects of the pandemic, efforts of the Sri Lankan Government towards forming an export oriented production economy and expanding economic activities with the support of domestic and foreign investors are expected to help sustain the growth momentum of the Sri Lankan economy over the medium term and enhance its resilience.

### INSURANCE INDUSTRY REVIEW

The world is facing a unique situation. Over the previous months, millions of people from all over the world have been forced to stay home suddenly. The economy came to a standstill. The recent pandemic dictated what we talked about, how we performed and what our future

#### General Insurance Industry GWP

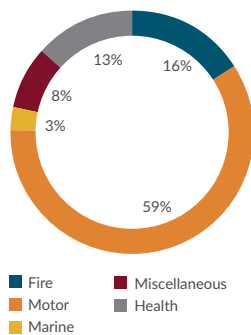


# OPERATIONAL REVIEW

seemed to be. Besides all the required short-term measures, insurers also need to think beyond the recent crisis to a future that may be very different.

The future will depend on how efficiently insurers manage their investments in people and evolving technologies. Flexible working models, balancing automation process with the need to continue a good human touch with clients and being more practical in strengthening stakeholders' belief should be among the industry's strategic priorities.

Composition of Industry GWP



The entire industry has been adapting to a changing business environment, fuelled by the rise of digital technology and demands from customers. It is essential to make five to seven-year transformation plans. Insurers are increasingly dependent on emerging technologies and data sources to drive efficiency, improve cybersecurity, and expand capabilities across the organization. However, most should also focus on improving the customer experience by both streamlining processes with automation as well as providing customized service where desired and favoured.

The challenges insurers face range from economic hurdles such as the potential for sustained inflation; to sustainability concerns including climate risk, diversity, and financial inclusion; to rapidly evolving consumer product and purchase preferences. We are moving towards a more challenging economic and social environment which has an enormous influence on consumer lifestyles, spending patterns and buying behaviour. Insurance will be one of the most important commodities that we sell and insurance is a very responsible industry which delivers a vital service to the society.

We, at Ceylinco General Insurance Limited, have already identified the fundamental importance of health in terms of staff, customers, products and economic impacts. Hence, we have already extended "critical illness cover" to the Sri Lankan insurance industry even prior to the pandemic to satisfy customers.

As the General insurance segment accelerates in the medium term with the expected recovery in business and personnel incomes, people will seek protection for their valuable assets - from their workshops to business establishments to households. In addition to that, emerging lifestyles have presented a vast potential for the General insurance industry to become more innovative and enter into new markets in the period ahead.

As per the provisional data available, for 2021, the Gross Written Premiums (GWP) of the general insurance sector recorded a positive growth of 2.8% in the year 2021, when compared with the negative growth of 1.3% in the year 2020. The premium income of the general insurance sector, particularly non

motor insurance, has largely contributed towards the overall achievement of GWP, representing 11.3% growth over year 2020. However, Gross premium income from motor insurance has recorded a negative growth 2.3% compared to year 2020. Thereby, overall GWP represents positive growth of 2.8%. Motor GWP constitutes about 59.4% of the general insurance premium in 2021 compared with 62% of the general insurance premium in 2020.

This is due to the conditions created by the pandemic such as lockdowns, limitations on mobility, interruptions to broader businesses and the resulting erosion of business and personal incomes along with the ban on vehicle imports by the government.

Growth of Motor Insurance business was hampered by certain regulatory interventions during the year. The Insurance Regulatory Commission of Sri Lanka stopped the promotion of 3rd party insurance restricting the company's ability to provide 3rd party cover to customers.

## STAKEHOLDER ENGAGEMENT

Our stakeholders are individuals or organizations that are impacted by our business activities and output, or whose actions can significantly affect the ability of our Company to create value over time. Engagement with stakeholders is the foundation on which we build value and therefore we have set up various channels through which we engage more closely with them.

	AGM / EGM	Statutory Communication	Written Communication	Meetings & Discussions	Online Meetings	Formal Agreements	Email	Corporate Website	Events & Projects	Telephone	Rewards & Recognition	Promotional Material
Shareholders	•	•	•					•				
Policyholders			•	•	•		•	•		•		•
Employees			•	•	•		•		•	•	•	
Reinsurers			•		•	•	•			•		
Regulators		•	•	•								
Strategic Partners			•	•	•	•	•			•		
Suppliers			•	•	•	•	•			•		
Government		•	•	•	•	•				•		
Banks & Financial Ins.			•	•	•	•	•			•		
Brokers & Agents			•	•	•	•	•			•		•
Community								•	•			•



# OPERATIONAL REVIEW



## FINANCIAL CAPITAL



Our financial capital includes our monetary resources, which are enhanced through business activities. Our business model is designed to grow our earnings while the rest of the capitals all contribute towards building Financial Capital.



Ceylinco General Insurance Limited delivered a satisfactory performance in the financial year despite the volatility in the economy through 2021. The Company was successful in sustaining its performance as compared to the previous year. Overall, profitability improved reasonably, but business volumes were impacted adversely due to import restrictions, weak economic environment and delays in some key mega projects by corporate customers.

### GROSS WRITTEN PREMIUM

The Gross Written Premium (GWP) of the Company reached Rs. 20,206 million which reflects an increase of Rs. 112 million as compared to 2020. Considering that the motor business is the main contributor to the Company's Gross Written Premium, the ongoing import restrictions on vehicles served to

erode its performance during the year. Although the motor business declined overall, GWP was sustained on par with the previous year by enhancing the non-motor segment.

### INVESTMENT INCOME

Investment income increased during the financial year and even though the interest rate environment was low in the first half of the year, the Company was able to benefit due to capital gains in the share market, by strategic due to strategic disposal of certain shares. An increase was also recorded in the investment base, which is attributable to efficient investment management.

### PREMIUM COMPOSITION

Motor class is considered the main contributor to the premium income. The restriction of vehicle imports resulted in

the significant drop in Motor premium income. Motor insurance premium (VIP) revenue of Rs. 10,180 million represented 50.4% of the total premium income. The balance premium income of Rs. 10,026 million corresponds to 49.6% of total premium income of the company, obtained through all other classes of business such as Fire, Marine, Health and Miscellaneous. Notably, Fire class increased significantly.

### NON MOTOR PREMIUM COMPOSITION

During the year under review, there was no significant change in product composition compared to the previous year. Apart from motor insurance, the Miscellaneous class dominated in the non-motor segment with a premium income of Rs. 4,223 million, followed by the Fire premium income of

Rs. 3,385 million in 2021. During the year under consideration, reinsurance outgo increased to Rs. 7,128 million, recording a 6.4% increase from the Rs. 6,696 million ceded in 2020. As a result of this increase, decline in Net Retained Premium (NRP) was recorded in 2021. This has resultant to a NRP reduction to 2.4% of the premium income in 2021. One of the main objectives of financial management is managing the combined ratio which affects the underwriting surplus of the Company. The Net Combined ratio for the year has increased by 3.77% over the year 2020.

This was mainly due to the increase in Net Loss ratio by 8.88% which is set off by an decrease in Net Expenses ratio by 1.49% over the year 2020. The Company recorded Rs. 2,535 million as Other Revenue, which comprises Interest and Dividend Income, Fee and Commission Income and Realized Gains from Investments.

### OPERATING, ADMINISTRATIVE EXPENSES

As a result of the evolving situation, the Company prioritised control of overhead expenses during the year. While administrative and operating expenses came down in the previous year due to lengthy lockdowns due to a drop in cost

of transport and office expenses, with business activity resuming towards the end of the year there was an upward trend in operating and administrative expenses. Nevertheless, the costs were curtailed by limiting promotional expenditure and minimal recruitment, all of which resulted in a tight control of this segment.

During the financial year, the Company spent 24.8% of its GWP as operational and administration expenses and finance expenses amounting to Rs. 5.02 billion in 2021 as compared to Rs. 5.20 in the previous year. These expenses consist of employee benefits, administration expenses, depreciation, amortization, investment-related expenses and all other expenses not included under underwriting and net acquisition costs.

### PROFIT BEFORE TAX

The challenging wider economic conditions served to stifle the topline of the Company and profits were not able to increase as they should have if not for the vehicle import restrictions in place. In 2021, the Company recorded a Profit Before Tax (PBT) of Rs. 1,748 million in 2021, compared to the Rs. 1,862 million achieved in 2020. Even though Profit before tax reduced, the Company with its efficient tax planning measures, increased Profit after tax to Rs. 1,509 million.

### INCOME TAX EXPENSE

The year under review witnessed the significant decrease in income tax expenses due to strategic tax planning of the Company and reduction in the tax rate.

### NET BENEFITS AND CLAIMS

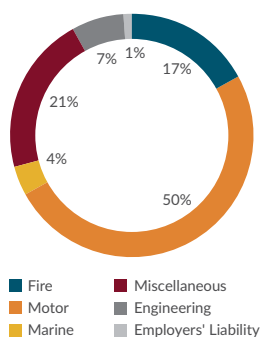
During the year under review, claims expenses, which are the main cost to the company, increased. As a result of lockdowns in 2020 claims were lower, however a return to normalcy in 2021 witnessed a rise in claims to pre-COVID-19 levels. Pre-empting an increase in cost of spare parts and hospitalisation costs in the latter part of the year due to emerging macro economic challenges, the Company took a strategic step to minimise any negative impact by ordering spare parts in bulk. The cost escalation such as vehicle spares cost, other repair/labour costs also contributed to net claims increase.

In 2021, total Revenue increased marginally from Rs. 15.6 billion to Rs.15.8 billion. Key costs of the Company's net claims increased considerably to Rs. 7.1 billion due to higher business activities in 2021 compared to lockdowns in 2020.

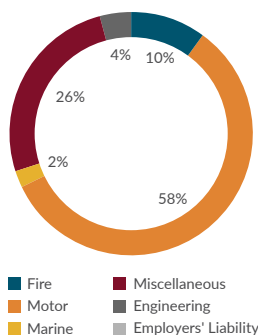
### CLAIMS SETTLEMENTS

One of the greatest client testimonials for the Company is its fair, transparent and quick settlement of claims. During the year under review, Rs. 13.7 billion claims were paid.

Gross Premium 2021



Net Claims 2021



# OPERATIONAL REVIEW



## SOCIAL & RELATIONSHIP CAPITAL



Social and Relationship Capital consists of intangibles (shared values, commitments and knowledge) that form the basis of the reputation and trust developed by the Company, as per the IIRC framework. This capital encompasses the Company's engagement with Customers, Business Partners, Employees and the Community.



### CUSTOMERS

Customers are served by one of the largest call centres of any local company, with over 40 customer care agents working at any given time. Customers simply dial 112393939 in case of a motor accident. Every call is recorded and daily evaluation is done to improve service levels - from the time complaint is made till the time the claim cheque is handed over to the customer.

Most claims are settled on the spot. The Company is proud of its track record of settling claims. During 2021, the company settled claims to the tune of Rs. 13.7 billion.



2.8 Mn.

Customers

↑ 2021: 7%

Having pioneered on the spot claims settlement, Ceylinco General Insurance customers are accustomed to prompt and reliable service from us. Despite being the number one motor insurance brand in the country, we keep improving efficiency and speed for customer convenience. The Company remains a pioneering presence in introducing technology-backed products and

services for a faster and more convenient service.

In a bid to ensure easy access to our services during the lockdown period and onwards during the ongoing pandemic, the Company provides diverse options for customers to interact with the company:

- Our hotline 011-2393939 is open 24 hours.
- Direct payment of claims to customers' accounts.
- Customers could renew a policy or to obtain a new policy online via [www.ceylinco-insurance.com](http://www.ceylinco-insurance.com) and use the payment gateway to make online payments.



- Online transfers could be sent to Account Number 030032375727001 of Seylan Bank, Colombo Fort Branch.
- Payments can be made through eZcash or mCash by dialling #111# and thereafter following the instructions.

Several process improvements on technology-based platforms were launched during the year under review, namely, VIP Hub to purchase insurance online to facilitate customers to pay online with ease. Virtual Pay for premium collection and Marketing Executive Apps were also launched for internal use for closely monitoring performance of Sales Personnel.

#### CUSTOMER GRIEVANCE HANDLING

Most complaints are received by the call centre and directed to the relevant department or to the head of the region without delay. Immediate action is taken after a careful review by a senior technical person and the department head. If it is beyond their scope a Director is informed and corrective action taken as needed.

#### CUSTOMER ENGAGEMENT

Considering the challenges faced by customers to access our branches due to mobility restrictions and lockdowns, the Company accelerated use of social media platforms such as Facebook, Instagram, YouTube Ads, Google Ads and so on to reach out to customers.

Customers were encouraged to use online platforms for payment and purchases under strict cyber security procedures to protect customer data. The Company conducted several product based campaigns on social media for products such as Gedera, Ceylinco VIP and others for top of mind recall.

#### CEYLINCO VIP PAYS RS. 437 MILLION FOR SERIOUS ILLNESSES OF ITS POLICY HOLDERS AS ADDITIONAL BENEFITS

Ceylinco VIP On The Spot has already paid Rs. 437 Million for serious illnesses of its policy holders as additional benefits by the end of 2021. All Ceylinco VIP On The Spot policy holders who insure their vehicles with Ceylinco VIP are entitled to an exclusive Rs. One Million Serious Illness Cover that will reimburse medical costs incurred in the treatment of heart disease, cancer, kidney failure, stroke and several other serious illnesses including major organ transplants, chronic lung and liver diseases, deafness, blindness, multiple sclerosis, paralysis etc. Out of this Rs. 437 million, Rs. 315 Million were paid for Heart related ailments and another Rs. 122 Million were paid for treatment of Cancer, Kidney ailments and several other serious illnesses. Among the beneficiaries are Comprehensive policy holders who insured all types of vehicles with Ceylinco VIP as well as 3rd party policy holders. In the case of individual customers, the insured is entitled to this revolutionary benefit, while corporate customers or fleet owners must name an individual (user or driver) as beneficiary. For individual customers with more than one vehicle, the spouse or immediate family members could be named as beneficiaries. Similarly, comprehensive motorcycle and Three Wheeler policyholders will be entitled to a cover of Rs.100,000/- and third party customers too will benefit with a cover of Rs.100,000/-.

#### PARTNERING CORPORATE EVENTS

Ceylinco General Insurance supports many corporate bodies in the country to hold their events and this year too, the Company stepped forward as Strategic Partner for leading corporate events:

#### CNCI Awards

CNCI Awards of the Ceylon National Chamber of Industries was one of the events supported during 2021. CNCI Annual Awards Ceremony is organised by the Ceylon National Chamber of Industries (CNCI) to felicitate MSMEs as well as the large and extra-large categories of manufacturers and service sector organisations that excelled in delivering products and services maintaining high quality standards. CGIL has been associated with this prestigious awards event for nine years in a row.



#### National Business Excellence Awards

Yet another event partnered by the Company during 2021 was The National Business Excellence Awards organised by The National Chamber of Commerce of Sri Lanka. This event is widely acknowledged as the premier awards held for corporates in the country and includes a number of categories that celebrate the pinnacle of corporate achievement. Our partnership with the NBEA Awards is now in its eighth year and ensures our brand retains high visibility amongst Sri Lanka's corporate corridors.



# OPERATIONAL REVIEW

## SLIM-Nielsen Peoples Awards

Ceylinco General Insurance joined SLIM - Nielsen Power of Peoples awards - 2021 as the insurance partner of the event. SLIM - Nielsen POP Award is the only awards ceremony that the award winners are chosen solely by people's votes based on a nationwide research conducted by Nielsen Lanka (Pvt) Ltd. The awards ceremony is one of the most popular annual marketing events in Sri Lanka organized by the Sri Lanka Institute of Marketing. The awards are distributed across over 45 different categories of media, marketing, banking, insurance telecommunication, sports, drama & singing, food and beverages etc.



## 'CEYLINCO VIP CYBER THARU' SHOWCASING SRI LANKAN TALENT CONCLUDES SUCCESSFULLY



Ceylinco General Insurance conducted a novel online competition - 'Ceylinco VIP Cyber Tharu' - which was promoted over a period of four months by providing a platform to showcase Sri Lankan talent and the opportunity to win handsome cash prizes concluded successfully with the announcement of the Grand Prize winners in August 2021. The

competition received an overwhelming response from Sri Lankans of all walks of life and held in two stages. Initially contestants were encouraged to send in their entries within a stipulated time period. They were given the opportunity to participate individually, as a family, or a group. Subsequently, entries were scrutinized by an independent and eminent panel of judges comprising of industry professionals, Bhatiya Jayakody & Santhush Weeraman, Pooja Umashankar and Ramod Malaka. A special website was hosted for this purpose - enabling contestants and the public to view all details relating to the guidelines, criteria and regulations of the competition and voting in all three languages. All the received entries amounting to over 450 were sent to the panel of judges who selected the best 35 each from Dancing and Singing categories which were put forward for the voting round. The uniqueness of the competition was that the selected performances were sent back to the contestants for them to post them on their individual social media platforms. Thereafter, they encouraged their friends and followers to vote for them through the website. Accordingly, the contestants that received the highest number of votes were announced as winners. Mathinathan Loganathan, who received 56,600 votes, won the Singing competition, and Team Agini, which received over 77,000 votes, was selected as winners of the dancing segment. Both winners received handsome cash prizes whilst 6 randomly picked voters too were rewarded with valuable cash prizes.



## BUSINESS PARTNERS

Our strategic business partnerships help further our brand reputation and widen our footprint. The Company counts reinsurers, field staff, banks and other financial institutions, and other suppliers as our key Business Partners. Ceylinco General Insurance expects its business partners to mirror the ethical business practices and evaluates the performance of business partners at regular intervals. As a Company it practices zero tolerance for corruption.

The Company's reinsurers are amongst the most reputed and through their expertise and collaboration, Ceylinco General Insurance is also ensured financial stability, which gives confidence to its policy holders, knowing their genuine claims will always be upheld. The highest reinsurance coverage is maintained year after year, well above regulator norms.



## COMMUNITY

The Company is closely engaged with the community at large, ensuring that it responds to urgent needs of people in times of crisis and even at other times by initiating projects to uplift the community and ensure its well-being. In 2021, the Company initiated a monthly assistance scheme under 'Ceylinco VIP Pihita' with a contribution of Rs. 5,000/- per month for low income earners. A total of 120 persons were covered under this initiative.

## CORPORATE SOCIAL RESPONSIBILITY

In 2021 the Company took the responsibility for following CSR projects.

### Blood Donation Camp in Anuradhapura



Staff of the Anuradhapura branch of Ceylinco General Insurance organised a Blood Donation Camp in Anuradhapura in February 2021. The camp witnessed participation from employees and their family members, customers, as well as people from surrounding areas, who volunteered to donate blood. The Blood Donation Camp was conducted under the supervision of the doctors of the Blood Bank in Anuradhapura, with several doctors and nurses in attendance. It was a huge success - with over 55 pints of blood collected.

### Ceylinco General Insurance to provide monthly living expenses to Five Children of two families orphaned by the Passara bus accident



A private bus travelling from Lunugala to Colombo fell into a precipice of about 200 feet near Passara on Badulla Monaragala road, claiming 15 lives which shook the entire nation. Several children lost their parents and breadwinners of many families leaving them in desperate conditions. Ceylinco General Insurance selected two families in which the first family with three children, where both parents died in the accident. Three school going children of the ages nine, eight and five years were left stranded with aged grandparents with no financial support whatsoever. Ceylinco General Insurance committed to provide a monthly contribution of Rs. 30,000/- to meet their educational, travel and living expenses.

The other family with two girls had lost their father who was the sole breadwinner of the family. They too will be provided with a monthly allowance of Rs. 15,000/- to meet their educational, travel and living expenses till the age of 18.



### Distributing Face Masks



During the height of the second wave in August 2021, Ceylinco General Insurance took the initiative to distribute 300,000 face masks to Motor Cycle users and Three wheel users in order to encourage them to use these for their benefit as well as for the benefit of others. These were distributed all over the island through the branch network and was a welcome move amongst those who received them with appreciation. The LED network of Ceylinco General Insurance was used to support this effort, constantly reminding to use the face mask properly for your own benefit as well as for the benefit for their own.

# OPERATIONAL REVIEW



## INTELLECTUAL CAPITAL



Intellectual capital is the value of employee knowledge, skills, business training, or any proprietary information that provides the company with a competitive advantage. Intellectual capital is an asset and can broadly be defined as the collection of all informational resources CGIL has at its disposal that can be used to drive profits, gain new customers, create new products, or otherwise improve the business.



**Market share**  
2021 - 19.7%



**Over 100** products catering to diverse customer segments



### SRI LANKA'S FOREMOST BRAND



The No. 1 choice of Sri Lankans, Ceylinco VIP On The Spot is one of the most recognizable brands in the country and the preferred motor insurance brand of choice.

Ceylinco VIP On The Spot brand is perceived to be an empathetic, dynamic and a value-adding brand that is constantly evolving in keeping with the changing needs and aspirations of customers.

Underscored by innovation, speed and the highest convenience, Ceylinco VIP On The Spot has been winning hearts ever since it was pioneered in 2003.

## TACIT KNOWLEDGE

Our Human Capital is a key asset in our Intellectual Capital as their wealth of knowledge and skills help us to distinguish the organization in the market. The company lays great emphasis on systems and process that are fair and equitable in developing our employees, strongly supported by training and development, and reward and recognition to retain the best talent within the organization.

## STRATEGIC GLOBAL PARTNERSHIPS

Strategic global partnerships with Berkshire Hathaway and AIG, USA, have reinforced CGIL's position as the leading insurer in Sri Lanka. The Company was able to underwrite several of the world's leading companies and through this partnership we have been able to provide our services and insure these multinational companies established in Sri Lanka. Also, we were able to provide these companies with additional coverage for localised conditions which augurs well for the sustainability of these organizations.

Similarly, CGIL's strategic partnership with Mitsui Sumitomo Insurance of Japan gives us a competitive edge in providing reinsurance support to Japanese clients in Sri Lanka. Strengthening the relationship with the Japanese insurance company further, we are in the process of developing a set of unique products coupled with a delivery process to their network.

Our strategic alliances with insurance companies in the Gulf region, including the United Arab Emirates, Bahrain, Oman, Qatar and Kuwait, helps us to cater joint insurance solutions for migrant workers living in these respective countries.

## IT FRAMEWORK

Through the period under review, the Company took every possible measure to facilitate internal and external stakeholders by leveraging on technology. Ceylinco General Insurance's IT framework, systems and processes, and digitalization initiatives powered smooth operations through the year, extending customer convenience.

Some of the main IT-backed systems were in-house digital signature systems, platform for drive thru claims facility, providing a revamped application for the motor engineers containing multiple state-of-the-art features, improving cloud based document handling, developing a Broker Information System, a Spare Parts Inventory System were pursued through the year.

Other initiatives embarked upon during 2021 were automation of work sheet of nerve centre; enhancing the digital sign system for senior management; improving the features of spare parts stock control system; ability to issue correction, add new features and improve existing functionalities in core insurance module; as well as supporting modules such as nerve centres.

As a company that has consistently invested in enhancing its IT framework and systems and processes, the rapid shift to digital platforms due to work from home mode during the year was a smooth transition for our employees. Further, we strengthened online purchasing and payment platforms to facilitate customers while boosting selected products on online platforms.

## LEVERAGING SOCIAL MEDIA

The Company accelerated its presence on social media by enhanced presence and visibility across all social media platforms resulting in reach and followers, increasing by over 60% during 2021 as compared to 2020.

## 'BEST IN SERVICE EXCELLENCE 2021'

Ceylinco General Insurance had the honour of being chosen as the most popular insurer in terms of 'Service Excellence' in the general insurance industry for yet another year. The exclusive survey was carried out on service providers amongst the general public over a period of 12 weeks as per LMD's December edition.



# OPERATIONAL REVIEW

## 'PEOPLES GENERAL INSURANCE BRAND' FOR THE 15TH CONSECUTIVE YEAR



Ceylinco General Insurance was crowned the 'Peoples General Insurance Brand of The Year 2021' at the SLIM Nielson Peoples Awards for an unprecedented 15th consecutive year! As a true voice of the people, this award reflects public perception about brands and as 'Peoples General Insurance Brand of The Year', Ceylinco General Insurance is closely intertwined with people's lives as a trustworthy and reliable brand that keeps its promises. The selection process for these awards consists of a nationwide survey covering all 9 provinces with well over 5,000 respondents interviewed one-to-one, making it representative, unbiased and relevant. Therefore, the winners of the Peoples Awards reflect the true voice of Sri Lankans from across communities, regions and social strata. The Peoples Award is the most coveted award for corporates because it reflects the voice of the people and indicates the brand they love and respect.

### CEYLINCO VIP ON THE SPOT



Ceylinco VIP On The Spot is the most comprehensive vehicle insurance policy available in Sri Lanka with a host of exclusive benefits and value additions.

### CEYLINCO CHP PLUS



The Ceylinco Children's Health Policy provides enhanced benefits to school-going children.

### CEYLINCO VIP THREE WHEEL COVER



Ceylinco VIP Three Wheel Cover is the only product available for three wheeler owners in Sri Lanka with the widest coverage.

### CEYLINCO SUWA SAMPATHA



The most popular Surgical and Hospitalization Insurance Scheme in Sri Lanka for corporates and individuals

### CEYLINCO VIP MOTOR BIKE COVER



Offers a host of benefits for Motor Cycles Riders.

### CEYLINCO FAMILY GUARDIAN



Ceylinco Family Guardian Insurance is a unique plan which provides a comprehensive cover.

### CEYLINCO VIP 3RD PARTY COVER



Ceylinco VIP 3rd Party Motor Cycle Cover is the only 3rd Party insurance that offers benefits to the insured.

### CEYLINCO HOME OWNER'S DISASTER RELIEF INSURANCE



The New Householders Policy protects the house and its contents with a total security plan.

CEYLINCO TRADERS' DISASTER RELIEF INSURANCE



This packaged product provides a complete protection plan for businesses

CEYLINCO LEASING COVER



The Ceylinco Leasing Cover relieves the Lessee from paying the monthly lease (up to a maximum of two instalments) when the vehicle is in a garage due to an accident.

CEYLINCO SUPPORT LINE



Ceylinco Support Line offers a total protection plan to small and medium enterprises.

CEYLINCO ONE DAY COVER



This unique product covers an individual against road or home accidents.

CEYLINCO TRAVEL CLASSIC INSURANCE



This policy offers a great assurance to travellers and pays up to a maximum of US\$ 1,000,000.

CEYLINCO GOVI PAWURA / CEYLINCO GURU PAWURA / CEYLINCO LIYA PAWURA



“Ceylinco Pawura” is a product specially designed to protect Farmers, Teachers and Housewives.

CEYLINCO LIPS INSURANCE



This product was specially designed for women.

CEYLINCO CHILDREN'S HEALTH POLICY



This policy covers all school going children against Hospitalization and Personal Accident up to Rs.50,000/- throughout the year for a very nominal premium.

CEYLINCO DHEEWARA UDANA



This complete protection plan for fishermen and their families covers them for over Rs.580,000/- per annum.

CEYLINCO DOO DARUWO RAKSHANAYA



Ceylinco Doo Daruwo Rakshanaya is for the entire family and provides cover for children to continue their education in case the breadwinner expires.

CEYLINCO SUWA SAMPATHA INTERNATIONAL



Suwa Sampatha International is designed for the discerning to provide them with optimum medical facilities in case of a serious illness.

CEYLINCO NUWANA



In an unfortunate event such as the demise or disablement of parents, “Ceylinco Nuwana” takes care of the child’s education.

# OPERATIONAL REVIEW

## CEYLINCO HOME & YOU



This affordable product includes covers such as Fire and related perils, cover against natural disasters for the house and its contents.

## CEYLINCO "A+" INTERNATIONAL STUDENTS' INSURANCE



Another unique policy, which provides cover for Sri Lankan students who have gone overseas for studies.

## CEYLINCO HIGHER EDUCATION POLICY



A comprehensive cover for students wanting to pursue higher education.

## CEYLINCO TWENTY FOUR SEVEN



This is the ideal product to protect the employees: the most valuable asset of an organization.

## CEYLINCO CROP AND LIVESTOCK INSURANCE



The only insurance policy available to the farming community where they can cover their crops, livestock and farming equipment.

## CEYLINCO SERIOUS ILLNESS COVER



A cover of up to Rs.500,000 per annum that will reimburse medical costs incurred in the treatment of diagnosed serious illnesses.

## CEYLINCO WARRANTY INSURANCE



Warranty Insurance is a comprehensive cover which offers compensation for manufacturing defects.

## CEYLINCO NO WORRIES



This is yet another unique insurance solution offered to Corporates to safeguard their valuable employees against loss of income.

## CEYLINCO SUWA SAMPATHA MONTHLY



Ceylinco Suwa Sampatha Monthly offers an organisation the unique opportunity to provide a comprehensive hospitalisation cover and a personal accident cover of up to its employees.

## CEYLINCO ONE AND ONLY



Every time a customer purchases goods from any outlet of the Supermarket chains teamed up with Ceylinco, the customer is entitled to an insurance cover.

## CEYLINCO SUWA SAMPATHA NATIONAL HEALTH



Ceylinco Suwa Sampatha National Health offers a hospitalization cover and personal accident cover.

## CEYLINCO GEDARA



Yet another unique benefit for all Sri Lankan Home Owners for an affordable premium.





## MANUFACTURED CAPITAL



Manufactured Capital refers to material goods and infrastructure owned, leased or controlled by an organisation that contributes to production or service provision. CGIL continually strengthens its Manufactured Capital which consists of its branch network, tangible assets and digital infrastructure.



All investment by the Company are aimed at optimizing costs and widening customer outreach through diverse channels, both physical and digital. The Company invested Rs. 300 million in the fifth floor space at Ceylinco House considering its future appreciation in value and to leverage on the opportunity to shift from rented space to owned space.

Despite the challenges faced during the year, the Company successfully inaugurated 9 new branches to enhance its branch network. 5 branches were opened in and around Colombo while 4 were inaugurated in outstation areas. The total number of branches as at 31st December 2021 is 550. All the locations are selected carefully to ensure



customer have equal access to our products and services. Altogether, the Company boasts over 700 customer touchpoints across the country. CGIL's aggressive branch expansion will continue to make its services accessible to more people across the country while simultaneously enhancing the Company's digital footprint.

Ceylinco General Insurance also partners with leading telcos to widen reach of its products:

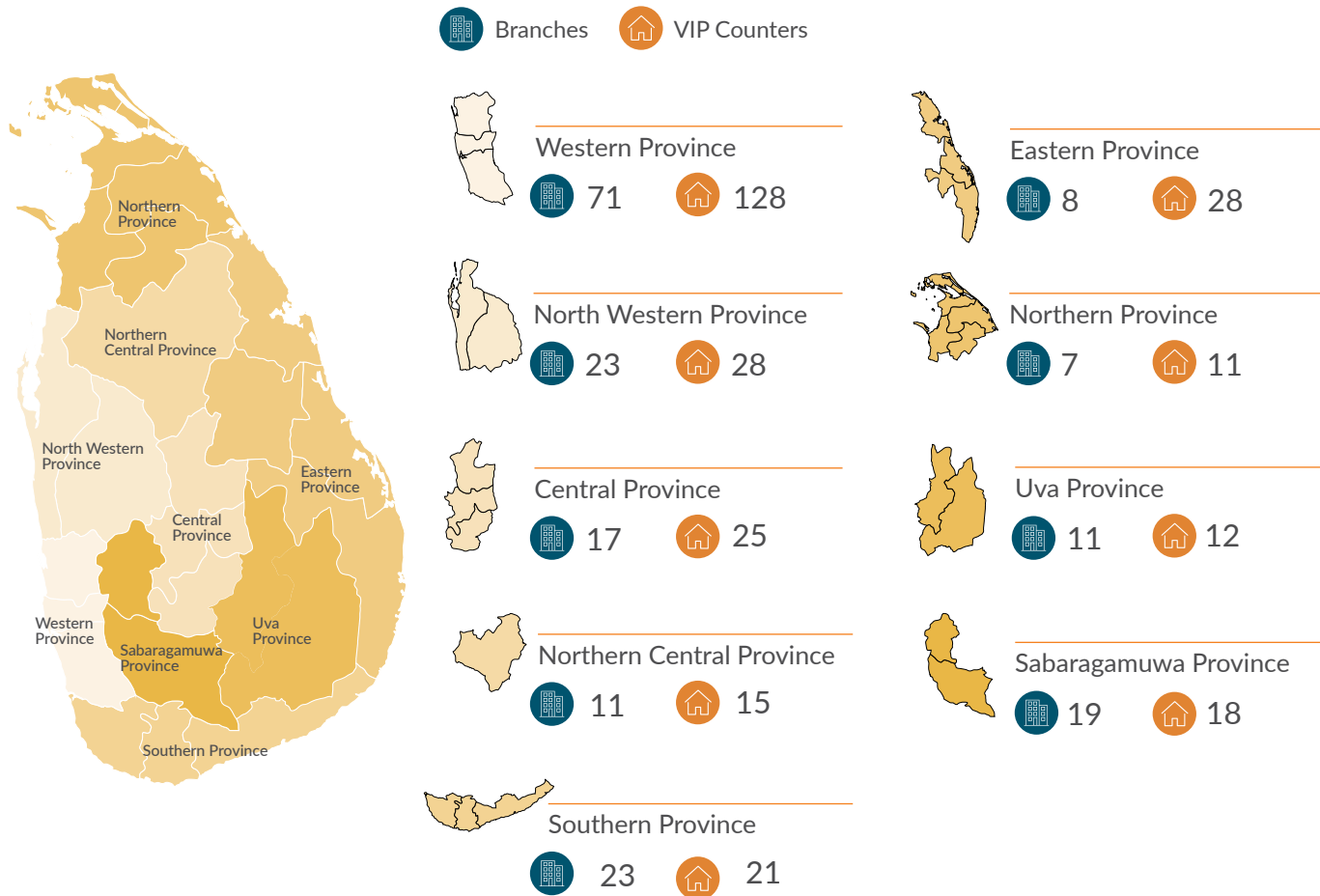
- Sri Lanka Telecom and Mobitel for Health Insurance products
- Dialog for Personal Accident products

### OPERATIONS HUB

Customers rely on the state-of-the-art Call Centre to inform them of accidents or inquire about their claims, policies etc. As a result, Ceylinco General Insurance's call centre in Sri Lanka is truly the hub of operations, as it offers superior customer service levels, as the face of the Company. Call Centre staff are given cutting edge training when it comes to customer communication, empathy and politeness. Over 40 tele-operators are on call to respond to questions, resolving issues and processing claim intimations. On average, the Call Centre handles over 485 vehicle accident complaints and over 100 non motor claim intimations per day on average. The centre handles customer queries, accident reporting, product inquiries and branch information etc.


# OPERATIONAL REVIEW

The Company is present across all the provinces, serving customers in remote parts of the island and to offer customers easy access to its services through the following physical customer touchpoints:



In addition to the network above, customers can also engage with the Company by accessing the following:

  
**13**  
 Mobile Propaganda Vans

  
**142**  
 Counters at Emission Test centers

  
**4,063**  
 Sri Lanka Post Offices for 3rd party insurance



# CEYLINCO **VIP** SPOTS

The company operates seven 'Ceylinco VIP Spots' located along long distance routes for the benefit of policy holders to refresh themselves whilst undertaking long distance travel.

 Rest Spot



# OPERATIONAL REVIEW

## DRIVING TECHNOLOGY AND DIGITALISATION

Considering the need to shift to work from home mode during the year, a substantial amount was allocated to upgrade the Company's digital infrastructure through procurement of hardware to facilitate employees. Accelerating its digitalization journey for better customer service, the Company leverages on various online digital channels to ensure it caters to customers who prefer to use their mobile devices and smartphones to access our products and services.

The Company has invested in developing Mobile Apps to further drive sales of its products and services via apps such as Marketing Executive App/ Underwriting App for the sales force to obtain quotations when they are on the move to provide a speedier service. The Customer App/Underwriting App on the other hand helps customers interact with the company and purchase 3rd party motor policy covers and Children's Health Policy via the App. These apps launched in the previous year are seeing rapid adoption by customers.

## DIGITAL PAYMENTS

Digital payments became essential during lockdowns considering mobility restrictions. The Company's partnership with Dialog's Ezy Cash and Mobitel mCash allowed customers to pay insurance premiums via these platforms, offering them unprecedented convenience.

## ONLINE TRAVEL INSURANCE

Enhancing customer convenience further, the tie-up with the Galileo (airline reservation system) has helped drive sales of the travel insurance product. Travellers seeking travel insurance can instantly access Ceylinco General Insurance's Travel Insurance and pay premiums when they purchase an airline ticket.

## CEYLINCO GENERAL INSURANCE EXPANDS ITS NETWORK OF DIGITAL LED SCREENS TO SIXTY

Ceylinco General Insurance increased its LED screens installed in major cities and towns to sixty easily making it the largest outdoor digital advertising network in the island.

Embarked in 2017, on this ambitious project to install LED screens in major cities to advertise its products and services, these LED screens enable Ceylinco General Insurance to deliver targeted messages with high impact to hundreds of thousands of people when they are on the move. Unlike static bill boards, these LED screens are located at the right locations for maximum effectiveness in reaching the targeted audiences. Also these are very useful in delivering messages beneficial to the community as well as other CSR activities.





## HUMAN CAPITAL



Human Capital refers to the economic value of a worker's experience and skills, and includes assets like education, training, intelligence, skills, health, and other elements employers value such as loyalty. It is an intangible asset that cannot be measured on a balance sheet but increases productivity and thus profitability. The more investment a company makes in its employees, the chances of its productivity and success becomes higher.



### PRIORITIZING EMPLOYEE HEALTH AND SAFETY

The Company's main objective was to keep the staff healthy and safe. As a first step, the existing business continuity plan was rolled out. Less than 20% of staff was physically present in the office at any given time to curb the spread of COVID-19. During the peak of lockdown only 10% - 12% of staff were required to attend office. Only key people were called in while the rest of the teams worked from home.



### STAFF BY SERVICE

	Under 5 Yrs	5 - 10 Yrs	11 - 15 Yrs	16 - 20 Yrs	Over 20 Yrs	Total
Male	964	412	368	236	167	2,147
Female	468	133	42	34	47	724
Total	1,432	545	410	270	214	2,871

### AGE ANALYSIS OF STAFF

	18 - 35 Yrs	36 - 40 Yrs	41 - 45 Yrs	46 - 55 Yrs	Over 55 Yrs	Total
Male	1,137	326	316	312	56	2,147
Female	555	48	41	67	13	724
Total	1,692	374	357	379	69	2,871

# OPERATIONAL REVIEW

A comprehensive scheme was introduced to care for staff and their dependents. The Company negotiated with hospitals and intermediate care centres to accommodate staff as needed. Almost Rs. 50 million was spent on hospitalization of staff and dependents to support our staff members during the pandemic. Those who had complications were kept in private hospitals and those who did not have complications were kept at intermediate care centres while infected families were kept at intermediate care centres and hotels. In order to ensure job security, not a single staff member was retrenched and nor were any deductions made in their fixed income.

## RECRUITMENT & RETENTION

The Company has successfully managed employee retention—both in good times and in bad— which has led to weathering the many challenges faced during the year. The Company has a stringent recruitment process in place.

Most recruitment interviews were carried out via zoom for the benefit of the interviewee and the interviewer and all documentation was also handled via online channels.

On recruitment, after a careful selection process, the Company offers a structured induction training programme for newly-recruited candidates. These induction programmes are held on a monthly basis. The two-week long induction programme familiarizes candidates in all areas of our operations and across every department after which they undergo extensive soft skills development. There exists a Health Insurance scheme for employees as well as dependents, while an Annual Bonus and Profit Bonus scheme is also offered depending on eligibility.



**Rs. 7,038,002**  
Premium Per Employee

↑ 2021: 3%



**Rs. 525,721**  
Net Profit per Employee

↑ 2021: 5%

Employee job satisfaction and engagement factors are key ingredients of employee retention programmes. The Company has a pool of internal and external trainers to ensure employees are exposed to expert knowledge in their respective areas of expertise and also to help them advance rapidly in their careers. The culture of learning and development encourages staff loyalty.

## VACCINATION RECORDS

Human Resources coordinated and updated COVID-19 Vaccination records of all employees.

## EQUAL OPPORTUNITY EMPLOYER

Ceylinco General Insurance is an equal opportunity employer committed to diversity and inclusion in the workplace. We prohibit discrimination and harassment of any kind based on race, colour, sex, religion, disability, or any other basis. The Company is proud of its diverse workforce, spanning across all geographies and ethnicities from across the country. There are 1,950 field staff that operate across the country.

The Company strongly invests in career development, skills enhancement, professionalism of staff and succession planning. The set of challenges faced in 2020 persisted through 2021 although by now the systems and processes to conduct work from home mode were in place. Nevertheless, reflecting the company's employee-centric culture, no staff retrenchments or salary cuts were effected during the height of the lockdown. The company complied with all the COVID-19 health and safety measures issued by the health authorities.

## LEARNING AND DEVELOPMENT

The primary purpose of both general and targeted trainings is to benefit the development and capabilities of the individual while enhancing overall efficiency and staff retention.

As a leading corporate entity operating in the services industry, our staff has to be extremely competent in serving customers with the highest levels of service. A critical part of our training

is role-playing with senior staff while a substantial budget is also allocated for training and bringing their skills up to required standards

## TRAININGS CONDUCTED IN 2021



The Company conducts a Training Need Analysis and then designs the training

plan and gauges effectiveness through an established evaluation system.

A Management Development Programme was conducted for senior managers; while as many as 6 Motivation Trainings were conducted with the presence of the Chairman in Colombo (3 programmes), Dambulla, Kandy and Embilipitiya for all sales managers. In addition, Customer Care Training was conducted for all automobile engineers along with Technical & IT Training for underwriting staff; Induction Training Programmes for newly recruited employees at Head office and regional centres; Sales & Customer Care Training programmes for marketing staff at Head Office and regional centres; Insurance Product Training for sales and underwriting staff at Colombo and regional centres; and a Personal Development Programme for sales staff.

Disciplined underwriting has been one of the keys to our success and we hold regular examinations for our underwriters to ensure they remain at the cutting-edge of the industry.

### PERFORMANCE APPRAISAL

Performance appraisals are used for an employee's development and helps the management to make decisions regarding career progress for employees. The Company's transparent appraisal system also gives employees an insight into their current capabilities, whether they have scope to learn and grow, how they are placed and what will be the next stage of their career.

Ceylinco Insurance General's performance assessment evaluated employees' core competencies and on conclusion of the process, offers actionable feedback, which provides employees with the insights they need

to progress further. The appraisal system ensures no hard work and efforts by employees are overlooked.

The open door policy in the Company ensures that senior management engage in mentorship for junior staff and several forms are provided for junior staff to gain knowledge and insights from mentors.

### AWARDS CEREMONY HELD ONLINE FOR THE 1ST TIME

For yet another year, the Annual Sales Conference and the Awards Ceremony could not be held with the usual glitter and glamour, but the tradition was continued as an online event under the theme 'Amidst all challenges you made it happen - we salute our superstars of 2020'.

The online Awards Ceremony, which was also a novel experience for all the sales staff, awarded them with handsome cash prizes for their exceptional achievements in 2020. The selection process remained the same and rewards were given as customary covering all areas of achievements.



### GRIEVANCE COUNSELLING

The Company has in place a grievance mechanism to resolve any complaints from staff about injustice or unfair treatment of any kind, or even as a whistle-blower. An open-door policy for employees ensures their voice will be

heard by the management who take it upon themselves to offer a satisfactory solution to the complainant.

### TRANSPARENCY AND ANTI-CORRUPTION PRACTICES

The Company advocates a policy of 'Zero tolerance' where corruption and malpractices are concerned. This is applicable to employees of all levels and is strictly enforced where necessary though such instances are rare. Adequate measures are taken in order to have a fair hearing and a comprehensive internal audit is carried out before reprimanding an employee.

### EMPLOYEES WELFARE SOCIETY & SPORTS CLUB

The Employees Welfare Society plays an active role in keeping staff engaged in fun activities. The Society also represents the panel in disciplinary inquires as independent members. The Annual staff outings and the Family Musical show were not held during the year 2021 under review due to the pandemic situation for the safety of staff in adherence to health guidelines implemented by the government discouraging large gatherings.

Likewise, the Sports Club encourages employees to take part in mercantile tournaments, etc to keep staff team spirit, motivation level high.

Ceylinco General Insurance remains committed to helping employees realize their full potential while ensuring their contributions serve to sustain the organization's leadership status.



# CORPORATE MANAGEMENT



Mr. R.A. Ranasinghe  
General Manager (City)



Mr. A.R.S. Wijayapura  
General Manager (City)



Mr. J.D.S.N. Piyadasa  
General Manager-Finance



Mr. C. Kotigalage  
Head of Legal



Mr. N.S. Rajapakse  
Deputy General Manager  
(Marketing)



Mr. S. Thilakeshwaran  
Deputy General Manager



Mr. S.H. Panangala  
Liyanage  
Deputy General Manager



Mr. M. Premaratne  
Deputy General Manager  
(Financial Services - City)



Mr. C.E. Wimalasuriya  
Deputy General  
Manager (Technical)



Mr. R.S. Arulanandan  
Deputy General Manager



Mr. V.D.C. Wickramaratne  
Deputy General Manager



Mr. A.M.D. Alagiyawanna  
Senior Assistant  
General Manager



Mr. A.L.J. Atapattu  
Senior Assistant  
General Manager  
Resigned w.e.f. 31.12.21



Mr. I.A.K.J.P. Ilangakoon  
Senior Assistant  
General Manager



Mr. S.K. Jayasundara  
Senior Assistant General  
Manager (Miscellaneous)



Mr. H.J.S. Kumara  
Senior Assistant General  
Manager



Mr. K. Shankaramoorthy  
Senior Assistant General  
Manager (Financial Services)



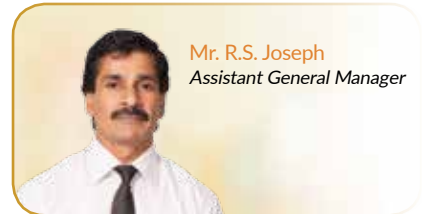
Mr. D. Munasinghe  
Assistant General  
Manager (Marine)



Mrs. R.M. Abeywardena  
Assistant General  
Manager (Legal)



Mr. A.P.R. De Mel  
Assistant General Manager  
(Risk Management)



Mr. R.S. Joseph  
Assistant General Manager





**Mr. A.A.U.S.S. Wijeratne**  
Assistant General Manager  
(Financial Services -  
Branches)



**Mr. H.A.R. Dharmaratne**  
Assistant General Manager  
(Information Technology)



**Mr. S.L.D.C. Sisira**  
Assistant General Manager  
(Reinsurance)



**Mr. K.S.D. Fernando**  
Assistant General Manager  
(Risk Management)



**Mr. I.E. Abeyratne**  
Assistant General  
Manager (Marketing)



**Mr. L.P.C. Madhavila**  
Assistant General Manager  
(Legal)



**Mr. K.J.N. Perera**  
Assistant General Manager



**Mr. W.P.S. Pemachandra**  
Assistant General Manager



**Mr. A.A. Nandana**  
Assistant General Manager  
(Technical)



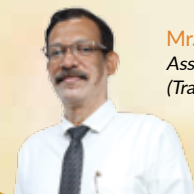
**Mr. B.I.U. Kumara**  
Assistant General Manager  
(Technical)



**Mr. W.R.S. Fernando**  
Assistant General Manager  
(Marine Insurance)



**Mr. J.M.A.R.P. Jayakody**  
Assistant General Manager  
(Internal Audit)



**Mr. W.A.M. Susantha**  
Assistant General Manager  
(Training)



**Mr. A.R. Pietersz**  
Assistant General Manager  
(Automobile)



**Mrs. N. Abhayawardhana**  
Company Secretary/  
Assistant General Manager



**Mr. V. Nissanka**  
Regional Manager



**Mr. M.A.L. Ravindra**  
Regional Manager



**Mr. R.B.R. Wijeratne**  
Regional Manager



**Mr. D.S. Karunaratne**  
Regional Manager



**Mr. L.A.I.A. Jayasena**  
Regional Manager



**Mr. V.K. Gunathilaka**  
Regional Manager



**Mr. L.P.D. Dharmasooriya**  
Regional Manager

# MANAGEMENT STAFF - CORPORATE SALES





**Mr. N. Hettiarachchi**  
Senior Manager  
(Corporate Accounts)



**Mr. M.P.S. Divithurugama**  
Senior Manager  
(Corporate Accounts)



**Mr. T.M.R.K. Kurukula**  
Consultant



**Mr. M.A.S. Priyadarshana**  
Senior Manager  
(Corporate Accounts)



**Mr. P.C.N. Dias**  
Senior Manager  
(Corporate Accounts)



**Mr. W.M.C.J. Bandara**  
Senior Manager  
(Corporate Accounts)



**Mr. T.S.R. Peiris**  
Senior Manager  
(Corporate Accounts)



**Mr. W.A.M.L. Soloman**  
Senior Manager  
(Corporate Accounts)



**Mr. B.G.S. Mendis**  
Senior Manager  
(Corporate Accounts)



**Mr. M.D.J. Thilina**  
Senior Manager  
(Corporate Accounts)



**Mr. V. Sivakumar**  
Senior Manager  
(Corporate Accounts)



**Mr. S. A. D. L. Sural**  
Senior Manager  
(Corporate Accounts)



**Mr. M.C.A. Fernando**  
Senior Manager (Corporate  
Accounts)



**Mr. J.K.C. Jayawardana**  
Senior Manager (Corporate  
Accounts)



**Mr. N.P. Wadugodapitiya**  
Manager Corporate Sales



**Mr. C.N. Weerasuriya**  
Manager (Corporate  
Accounts)



**Mr. W.P.G.S.D. De Silva**  
Manager  
(Corporate Accounts)



**Mr. K.M.P. Rohan**  
Manager  
(Corporate Accounts)

# MANAGEMENT STAFF

## REGIONAL/AREA SALES MANAGERS



Mr. S.K. De Alwis  
*Consultant*



Mr. J.S. Rajapaksha  
*Regional Sales Manager*



Mr. K.P.L.A. Balawardena  
*Area Sales Manager*



Mr. D.A.S. De Silva  
*Area Sales Manager*  
*(Resign w.e.f 01.08.2021)*



Mr. P.S.M. Rerukana  
*Area Sales Manager*



Mr. H.D. Madugoda  
*Area Sales Manager*



Mr. T.A. Nanayakkara  
*Area Sales Manager*



Mr. S. Gurusinghe  
*Area Sales Manager*



Mr. K.M.R. Ranasinghe  
*Area Sales Manager*



Mr. C.S. Mahalekamgedara  
*Area Sales Manager*



Mr. P.L.N.C. Sampath  
*Area Sales Manager*



Mr. L.H.M.L. Dayananda  
*Area Sales Manager*



Mr. H.K.M. Priyanka  
*Area Sales Manager*



Mr. R.P.S.R. Randunu  
*Area Sales Manager*

# MANAGEMENT STAFF

## General Managers (City)

R.A. Ranasinghe  
A.R.S. Wijayapura

## General Manager – Finance

J.D.S.N. Piyadasa BSc (Pub. Admin)(Hons), FCA,  
MBA (Sri J.)

## Head of Legal

C.Kotigalage  
Attorney-at-Law/Notary Public Barrister and  
Solicitor  
Former Judge of the High Court of Fiji Islands

## Deputy General Manager (Marketing)

N.S. Rajapakse  
Pg DipM (UK), FCPM, MBA (Wales, UK)

## Deputy General Managers

S. Thilakeshwaran  
S.H. Panangala Liyanage MBA (UK)  
R.S. Arulanandan  
V.D.C. Wickramaratne MBA (UK)

## Deputy General Manager (Financial Services - City Office)

M. Premaratne ACA, FCMA

## Deputy General Manager (Technical)

C.E. Wimalasuriya ACIC

## Senior Assistant General Manager

A.M.D. Alagiyawanna BA (Econ)(Hons)

## Senior Assistant General Manager (Financial Services)

K. Sankaramoorthy FCA, ACMA, MBA (Sri J.)

## Senior Assistant General Manager (North Western Region)

A.L.J. Atapattu ACIC, MBA (UK)- Resigned w.e.f.  
31/12/2021

## Senior Assistant General Manager (South West Region)

I.A.K.J.P. Ilangakoon B.Com

## Senior Assistant General Manager

H.J.S. Kumara

## Senior Assistant General Manager (Miscellaneous Insurance)

S.K. Jayasundara

## Senior Assistant General Managers (Corporate Accounts)

K.K.V.K. Priyasad  
B.N.T. Rupasinghe

## Assistant General Managers (Marine Insurance)

D. Munasinghe  
W.R.S. Fernando

## Assistant General Managers (Legal)

Mrs. R.M. Abeywardena Attorney-at-Law &  
Notary Public  
L.P.C. Madhavila Attorney-at-Law & Notary  
Public, Commissioner for Oath

## Assistant General Managers (Risk Management)

A.P.R. De Mel AMI Mech. E.  
K.S.D. Fernando

## Assistant General Manager (Marketing)

I.E. Abeyratne MCIM (UK), DipM (UK), MBA  
(UK), Chartered Marketer (UK), MSLIM, Adv. Dip. MA

## Assistant General Manager (Reinsurance)

S.L.D.C. Sisira B.Com (Hons)

## Assistant General Manager

R.S. Joseph Dip. Mkt (UK)

## Assistant General Managers (Corporate Accounts)

L.M.R.S. Lansakara B.Com (Special)  
W.P.N. De Alwis  
D.J. Gunewardene DipM (UK), ACIM (UK),  
MBA (Aust.)  
W.A.S. Prasanna

## Assistant General Managers (Financial Services - Branches)

A.A.U.S.S. Wijeratne ACA, ACMA, MBA (Col.)

## Assistant General Manager (Internal Audit)

J.M.A.R.P. Jayakody BSc (Busi. Admin) (Special),  
ACA, MBA (Col.)

## Assistant General Manager (Information Technology)

H.A.R. Dharmaratne BIT, Dip. Comp. System  
Design, MBA (USA)

## Assistant General Managers

K.J.N. Perera  
W.P.S. Pemachandra

## Assistant General Manager (Automobile)

A.R. Pietersz FIAE (SL)

## Assistant General Managers (Technical)

B.I.U. Kumara  
A.A. Nandana

## Assistant General Manager (Training)

W.A.M. Susantha BSc (Busi. Admin) (Special),  
AMIPM, MSLITAD, MITD (SL), MBA

## Company Secretary/Assistant General Manager

Mrs. Nilika Abhayawardhana ACIS (UK)  
ACCS (SL)

## Regional Managers

V.K. Gunathilaka  
L.A.I.A. Jayasena  
D.S. Karunaratne  
V. Nissanka  
M.A.L. Ravindra  
R.B.R. Wijeratne MBA (UK)  
L.P.D. Dharmasooriya

## Chief Managers (Financial Services)

Mrs. W.P.S. Jayasinghe BSc. (Busi. Admin)  
(Special)  
B.C.P. Kumara  
O.B.R. Perera  
A.K.M. Wickramasinghe BB Mgt (Sp) (Hons)



# MANAGEMENT STAFF

## Chief Manager (Financial Services/ Technical)

Mrs. S.H.S.D. Sumanathilake ACA, ACMA, ACII (UK), MBA(Sri J.) Chartered Insurer

## Chief Legal Officers

S.A.K. Haputhanthri Attorney-at-Law, Commissioner for Oath

S.T. Lamabadusooriya LLB, Attorney-at-Law & Notary Public, Commissioner for Oath, Regd. Co.Sec.

Mrs. H.M. Pethiyagoda LLB, Attorney-at-Law & Notary Public, Commissioner for Oath

## Chief Risk Engineers

B.G.N.I.B. Basnayake BSc (Eng.)

C.C. Ekanayake BSc, MIEE (UK), AMIE (SL) - Resigned w.e.f. 31/08/2021

E.M.N. Lasantha BSc (Eng.)

N.S. Weerakoon

R.K. Wijeyasinghe BSc (Eng.), AMIE (SL), PG Dip. Elect. Eng.(SL)

## Chief Technical Managers (Underwriting)

M.D.R.D. Gunatillake

Mrs. N.D.D.J. Serasinghe

## Chief Manager (Claims)

I.M. Karunasena

## Chief Manager (Software Development)

H.A. Dikkumbura

## Chief Technical Managers

K.M.C.S. Perera

H.M.T. Herath BSc (Mkt. Mgt.) (Special),

ACII(UK),Dip SLII, LIII (India) Chartered Insurer

H.M.A.P. Abeywardena

## Chief Technical Managers (Automobile)

B.S.B. Jayasekara AMIAE (SL)

R.B.W.A.M.D.B. Rajaguru

## Senior Managers (Corporate Accounts)

K. Alikhan

W.M.C.J. Bandara

M.C.A. Fernando

P.C.N. Dias

V.S.D. De Mel

M.P.S. Divithurugama

W. George

H.C.S. Hemantha

N. Hettiarachchi

M.D.S.R.L. Jayasekara

J.K.C. Jayawardana

L.M.M.B. Karaliyadde - Consultant w.e.f.

7/03/2019)

B.G.S. Mendis

B.D.C. Perera

M.A.S. Priyadarshana

M.A.V. Priyadarshana

S.A. Priyantha

T.S.R. Peiris

M.A.S. Rupathunga

W.M.A.C. Sanjana

S.A.D.L. Sural - MBA(Wales), Pg. Dip Mkt

(UK),MCIM

V. Sivakumar

W.A.M.L. Soloman

M.D.J. Thilina

U.A.R.S. Udawela

## Senior Legal Officer

Mrs. D.R. Wickramasinghe Attorney-at-Law & Notary Public, Commissioner for Oath

## Senior Manager (Company Secretarial)

Mrs. A.L.D.E.H. De Silva

## Senior Risk Engineers

H.D.J.K. Perera BSc

H.M.L.R. Jayasundara

## Senior Managers (Internal Audit)

J.A.A.K. Jayasinghe B.Com (Special), ACIC, SAT,

CBA- Retired w.e.f. 08/12/2021

P.U.U. Perera B.Com

## Senior Managers (Financial Services)

R.M.A. Bandara BSc (Busi. Admin) (Special)

D.R.N. Damsiri BSc (Busi. Admin) (Special)

S.L.W. Fernando

H.L.N.C. Nanayakkara

J.S. Liyanarachchi

K.N.N. Madarasinghe

K.L.R.D. Silva

## Senior Technical Managers (Underwriting)

V.A.L.C. De Silva

Mrs. M.W.S.N. Mangalie

M.A.G. Perera

P.L. Sumanapala

## Senior Technical Managers

A.K.I.K. Ariyaratne ACII (UK), Dip. SLII, ANZIIF

(Snr Assoc) CIP, Chartered Insurer

W.R.N. Dep

Mrs. H.P.R. Dilrukshi

## Senior Technical Managers (Claims)

Mrs. T.K.K. Ratnayake

Mrs. I.D. Samaranayake

## Senior Manager (Applications)

M.H.M. Sajeendra

## Senior Manager (Data Centre Operations)

D.A.T. Dissanayaka - MscIT

## Senior Technical Managers (Automobile)

C.J. Amarakoon

K.P.U.D. Gunasekara

A.I. Gunawardana

H.C. Heenatigala

R.G.C. Priyankara

M.S.V. Perera

## Senior Managers (Customer Services)

H.V.C. Dhammika

T.L.R. Sampath

## Senior Managers

C.R. Gabriel

R.M.S.P. Rajapaksha - Resigned w.e.f.

24/12/2021

R.D. Abeygoonawardena- Resigned w.e.f.

13/08/2021

K.L. Malwatte- Resigned w.e.f. 31/05/2021

## Senior Manager (Information Technology Operations)

P.O.N. Perera



**Senior Manager (Software Development)**

D.A.L. Manchanayake

**Senior Applications Engineer**

W.M.S.R. Seneviratne

**Senior Data Centre Operations Engineer**

W.W.A.D.S. Sanjaya

**Managers (Financial Services)**

A.M.L.D. Athauda

R.R.P. Bandara

S.H.M. Chandrasiri

M.P.C. Costa

H.G.N.S. Gunathilake

W.J.J. Perera

L.P.S. Pemakumara

S.S.T. Pinnagaspiya

M.R.P. Peiris

S. Rambukwella

S.M.A. Ranith

W.A. Soysa

Mrs. R.H.P.R. Silva

G.D.R. Siriwardena

D.R.D. Siriwansha

H.S. Balasooriya

**Managers (Internal Audit)**

I.A.S.P. Fernando

J.A. Handaragama

R. Munasinghe

S.P.P. Sarath Kumara

**Technical Managers (Automobile)**

H.A.K. Hemantha

K.M.I. Rajawatta

E.M.P.B. Ekanayake

B.I. Moses

**Technical Managers (Underwriting)**

Mrs. W.M.C. Samankumari

P.G.S. Chandrasiri

E.M.J.S. Ekanayake

A.S. Ranasinghe

G.E.S. Roshan

Mrs. A.Y. Sheriff

**Technical Manager(Crop & Livestock Insurance)**

D.D.N.T. Dematagoda

**Technical Managers**

R.P.I.P.T. Amarasekara

Mrs. W.K.V. Edussuriya

T.J.A. Perera

R.J. Rozairo

H.C.L. Kotigala

**Technical Managers (Claims)**

E.A.D.Y.R.C. Gunasekara

M.R.K. Makalandawa

H.W.W.M.A.P. Rambukwella - Resigned

w.e.f. 04/03/2022

N.G.P. Sampath

Mrs. G.S. Subodanie

**Senior Area Automobile Engineer**

M.C. Manathunga

**Area Automobile Engineers**

M.E.V. Fernando

W.A.C. Wijesinghe

W.C.C.L. Kumara

**Managers (Customer Care)**

M.S.S.S. Hassim

**Manager (Recoveries)**

S.F.F. De Silva

**Manager**

D.S.J. Wickramaratne

**Manager (Marine Survey)**

W.M.U. Shantha

**Manager (Propaganda)**

W.D.P. Sanjeeva

**Manager (Claims)**

P.A.J.P. Jayawardena

**Risk Engineers**

A.A.A. Balasinghe

P.G.G.D. Chandima

R.M.V. Chathuranga

D.M.S.A. Dassanayake

W.A.S. Fernando

S.B. Gamaarachchi

K. Hajananan

S. Jeganesan

H.R. Karunarathna

M.H.I.P. Kularathne

N.L.D.J. Nanayakkara

G.R. Siriwardhana

J.Thuvarahan

H.D.P.A. Siriwardena

C.S. Warnapura- Resigned w.e.f. 13/01/2022

W.M.A.W. Wickramanayake

G.D.C. Kumara

**Chief Loss Adjustors / Accountant**

L.P.R. De Silva

D.M.A. Gunasekara

C.M. Gunawardana

H.A.R. Kumarasiri

A.A.D.P. Dias

**Chief Loss Adjustor**

R.A.A. Prasad

**Regional Sales Managers (Branches)**

S.K. De Alwis - Consultant w.e.f. 12/01/2021

J.S. Rajapakse

**Area Sales Managers (Branches)**

K.P.L.A. Balawardena

D.A.S. De Silva - Resigned w.e.f. 01/08/2021

L.H.M.L. Dayananda

S. Gurusinghe

H.D. Madugoda

C.S. Mahalekamgedara

T.A. Nanayakkara

H.K.M. Priyanka

P.S.M. Rerukana

P.L.N.C. Sampath

K.M.R. Ranasinghe

R.P.S.R. Randunu

**Senior Sales Managers (City)**

K.T.G.N. De Silva

Miss. K.A.D. De Silva

# MANAGEMENT STAFF

L.A.S. Edirisinghe - Consultant w.e.f.

16/11/2019

W.W.M.A.B.P. Fernando

V.P.S. Jayamanna

K.M.S.N. Kumara

P.A.L. Kumara - Consultant w.e.f. 13/07/2020)

S.H.N.D. Kumara

K.D.D. Kumara

U.I. Kodagoda

S.I. Liyanage

D.A.H. Prasad

H.R.T. Perera

N.K.P.R.C. Perera

R.V.N.S. Rajapaksha

K.S. Sanjeewa

R.U. Sampath

S.U. Thalakumbura

R.T.D.W. Tilakaratne - Consultant w.e.f.

26/02/2021

W.M.J. Weerasekara

K.D.K. Wijenayake

## Senior Sales Managers (Branches)

A.M.W.J. Adikari

D.J.K. Dadigamuwa

H.M.T. Hemantha

R.K.M.A.P. Jayasundara

P.P.B.W. Jayalath

M.H.M.S. Jayarathna

M.G.S. Kumara

T.A.B. Peiris

M.H.M. Rizwan

W. Sanjaya

L.S.A.M.J. Siriwardhana

N.M. Uduweralla

W.L.D.K. Weerasuriya

Y.M.N.A.S. Yapa

## Managers (Corporate Accounts)

W.P.G.S.D. De Silva

K.M.P. Rohan

C.N. Weerasuriya

## Manager (Corporate Sales)

N.P. Wadugodapitiya

## Sales Managers (City)

H.G.N.L. Ariyaratne

J.D.C. De Alwis

H.M.E.G.P.R. Egodage

W.M.A.M. Fernando

B.P. Jayawardena

D.C. Jayawardena

M.R.M. Ruzaik

B.A.C.S. Sarathchandra

N.J. Thavachchelvam

## Sales Managers (Branches)

K.M.K.M.K. Abeyrathna

S.R.D.D. Abeykoon

C.I. Abenayaka

K.A.A.P. Abhaya Wickrama

C.P. Abeysekera

A.H.M.W.B. Agalakotuwa

E.M.C. Bandara

K.T.M.S.R. Bandara

M.R. Benjamin

K.M.C.K. Balawardana

G.L.P. Bhathiya

Y.M.A.H. Bandara

P.M.G. Chanaka

L.H.R.C. Chandrasiri

R.D.T. Dassanayake

D.M.M. Deshapriya

G.K.A. De Silva

M.C. Dhammika

G.L.N.C. De Silva

W.M.D.C.B. Dissanayake

P.L.S. De Silva

D.M.R.N.U.B. Dissanayake

H.G.S.De A. Abesiriwardena

P.V.S.P. Vimukthi

N.G.K.H. Dhanapala

A.S.J. De Alwis

M.B.I.N. Fernando

M.C.K. Fernando

W.M.S.S. Fernando

W.D.R.S. Fernando

A.M.A.S. Fernando

J.M.R.K.D. Galgamuwa

S.K.K. Gunarathna

G.M.N.K. Gamlath

H.M.S.B. Herath

R. Ingaran

S.P. Jagathsiri

P.H.M.C. Jayalath

J.M.D.C.P. Jayamanna

D.T. Jayathilaka

T.N.P. Jayarathna

W.T. Jayasingha

T.A.S.C. Kumara

K.K.S.K. Kumara

S.S. Kumaradasa

P.V.P.L. Kumarasiri

W.S.A. Kumarasiri

H.L.D.S. Kumara

M.D.P.S. Karunaratne

M.R. Kannangara

A.A. Karunadasa

I.M. Kalansuriya

D.T.N. Kulasekara

H.R. Kumara

K.W.T. Kellapatha

K.G.C.P.K. Kumara

S.A.I.S.K. Karunathilake

N.S.G. Kumara

S.J. Liyanage

P.D.C. Lakchan

A.H. Lalith

M.D.K.G. Munasinghe

R.P. Marasinghe

I.G.K.M. Mudannayake

H.P. Mallawathantrige

H.P.S. Mendis

M.A.D. Nishantha

S. Navaneethan

B.A. Perera

K.A.S. Piyasena

M.W.S.S. Piyarathna

B.P.K.D. Pathirana

V.G.D.S. Priyadarshana

P.K.A.K. Priyadarshana

S.M. Pradeeparathna

S.M.J.N. Perera

K.M.N. Perera

G.A.M. Pereira

K.D.U.K. Perera

J. Prashanth

H.M. Pushpakumara

N.J. Rajapakshe

R.A.C.R. Ranasinghe  
H.M.N.T. Ranathunge  
L.R. Rathnasiri  
R.T. Ranatunga  
M.R. Raffel  
B.M.D.C.L. Ranasingha  
M.S.S. Rodrigo  
G.H.U. Roshan  
D.M.S.R. Rathnayake  
H.A.G. Sathyajith  
S.A.M.A.N.C. Senanayake  
S.T. Somatilake  
W.R. Suresh  
A.K.H.M. Somasiri  
K.A.H.K. Sirisoma  
S.A. Sanjeewa  
A.D.S.U.K. Samaratunga  
E.G. Sirimal  
N.A. Sanjaya Siri  
K.J.M.S. Silva  
D.G.R. Saliya  
S. Thavakkumar  
S.D. Thotawattage  
T.M.G.B. Telwadana  
T.G.A.N. Thalawatta  
W.P.T. Udugama  
C.S.K. Wickramanayake  
W.M.D.C.C.D. Wijayarathne  
S.M.P.F. Warnakulasuriya (Mrs.)  
T.S. Wickramasinghe  
A.S. Wijethunga  
D.G.P.N. Wimalaratne  
D.R.S. Wijeyakulasuriya  
S.C. Warnapura  
M.D.Wijerathna  
H.N.P. Wickramasekara  
L.K. Wattegedara  
D.G.D.S. Yapa  
H.B.M. Dhanendra  
S.N. Harischandra  
P.R. Jayasena  
W.J. Kavindrakumara  
L.R. Perera  
D.J. Nanayakkara  
R.A.S.P. Sanjeewa

#### Branch Managers

I.I. Attanayaka  
A.D.W.I. Anushan  
T. Athithan  
D.P. Amarasinghe  
D.M.R.N. Dissanayake  
N.N.R. Diunugala  
K.C.S. Fernando  
M.S.R.M. Fernando  
N.G.C. Gunarathne  
D.P.R. Gunasiri  
I.D.G. Idirideera  
M.G.A. Jayanath  
M.S. Kosgallana  
P.V. Kumara  
D.D.S.S. Kumar  
M.T.N.A. Kumara  
T.I. Lanthra  
H.P.V.U. Mahindaratne  
W.M.R.B. Naranpanawa  
L.T.P. Perera  
B.A.S. Priyadarshana  
P.S.S. Peiris  
C. Pratheepan  
D.L.W. Rathnayaka  
P.J. Raweendra – Resigned w.e.f. 08/03/2022  
A.L.N. Suranga – Resigned w.e.f. 15/03/2022  
S.A.L. Samarasinghe  
N.C. Samarawickrama  
C.H. Vitharana MBA (UK)  
W.A.C.R. Weerasinghe  
W.M.R.B. Wijekoon

#### Acting Branch Manager

M.R.T. Ranganath

#### Acting Sales Manager

K.T. Kannangara

# PRINCIPLES

# *Guiding*

# FUNDAMENTALS

## CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE

## COMPANY APPROACH TO GOVERNANCE

We believe that the Company's approach to governance enriches our business and supports our overall value creation process and organizational growth.

Good governance is vital to our business conduct, shapes our organizational culture and harvest for us the continued trust of our stakeholders. Proper governance structures and processes ensure that our business is well-managed and controlled.

Ceylinco General Insurance Limited identifies that the achievement of the long-term strategic objectives depends on the soundness of its Corporate Governance Framework. This would interlink interests of the Board and management with those of Stakeholders.

We have to deal with some economic, climate and political challenges from time to time. But the most significant of these has been the global outbreak of COVID-19. As a strong, stable and customer-focused Company that is led by a high-quality Board we were well-positioned to meet the unprecedented challenges of the pandemic, delivering our customer service for all customers by implementing safety measures. The Board and Sub-Committee governance structures operated effectively and efficiently throughout this period to provide the necessary leadership and oversight to support our business activities.

The Board of Directors had to adapt to rapidly changing circumstances, new challenges and demands during the year 2021. As a result of that, The Board of Directors provided guidance to ensure there was a clear focus on our long-term strategic objectives and to support senior management as they made quick decisions to respond to the pandemic on

behalf of all stakeholders. At all times, the Board was kept updated on the changes being implemented to support customers and staff. The Board received regular updates, with the majority of the Board and Committee meetings being held virtually.

The Board of Directors executed governance framework is fit for purpose and is intended to deliver clear direction for responsive policy making and support accountable performance. Implanted practices ensured that the Company maintained its obligation to achieving high standards of corporate governance, through transparency, good performance, effective controls, integrity and a sound ethical culture across the Company's operations.

The Company's comprehensive strategy review process reflects the risks and opportunities connected to the wider context in which we operate. A long term view drives combined thinking at Board level as we deliberate strategy to create value, both for the Company and its key stakeholders.

Our governance framework is strengthened by a fit for purpose organization structure, all-inclusive policy framework, distinct reporting mechanisms, sound internal controls, robust risk management processes and an ethical work culture designed to facilitate transparency, responsibility and measurement.

## BOARD OF DIRECTORS

The Board is dedicated to and considers it a key priority to act responsible manner towards its stakeholders and to manage economic, environmental and social impacts through value creation activities, efficiently and effectively. The Board of Directors of the Company is responsible

for setting the financial and operational policies, reviewing and approving the strategic plans and annual budgets and to ensure that the other affairs of the Company are carried out to the highest ethical standards, complying with the regulatory and legal requirements, in the best interests of all the stakeholders of the Company.

Continuing a comprehensive system of internal controls to safeguard shareholders' investment and the Company's assets is the responsibility of the Board of Directors. Currently, the Board has established a process for identifying, evaluating and managing the significant risks faced by the Company. This process includes enhancing the internal control system of the Company as and when there are variations to corporate environment and regulatory guidelines.

To serve the interests of all stakeholders and to promote the highest standards of risk management at every level, the Company's corporate governance framework is subject to ongoing review by the Board. The Board of Directors works proactively to strengthen and improve governance policies and practices in line with the latest regulatory requirements applicable to the insurance industry as well as best practices for good corporate governance.

The Board comprises of sixteen Directors of whom five are Executive Directors, five are Independent Non-Executive Directors and six are Non-Executive Directors, one being the Chairman of the Board. A brief profile of the members of the Board of Directors is given on pages 16 to 21.

The key changes to the Board composition during the year under review are as follows:

# CORPORATE GOVERNANCE

- Mr. B. S. M. De Silva, stepped down from the post of Chairman with effect from 01st March 2021. Since 2014, Mr. B. S. M. De Silva was the Chairman of the Ceylinco General Insurance Limited. In line with the Company succession plan Mr. H. D. K. P. Alwis succeeded Mr. B. S. M. De Silva as Chairman, post his step down. As a result, Mr. H. D. K. P. Alwis functions as the Executive Chairman and Chief Executive Officer (CEO) of the Company. Given the combined role of Chairman and CEO, the Company has appointed Mr. A.R.H. Fernando as Senior Independent Director w.e.f. 13.01.2022.
- Mr. U. Witharana was appointed as Managing Director w.e.f. 01.03.2021 in line with the Company succession plan.
- Mr. B. S. M. De Silva continue to serve Board as a Non-Executive Director.

## Composition of the board



5 Executive Directors



5 Independent Non-Executive Directors



6 Non-Executive Directors

### Division of the Responsibilities between the Chairman and CEO

The functions of the Chairman and Chief Executive Officer are vested in one person with effect from 01st March 2021 as the Board is of the opinion that it is the most suitable arrangement for Ceylinco General Insurance Limited. This endures to be the best alternative considering not only the growth prospect of the industry of the Company involves in but also the macro-economic surroundings which requires a dynamic leadership to go ahead with challenges.

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, insurance, finance, economics and marketing. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.

The Board has also appointed a Senior Independent Director, ensuring governance within the Board is preserved and stakeholder concerns are addressed.

The Company is also aware of maintaining an appropriate mix of skills and experience in the Board while ensuring objectivity and independent oversight through a regular review of its composition referring current and future needs of the Company. Each Director identifies himself with a duty to act in good faith and in the best interest of the Company.

### BOARD APPOINTMENTS

The Board has established a Nomination Committee on 13.01.2022 Membership of the Nomination Committee is given on page 68 of the Annual Report. The Company has established a formal and transparent procedure for new appointments by identifying suitable persons who possess with the combined knowledge, skill and experience to match the strategic demands facing the Company and is satisfied that it meets the requirements demanded.

The Company gets prior approval from the Insurance Regulatory Commission of Sri Lanka, when appointing new Directors to the Board.

### BOARD MEETINGS AND ATTENDANCE

During the year under review, there were six Board meetings held. In addition

to these Board meetings, the Board of Directors communicate, as appropriate, when strategic issues requiring wide-ranging discussions arise. Due to the COVID-19 pandemic situation of the country, the Board met more frequently than usual to discuss matters in a timely manner given the unstable and dynamic situation, allowing greater negotiation and prompt decision-making required in these conditions.

The number of Board meetings held during 2021, together with individual attendance, is given on page 75 of this Annual Report.

### BOARD SUB-COMMITTEES

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of accountability and impart knowledge and oversight in areas where they have greater expertise.

In further complying with Corporate Governance, The Board has established a Related Party Transaction Review Committee on 13.01.2022 and following are the members of the Committee.

- Mr. S. C. G. Guruge – Chairman – Independent Non-Executive Director
- Mr. A.R.H. Fernando - Independent Non-Executive Director
- Mr. Yu Kitai - Non-Executive Director

### BOARD PERFORMANCE

The Company does not have a formal procedure for the evaluation of Board performance, however all Directors dedicate adequate time and effort to the affairs of the Company. Further the Board ensures contributions of all Directors are made to achieve the corporate objectives.



### Board Interaction with Shareholders

The Board engages with shareholders through multiple channels of communication, including the Annual General Meeting (AGM), regulatory reports, etc. Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

The Annual Report, notice of the AGM and any other resolution that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15

working days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM.

### Directors' Remuneration

The Board has established a Remuneration Committee to develop policies and recommend remuneration for the Directors for approval by the Board. No Director is involved in deciding his/her own remuneration. The Board follows the Board-approved Directors' Remuneration Policy in recommending remuneration for the Directors.

Further information regarding the Remuneration Committee is given in the

Remuneration Committee Report on page 67.

Directors' remuneration in respect of the Company for the year 2021 is given in note 40 to the Financial Statements.

### Statement of Compliance

The below statement represents the Company adherence to the rules on Corporate Governance and the mandatory requirements in respect to Board Committees as specified in the Listing Rules of the Colombo Stock Exchange and the level of compliance maintained by the Company are analysed below.

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
7.10.1	Two or one third of Directors, whichever is higher, should be Non – Executive Directors.	Complied	The Board comprises Eleven Non-Executive Directors.
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be "independent".	Complied	The Board comprises Five Independent Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Director to submit a declaration of his/her independence or non- independence in the prescribed format.	Complied	The Non-Executive Directors have submitted the declaration.
7.10.3 (a)	The names of Directors determined to be independent should be disclosed in the annual report.	Complied	Please refer page 158
7.10.3 (b)	In the event a Director does not qualify as independent as the criteria set out in corporate governance, but if the Board is of the opinion that the Director is nevertheless independent, that shall specify the criteria not met and basis of the determination in the annual report.	Not applicable	No such determination required.
7.10.3 (c)	A brief resume of each Director including the areas of expertise should be published in the annual report.	Complied	Please refer page 16
7.10.3 (d)	Provide a brief resume of new Director appointments to the Board.	Complied	A brief resume of each such new appointment has been provided to the CSE as specified
7.10.5	A Company shall have a Remuneration Committee.	Complied	Please refer page 67
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or Non-Executive Directors majority of whom shall be independent whichever is higher.	Complied	The Remuneration Committee consists of three Non-Executive Directors and two of them are independent.

# CORPORATE GOVERNANCE

Rule No:	Rule of Corporate Governance	Status of Compliance	Details
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board	Complied	Mr. S.C.G.Guruge functions as Chairman of the Remuneration Committee.
7.10.5 (b)	The Remuneration Committee shall recommend the Remuneration of the Chief Executive Officer and the Executive Directors.	Complied	Please Refer Page 67
7.10.5 (c)	The annual report should set out:		
	The names of Directors comprising the Remuneration Committee	Complied	Please refer page 67
	A statement of remuneration policy	Complied	Please refer page 67
	The aggregate remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 151
7.10.6	A Company shall have an Audit Committee	Complied	Please refer page 62
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a Non-Executive Directors a majority of whom shall be independent, whichever is higher.	Complied	The Audit Committee consists of Two Independent Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Not Complied	Independent Non-Executive Director of Holding Company was appointed as Audit Committee Chairman.
	The Chairman or one member of the committee should be a member of a recognized professional accounting body.	Complied	Chairman of the Audit Committee is Fellow Member of the Chartered Institute of Management Accountants (UK)
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Please refer Page 62
7.10.6 (b)	Confirmation of functions of the Audit Committee is in accordance with the rules.	Complied	Please refer page 62
7.10.6 (c)	The annual report should set out:		
	The names of the Directors who comprise the Audit committee	Complied	Please refer page 62
	The Audit Committee should make a determination of the independence of the auditors and shall disclose the basis for such determination.	Complied	Please refer page 63
	A report by the Audit Committee setting out the manner of compliance of the functions during the period.	Complied	Please refer page 62
7.10.7	In the event a listed entity fails to comply with any of requirement contained in Rule 7.10 of these Rules, such entity shall make an immediate announcement to the Market via the exchange on such non-compliance, not later than one market day from the date of non-compliance.	Not Applicable	

## IRCSL DIRECTION 17 ON CORPORATE GOVERNANCE FRAMEWORK FOR INSURERS

The below statement represents the Company adherence to the Direction 17 issued on 17th December 2018 (as amended) by The Insurance Regulatory Commission of Sri Lanka. (IRCSL)

Requirement under Direction No: 17	Description	Status of Compliance
Code of Best Practice on Corporate Governance	Details of each compliance is given under Corporate Governance report on pages 57 to 58	Complied
Board Composition	The Board must be comprised of a minimum of two Directors who are citizens as well as residents of Sri Lanka.	Complied
	The total period of service of a Director, other than Executive Director, shall not exceed nine years.	Complied
Age Limits	Age of Director shall not exceed 75 years.	Complied
CSE Listing Rules 7.10	Adherence to the CSE Corporate Governance Rules	Complied
Serving in other Boards	A Director of an insurance company cannot be a Director of more than 20 other companies including subsidiaries/ associates of the insurance company. Out of such 20 companies, a Director cannot hold directorship in more than 10 companies classified under Specified Business Entities under the Sri Lanka Accounting and Auditing Standards Act. 15 of 1995.	Complied
Demonstration of level of compliance with disclosure requirements in Annual Report.	The Level of compliance with each direction provided in the Annual Report will be available in the insurance company official website within 05 months after the Balance Sheet date.	Complied

# CORPORATE GOVERNANCE

## DETAILS OF THE BOARD COMMITTEES

	Audit Committee	Remuneration Committee
Chairman (Non-Executive)	Mr. D.H.J. Gunawardena	Mr. S.C.G. Guruge
Members (Non-Executive)	Mr. S.C.G. Guruge Mr. Yu Kitai Mr. M.D.E.A.G. Saparamadu	Mr. M.D.E.A.G. Saparamadu Mr. K.D.A.S.R. Arsakularathne
Secretary	Mrs. Nilika Abhayawardhana	Mrs. Nilika Abhayawardhana
Invitees	Managing Director /Director – Finance GM - Finance Head of Internal Audit External Auditors	Chairman/CEO Managing Director /Director – Finance
Agenda	Available	Available
Planned Frequency	Quarterly	Bi-annually
Notice for meeting	As per agreed annual calendar	As per agreed annual calendar
Professional Advice	Available	Available
Terms of Reference	Available	Available
Objectives	<p>Review and make recommendations to the Board for approval of annual accounts of the Company including the quarterly financial statements</p> <p>Review the effectiveness of the risk management and internal control processes and make recommendations for improvement.</p> <p>Review the compliance with financial reporting requirements and other relevant legislation.</p> <p>Review the corporate compliance with the Regulation of the Insurance Industry Act, Regulation of the Insurance Regulatory Commission of Sri Lanka and other applicable regulations.</p> <p>Review internal and external audit plans and reports of internal and external auditors and follow up on recommendations.</p> <p>Review the scope of annual audit and its fee with the External Auditors and the Management.</p> <p>Determine the External Auditors fee and make recommendations to the Board on their appointment and their ceasing to hold office.</p>	<p>Review and approve remuneration policy applicable to the employees of the company in line with the industry benchmarks</p> <p>Ensure that the company has acceptable performance appraisal systems for all employees</p> <p>Review and recommend to the Board the remunerations to be paid to Directors and Senior Management.</p>

# REINSURANCE ARRANGEMENTS

## RETENTION OF RISKS UNDER VARIOUS CLASSES OF INSURANCE

Class	Maximum Net Retention per event including Catastrophic events	
Fire including Consequential Loss & Engineering	Rs.	40,000,000/-
Personal Accident including Travel Insurance	Rs.	10,000,000/-
All other Miscellaneous Classes	Rs.	5,000,000/-
Marine Cargo & Marine Hull	Rs.	15,000,000/-
Motor Insurance including Third Party Liabilities	Rs.	20,000,000/-
International Health	USD	200,000/- p.p.
Strike, Riots & Civil Commotion		Nil
Terrorism		Nil

## MAJOR TEN REINSURERS

Reinsurer	Credit Rating		Country of Origin
	AM BEST	S&P	
Swiss Reinsurance Company	AA	AA-	Switzerland
Munich Reinsurance Company	AA	AA-	Germany
Hannover Re	AA	AA-	Germany
SCOR Reinsurance	AA-	AA-	France
Lloyd's of London	A+	A+	United Kingdom
Toa Reinsurance Company Limited	A+	A+	Japan
Odyssey Reinsurance Corporation	A+	A-	U.S.A.
Echo Reinsurance Ltd.	-	A-	Switzerland
China Reinsurance (Group) Corporation	A	A	China
Mitsui Sumitomo Insurance Co. Ltd.	AA	A+	Japan

The security rating of all Reinsurers are in compliance with the minimum security guidelines issued by The Insurance Regulatory Commission of Sri Lanka dated 28.10.2016.

# BOARD AUDIT COMMITTEE REPORT

## CHARTER

The terms of reference of the Board Audit Committee is clearly defined 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.

Board Audit Committee appointed by the Board, comprises as follows

Mr. D.H.J. Gunawardena  
*Committee Chairman*

Mr. Yu Kitai  
*Non-Executive Director*

Mr. S.C.G. Guruge  
*Independent - Non Executive Director*

Mr. M.D.E.A.G. Saparamadu  
*Independent - Non Executive Director*

The members bring a multitude of varied expertise and knowledge to the audit committee enabling the effective conduct of its operations. The brief profiles of the members are given on pages 16 to 21.

The company secretary function as the secretary for the audit committee. In addition, Managing Director, General Manager – Finance, Assistant General Manager - Internal Audit of the Company and other members of the management are also invited to attend these meetings when necessary.

## PURPOSE

The purpose of the Audit Committee is to,

- Assist the Board of Directors in fulfilling its overall responsibilities for the Financial Reporting Process.

- Review the system of internal control and risk management procedures.
- Monitor the effectiveness of internal audit function.
- Review the Company's process for monitoring compliance with laws and regulations.
- Assess the independence and performance of the Company's external auditors.
- Make recommendations to the Board on the appointment of external auditors, their remuneration and terms of appointment.

## MEETINGS AND ATTENDANCE

The Committee met two times during the financial year under review. The attendance of the members at these meetings is recorded in page 75 of this Annual Report.

Agendas of the meetings were prepared and distributed to the committee sufficiently in advance of the meetings.

## COMPLIANCE WITH FINANCIAL REPORTING, STATUTORY AND REGULATORY REQUIREMENTS

The Committee recommends the quarterly financial statements, annual accounts and connected documents for approval of the Board. It focuses on a fair presentation and disclosure, reasonability of estimates and judgemental factors and appropriateness of significant accounting policies adopted in preparation of financial statements.

The Committee reviews the quarterly regulatory compliance reports submitted and observes that the Company's compliance framework provides reasonable assurance that all relevant laws, rules, regulations, code of ethics and standard of conduct have been

followed. Instances of non-compliance if any, are included in the Audit Committee's reports to the Board of Directors and followed up to ensure appropriate corrective action. This procedure ensures that compliance with all statutory and regulatory requirements is effectively monitored.

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards (LKAS) and Sri Lanka Financial Reporting Standards (SLFRS).

## INTERNAL AUDIT

The Committee monitors the effectiveness of internal audit function by reviewing the adequacy of the audit coverage, functions and resources of the internal audit department and ensures that the department has necessary authority to carry out its audits. It also ensures 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 approves the audit plan formulated by the Internal Audit Department and reviews its progress of implementation regularly.

Significant findings of internal audits and other assignments with recommendations to the management are considered and appropriate acclamations are issued by the Committee. Further, follow-up actions on internal and external audit recommendations are monitored.



## 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 are taken.

The Board Audit Committee also holds meetings with the External Auditors to understand any gaps and dissent experienced by the Auditors during the course of the audits. The Committee also reviews the other services provided by the outsourced External Auditors to ensure that their independence as Auditors has not been compromised.

## CONCLUSION

Based on the reports submitted by the External and Internal Auditors, the Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements

of the Company are reliable. The company's strong accounting and administrative procedures are supported by well-articulated Accounting and administrative procedures manual. The Audit Committee is satisfied that the financial position of the Company is regularly monitored and that steps are being taken to continuously improve the control environment maintained within the Company.

The Audit Committee having looked into the independence and performance of the External Auditors recommended to the Board that Messrs. Ernst & Young, Chartered Accountants is re-appointed as Statutory Auditors of the Company for the financial year ending 31st December 2022, subject to approval by the shareholders at the forthcoming Annual General Meeting.



**Mr. D.H.J. Gunawardena**  
*Chairman, Audit Committee*

3rd March '2022

# INVESTMENT COMMITTEE REPORT

## OBJECTIVE OF THE COMMITTEE

The Investment portfolio of Ceylinco General Insurance Ltd; (CGIL) is a key factor influencing the income, business liquidity and meeting the regulatory requirements. The company as well as the Insurance Regulatory Commission of Sri Lanka has issued guidelines on the constituent and the quality of the assets in it. The portfolio is not only a reflection of present strength of the company, but also a mirror of wealth accumulation over the years, whilst being a socially and economically responsible company.

The management of the investment portfolio is done through the Investment Committee and the Treasury / Investment Management Unit. The Investment Committee of the company transforms corporate strategy and risk preference of the board of directors in to the investment guidelines and policies which are applied by the Treasury Management unit in overall investment strategy and asset allocations.

The Investment committee comprise members of the CGIL board of directors and professionals in Treasury and Investment/Portfolio management as well as Finance professionals. This team considers; corporate strategy, business situation, macro economic variables and investment market and drafts strategies on the investment portfolios to reconcile the board level overall income targets , risk preference and the macro economic and market conditions on which the investments are made. The prime objective is to coincide the income, liquidity, risk and regulatory requirements at the most optimum combination.

In Sri Lanka, Financial markets are highly sensitive and quick to react to most market stimulus. This makes our portfolio quality sensitive to market specific

factors and the macro economic changes. Most relevant are the Inflation which in turn affect the interest rates and the responsive monetary policy decisions of the Central Bank together with the fiscal implementations by the Government.

In addition, the asset values are greatly affected by the perceptions and speculative decisions of market participants. Some stimulus are generated beyond our domestic economy, such as crude oil prices, economic policy decisions of regional and powerful Central Banks and International portfolio manager decisions on Asia – Pacific and South Asian markets.

The Investment committee consider the above factors in relation to the ERM framework in developing long term investment policies and short to medium term strategies. Taking them into consideration, the strategy to be followed for each portfolios of government securities, bank deposits, debentures, equity and real estate are arrived at.

The committee does the necessary follow ups to ensure the discussed changes are made to the portfolios and the portfolio operation is geared up to meet the yield targets. The needs for any amendments are also identified in relation to macro economic, market and company asset composition changes. These periodic reviews are performed on a scheduled basis by the committee.

## FUNCTIONING

The Investment Committee holds regular and periodic meetings, where the committee assesses the macro economic variables such as and not limited to the inflation, interest rates, exchange rates, GDP growth and reserve position. In addition the budget proposals and the

major infrastructure projects and funding the government are also considered. The policy decisions by US, Euro zone, Singapore, India and other Asia Pacific countries attract the attention at these meetings, as they have an impact on the financial markets of Sri Lanka. The committee having these information and an overall view of the future of the economic climate, discusses the investment direction for the portfolios. Committee looks at the asset structure, market values of them and asset current yields to establish as to what level the present asset structure and asset quality match with the desired portfolio results.

Another important function is when the financial markets introduce new investment instruments or fresh issues of any financial instrument is available for investment; the committee assesses the suitability of them by way of looking at its impact on capital charges in RBC framework, risk to yield combinations, adherence to overall risk preference of the company board of directors and overall exposure to the category of investment being considered. The concerns raised by any member of any instrument, necessary approvals or consent if required are documented along with investment justifications. This is done for future reference to ensure transparency, accountability and access to information, following a proper procedure and internal controls.

One of the main aspect of any business is Business cash cycle. It is an important element for Treasury Management as well. For an Insurance company which requires income and liquidity both, this cash cycle is of great importance. The committee analyses the cash cycle of the Company under each form of cash inflows from originating activities and allocation of it for different uses and the

form of assets it is being stored. These figures are reconciled to the changes in investment volumes to ensure cash are converted to yielding assets effectively. This is to ensure that optimum volume of funds are allocated to yielding assets while the requirements for other assets and business related outflows are met. This to ensure that there is short term liquidity, effective use of assets, health of the portfolio and long term strength of the company.

Another important activity is to ensure that all investment related transactions are recorded properly and in accordance with information requirements. The committee looks at the asset data base records and accounting ledger balances to ensure proper records are maintained. This is important as the beginning point in safeguarding assets is having accurate records. The company resorts to dual control system over assets. For this purpose the company has a set of records at the finance division in the form of ledgers and schedules and at the treasury and investment unit in the form of data bases. All records are audited daily by internal audit with balance confirmations from live CDS accounts and physical verifications are performed for physical/script form certificates and confirmations.

The profitability, is measured in relation to the market yields. The portfolio yield and investment income in total for the present year to date is reviewed by the committee in comparison to the market yield that prevailed during the year to date and the benchmarks set by the committee. Any deviations are discussed and corrective action are discussed if needed to ensure that the portfolio yield targets remain in line to the markets and desired results are achieved. This approach to strategic direction has

helped the portfolios achieve the desired bench mark yields throughout the past.

#### ECONOMY IN 2021

Some of the challenges which were seen in 2020 with COVID-19 continued to Year 2021. While the country saw better economic activities in the first half of the year, the second half experienced lockdowns for over a month which dampened the growth momentum. By mid-year the economy had recovered to 94% of the GDP of same period in 2019 and 108% of the economic output of 2020. The tourism industry however saw a resumption by the year end, which is a ray of hope for overcoming many economic issues. Yet a new issue had erupted with worker remittances , where the remittances had begun to be exchanged at non official windows. As a result the worker remittances were down 18% to USD.5.2 billion in Nov 2021 from USD 6.3 billion in November 2020. The Central Bank launched a special scheme to pay Rs.10/= extra for conversions at formal windows to reverse this situation. While these reductions in inflows were there, the economy had to repay external borrowings of over USD 4 billion, which kept the pressure on exchange rate. The exchange rate is set at USD/LKR 200 & 203 for buying and selling. The exports however were seen having the best year with monthly exports averaging USD 1 billion to surpass USD 10 billion for the 1st ten months of the year. However the 22% increase in exports were overcast by the 26% increase in Imports which reached USD 16.7 billion for the same period.

Inflation was uncontrollable due to supply side inefficiencies caused by more than one factor. The CCPI measured inflation for 2021 was 12.1% with an annual average of 6.00%. The inflation

target was mid single digits. The main cause of the high inflation figure was food inflation, which had reached 22.1% an all time high by December 2021.

The interest rates saw an overall upward trend with the negative sentiment on the ability to repay debt. The ratings on external debt and the effects were seen leaking to the domestic instrument demand as well. While the country could not move to international markets amidst the rating downgrades from CCC Fitch to CC Fitch in 2021, worsening the Forex pressure. The country successfully countered these with arranging foreign currency SWAPS with India, China and reaching new sources like Bangladesh.

Interest rate of 01 year Treasury Bill which was at 5.05% pa reached 8.24% by the year end. Three factors could be thought to have contributed to this increase which are the negative sentiments, increase of SDFR and SLFR by 50 basis points to 5% and 6% respectively and the increase of SRR to 4% from 2%. With these, the overall yield curve shifted upwards.

The total government debt stood at Rs.17 trillion by September 2021 with Rs.10.6 trillion of it being domestic debt and Rs.6.4 trillion was foreign, where the foreign component percentage came down slightly during the year. Of the total domestic debt Rs. 2.1 trillion was Treasury Bills and Rs.6.4 trillion was T'Bonds. The total debt had increased by Rs.2 trillion in the months to September of 2020 from Rs.15 trillion. Further, the government revenue increased by Rs.22 billion to Rs. 1,050 billion in the first nine months compared to last year. However the Rs.2,380 billion expenditure left the government with Rs.1,328 billion deficit after the Rs.1.4 billion grants received.

# INVESTMENT COMMITTEE REPORT

The Stock market produced above average results. The All Share Price Index closed the year 2021 at 12,020 up from 6,714 points. The market was dominated by domestic participants and with a wide retail investor base.

## INVESTMENT STRATEGIES AND RETURNS

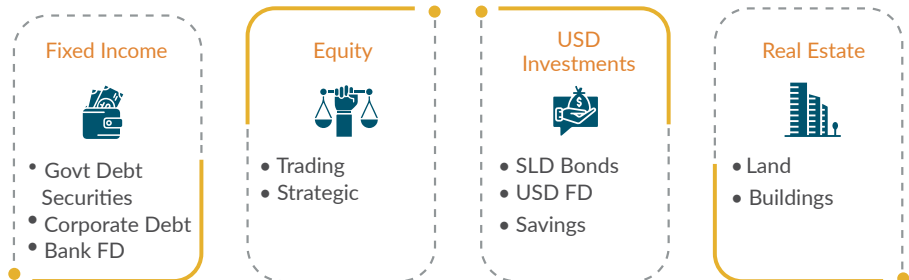
The country experienced an upward trend in the interest rates during the year caused by rate hikes, SRR increase and rating agency downgrades. The scope for bonds and other fixed income instrument capital gains became rare, but this created avenues to increase the overall interest yield on a step by step basis. At the same time, in order to support the Forex issues and make conversions more attractive, the Central Bank imposed interest rate ceilings. In response to both developments, The Company changed investment strategy to more very short term investments, which paved the way for a portfolio always prepared to capture the increased new rates. Towards the latter part of the year this strategy proved much effective with Central Bank shortly allowing the USD rates to be linked to local T bill rates and the local interest rates also reaching an upper stability.

Equity portfolio had a very good year, The company after careful research, realized the gains of some shares which reached fundamental sales points and others retained till they meet the value worth disposing as per research.

At all times, investment activities had a constant communication with the finance department that resulted in an efficient cash flow planning and daily cash management. This allowed smooth functioning of business activities as well as optimum and efficient use of funds.

## PORTFOLIOS

The investment committee directs the following portfolios



The above strategies and portfolio management resulted in above average returns on the fixed income and equity portfolios of the company.

## MEETINGS

The committee met as scheduled during the year. These meetings followed the agenda of discussing the economy, reviewing the business cash flows,

review of portfolio returns and assets, discussing the future short and long term strategy and approval of any investments requiring committee approval. Further, when common view on any matter was required, ad hoc meetings were called or the information was circulated among the members by the investment unit for comments.

The following members participate at the meetings;

Name	Office Held / Representing
Mr. Rohan Fernando	Director / Chairman of Investment Committee
Mr. Ajith Wijeyesekera	Director/ Committee member
Mr. Upali Witharana	Managing Director
Mr. Nihal Peiris (By Invitation)	Director – Finance - Ceylinco Insurance PLC
Mr. Nilantha Piyadasa	General Manager – Finance
Mr. K. Shankaramoorthy	Snr. Asst. General Manager- Financial Services
Mr. Manjula Wickramasinghe	Chief Manager – Financial Services
Mr. Kasun Nanayakkara	Director / General Manager – Treasury / Investment Management Unit

**Rohan Fernando**  
Chairman of the Investment Committee

3rd March '2022

# REMUNERATION COMMITTEE REPORT

The Objective of the Remuneration Committee is to ensure that constant human resource policies and practices are implemented in the Company and remuneration package including bonus schemes for Key Management Personnel, Chief Executive Officer and other Executive Directors and performance related measures which are relevant, extending and intended to enhance stakeholder value, in order to attract, retain and motivate Key Management Personal with required quality to achieve the target goals of the Company.

## COMPOSITION OF THE COMMITTEE

The Remuneration Committee consists of two Independent Non-Executive Directors as at 31.12.2021.

The Committee's composition during the year under review was as follows;

- Mr. Sumith C.G. Guruge (Independent Non-Executive Director) – Chairman of the Committee
- Mr. M.D.E.A.G. Saparamadu (Independent Non-Executive Director)
- Mr. K.D.A.S.R. Arsakularatne (Non-Executive Director)

The Company Secretary functions as the Secretary to the Remuneration Committee.

The committee's composition met the requirements of the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange.

## THE RESPONSIBILITIES OF THE COMMITTEE

The responsibilities of the Committee include making recommendations to the Board on the compensation and benefits of the Executive Directors of the Company and specially include;

- Review and approve of Remuneration Policy of the Company including remuneration philosophy, strategy, policies and practices of the Company.
- Review and make recommendations to the Board in formal and transparent procedure, on deciding the compensation of the Chairman, Chief Executive Officer, Executive Directors and other Members of the Board.
- Review and approve the terms of the Company's short term/ long term incentive schemes for employees and Directors.
- Formulate guidelines, policies and parameters for the compensation structures linked to performance for all Executive staff of the Company.
- Maintaining and developing competitive and attractive remuneration packages for employees at all levels on par with industry standards.

## REMUNERATION POLICY

The primary objective of the remuneration policy is to encourage, attract and retain highly calibre workforce and reward their performance accordingly. The Company's remuneration strategies determined

according to the overall achievement of the Company and pre-agreed individual targets, which are based on various performance parameters. Key Performance Indicators are structured so that the target levels of achievement are challenging but achievable. In discharging its responsibilities, the Committee ensure that pay is fair and equitable to all employees while ensuring industry norms and ensure compensation schemes are compliant with the laws and regulations applicable in the country.

## DIRECTORS' EMOLUMENTS

The total of Directors' emoluments are disclosed in note 40 to the Financial Statements for the year ended 31st December 2021 found on page 151 of the Annual Report.

On behalf of the Remuneration Committee.



Sumith C.G. Guruge  
Chairman – Remuneration Committee

3rd March '2022

# NOMINATION COMMITTEE REPORT

## PURPOSE OF THE COMMITTEE

The Nomination Committee was established on 13th January 2022 for the purpose of assisting the Board in relation to new appointments, retirement, re-election, and succession of the Board of Directors. The Committee ensures that the Board holds the exact combination of knowledge for its effective functioning and assesses the Board composition, combined experience, skills and knowledge.

## TERMS OF REFERENCE

Terms of Reference is governed by the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and recommended best practices.

## COMPOSITION OF THE COMMITTEE

Mr. C.P.A. Wijeyasekara  
*Chairman (Independent Non-Executive Director)*

Mr. B.S.M. De Silva  
*Non-Executive Director*

Mr. K.D.A.S.R. Arakularatne  
*Non-Executive Director*

## SECRETARY TO THE COMMITTEE

The Company Secretary serves as the secretary to the Nomination Committee.

## PROFESSIONAL ADVICE

The Committee has the authority to seek external professional advice on matters within its purview whenever required.

## CONCLUSION

The committee continues to work with the Board of Directors on reviewing their skills combination and succession planning based on the immediate and evolving needs.



Mr. C.P.A. Wijeyasekara  
*Chairman*  
*Nominations Committee*

3rd March '2022



# STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibilities of the Directors in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in their report appearing on page 80.

The Companies Act No. 7 of 2007, requires the Directors to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit or Loss of the Company for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, Regulation of Insurance Industry Act No. 43 of 2000

and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have a proper regard to the establishment of appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing Accounts. The Directors, after making enquiries and following a review of the Company's budget for 2022 to 2023 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

BY ORDER OF THE BOARD



**Mrs. Nilika Abhayawardhana**  
*Company Secretary*

3rd March '2022

## COMPLIANCE REPORT

In respect of the Financial Year ended 31st December 2021 of Ceylinco General Insurance Limited:

All documents required by the Companies Act No. 7 of 2007 to be filed with the Registrar of Companies have been duly filed and compliance has been made with all other legal requirements in connection with the said Companies Act.

Regulatory Reporting requirements in terms of Insurance Regulatory Commission of Sri Lanka have been complied with.

All Dividend cheques have been dispatched by the due date.



**Mrs. Nilika Abhayawardhana**  
*Company Secretary*

3rd March '2022

# ENTERPRISE RISK MANAGEMENT

The Company's Risk Management Framework involves,

- (1) Establishment of structure for risk management

CGIL ensures that functional teams have clearly established structure to carry out risk management effectively.

- (2) Establishment of framework for executing risk management process

- Improvement of risk management awareness

Foster a corporate culture that emphasizes risk management, and create an environment wherein each and every officer and employee is sensitive to and aware of risks.

- Identification / evaluation of risks  
Establish a framework whereby risks can be identified and recognized, in order to carry out the risk management process according to risk characteristics, importance and changes.

- Monitoring  
Establish a framework whereby the status of risks and risk management shall be monitored, investigated and analysed by an independent standpoint from the organization exposed to the risks, and thereby give warning and monitor their preventive activities.

- Organizations and authority, rules and manuals

Establish and define organizations and authority in accordance with the status of risks, and develop and maintain risk management rules and manuals.

- Reporting

Report information on risks and risk management to the management in a timely and appropriate manner, and establish a framework where all related parties can share such information.

Main types of Risks, policy on managing the same and Continuous improvement strategy are tabulated below;

Risk	Management Policy	Continuous improvement strategy
Insurance Underwriting Risk	Considering that insurance underwriting risks follow the Law of Large Numbers, the Company shall analyse the characteristics of its risk, set appropriate premium rate, set up retention policy, secure reserves for losses due to changes in such as socio-economic environment or natural catastrophe, and establish a stable and sound insurance-underwriting and claim-payment framework for the future.	Identification of high risk locations/vehicles, process improvements, regular training to staffs, IT system improvements
Asset Management Risk	Considering that holding assets are reserves for paying insurance claims to policyholders, etc., the Company shall maintain sufficient assets, which have appropriate characteristics to perform future obligations from liabilities, analysing the characteristics and risk of the assets and liabilities, and establish a system that ensures soundness and profit stability of the assets.	Follow investment guidelines, efficient use of IT systems for analysis, assessment of sufficient assets regularly especially during challenging times, make timely decisions
Liquidity Risk	The Company shall prevent a lack of funds required for day-to-day operations and establish a framework for efficiently procuring funds for paying back a large amount of such as claims and refunds resulting from major earthquakes, etc., and analyse the characteristics of its risk.	Strict compliance with Regulatory requirements, Forecasting/Monitoring of cash flows business unit wise with higher supervision, make timely decisions

Risk	Management Policy	Continuous improvement strategy
Operational Risk	The Company shall establish framework to ensure appropriate operations by the sub-categories below based on its management policies and sufficient analysis of the characteristics of its risk.	
Clerical / Administrative Risk	By recognizing that administrative errors, accident or misconduct could occur in any operations, the Company shall establish a framework for preventing these.	Detailed internal audit activities, Training, supervisory controls
Planning and Development Risk	The Company shall establish a framework for recognizing risks and hindrance that is inherent to outcome of business strategy, sales program, planning tangible risk control measures.	Revisit outcomes of strategies and make improvements in planning activities, Aggressive monitoring of plans and make corrections regularly
Information Asset Risk (Security Policy)	The Company shall ensure confidentiality (protection against unauthorized access), integrity (maintaining in perfect condition) and availability (anytime accessibility) of information and a system for processing and managing "information assets". (Security Policy)	Regular updates/development of systems, Training staffs timely, Improve on disaster recovery plans
Legal Risk	The Company shall acknowledge the fact that there are possibilities to unexpected legal liability, therefore establish a legal checking system.	Analyse any unexpected legal claims experiences and implement systems to recognize such claims, Make use of sufficient/relevant legal expertise timely
Accident / Disaster Risk	The Company shall establish procedure for preventing and taking appropriate countermeasures against accidents and disasters.	Revisit disaster management strategies, Continuous update on possible risks, Allocate sufficient resources to prevent risks
Human Resource Risk	The Company shall acknowledge the fact that unfair and unjust treatment and discriminatory practices may cause obligations to pay reparations, therefore establish procedure for preventing and taking appropriate countermeasures	Ensure culture of fair treatment is followed by regular audits, Comply with new legal requirements/established procedures,
Reputational Risk	The Company shall establish procedure for preventing and taking appropriate countermeasures against reputational risk.	Regular communication of offerings of services, Ensure customer promises are honoured always, Timely actions on incidents which could impact reputation
Outsourcing Risk	The Company shall establish a framework for management of outsourcing in order to secure soundness in business, to operate outsourced business appropriately, to be compliant and to protect customers.	Audits on outsourced activities are carried out, Guidelines are available to ensure consistency
Political Risk	The Company shall establish procedure for preventing and taking appropriate measures against Political risk.	Understanding of environment and make necessary plans
Regulatory Risk	The Company shall establish procedures to reduce the impact of Regulatory Risk.	Internal discussion of regulatory requirements/changes are carried out, Audits check on compliance, Importance of regulatory requirements are communicated frequently

# ENTERPRISE RISK MANAGEMENT

## ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) MANAGEMENT COMMITTEE

The Board of Directors and ERM Committee established Environmental, Social, Governance (ESG) Management Committee in November 2021 and held discussions on the policies, plans, and initiatives for the Business Activities with Consideration for ESG issues which related to Sustainable Development Goals (SDGs), Creating Shared Value (CSV). We keep the highly transparent disclosure and engage in dialogue with stakeholders.

ESG Management Committee will hold discussion to set goals for Medium-Term Sustainability Plan. We will aim to realize a “resilient and sustainable society” by focusing on the priority issues with using the UN Sustainable Development Goals (SDGs) as leading marks. It is indispensable to continue Creating Shared Value (CSV) with society through corporate activities.

In response to Climate Change:

- We will not provide insurance for, nor make investments in new coal-fired power plants.
- We will establish medium- and long-term targets for the CO2 emissions reduction from our business processes and the renewable energy usage ratio, and will be working to reduce CO2 emissions.
- With new risk solutions, we support our customers to establish and roll out innovative technologies for a decarbonised society, including things like next-generation energy, such as renewables and hydrogen.

## COMPOSITION OF THE COMMITTEE

Mr. Yu Kitai  
*(Independent Non-Executive Director) - the Chairman of the Committee*

Mr. S.C.G. Guruge  
*Non-Executive Director*

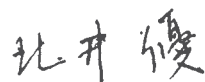
Mr. A.R.H. Fernando  
*Non-Executive Director*

Mr. U. Witharana  
*Managing Director / Director (Finance) / COO (Executive Director)*

Dr. W.C.J. Alwis  
*Director (Technical)/Chief Technical Officer (Executive Director)*

## SECRETARY TO THE COMMITTEE

The Company Secretary serves as the secretary to the Enterprise Risk Management Committee.



Mr. Yu Kitai  
*Chairman  
Enterprise Risk Management Committee*

3rd March '2022

# PROGRESS

# Blueprint

# OF VALUE

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# REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors are pleased to submit their report together with the Audited Income Statement, Statements of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and the Statement of Financial Position of Ceylinco General Insurance for the year ended 31st December 2021, and the Report of the Auditors thereon.

## REVIEW OF OPERATIONS

The Chairman / Chief Executive Officer's Review on pages 08 to 12 contain a detailed description of Insurance operations carried out in the year under review and projected developments.

## PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities constitute underwriting all classes of General Insurance

Results of the Financial Year

	2021 Rs.'000	2020 Rs.'000
Profit After Taxation	1,509,346	1,471,800
Add : Balance Brought Forward	4,864,246	4,100,379
	6,373,592	5,572,179
Other Comprehensive Income for the year	538,269	(607,933)
Funds Available for Appropriation	6,911,861	4,964,246
Appropriation :		
Dividend Paid	(462,685)	(100,000)
Unappropriated Profit Carried Forward	6,449,176	4,864,246

## TRANSFER TO RESERVES AND PROVISIONS

There were no transfers other than those mentioned above to or from reserves or provisions except for normal amounts set aside for items such as depreciation, outstanding claims and unexpired risks as shown in the accounts.

## SHARE CAPITAL

The Stated Capital of the Company as at 31st December 2021 was Rs. 500,200,000/- and is represented by issued and fully paid 2,501,000 voting ordinary shares.

## DIVIDENDS

The Directors declared Rs. 190/- per share as final dividend subject to regulatory approval from Insurance Regulatory Commission of Sri Lanka.

## DIRECTORS

Messrs. H.D.K.P. Alwis, U. Witharana, W.C.J. Alwis, R.A. Gunathilake, H.D.A.N. Perera, K.D.A.S.R. Arakularatne, E.M.M. Boyagoda, B.S.M. De Silva, A.R.H. Fernando, S.C.G. Guruge, Yu Kitai, M.D.E.A.G. Saparamadu, U.D. De Silva, G.S. Sundararajan, S.D. Wanigaratne and C.P.A. Wijeyesekera were the Directors of the Company during the financial year ended 31st December 2021.

In accordance with the Articles of Association of the Company, Mr. Anthony Rohan Harsha Fernando, Mr. Hettithantrige Don Ajith Nandana Perera and Mr. Yu Kitai retire by rotation and being eligible, offer themselves for re-election.

Mr. Ekanayake Mudiyansele Mangala Boyagoda being a Director will be 71 years of age in December 2022 and Mr. Mahabalage Don Emmanuel Anthony Gamini Saparamadu being a Director will be 70 years of age in December 2022. In accordance with the Companies Act No. 07 of 2007, both Directors will retire and thereafter being eligible will offer themselves for re-election.

Special notices have been received from the shareholder to move ordinary resolutions at the next Annual General Meeting that Mr. Ekanayake Mudiyansele Mangala Boyagoda and Mr. Mahabalage Don Emmanuel Anthony Gamini Saparamadu be re-elected as Directors and that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to both Mr. Ekanayake Mudiyansele Mangala Boyagoda and Mr. Mahabalage Don Emmanuel Anthony Gamini Saparamadu.



### Directors' Meetings

The number of Board Meetings held during the financial year under review were six meetings and the number of meetings attended by each Director of the Company were as follows

Names of Directors	No. of Board Meetings attended
Mr. H.D.K.P. Alwis	6/6
Mr. U. Witharana	6/6
Dr. W.C.J. Alwis	6/6
Mr. R.A. Gunathilake	6/6
Mr. H.D.A.N. Perera	6/6
Mr. K.D.A.S.R. Arakularatne	4/6
Mr. E.M.M. Boyagoda	6/6
Mr. B.S.M. De Silva	6/6
Mr. A.R.H. Fernando	5/6
Mr. S.C.G. Guruge	5/6
Mr. Yu Kitai	6/6
Mr. M.D.E.A.G. Saparamadu	5/6
Dr. U.D. De Silva	5/6
Mr. G.S. Sundararajan	0/6
Dr. S.D. Wanigaratne	4/6
Mr. C.P.A. Wijeyesekera	6/6

### DIRECTORS' INTEREST IN CONTRACTS

The Directors of the Company have no direct or indirect interest in any contract or proposed contract with the Company except those specified in the annexed schedule, which have been disclosed and declared at meetings of Directors.

### DIRECTORS' INTEREST IN SHARES

The Articles of Association of the Company do not stipulate the Directors to hold shares of the Company, as qualifying shares.

### COMPANY SECRETARY

Mrs. Nilika Abhayawardhana was the Company Secretary during the Financial Year ended 31st December 2021.

### CORPORATE GOVERNANCE

The Audit Committee held two meetings during the year 2021. The Remuneration Committee held one meeting during the year 2021.

The number of meetings attended by each Director (who are members of the committee) are as follows.

Name of Committee Member	Audit Committee	Remuneration Committee
Mr. S.C.G. Guruge	2/2	1/1
Mr. Yu Kitai	2/2	Not a Member
Mr. M.D.E.A.G. Saparamadu	2/2	1/1
Mr. K.D.A.S.R. Arakularatne	Not a Member	0/1
Mr. D.H.J. Gunawardena	2/2	Not a Member

### DONATIONS

During the year charitable donations amounting to Rs. 4.5 Million were made by the Company.

### TAXATION

The Company is liable for income tax at 24%.

The Income Tax Expense of the Company for the year amounted to Rs. 113.8 Million.

### CAPITAL EXPENDITURE & CAPITAL COMMITMENTS

The total expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 654.1 Million.

### PROPERTY, PLANT & EQUIPMENT

The details of Property, Plant and Equipment of the Company are shown in the "Notes to Financial Statements" page 105.

The market value of Property, Plant and Equipment are considered not materially different to the book values as given in "Notes to the Financial Statements". Property, Plant and Equipment are carried in the books at Rs. 4.1 Billion.

### CURRENT ASSETS

The Directors of the Company have taken reasonable steps to ascertain that whatever current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realizable values or adequate provisions have been made for the differences between those values.

# REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

## POST-BALANCE SHEET EVENTS

Since the end of the financial year, no change in the assets of the Company have arisen which secures the liabilities of any other persons.

In the opinion of the Directors, no item, transaction or event of a material nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially, the results of the operations of the Company for the current financial year.

## HUMAN RESOURCES

It is a Company policy to provide equal opportunities in the recruitment and employment of staff. During the year under review, the Company has taken numerous measures to ensure staff contentment at all levels. As at December 2021, there were 2,871 employees in the service of the Company.

## ACTUARIAL VALUATION - IBNR / IBNER

The Company has appointed M/s. K.A. Pandit, Consultant Actuaries to certify the IBNR/IBNER provisions made in the accounts as at 31.12.2021.

After reviewing the relevant information and Actuarial studies the Actuaries have recommended to make a net IBNR/IBNER provision of Rs. 448.12 Million. The Company has already made this provision in the accounts as at 31.12.2021.

## AUDITORS

The Accounts for the year have been audited by M/s. Ernst & Young (Chartered Accountants) who expressed their willingness to continue in office. In accordance with the Companies Act No. 7 of 2007, a resolution relating to

their re-appointment and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 30 on page 137 to the Financial Statements.

The Auditors of the Company, Messrs. Ernst & Young do not have any relationship with the Company other than that as the Auditors.

BY ORDER OF THE BOARD



**H. D. K. P. Alwis**

*Executive Chairman/ Chief Executive Officer*



**U. Witharana**

*Managing Director/Director (Finance)/ Chief Operations Officer*



**Mrs. Nilika Abhayawardhana**

*Company Secretary*

03 March 2022

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company is directly or indirectly interested in the contracts of the Company.

The following is a schedule where the Directors of this company held Directorships in other companies during the period 01.01.2021 to 31.12.2021 in which this company has had transactions during the year 2021

Name of Company	Mr. H.D.K.P. Alwis	Dr. W.C.J. Alwis	Mr. Upali Witharana	Mr.S.C.G. Guruge	Mr.R.A. Gunathilake	Mr.E.M. M. Boyagoda	Mr.M.DE.A.G Saparamadu	Mr. H.D.A.N. Perera	Mr.K.D.A.S.R.Arsakularatne	Mr. C.P.A. Wijeyesekera	Dr. S.D. Wanigaratne	Mr B.S.M. De Silva	Mr. G.S. Sundararajan	Mr Yu Kitai	Mr A R H Fernando	Mr. U. D. De Silva
1	American Education Centre Ltd.	✓	✓	✓												
2	ANC Modern Montessori International (Pvt.) Ltd.		✓	✓												
3	Asset Holdings (Pvt) Ltd						✓									
4	Asset Trust Management (Pvt) Ltd.			✓		✓										
5	C A Crushing (Pvt) Ltd					✓										
6	Cargills Bank PLC					✓										
7	CEC Events (Pvt.) Ltd.		✓													
8	CEG Education Holdings (Pvt.) Ltd.	✓	✓	✓												
9	Ceyhydro Developers (Pvt.) Ltd.	✓		✓	✓											
10	Ceylinco Insurance Company (Pvt.) Ltd.Maldives	✓	✓	✓	✓			✓								
11	Ceylinco Insurance PLC	✓	✓	✓										✓		
12	Ceylinco Investcorp (Pvt.) Ltd.	✓	✓	✓				✓								
13	Ceypower Cascades (Pvt.) Ltd.	✓		✓												
14	Chemanex PLC						✓									
15	Dankotuwa Porcelain PLC						✓									
16	Dillys Fashions Pvt Ltd									✓						
17	E G H L Solar Galle (Pvt) Ltd	✓		✓				✓								
18	E G H L Solar Mathugama (Pvt) Ltd	✓		✓		✓										
19	Energy Generators (Pvt.) Ltd.					✓										
20	Energy Generators Holdings Limited	✓	✓			✓		✓								
21	Gas World (Pvt.) Ltd				✓											
22	HVA Foods PLC											✓				
23	Industrial Gases (Pvt) Ltd.				✓											
24	International College of Business & Technology Ltd.	✓	✓	✓												
25	Kavin Polymers (Pvt.) Ltd.															
26	Kent Display (Pvt) Ltd							✓								
27	Kent Display Systems (Pvt) Ltd							✓								
28	Kent Trophies & Awards (Pvt) Ltd							✓								
29	Northstar Holdings Pvt Ltd									✓						
30	Royal Fernwood Porcelain Ltd							✓								
31	S L A F F A Cargo				✓											
32	SAFE Holdings (Pvt) Ltd							✓								
33	Sierra Construction (Pvt) Ltd							✓								
34	Sri Lanka Gateway Industries (Pvt) Ltd							✓								
35	Ultratech Cement Lanka (Pvt.) Ltd.			✓												
36	Union Apparels Pvt Ltd									✓						
37	Union Resorts and Spas Pvt Ltd									✓						
38	Union Resorts Pvt Ltd									✓						
39	Wealth Trust Securities (Pvt) Ltd.							✓								
40	Wycherly International School (Pvt.) Ltd.	✓	✓	✓												

# ACTUARIAL REPORT



K.A. PANDIT

## Introduction

I, Kulin Patel, am a signing actuary to Ceylinco General Insurance Limited and as Partner of K.A. Pandit Consultants & Actuaries (KAP) is appointed to estimate and certify the Incurred but Not Reported (IBNR) Reserves of the Company and assess the need to maintain a Premium Deficiency Reserve (PDR) by the Company and if needed, recommend the appropriate amount. The valuation date for the recommended reserves stated in this report is 31-12-2021.

## IBNR Reserves

IBNR Claims Reserves estimate recommended includes a consideration for the below:

- A reserve for claims that have occurred but have not been reported to the insurer. This is referred to as Incurred But Not Yet Reported (IBNYR) Claims Reserve
- A reserve for possible future upward or downward development of reported claims and provided for as case estimates by the company, referred as Incurred But Not Enough Reported (IBNER) Claims Reserve
- A reserve for claims that may re-open after they have been closed and a consideration for direct claims related expenses.

The IBNR recommended to be booked by Ceylinco General Insurance Limited as at 31-12-2021 is as under:

IBNR Reserves	Figures in LKR
Gross IBNR	887,094,462
Net IBNR	448,117,686

2nd Floor, Churchgate House, Veer Nariman Road, Fort, Mumbai - 400 001.

201/C, Remi Bizcourt, Off. Veera Desai Road, Andheri (W), Mumbai - 400 058.

509, Golden Triangle, Near Sardar Patel Stadium, Navrangpura, Ahmedabad - 380 014.

Tel: (91-22) 4292 2231  
kap@ka-pandit.com  
www.ka-pandit.com



K.A. PANDIT

## PDR Reserves

Unexpired Risk Reserve (URR) was assessed for the company across lines of businesses, using last three years of experience on losses, claims related expenses, and commissions to estimate the expected future outgo on unexpired risks. The amount is compared to the Unearned Premium Reserve (UPR) provided by the company to check the need for maintenance of a Premium Deficiency Reserve (PDR).

Premium Reserves	Figures in LKR
Unearned Premium Reserve (UPR)	7,323,247,000
Premium Deficiency Reserve (PDR)	0

## Overall Comments

The reserves recommended above are based on the data provided to me by the Company and take into consideration the existing claims and premium reserves, business profile current claims reporting and settlement practices, underwriting practice changes and changes in reinsurance programme over the previous year.

In my opinion, subject to the above comments, the reserves recommended:

- are computed in accordance with the generally accepted actuarial principles
- are based on sound actuarial methods
- meet the requirements of the Liability Adequacy Test as required under SLFRS-4 satisfactorily
- make a reasonable provision for the IBNR and PDR of the Company as at 31-12-2021

Dated: 07-02-2022

Actuary: Kulin Patel (FIAI – #10235, FIA)

Place: Mumbai, India

✉ [www.ka-pandit.com](http://www.ka-pandit.com) 🌐 [kap@ka-pandit.com](mailto:kap@ka-pandit.com)

### CHURCHGATE OFFICE | MUMBAI

2nd Floor, Churchgate House, 32 34  
Veer Nariman Road, Fort, Mumbai  
400001. Tel: +91 22 42922250

### ANDHERI OFFICE | MUMBAI

C/201 Remi Bizcourt, Off. Veera Desai  
Road, Andheri (W), Mumbai 400058.  
Tel: +91 22 42922231

### AHMEDABAD OFFICE

509, Golden Triangle, Near Sardar Patel  
Stadium, Navrangpura, Ahmedabad 380014.  
Tel: +91 79 26460734

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
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eysl@lk.ey.com  
ey.com

To the Shareholders of Ceylinco General Insurance Limited

Report on the audit of the financial statements

## Opinion

We have audited the financial statements of Ceylinco General Insurance Limited ("Company"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of 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.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*. We are independent of the Company in accordance with the Code

of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for



one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

As required by the Section 47(2) of the regulation of insurance industry Act, No.43 of 2000, as far as appears from our examination, the accounting records of the company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.



03 March 2022  
Colombo

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. A A Ludowyke FCA FCMA, Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: G B Goudian ACMA, Ms. P S Paranavitane ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31 December			2021	2020
	Page	Note	Rs.'000	Rs.'000
<b>ASSETS</b>				
Intangible Assets	104	5	22,861	20,822
Deferred Expenses	104	6	1,048,559	1,030,182
Property, Plant and Equipment	105	7	4,149,976	3,866,531
Right of Use Asset	111	8	205,634	264,068
Investment Properties	112	9	139,500	133,000
<b>Financial Instruments</b>				
Loans & Receivables	114	10	8,979,677	7,736,103
Available-For-Sale Financial Assets	115	11	8,448,089	7,392,794
Employee Gratuity Benefit Asset	122	12	1,654,395	850,783
Employee Pension Benefit Asset	126	13	1,461,261	1,240,794
Deferred Tax Assets	128	14	-	140,646
Reinsurance Receivables	128	15	4,821,855	3,419,750
Insurance Receivables	129	16	5,190,204	5,467,048
Other Assets	129	17	413,352	329,705
Cash and Cash Equivalents	129	18	113,305	169,061
<b>Total Assets</b>			<b>36,648,668</b>	<b>32,061,287</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Stated Capital	130	19 (a)	500,200	500,200
Retained Earnings			6,449,176	4,864,246
Special Reserves	130	19 (b)	6,848,160	6,848,160
Revaluation Reserves			494,239	468,226
Available-for-Sale Reserve			176,329	291,814
<b>Total Equity</b>			<b>14,468,104</b>	<b>12,972,646</b>
<b>LIABILITIES</b>				
Non Life Insurance Contract Liabilities	131	20	14,231,847	12,449,340
Deferred Revenue	133	21	389,419	364,219
Deferred Tax Liability	128	14	94,152	-
Reinsurance Payables	133	22	4,263,222	3,230,883
Income Tax Payable			99,963	336,654
Interest Bearing Borrowings	129	18	241,240	38,209
Other Liabilities	133	23	2,860,721	2,669,336
<b>Total Liabilities</b>			<b>22,180,564</b>	<b>19,088,641</b>
<b>Total Equity and Liabilities</b>			<b>36,648,668</b>	<b>32,061,287</b>

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.



Nilantha Piyadasa  
General Manager -Finance

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



Upali Witharana  
Managing Director/Chief Operations Officer



Patrick Alwis  
Executive Chairman/Chief Executive Officer

The notes on pages 88 through 154 form an integral part of the Financial Statements.

03 March 2022  
Colombo

# INCOME STATEMENT

For the Year ended 31 December			2021	2020	Change
	Page	Note	Rs.'000	Rs.'000	%
<b>Net Income</b>	134	24 (c)	15,788,437	15,565,229	1
Gross Written Premiums	134	24 (a)	20,206,104	20,094,192	1
Premiums Ceded to Reinsurers	134	24 (b)	(7,127,694)	(6,696,297)	6
<b>Net Written Premiums</b>			13,078,410	13,397,895	(2)
Net Change in Reserve for Unearned Premium	132	20 (a) ii	175,112	157,599	11
<b>Net Earned Premium</b>			13,253,522	13,555,494	(2)
Fees and Commission Income	135	25	789,772	642,621	23
Investment Income	135	26	1,516,177	1,256,475	21
Realised Gains	135	27	222,466	110,639	101
Fair Value Gains			6,500	-	
<b>Other Revenue</b>			2,534,915	2,009,735	
Gross Benefits and Claims Paid	136	28(a)	(13,670,162)	(9,152,092)	49
Claims Ceded to Reinsurers	136	28(b)	7,162,136	2,580,715	178
Gross Change in Contract Liabilities	136	28(c)	(1,957,620)	(517,727)	278
Change in Contract Liabilities Ceded to Reinsurers	136	28(d)	1,402,105	453,905	209
<b>Net Benefits and Claims</b>			(7,063,541)	(6,635,199)	
Acquisition Cost	137	29	(1,959,377)	(1,863,821)	5
Other Operating and Administrative Expenses	137	30	(4,966,757)	(5,150,081)	(4)
Finance Cost	137	31	(51,239)	(53,649)	(4)
<b>Total Benefits, Claims and Other Expenses</b>			(14,040,914)	(13,702,750)	
<b>Profit Before Tax</b>			1,747,523	1,862,479	(6)
Income Tax Expense	138	32	(238,177)	(390,679)	(39)
<b>Profit for the Year</b>			1,509,346	1,471,800	3
Basic/Diluted Earnings Per Share	139	33	603.50	588.48	
Dividend Per Share -Paid	139	34	185.00	39.98	

The notes on pages 88 through 154 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Profit for the Year		1,509,346	1,471,800
Other Comprehensive Income			
Other Comprehensive Income to be reclassified to Income Statement in subsequent period			
Net Gain/(Loss) on Available-For-Sale Assets	35	(119,153)	477,670
Income Tax relating to Components of Other Comprehensive Income	35	3,668	33,517
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent period		(115,485)	511,187
Other Comprehensive Income not to be reclassified to Income Statement in subsequent period			
Actuarial Gain on Defined Benefit Plans	35	678,353	(653,264)
Income Tax relating to Comprehensive Income	35	(114,071)	45,331
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent period		564,282	(607,933)
Other Comprehensive Income for the Year, Net of Tax		448,797	(96,746)
Total Comprehensive Income for the Year, Net of Tax		1,958,143	1,375,054

The notes on pages 88 through 154 form an integral part of the Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital	Special Reserves	Revaluation Reserve	Retained Earnings	Available-for- Sale Reserve	Total Ordinary Share- Holders' Equity
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Balance As At 1 January 2020</b>		500,200	6,848,160	468,226	4,100,379	(219,373)	11,697,592
Profit for the Year		-	-	-	1,471,800	-	1,471,800
Other Comprehensive Income for the Year	35	-	-	-	(607,933)	511,187	(96,746)
<b>Total Comprehensive Income for the Year</b>		-	-	-	863,867	511,187	1,375,054
Final Dividend Paid	34	-	-	-	(100,000)	-	(100,000)
<b>Balance As At 31 December 2020</b>		500,200	6,848,160	468,226	4,864,246	291,814	12,972,646
Profit for the Year		-	-	-	1,509,346	-	1,509,346
Other Comprehensive Income for the Year	35	-	-	26,013	538,269	(115,485)	448,797
<b>Total Comprehensive Income for the Year</b>		-	-	26,013	2,047,615	(115,485)	1,958,143
Final Dividend Paid	34	-	-	-	(462,685)	-	(462,685)
<b>Balance As At 31 December 2021</b>		500,200	6,848,160	494,239	6,449,176	176,329	14,468,104

The notes on pages 88 through 154 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

For the Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
<b>Cash Flows from Operating Activities</b>			
Premiums/Revenue Received from Customers		20,476,448	18,903,120
Reinsurance Premiums (Net of Commission) Paid		(5,280,383)	(4,791,857)
Commission Paid		(2,012,901)	(1,680,603)
Claims and Benefits Paid		(13,670,162)	(9,152,094)
Reinsurance Receipts in respect of Claims & Benefits		7,162,136	2,580,715
Interest and Dividends Received		1,316,047	1,141,036
Other Operating Cash Payments		(4,400,531)	(3,748,001)
Other Income		413,060	152,974
Contributions to Gratuity Fund/Gratuity Payments	12.2	(107,245)	(222,199)
Income Taxes Paid		(350,472)	(298,422)
Interest Paid		(26,432)	(53,649)
<b>Net Cash Flows from Operating Activities ( Note A)</b>		<b>3,519,565</b>	<b>2,831,020</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of Financial Investments		(139,330,525)	(73,200,399)
Acquisition of Other Investments		(3,739,848)	(3,151,387)
Disposal of Other Investments		2,496,274	2,483,348
Proceeds from Financial Investments		138,045,560	71,570,293
Acquisition of Property, Plant & Equipment	7.4	(654,121)	(178,847)
Acquisition of Intangible Assets	5.1	(81,899)	(54,949)
Proceeds from Disposal of Property, Plant & Equipment		27,065	148,316
<b>Net Cash Flows used in Investing Activities</b>		<b>(3,237,494)</b>	<b>(2,383,625)</b>
<b>Cash Flows from Financing Activities</b>			
Repayment of Lease Liabilities		(78,173)	(73,679)
Short Term Borrowings		-	(100,000)
Dividends Paid to Equity Holders	34	(462,685)	(100,000)
<b>Net Cash Flows from Financing Activities</b>		<b>(540,858)</b>	<b>(273,679)</b>
<b>Increase / (Decrease) in Cash &amp; Cash Equivalents ( Note B)</b>		<b>(258,787)</b>	<b>173,716</b>
<b>Note A.</b>			
<b>Reconciliation of Profit Before Tax with Net Cash Flows from Operating Activities</b>			
Profit Before Tax		1,747,523	1,862,479
<b>Adjustments for:</b>			
Depreciation	7	359,648	403,273
Amortisation of Intangible Assets	5	79,860	72,098
Amortisation of Right of Use Assets	8	105,574	107,059
Change in Trade and Other Receivables		(161,548)	(1,499,252)
Change in Reinsurance Receivable		(1,402,105)	(453,905)
Increase in Non - Life Insurance Provisions		1,789,330	374,245
Change in Trade and Other Payables		1,438,903	2,376,218
Gain on Disposal of Property, Plant & Equipment		(16,037)	(73,104)
Foreign Exchange Gain/Loss		(175,132)	(42,106)
Impairment of Investments		110,521	2,437
Revaluation of Investment Property		(6,500)	-
Income Tax Paid		(350,472)	(298,422)
<b>Net Cash Flows from Operating Activities</b>		<b>3,519,565</b>	<b>2,831,020</b>
<b>Note B.</b>			
Cash and Cash Equivalents at 1st January		130,852	(42,864)
Cash and Cash Equivalents at 31st December	Note C	(127,935)	130,852
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(258,787)</b>	<b>173,716</b>
<b>Note C</b>			
Cash at Bank		78,642	134,448
Cash in Hand		34,663	34,613
Bank Overdraft		(241,240)	(38,209)
		<b>(127,935)</b>	<b>130,852</b>

The notes on pages 88 through 154 form an integral part of the Financial Statements.



# INSURANCE REVENUE ACCOUNT

For the Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
<b>Non - Life Insurance</b>			
Gross Written Premium	24 (a)	20,206,104	20,094,192
Net Earned Premium		13,253,522	13,555,494
Net Claims Incurred	28	(7,063,541)	(6,635,199)
Underwriting and Net Acquisition Costs (Including Reinsurance)		(1,169,605)	(1,221,200)
<b>Underwriting Result</b>		<b>5,020,376</b>	<b>5,699,095</b>
Other Operating, Investments Related and Administrative Expenses	30	(4,966,757)	(5,150,081)
Investment and Other Income		1,745,143	1,367,114
Interest Expense	31	(51,239)	(53,649)
<b>Profits From Operations After Interest Expense</b>		<b>1,747,523</b>	<b>1,862,479</b>
<b>Key Ratios Non - Life Insurance</b>			
Net Loss Ratio		53.30	48.95
Net Expense Ratio		46.69	47.40
Net Combined Ratio		99.98	96.35

The notes on pages 88 through 154 form an integral part of the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Ceylinco General Insurance Limited (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 69, Janadhipathi Mawatha, Colombo 1. The main place of business of General Insurance Ltd is located at "Ceylinco House", No 69, Janadhipathi Mawatha, Colombo 1. The additional corporate information is given on page 158.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company are underwriting of all classes of general insurance.

### 1.3 Parent Entity and Ultimate Parent Company

The Company's immediate and ultimate parent Company is Ceylinco Insurance PLC which is incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The financial statements of Ceylinco General Insurance Limited for the year ended 31 December 2021 was authorized for issue in accordance with a resolution of the board of directors on 03 March 2022.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Company's Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred to as "SLFRS") applicable for periods beginning on or after 1 January 2012, 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 and the Regulation of Insurance Industry Act, No. 43 of 2000 and amendments thereon.

### 2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Investment property is measured at fair value
- Available for financial assets have been measured at fair value
- Land and buildings are stated at revalued amount

- The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques
- Employee gratuity and pension benefit assets at fair value

Fair value is the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability
- Or
2. In the absence of a principle market, in the most advantageous market for the asset or liability

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability.

### 2.3 Materiality & aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

### 2.4 Functional and Presentation Currency

These financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees rounded to the nearest thousand.

### 2.5 Comparative Information

The comparative information is consistently applied during the year.

### 2.6 Going Concern

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID - 19 on the Company.

After considering the financial position, operating conditions, regulatory and other factors, the Directors have a reasonable expectation that the Company

possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in these financial statements of the Company.

#### (a) Product Classification

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

#### (b) Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums.

DAC for general insurance is amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortization is recorded in the income statement. An impairment review 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 recognized in the income statement. DAC are also considered in the liability adequacy test for each reporting period. DAC are derecognised when the related contracts are either settled or disposed of.

#### (c) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	03 - 05 Years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### (d) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### (e) Financial Assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, as appropriate.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Company's documented investment strategy

## NOTES TO THE FINANCIAL STATEMENTS

is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis. The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the settlement date.

The financial assets include cash and short-term deposits, loans and receivables, quoted and unquoted financial instruments.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Available-for-sale financial assets*

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the asset is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, or the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

The Company evaluated its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the Company is unable to trade these financial assets due to inactive markets and management's intention significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

#### *Loans and other receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

#### *Derecognition of financial assets*

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired

The Company retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- (i) The Company has transferred substantially all the risks and rewards of the asset; or

- (ii) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

**(f) Impairment of Financial Assets**

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred,

the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of investment income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'finance cost' in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices,

# NOTES TO THE FINANCIAL STATEMENTS

commodity prices, payment status, or other factors that are indicative of incurred losses in the Company and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## *Available-for-sale financial investments*

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

## (g) **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset derecognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

## (h) **Fair Value of Financial Instruments**

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices for assets and offer prices for liabilities, at the close of business on the reporting date, without any deduction for transaction costs. For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published net asset values.

For financial instruments where there is not an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, net assets, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

The fair value of repo and call deposits with credit institutions is their carrying value. The carrying value is the cost of the investment and accrued interest. The fair value of fixed interest bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the reporting date.

If the fair value can not be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

## (i) **Reinsurance**

Reinsurance assets include the balances due from both insurance and reinsurance companies for paid and unpaid losses and loss adjustment expenses. Amounts



recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance policy.

The Company also assumes reinsurance risk in the normal course of business non-life insurance contracts where applicable. Premiums and 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. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and is recognized in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after the initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amount that the Company will receive from the re-insurer.

**(j) Insurance Receivables**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognising criteria for financial assets have been met.

**(k) Taxes**

*Income Tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income

statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Inland Revenue Act No. 24 of 2017 and amendments thereto are applied in determining the taxable income/loss of the Company.

*Deferred Tax*

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:

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 utilized 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.

The 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 utilized. 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

# NOTES TO THE FINANCIAL STATEMENTS

the asset is realized 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 income statement is recognised outside income statement. 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.

## *Sales Taxes and Premium Taxes*

Revenues, expenses and assets are recognised net of the amount of sales taxes and premium taxes except:

Where the sales or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables that are stated with the amount of sales or premium tax included.

Outstanding net amounts of sales or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## (l) **Investment Properties**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation

model, when there are indications of fair value changes in investment property.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

## (m) **Property, Plant and Equipment**

### *(i) Recognition and Measurement*

*Items of property, plant and equipment is stated at cost or valuation less accumulated depreciation.*

Cost includes expenditure that is directly attributable to the acquisition of the asset. 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 the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in income statement. When revalue assets are sold, the

amounts included in the revaluation surplus reserve are transferred to retained earnings.

*(ii) Subsequent Costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in income statement as incurred.

*(iii) Depreciation*

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The assets are depreciated from the month it is available for use and cease to depreciate from the month of disposal.

The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Buildings	50 years
Furniture and Fittings	10 Years
Office Equipment	10 Years
Computer Equipment	05 Years
Motor Vehicles	05 Years
Electric Equipment	05 Years
Plant & Machinery	10 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

*(iv) Revaluations*

Revaluation is performed on freehold land and building by professionally qualified valuers using the open market value. Land and buildings are revalued in every three years. Fair values of land and buildings are reviewed at each reporting date to ensure that carrying amount does not differ materially from fair value.

The revaluation surplus is recognized on the net carrying value of the asset and is transferred to a revaluation reserve after restating the asset at the

revalued amount. The revaluation reserve is transferred to retained earnings at the point of derecognition.

*(v) De-recognition*

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Income Statement in the year the asset is de-recognised.

**(n) Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(i) Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

*Buildings 2 - 10 years*

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note (p) Impairment of non-financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

## (ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in other liabilities.

## (iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of building and (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## (o) Other Assets

### *Inventories*

Inventories include all consumable items and are measured at the lower of cost and net realizable value. Cost is generally determined by reference to weighted average cost. Net realizable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae.

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Stationery, Course Materials, Spare Parts	} First in First out Basis
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## (p) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in income statement.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

For cash flow purposes, cash and cash equivalents are presented net of bank overdraft.

(r) **Foreign Currency Transactions**

Transactions in foreign currencies are translated to the functional currency of Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the cost in the functional currency at the beginning of the period adjusted for payments during the period and the cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in income statement.

The Company's financial statements are presented in rupees which is also the parent company's functional currency. The Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*Transactions and Balances*

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 retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

(s) **Non-life Insurance Contract Liabilities**

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the

ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalization or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision comprises of reserve for the net unearned premium, reserve for the deferred acquisition cost (net), reserve for gross outstanding claims and the incurred but not reported (IBNR) provision. Unearned premium, deferred acquisition cost and the reserve for gross outstanding claims are stated according to the industry practices whereas the IBNR reserve is decided by an independent external actuary to estimate the outstanding liabilities as of reporting date.

At each reporting date the Company reviews its unexpired risk and a liability adequacy test is performed as laid out under SLFRS 4 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 (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the income statement by setting up a provision for premium deficiency.

(t) **Financial Liabilities – Initial Recognition and Subsequent Measurement**

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, borrowings, and reinsurance payables.

*Subsequent measurement*

The subsequent measurement of financial liabilities as follows:

# NOTES TO THE FINANCIAL STATEMENTS

## Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

### *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

## (u) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

### *Derecognition insurance payables*

Insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

## (v) 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.

## (w) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions (%) into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to a defined contribution pension plan are recognised as an employee benefit expense in income statement when they are due.

## (x) Pensions and Other Post-Employment Benefits

The Company operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit valuation method. Actuarial gains and losses are recognised immediately in the

statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to income statement in subsequent periods.

Past service costs are recognised in income statement on the earlier of:

The date of the plan amendment or curtailment, and

The date that the Company recognises restructuring-related costs

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to creditors of the Company nor can they be paid directly to the Company.

Fair value is based on market price information and, in the case of quoted securities, it is the published market price. The value of any defined benefit asset is restricted to the sum of any past service cost and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The amount recognised as defined benefit liabilities has been netted with the fair value of the plan assets of the reporting period. Any surplus in plan assets has been measured based on the requirements of LKAS 19 - Employee Benefits, Para 58 and IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Actuarial gains and losses for the defined benefit plans are recognized in full in the period in which they occur in other comprehensive income.

However, according to the Payment of Gratuity Act No. 12 Of 1983, the liability for gratuity payments to an employee arises on the completion of five years of continued service with the company. The provision is externally funded.



(y) **Short-Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(z) **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.

(aa) **Dividends on Ordinary Share Capital**

Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

(bb) **Earnings Per Share**

Basic earnings per share amounts is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the reporting date.

(cc) **Gross Written Premium**

Gross written premium is generally recognized as written upon inception of the policy. Upon inception of the contract, premiums are recorded as written and are earned primarily on a pro-rata basis over the term of the related policy coverage. However, for those contracts for which the period of risk differs significantly from the contract period, premiums are earned over the period of risk in proportion to the amount of insurance protection provided.

(dd) **Reinsurance Premium**

Reinsurance premium expense is accounted for in the same accounting period as the gross written premium to which it relates.

(ee) **Unearned Premiums**

Unearned premiums reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 1/365 basis except for the marine and title policies in accordance with the control of insurance regulations.

The basis of calculating unearned premiums for marine and title policies are as follows,

Class of the Policy	Basis
Marine	60% in the same month
	40% after three months of underwriting the policy
Title	60% in the same year
	40% is deferred until the validity of the policy expires

(ff) **Acquisition Costs**

Acquisition costs, representing commissions, which vary with and are directly related to the production of business, are deferred and amortized over the period in which the related written premiums are earned. Reinsurance commission is also treated in the same manner within deferred acquisition costs.

(gg) **Claims**

1.) *Non Life Insurance*

Claims expenses and liabilities for outstanding claims are recognized in respect of direct and inwards reinsurance 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. Claims outstanding are assessed by review of individual claim files estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR & IBNER (Incurred But Not Enough Reported) are actuarially valued to ensure a more realistic estimation of the future liability based on the past experience and trends.

Actuarial valuation is performed on an annual basis.

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

# NOTES TO THE FINANCIAL STATEMENTS

result of subsequent information and events. This may result in adjustments to the amounts provided. Such amounts are reflected in the financial statements for estimates of that period. The methods used and the estimates made are reviewed regularly.

## 2.) Reinsurance on Claims

Reinsurance on claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

## (hh) Other Income

### 1.) Rental Income

Rental income from property is recognised in income statement on a straight line basis over the term of the lease.

### 2.) Fees and Commission Income

Insurance contract policyholders are charged for policy administration services, surrenders and other contract fees. These fees are recognised as revenue when the related services are performed.

### 3.) Investment Income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method.

Investment income also includes dividends when the right to receive payment is established. For listed securities, this is the date the security is listed as ex dividend.

### 4.) Realized Gains and Losses

Realized gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

## (ii) Finance Cost

Finance cost is recognised as expenditure in the period in which they are incurred. However, finance costs are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.

## (jj) Cash Flow Statement

The cash flow statement has been prepared using the "direct method".

## 3.1 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### (a) Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

### (b) Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

#### IBOR reform Phase 1

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). A summary of Phase 1 amendments are as follows:

- Highly Probable Requirement: According to SLFRS 9 and LKAS 39, when a forecast transaction is

designated as a hedged item, that transaction must be highly probable to occur. By the Phase 1 amendments, when determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform

- **Prospective assessments:** A hedging relationship qualifies for hedge accounting only if there is an economic relationship between the hedged item and the hedging instrument (described in SLFRS 9) or the hedge is expected to be highly effective in achieving off-setting (described in LKAS 39). An entity must demonstrate such prospective assessments on a regular basis. By the Phase 1 amendments, when performing prospective assessments, an entity shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform
- **LKAS 39 retrospective assessment:** To apply hedge accounting under LKAS 39, an entity must demonstrate that the actual results of the hedge are within a range of 80% - 125%. This requirement is commonly known as the 'LKAS 39 retrospective assessment'. By the Phase 1 amendments, an entity is not required to undertake the LKAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other LKAS 39 hedge accounting requirements, including the prospective assessment
- **Separately identifiable risk components:** While there are some differences between SLFRS 9 and LKAS 39 regarding designation of risk components, both Standards require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. An entity may designate an item in its entirety or a component of an item as a hedged item in a hedging relationship. SLFRS 9 and LKAS 39 require the component to be separately identifiable to qualify as a hedged item. By the Phase 1 amendments, for hedges of non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships

#### *IBOR reform Phase 2*

In addition to Phase 1 amendments, CA Sri Lanka also issued amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 due to Interest Rate Benchmark Reform. The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component
- The effective date of both IBOR reform Phase 1 and Phase 2 amendments is for annual reporting periods beginning on or after 1 January 2021 in the Sri Lankan context

The requirements under phase 1 amendments have to be applied retrospectively. However, the reliefs only apply to hedging relationships that existed at the beginning of the reporting period in which an entity first applies those requirements or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve that existed at the beginning of the reporting period in which an entity first applies those requirements. It follows that it is not possible to apply the reliefs retrospectively to hedge relationships that were not previously designated as such

The requirements under phase 2 amendments have to be applied retrospectively. Hedge relationships are not designated retrospectively. However, discontinued hedging relationships must be reinstated if, and only if,

- The hedging relationship was discontinued solely due to changes required by the Reform, and, therefore, the entity would not have been required to discontinue that hedging relationship if the Phase 2 Amendments had been applied at that time and

# NOTES TO THE FINANCIAL STATEMENTS

- At the date of initial application of the Phase 2 Amendments, that discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of the Phase 2 Amendment

## 3.2 Use of Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

### Critical Accounting Judgments, Estimates and Assumptions Disclosure Reference

Critical Accounting Judgments, Estimates and Assumptions	Disclosure Reference	
	Note	Page
Impairment of assets (receivables)	16	129
Reserve for gross outstanding claims (IBNR/IBNER)	20	131
Valuation of investment property	09	112
Measurement of defined benefit obligation and pension	12 & 13	122 & 126
Unearned Premium and deferred acquisition cost	20 & 06	131 & 104
Leases - Estimating the incremental borrowing rate and determining the lease term of contracts with renewal and termination options	08	111
Income Tax - Uncertainty over Income Tax Treatment	38(a)	150

The Company has also considered the impact of COVID-19 in preparing the Financial Statements in line with the guidelines issued by the CA Sri Lanka. (Note 42)

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance

contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

The Insurance Industry has requested CA Sri Lanka to postpone implementation of SLFRS 17, and the Company believes it will be postponed.

#### **Present Status of the SLFRS 17**

The Company has set up a project team to ensure a smooth transition to SLFRS 17. This team is delegated with operational responsibilities for the implementation of the Standard.

The management requested proposal from External Consultant for the implementation phase and the management is currently in the process of evaluating the proposal.

The Company will commence the project in 2022.

#### **Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract**

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

#### **Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use**

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment

#### **SLFRS 9 Financial Instruments**

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: recognition and Measurement. SLFRS includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company meets the eligibility criteria of the temporary exemption from SLFRS 9 and intend to defer the application of SLFRS 9 until annual reporting periods beginning on or after 1 January 2023.

#### **Present Status of the SLFRS 9**

The management is currently in the process of implementing initial classification of financial instruments and assessed the impact to financial instruments from the impairment assessments according to Expected Credit Loss (ECL) Model.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. INTANGIBLE ASSETS

	Computer Software & License Rs.'000
<b>Cost</b>	
At 1 January 2020	331,418
Cost Capitalised	54,949
At 1 January 2021	386,367
Cost Capitalised	81,899
At 31 December 2021	468,266
<b>Accumulated Amortisation and Impairment</b>	
At 1 January 2020	293,447
Amortisation during the year	72,098
At 1 January 2021	365,545
Amortisation during the year	79,860
At 31 December 2021	445,405
<b>Carrying Amount</b>	
At 1 January 2021	20,822
At 31 December 2021	22,861

### 5.1 Acquisition of Intangible Assets during the year

During the financial year, the Company acquired/capitalised Intangible Assets (Computer Software & License) to the aggregate value of Rs. 81,899,000 (2020 - 54,949,000). Cash payments amounting to Rs. 81,899,000. (2020 - 54,949,000) were made during the year for purchase of Intangible assets (Computer Software & License).

### 5.2 Fully Amortised Intangible Assets in use

Intangible Assets include Rs. 80,256,934 fully amortised Computer Software which are in the use of normal business activities (2020 - Rs. 71,242,753)

### 5.3 Title Restriction on Intangible Assets

There were no restrictions that existed on the title of the Intangible Assets of the Company as at the Reporting date.

### 5.4 Assessment of impairment of Intangible Assets

The Board of Directors has assessed potential impairment indicators of intangible assets as at 31st December 2021. Based on the assessment, no impairment indicators were identified.

### 5.5 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs related to the acquisition of Intangible Assets during the year (2020 - Nil)

## 6. DEFERRED EXPENSES

	Deferred Acquisition Costs (DAC) Insurance Contracts	
	2021 Rs.'000	2020 Rs.'000
At 1 January	1,030,182	1,019,343
Expenses Deferred	2,117,311	2,014,029
Amortisation	(2,098,934)	(2,003,190)
At 31 December	1,048,559	1,030,182

Deferred Acquisition Cost is those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts and deferred to the extent that these costs are recoverable out of future premiums.



7. **PROPERTY, PLANT & EQUIPMENT**

	Freehold Land	Building	Plant & Machinery	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Electrical Equipment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost/Valuation</b>									
At 1 January 2021	866,337	1,078,825	61,322	2,760,802	73,617	222,002	171,401	128,011	5,362,317
Additions	-	333,675	4,652	68,296	5,627	29,446	7,554	204,871	654,121
Disposals/Transfer	-	-	(8,000)	(15,701)	(150)	(544)	-	-	(24,395)
<b>At 31 December 2021</b>	<b>866,337</b>	<b>1,412,500</b>	<b>57,974</b>	<b>2,813,397</b>	<b>79,094</b>	<b>250,904</b>	<b>178,955</b>	<b>332,882</b>	<b>5,992,043</b>
<b>Accumulated Depreciation</b>									
At 1 January 2021	-	21,576	26,899	1,053,655	38,868	156,643	99,790	98,355	1,495,786
Depreciation	-	23,548	6,031	253,393	7,909	32,397	15,619	20,751	359,648
Disposals	-	-	(3,818)	(8,855)	(150)	(544)	-	-	(13,367)
<b>At 31 December 2021</b>	<b>-</b>	<b>45,124</b>	<b>29,112</b>	<b>1,298,193</b>	<b>46,627</b>	<b>188,496</b>	<b>115,409</b>	<b>119,106</b>	<b>1,842,067</b>
<b>Carrying Amount</b>									
At 1 January 2021	866,337	1,057,249	34,423	1,707,147	34,749	65,359	71,611	29,656	3,866,531
<b>At 31 December 2021</b>	<b>866,337</b>	<b>1,367,376</b>	<b>28,862</b>	<b>1,515,204</b>	<b>32,467</b>	<b>62,408</b>	<b>63,546</b>	<b>213,776</b>	<b>4,149,976</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. PROPERTY, PLANT & EQUIPMENT (CONTD.)

If the Land and Building were measured using cost model, the carrying value would be as follows.

	Freehold Land Rs.'000	Building Rs.'000	Total Rs.'000
<b>At Cost</b>			
<b>Cost/Valuation</b>			
At 1 January 2021	460,254	882,866	1,343,120
Additions	-	333,675	333,675
Disposals	-	-	-
<b>At 31 December 2021</b>	<b>460,254</b>	<b>1,216,541</b>	<b>1,676,795</b>
<b>Accumulated Depreciation</b>			
At 1 January 2021	-	132,389	132,389
Depreciation	-	24,022	24,022
Disposals	-	-	-
<b>At 31 December 2021</b>	<b>-</b>	<b>156,411</b>	<b>156,411</b>
<b>Carrying Amount</b>			
At 1 January 2021	460,254	750,477	1,210,731
<b>At 31 December 2021</b>	<b>460,254</b>	<b>1,060,130</b>	<b>1,520,384</b>

#### Revaluation of Land & Building

The Company uses the revaluation model of measurement of land and buildings. The Land and Buildings were revalued by independent expert valuers, Mr. W.M. Chandrasena and Mr. W.A.T.I.P. Jayathilake Incorporated valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuation is based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. Refer note 7.1 for details of revaluations.

## 7.1 Details of Freehold Land & Building

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable	Value of Land	Value of Buildings	Total	Date of the Valuation
				Price Per Sq Ft	Rs. 2,500	Rs.000	Rs.000	Rs.000	31/12/2019
282, High Level Road, Kottawa	862	Condominium	Investment Method			7,875	2,125	10,000	31/12/2019
				Price Per Perch	Rs.1,750,000				
97, Baudhaoka Mawatha, Gampaha	8360	A-0-R-0-P 16.50	Market Comparable Method	Price Per Perch	Rs. 4,500,000	74,250	37,250	111,500	31/12/2019
				Price per Sq ft	Rs. 1,250-4750				
42/1, Mihidu Mawatha, Kurunegala	8425	A-0-R-0-P 8.2	Market Comparable Method	Price per perch	Rs. 7,600,000	62,000	55,000	117,000	31/12/2019
				Price per Sq ft	Rs. 9000				
583/ 63 Llyanagemulla , Seeduwa	43080	A-3-R-1-P 3.6	Market Comparable Method	Price per perch	Rs. 300,000	157,000	63,676	220,676	31/12/2019
				Price per Sq ft	Rs 660 - 4000				
60 ,Yovunpitiya Watte, Gnanawimala Mawatha,Kosgoda, Balapitiya	11282	A-0-R-1-P 29	Market Comparable Method	Price per perch	Rs. 450,000	31,000	55,000	86,000	31/12/2019
				Price per Sq ft	Rs. 6500				
63, Janadhipathi Mawatha, Colombo 1.	-	A-0-R-0-P 13.84	Market Comparable Method	Price per perch	Rs. 12,000,000	154,000	-	154,000	31/12/2019

# NOTES TO THE FINANCIAL STATEMENTS

## 7. PROPERTY, PLANT & EQUIPMENT (CONTD.)

### 7.1 Details of Freehold Land & Building (Contd.)

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable	Value of Land	Value of Buildings	Total	Date of the Valuation
						Rs.000	Rs.000	Rs.000	
3rd/4 th, 7 th, 5th & 11 th Floors of Ceylinco House Building 69, "Ceylinco House", Janadhipathi Mawatha, Colombo 1.	42656	-	Investment Basis	Rent per Sq.ft per month	Rs. 190-200	-	1,060,999	1,060,999	31/12/2019 & 31/12/2021
46 / 34, "VIP Centre", Nawam Mawatha , Colombo 2.	18068	A-0-R-0-P 19.00	Market Comparable Method	Price per perch	Rs. 16,000,000	304,000	115,000	419,000	31/12/2019
Madabawita, Warakapola	608	A-0-R-0-P 16.25	Market Comparable Method	Price per perch	Rs. 373,000- Rs.525,000	7,312	1,500	8,812	31/12/2019
Malangama, Kuruwita	650	A-0-R-0-P 15.00	Market Comparable Method	Price per Sq ft	Rs.2353				
Induruwa, Kosgoda	856	A-0-R-0-P 24.30	Market Comparable Method	Price per perch	Rs. 1,000,000	15,000	1,500	16,500	31/12/2019
Ibbagamuwa, Melsiripura	620	A-0-R-1-P 00.00	Market Comparable Method	Price per Sq ft	Rs. 2,750				
Unakuruwa , Tangalle	798	A-0-R-1-P 20.00	Market Comparable Method	Price per perch	Rs. 490,000	9,800	1,600	11,400	31/12/2019
Bibilyaya, Kithulgala	5326	A-0-R-2-P 00.07	Market Comparable Method	Price per Sq ft	Rs. 1,892				
Puttalam -South, Mundel	705	A-0-R-0-P-20.0	Market Comparable Method	Price per perch	Rs. 225,000	9,000	1,200	10,200	31/12/2019
				Price per Sq ft	Rs. 1,923				
				Price per perch	Rs. 325,000	6,500	1,500	8,000	31/12/2019
				Price per Sq ft	Rs. 2,750				
				Price per perch	Rs. 375,000 & Rs.275,000	25,500	15,250	40,750	31/12/2019
				Price per Sq ft	Rs. 2,875-3,500				
				Price per perch	Rs. 125,000- Rs.175,000	3,100	900	4,000	31/12/2019
				Price per Sq ft	Rs. 1,240				
<b>Total</b>						<b>866,337</b>	<b>1,412,500</b>	<b>2,278,837</b>	

7.2 Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
<b>Market Comparable Method</b>		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot for Building	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases
<b>Investment Method</b>		
This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental Years	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

# NOTES TO THE FINANCIAL STATEMENTS

## 7. PROPERTY, PLANT & EQUIPMENT (CONTD.)

### 7.3 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated Property, Plant and Equipment which are still in use as at the reporting date is as follows;

At 31 December	2021 Rs.'000	2020 Rs.'000
Plant and Machinery	1,156	360
Computer Equipment	37,624	44,106
Office Equipments	4,150	6,637
Furniture and Fittings	10,697	14,105
	53,627	65,208

### 7.4 Acquisition of Property, Plant and Equipment during the year

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 654,121,000 (2020 - 178,847,000). Cash payments amounting to Rs.654,121,000 (2020 - 178,847,000 ) were made during the year to purchase of Property, Plant and Equipment.

### 7.5 Capital Commitments

There were no capital commitments relating to the acquisition of Property, Plant and Equipment during the year. (2020 - Nil)

### 7.6 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of Property, Plant and Equipment pledged as securities for liabilities during the year. (2020 - Nil)

### 7.7 Title Restriction on Property, Plant and Equipment

There are no restrictions that existed on the title of the Property, Plant and Equipment of the Company as at the reporting date.

### 7.8 Assessment of Impairment

The Board of Directors has assessed the potential impairment indicators of Property, Plant and Equipment as at 31st December 2021. Based on the assessment, no impairment indicators were identified.

### 7.9 Capitalisation of Borrowing Costs

There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year. (2020 - Nil)

### 7.10 Temporarily idle Property, Plant and Equipment

There were no temporarily idle property as at the year ended 31st December 2021. (2020 - Nil)



## 8. RIGHT OF USE ASSET

	2021 Rs.'000	2020 Rs.'000
<b>Cost</b>		
As at 01 January	467,880	352,809
Additions During the Year	103,312	115,071
Dereognition	(88,692)	-
As at 31 December	482,500	467,880
<b>Accumulated Depreciation</b>		
As at 01 January	203,812	96,753
Depreciation on Right-of-Use Assets	105,574	107,059
Dereognition	(32,520)	-
As at 31 December	276,866	203,812
<b>Carrying Value as at 31 December</b>	<b>205,634</b>	<b>264,068</b>

The following are the amounts recognised in Profit or Loss:

As at 31st December	2021 Rs.'000	2020 Rs.'000
Depreciation expense of Right-of-Use Assets	105,574	107,059
Impact of Derecognition	(19,110)	-
Interest expense on Lease Liabilities	24,807	27,354
	<b>111,271</b>	<b>134,413</b>

### Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates

### Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

#### Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of buildings with shorter non-cancellable period (i.e., three to ten years). The Company typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. INVESTMENT PROPERTIES

	2021 Rs.'000	2020 Rs.'000
At 1 January	133,000	133,000
Fair Value Gains	6,500	-
<b>At 31 December</b>	<b>139,500</b>	<b>133,000</b>

### Revaluation of Investment Properties

The Investment Properties were revalued on 31st December 2021 by independent expert valuer, Mr.W.M.Chandrasena Incorporated valuer, in determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size of location. The appraised fair values are rounded within the range of values. The fair value of investment property reflects the actual market value as at reporting date. Refer note 9.1 for details of revaluations.

### 9.1 Details of Investment Property

Addresses	Building Sq. Ft.	Land Extent	Method of Valuation	Significant Unobservable Inputs	Estimation for Unobservable Inputs	Value of Land Rs.'000	Value of Building Rs.'000	Total Rs.'000	Date of Valuation
No, 34, Muhandiran ED Dabare Mawatha, Colombo 05. (1 Apartment)	2663	-	Investment Method	Rent per Sq.ft per month	Rs.65/-	-	34,500	34,500	31/12/2021
583/63, Liyanagemulla, Seeduwa	-	A-2-R-2-P-21.5	Cost Approach	Price per perch	Rs.500,000/-	105,000	-	105,000	31/12/2021
<b>Sub Total</b>						<b>105,000</b>	<b>34,500</b>	<b>139,500</b>	

9.2 Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

The fair value measurement for all of the Freehold Land and Building has been categorized as a Level 3 based on the inputs to the valuation techniques used.

Valuation Technique	Significant Unobservable Valuation Inputs	Sensitivity of the Fair Value Measurement to Inputs
<b>Market Comparable Method</b>		
This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot for building	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/increases
<b>Investment Method</b>		
This method involves capitalisation of the expected rental income at an appropriate Rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental Years	Estimated fair value would increase (decrease) if; Gross Annual Rental increases (decreases) Years Purchase increases (decreases) Void Period (decrease) / increases

# NOTES TO THE FINANCIAL STATEMENTS

## 10 & 11 FINANCIAL INSTRUMENTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's Financial Instruments are summarised by categories as follows:

As at 31 December	Note	2021 Rs.'000	2020 Rs.'000
Loans and Receivables (L&R)	10	8,979,677	7,736,103
Available-For-Sale Financial Assets (AFS)	11	8,448,089	7,392,794
<b>Total Financial Instruments</b>		<b>17,427,766</b>	<b>15,128,897</b>

The following table compares the fair values of the Financial Instruments to their carrying values:

Available-For-Sale Financial Assets (AFS) have been valued at fair value and Loans and Receivables (L&R) are valued at amortized cost.

As at 31 December	Note	2021		2020	
		Carrying Value Rs.'000	Fair Value Rs.'000	Carrying Value Rs.'000	Fair Value Rs.'000
Loans and Receivables (L&R)	10	8,979,677	8,979,677	7,736,103	7,736,103
Available-For-Sale Financial Assets (AFS)	11	8,448,089	8,448,089	7,392,794	7,392,794
<b>Total Financial Instruments</b>		<b>17,427,766</b>	<b>17,427,766</b>	<b>15,128,897</b>	<b>15,128,897</b>

### 10. LOANS AND RECEIVABLES (L&R)

As at 31 December	Note	2021 Rs.'000	2020 Rs.'000
Staff Loans	10.(a)	218,169	99,286
Term Deposits	10.(b)	8,761,508	7,636,817
<b>Total Loans and Receivables at Amortised Cost</b>		<b>8,979,677</b>	<b>7,736,103</b>

#### 10.(a) Staff Loans

	2021 Rs.'000	2020 Rs.'000
At 1 January	99,286	102,600
Loans Granted	364,372	397,750
Recoveries	(171,653)	(306,064)
Loan Portfolio Disposal	(73,836)	(95,000)
<b>At 31 December</b>	<b>218,169</b>	<b>99,286</b>

10.(b) Term Deposits

As at 31 December	2021 Rs.'000	2020 Rs.'000
Licensed Commercial Banks & Specialised Banks	8,725,444	7,605,099
Registered Finance Companies	36,064	31,718
	8,761,508	7,636,817

Details on pledged deposits are provided in note number 39

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS)

As at 31 December	Note	2021 Rs.'000	2020 Rs.'000
Treasury Bond & Bills		5,429,675	3,766,837
Unquoted Share & Debenture Investment	11.(a)	911,211	934,434
Quoted Debentures	11.(b)	1,717,561	2,282,934
Quoted Share Investment	11.(c)	113,356	216,566
Unit Trust Investments	11.(d)	276,286	192,023
<b>Total Available-For-Sale Financial Assets at Fair Value</b>		<b>8,448,089</b>	<b>7,392,794</b>

11.(a) Unquoted Investment

As at 31 December		2021		2020	
		Number of Shares/ Debentures	Fair Value Rs.'000	Number of Shares/ Debentures	Fair Value Rs.'000
Ultratech Cement Lanka (Pvt) Ltd	Shares	9,000,000	543,158	9,000,000	543,158
National Savings Bank	Debentures	350,000	368,053	350,000	391,276
			911,211		934,434

## NOTES TO THE FINANCIAL STATEMENTS

### 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS) (CONTD.)

#### 11.(b) Quoted Debentures

As at 31 December	Description	2021 Rs.'000	2020 Rs.'000
Sampath Bank PLC	12.5% 2,500,000 Debentures redeemable on 20/03/2023	270,497	293,038
Seylan Bank PLC	12.85%, 2,000,000 Debentures redeemable on 29/03/2023	216,947	235,727
Seylan Bank PLC	15% 2,000,000 Debentures redeemable on 10/04/2024	244,899	272,074
Commercial Bank PLC	10.75% 1,500,000 Debentures redeemable on 03/08/2021	-	156,704
Seylan Bank PLC	13% 451,600 Debentures redeemable on 15/07/2021	-	49,886
Commercial Bank PLC	12% 1,316,100 Debentures redeemable on 27/10/2021	-	141,760
People's Leasing & Finance PLC	12.6% 2,000,000 Debentures redeemable on 16/11/2021	-	215,890
Bank of Ceylon	13.25% 3,000,000 Debentures redeemable on 28/12/2021	-	323,561
DFCC Bank PLC	12.6% , 1,500,000 Debentures redeemable on 29/03/2023	171,428	185,052
Commercial Bank PLC	12% 2,007,900 Debentures redeemable on 22/07/2023	221,587	240,114
Sampath Bank PLC	12.50% 1,000,000 Debentures redeemable on 21/12/2022	104,303	112,638
Asia Asset Finance PLC	12.28% 500,000 Debentures redeemable on 9/10/2023	52,416	56,490
Commercial Credit & Finance PLC	9.00% 1,000,000 Debentures redeemable on 4/3/2026	101,998	-
Seylan Bank PLC	9.75% 175,700 Debentures redeemable on 12/4/2026	18,242	-
National Development Bank PLC	11.90% 3,000,000 Debentures redeemable on 24/11/2026	315,244	-
		1,717,561	2,282,934

11.(c) Quoted Share Investment

As at 31 December	2021		2020	
	Number of Shares	Fair Value Rs.'000	Number of Shares	Fair Value Rs.'000
<b>Hotels and Travels</b>				
Anilana Hotels & Properties PLC	1,053,561	1,370	-	-
Aitken Spence Hotels Holdings PLC	4,100	175	4,100	132
Citrus Leisure PLC	100,000	880	-	-
John keels Hotels PLC	100,000	1,470	-	-
<b>Sector Total</b>		<b>3,895</b>		<b>132</b>
<b>Banks, Finance and Insurance</b>				
Hatton National Bank PLC	15,723	2,123	-	-
Sampath Bank PLC	51,500	2,683	-	-
The Finance Company PLC	1,875,000	-	1,875,000	-
Commercial Bank of Ceylon PLC	7,159	567	-	-
LOLC Finance PLC	-	-	150,000	540
National Development Bank PLC	27,000	1,860	8,500	664
<b>Sector Total</b>		<b>7,233</b>		<b>1,204</b>
<b>Beverage Foods and Tobacco</b>				
Renuka Agri Foods PLC	125,000	688	125,000	588
<b>Sector Total</b>		<b>688</b>		<b>588</b>
<b>Telecommunication</b>				
Sri Lanka Telecom PLC	10,234	403	10,000	335
<b>Sector Total</b>		<b>403</b>		<b>335</b>
<b>Manufacturing</b>				
Blue Diamond Jewellery Worldwide PLC	285,100	257	285,100	228
Royal Ceramics Lanka PLC	-	-	10,000	1,771
Access Engineering PLC	46,000	1,472	46,000	1,132
Haycarb PLC	-	-	241	137
Lanka Ceramic PLC	718	107	718	99
Lanka Walltiles PLC	455	57	91	13
Dipped Product PLC	-	-	4,000	1,389
Kelani Tyres PLC	-	-	11,176	967
Ceylon Grain Elevators PLC	14,000	1,708	24,000	2,664
ACL Cables PLC	-	-	24,600	1,884
Diesel & Motor Engineering PLC	1,560	969	-	-
<b>Sector Total</b>		<b>4,570</b>		<b>10,284</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS) (CONTD.)

#### 11.(c) Quoted Share Investment (Contd.)

As at 31 December	2021		2020	
	Number of Shares	Fair Value Rs.'000	Number of Shares	Fair Value Rs.'000
<b>Diversified Holdings</b>				
Vallibel One PLC	-	-	15,000	390
Browns Investments PLC	-	-	12,250,000	52,675
Renuka Holdings PLC	10,222	202	10,222	153
Hayleys PLC	-	-	1,000	415
MDT Walkers PLC	62,200	952	62,200	921
Ambeons Holdings PLC	-	-	7,171,599	148,452
<b>Sector Total</b>		<b>1,154</b>		<b>203,006</b>
<b>Investment and Trust</b>				
Ceylon Guardian Investment Trust PLC	1,511	157	1,511	192
<b>Sector Total</b>		<b>157</b>		<b>192</b>
<b>Trading</b>				
Singer Sri Lanka PLC	40,000	796	15,000	825
<b>Sector Total</b>		<b>796</b>		<b>825</b>
<b>Plantations/Property</b>				
Kelani Valley Plantations PLC	22,160	1,970	-	-
Watawala Plantations PLC	10,000	1,313	-	-
Namunukula Plantations PLC	3,500	1,365	-	-
Prime Land Residencies Ltd.	7,200	89,280	-	-
Commercial Developmenet Company PLC	3,915	532	-	-
<b>Sector Total</b>		<b>94,460</b>		<b>-</b>
<b>Total Investment in Quoted Shares</b>		<b>113,356</b>		<b>216,566</b>

#### 11.(d) Unit Trust Investments

As at 31 December	2021		2020	
	Number of Units	Fair Value Rs.'000	Number of Units	Fair Value Rs.'000
ASTURE Alpha Fund	8,101,069	203,062	15,049,529	192,023
ASTRUE Active Income Fund	497,754	52,902	-	-
SENFIN Money Market Fund	1,273,699	20,322	-	-
		276,286		192,023

#### 11.(e) Movement in the Carrying Values of Financial Instruments

	Loans and Receivables Rs.'000	Available-For-Sale Rs.'000	Total Rs.'000
<b>At 1st January 2021</b>	7,736,103	7,392,794	15,128,897
Purchases	3,585,720	139,309,521	142,895,241
Disposals	(2,496,274)	(138,045,560)	(140,541,834)
Fair Value Gains Recorded in Other Comprehensive Income	-	(119,152)	(119,152)
Foreign Exchange Adjustment	154,128	21,004	175,132
Movement in Impairment Allowance	-	(110,519)	(110,519)
<b>At 31 December 2021</b>	<b>8,979,677</b>	<b>8,448,089</b>	<b>17,427,766</b>

#### Fair Value of Financial Assets and Liabilities 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 (i.e., loans and receivables).

#### Assets for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

#### Fixed Rate Financial Instruments

The fair value of fixed rate financial assets carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

For quoted debt instruments the fair values are determined based on quoted market prices.

For unquoted equity investments have been fair valued using Discounted CashFlows (DCF) method.

For unquoted debt instruments, the carrying value approximates the fair value of the investments.

# NOTES TO THE FINANCIAL STATEMENTS

## 11. AVAILABLE-FOR-SALE FINANCIAL ASSETS (AFS) (CONTD.)

### 11.1.(f) Determination of Fair Value and Fair Values Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December	Notes	2021			2020			Total Fair Value	Rs:000
		Level 1 Quoted Prices in active markets Rs:000	Level 2 Significant Observable Inputs Rs:000	Level 3 Significant Unobservable Inputs Rs:000	Level 1 Quoted Prices in active markets Rs:000	Level 2 Significant Observable Inputs Rs:000	Level 3 Significant Unobservable Inputs Rs:000		
<b>Financial Assets</b>									
<b>Available-For-Sale Financial Assets:</b>									
Equity Securities	11 (c) / 11 (a)	113,356	-	543,158	216,566	-	543,158	759,724	
Unit Trust	11 (d)	-	276,286	-	-	192,023	-	192,023	
Debt Securities	11 (b)	5,429,675	2,085,614	-	3,766,837	2,674,210	-	6,441,047	
<b>Total Financial Assets</b>		<b>5,543,031</b>	<b>2,361,900</b>	<b>543,158</b>	<b>3,983,403</b>	<b>2,866,233</b>	<b>543,158</b>	<b>7,392,794</b>	
<b>Non Financial Assets</b>									
Land and Buildings	7.1	-	-	2,233,713	-	-	1,923,586	1,923,586	
Investment Properties	9.1	-	-	139,500	-	-	133,000	133,000	
<b>Total Non Financial Assets</b>		<b>-</b>	<b>-</b>	<b>2,373,213</b>	<b>-</b>	<b>-</b>	<b>2,056,586</b>	<b>2,056,586</b>	
<b>Total Financial and Non Financial Assets</b>		<b>5,543,031</b>	<b>2,361,900</b>	<b>2,916,371</b>	<b>3,983,403</b>	<b>2,866,233</b>	<b>2,599,744</b>	<b>9,449,380</b>	

#### 11.(g) Reconciliation of Movements in Level 3 Financial Instruments Measured at Fair Value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 financial assets which are recorded at fair value:

	Note	At 1 January 2021 Rs.'000	Total Gains/ (Loss) recorded in Comprehensive Income Rs.'000	Additions/ Disposals Rs.'000	Depreciation During the year Rs.'000	At 31 December 2021 Rs.'000
<b>Financial Assets</b>						
<b>Available-For-Sale Financial Assets:</b>						
Equity Securities	11 (a)	543,158	-	-	-	543,158
<b>Total Level 3 Financial Assets</b>		<b>543,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543,158</b>
<b>Non Financial Assets</b>						
Land and Buildings	7.1	1,923,586	-	333,675	(23,548)	2,233,713
Investment Properties	9.1	133,000	6,500	-	-	139,500
<b>Total Level 3 Non-Financial Assets</b>		<b>2,056,586</b>	<b>6,500</b>	<b>333,675</b>	<b>(23,548)</b>	<b>2,373,213</b>
<b>Total Level 3 Financial and Non-Financial Assets</b>		<b>2,599,744</b>	<b>6,500</b>	<b>333,675</b>	<b>(23,548)</b>	<b>2,916,371</b>

Significant unobservable inputs used to valuation of unquoted investment is as follows.

	2021	2020
1. Growth rate	3.00%	3.25%
2. Discount rate	12.50%	11.79%

#### 11.(h) A quantitative sensitivity analysis for significant assumption as at 31 December 2021 as shown below

Sensitivity Analysis	10% Increase	10% Decrease
1. Revenue growth at terminal value	Rs.5 Mn	(Rs.5 Mn)
2. Weighted average cost of capital	(Rs. 7 Mn)	Rs. 8 Mn

The Company has used Discounting Cash Flow (DCF) method for valuation.

#### 11.(i) Financial Instruments not under the fair value measurement hierarchy

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re - prise to current market rates frequently.

##### Assets

Cash and Cash Equivalents  
Term Deposits and Repo  
Reinsurance Receivables  
Premium Receivables

##### Liabilities

Reinsurance Creditors  
Other Liabilities (Excluding Government Levies and Accruals)  
Interest Bearing Borrowings

## NOTES TO THE FINANCIAL STATEMENTS

### 12. GRATUITY BENEFIT ASSET

This note indicates the assumptions used and the movement in the employee benefit plan. As at 31 December 2021 the gratuity liability was actuarially valued under the projected unit credit Method (PUC) by M/S.K.A.Pandit Actuarial valuer. The valuation performed annually.

The amounts recognised in the Income Statement are as follows:

	2021 Rs.'000	2020 Rs.'000
Current Service Cost	(22,995)	105,096
Interest Cost on Benefit Obligation	172,950	195,978
Expected return on Plan Assets	(241,183)	(300,864)
	(91,228)	210
Net Actuarial Gain/ (Loss) recognised in the Other Comprehensive Income	605,139	(396,483)

#### 12.1 The amounts recognised in the Statement of Financial Position at the reporting date are as follows:

As at 31 December	Note	2021 Rs.'000	2020 Rs.'000
Present value of the Defined Benefit Obligation	12.2	1,615,516	2,156,488
Fair Value of Plan Assets	12.3	(3,269,910)	(3,007,270)
Total Net Defined Benefit Asset		(1,654,395)	(850,783)

#### 12.2 The Movement in the Defined Benefit Liability is as follows:

	2021 Rs.'000	2020 Rs.'000
At 1 January	2,156,488	1,915,716
Current Service Cost	139,209	105,096
Interest Cost	172,950	195,978
Past Service Cost	(162,204)	-
Benefits Paid	(107,245)	(222,199)
Actuarial (Gains )/ Losses	(583,682)	161,897
At 31 December	1,615,516	2,156,488

The Gratuity Benefit Liability is valued by M/S.K.A.Pandit Actuarial valuer.

12.3 The movement in the Plan Assets is as follows:

	2021 Rs.'000	2020 Rs.'000
At 1 January	(3,007,270)	(2,940,992)
Expected Return on Plan Assets	(241,183)	(300,864)
Actuarial Gains/Losses	(21,457)	234,586
At 31 December	(3,269,910)	(3,007,270)

The distribution of the Plan Assets at the reporting date is as follows:

	2021 Rs.'000	2020 Rs.'000
Investment in Shares	2,276,971	2,225,553
Other Assets	992,939	781,717
Total Plan Assets	3,269,910	3,007,270

Gratuity funds plan assets include investment in equity shares of Ceylinco Insurance PLC, (the parent entity of the company) market value amounting to Rs. 682,166,354 /- (2020 - Rs. 691,817,362/-) as at the reporting date

The overall expected rate of return on assets is determined based on market expectations prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal actuarial assumptions used in determining the gratuity benefit obligation for the Company's plan assets are as follows:

	2021	2020
Future salary increases	10.00%	10.00%
Discount rate	12.37%	8.02%
Expected rate of return on plan assets	12.37%	8.02%
Retirement age	60 Years	55 Years

## NOTES TO THE FINANCIAL STATEMENTS

### 12. GRATUITY BENEFIT ASSET (CONTD.)

#### 12.4 Changes in the Defined Benefit Obligation and Fair Value of Plan Assets

	1-Jan-21	Service Cost	Amount charges to Profit or Loss		Benefit paid
			Net Interest	Sub Total included in Profit or Loss	
	RS.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined Benefit Obligation	(2,156,488)	22,995	(172,950)	(149,955)	107,245
Fair value of Plan Assets	3,007,270	-	-	-	-
Benefit Assets/ (Liability)	850,783			(149,955)	107,245

	1-Jan-20	Service Cost	Amount charges to Profit or Loss		Benefit paid
			Net Interest	Sub Total included in Profit or Loss	
	RS.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Defined Benefit Obligation	(1,915,716)	(105,096)	(195,978)	(301,074)	222,199
Fair value of Plan Assets	2,940,992	-	-	-	-
Benefit Assets/ (Liability)	1,025,277			(301,074)	222,199

Gratuity Benefit Asset has been excess over the Gratuity Benefit Liability due to share investment which has share appreciation annually.

A quantitative sensitivity analysis for significant assumptions as at 31-December 2021 is shown below:

Sensitivity level	Discount Rate		Future Salary Increment Rate		Employee Turnover	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%	1%	1%
	RS.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Impact on Defined Benefit Obligation -2021	(127,627)	148,525	150,507	(131,281)	30,009	(34,029)
Impact on Defined Benefit Obligation - 2020	(163,046)	190,418	184,900	(161,688)	(25,699)	28,939



Remeasurement Gains/(Losses) in Other Comprehensive Income						
Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-21
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	(2,158)	866,335	(280,494)	583,683	-	(1,615,515)
241,183	-	-	21,457	21,457	-	3,269,910
241,183	(2,158)	866,335	(259,037)	605,140	-	1,654,395

Remeasurement Gains/(Losses) in Other Comprehensive Income						
Return on Plan Assets (Excluding amounts included in Net Interest Expenses)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal included in OCI	Contribution by Employers	31-Dec-20
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
-	-	(330,456)	168,539	(161,897)	-	(2,156,488)
300,864	-	-	(234,586)	(234,586)	-	3,007,270
300,864	-	(330,456)	(66,047)	(396,483)	-	850,783

Following are project benefits payable in future years from the date of reporting. (Maturity Analysis of the benefits payments.)

	2021 Rs.'000	2020 Rs.'000
Within the next 12 Months	216,876	480,189
Between 2 and 5 Years	536,049	396,558
Between 5 and 10 Years	666,479	807,219
Above 10 Years	6,768,264	3,561,783

The average duration of the defined benefit plan obligation at the end of the reporting period is 21 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. EMPLOYEE PENSION BENEFIT ASSET

The Company has two Defined Benefit Pension Plans, both of which require contributions to be made to separately administered funds namely Pension Trust Fund of Ceylinco Insurance PLC and Pension Fund of Ceylinco Insurance PLC.

	1-Jan-21	Service Cost	Amount Charges to Profit or Loss		Benefit Paid	Return on Plan Assets (excluding amounts in net interest expenses)
			Net Interest	Sub Total Included in Profit/Loss		
	RS:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Defined Benefit Obligation	(752,728)	(2,304)	(64,463)	(66,767)	12,715	-
Fair Value of Plan Assets	1,993,525	159,880	-	159,880	(12,715)	-
Total recognised benefit (Liability) / Asset	1,240,794	-	-	93,113	-	-

	1-Jan-20	Service Cost	Amount Charges to Profit or Loss		Benefit Paid	Return on Plan Assets (excluding amounts in net interest expenses)
			Net Interest	Sub Total Included in Profit/Loss		
	RS:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000	Rs:'000
Defined Benefit Obligation	(896,561)	(2,033)	(54,714)	(56,747)	275,123	-
Fair Value of Plan Assets	2,173,488	222,347	-	222,347	(275,123)	-
Total recognised benefit (Liability) / Asset	1,276,926	-	-	165,600	-	-

Projected pension benefit obligation has been valued based on projected unit cost method.

Actuarial gains and losses have been recognised immediately in the statement of Other Comprehensive Income.

The Pension Benefit Assets is valued by M/S.K.A.Pandit Actuarial valuer.

- 13.1 The principal assumptions used in determining pension and post-employment medical benefit obligations for the Company's plans are shown below:

		2021	2021
Discount Rate		11.93%	8.02%
Rate of Return on Plan Assets	Current	11.93%	8.02%
Salary Escalation Rate	Scheme A & B	0%	0%
	Scheme C	10%	10%
Attrition Rate		1%	1%
Retirement Age	Scheme A & B	60 Yrs	60 Yrs
	Scheme C	60Yrs	55Yrs
Mortality Table		IALM 2012-14	IALM 2006-08

Past Service costs recognised	Remeasurement Gains/(Losses) in Other Comprehensive Income					Sub Total included in OCI	Contributions by Employer	31-Dec-21
	Recognised in Income Statement Note	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000			
-	-	-	-	51,843	51,843	-	(754,937)	
-	-	21,371	-	-	21,371	54,138	2,216,199	
-	-	21,371	-	51,843	73,214	54,138	1,461,261	

Past Service costs recognised	Remeasurement Gains/(Losses) in Other Comprehensive Income					Sub Total included in OCI	Contributions by Employer	31-Dec-20
	Recognised in Income Statement Note	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments				
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000			
-	-	-	(14,085)	(60,458)	(74,543)	-	(752,728)	
-	-	(182,236)	-	-	(182,236)	55,049	1,993,525	
-	-	(182,236)	(14,085)	(60,458)	(256,779)	55,049	1,240,794	

### 13.2 A quantitative sensitivity analysis for significant assumption as at 31 December as shown below

Sensitivity Level	Discount Rate	
	Increase 1%	Decrease 1%
Impact on Pension Benefit Obligation -2021	(4,106,088)	4,605,080
Impact on Pension Benefit Obligation -2020	(6,891,502)	7,940,037

### 13.3 The distribution of the Plan Assets at the reporting date is as follows:

	2021 Rs.'000	2020 Rs.'000
Investment in Shares	1,220,937	1,083,807
Others	995,262	909,718
	2,216,199	1,993,525

Other investments include fixed deposit, interest receivable and others.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. DEFERRED TAX ASSET

As at 31 December	Other Comprehensive Income		Income Statement		Statement of Financial Position	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Temporary Difference from Retirement Benefit Liability	(140,084)	45,331	76,009	(22,085)	387,724	603,817
Temporary Difference from Property Plant and Equipment	-	-	63,327	(77,466)	(300,694)	(237,367)
Temporary Difference from Intangible Assets	-	-	5,311	2,904	(1,589)	3,723
Available-for-sale Financial Assets (AFS)	3,668	33,517	-	-	(48,529)	(52,197)
Temporary Difference from Allowance for Impairment	26,013	-	(8,186)	(21,153)	40,285	32,099
Temporary difference for unrealised exchange gain	-	-	(13,648)	13,648	-	(13,648)
Temporary Difference from Allowance for Net of ROU & Lease Creditors	-	-	1,582	26,956	(15,272)	(13,691)
Revaluation Reserve	-	-	-	-	(156,077)	(182,090)
<b>Deferred Tax Expense/(Income)</b>	<b>(110,403)</b>	<b>78,848</b>	<b>124,395</b>	<b>(77,196)</b>		
<b>Deferred Tax Asset/(Liability)</b>					<b>(94,152)</b>	<b>140,646</b>

### 14.(a) Total Deferred Tax Assets

	2021 Rs.'000	2020 Rs.'000
<b>At 1 January</b>	<b>140,646</b>	<b>(15,399)</b>
Amounts recorded in the Income Statement	(124,395)	77,196
Amounts recorded in Other Comprehensive Income	(110,403)	78,849
<b>At 31 December</b>	<b>(94,152)</b>	<b>140,646</b>

Deferred Tax has been calculated using the tax rate of 24% (2020-28%). The impact of deferred tax due to rate change is Rs. 5,625,800/-

## 15. REINSURANCE RECEIVABLES

As at 31 December	2021 Rs.'000	2020 Rs.'000
Reinsurance Receivable on paid claims	922,829	714,837
Reinsurance Receivable on payable claims	3,899,026	2,704,913
<b>Total Reinsurance Receivables</b>	<b>4,821,855</b>	<b>3,419,750</b>

Reinsurance Receivables on paid claims represent dues within 6 months.

The carrying amounts disclosed above is in respect of the reinsurance of insurance contracts approximate fair value at the reporting date.

## 16. INSURANCE RECEIVABLES

As at 31 December	2021 Rs.'000	2020 Rs.'000
Due from Policyholders	5,357,335	5,581,687
Due from Related Parties	725	-
Less : Allowance for impairment on Due from Policyholders	(167,856)	(114,639)
Total Insurance Receivables	5,190,204	5,467,048

### 16.(a) Credit Quality of Premium Receivables that are neither past due nor impaired is explained below;

As at 31 December	Below 60 days Rs.'000	Above 60 days Rs.'000	Total Rs.'000
2021	3,679,445	1,510,759	5,190,204
2020	3,326,306	2,140,742	5,467,048

## 17. OTHER ASSETS

As at 31 December	2021 Rs.'000	2020 Rs.'000
Inventories	161,824	64,611
Advances, Deposits & Prepayments	187,814	206,449
Other Receivables	63,714	58,645
	413,352	329,705

## 18. CASH AND CASH EQUIVALENTS

As at 31 December	2021 Rs.'000	2020 Rs.'000
<b>Favourable Balances</b>		
Cash in Hand	34,663	34,613
Cash at Bank with Licensed Commercial Banks	78,642	134,448
	113,305	169,061
<b>Unfavourable Balances</b>		
Bank Overdrafts included in Interest Bearing Borrowings	(241,240)	(38,209)
Total Cash and Cash Equivalents for Cash Flows purposes	(127,935)	130,852

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. STATED CAPITAL

	2021 Rs.'000	2020 Rs.'000
As at 31 December		
<b>Issued &amp; Fully Paid</b>		
Ordinary Shares -Voting	500,200	500,200
	500,200	500,200

All issued shares are fully paid. There is one class of Ordinary shares. All shares issued carry equal voting rights.

The holders of ordinary shares - voting are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### 19.(a) Movement of Stated Capital

	2021 Rs.'000	2020 Rs.'000
At 1 January	500,200	500,200
Issued during the year	-	-
At 31 December	500,200	500,200

### Movement of No.of shares

	2021	2020
At 1 January	2,501,000	2,501,000
Issued during the year	-	-
At 31 December	2,501,000	2,501,000

### 19.(b) Special Reserves

	2021 Rs.'000	2020 Rs.'000
As at 31 December		
Special Reserves *	6,848,160	6,848,160
	6,848,160	6,848,160

This reserve represents the value (Net Book Value) of net assets transferred from Ceylinco Insurance PLC on 1st June 2015 as a result of segregation.

This is a restricted reserve to distribute dividends.

## 20. INSURANCE CONTRACT LIABILITIES

As at 31 December	Note	2021 Rs.'000	2020 Rs.'000
Non-Life Insurance Contracts	20.(a)	14,231,847	12,449,340
<b>Total Insurance Contract Liabilities</b>		<b>14,231,847</b>	<b>12,449,340</b>

Unearned Premium Reserve included in non-life insurance contract liabilities had been presented on net basis.

Ceylinco General Insurance Ltd. performed a Liability Adequacy Test (LAT), as required by SLFRS 4 – Insurance Contracts, in respect of Insurance Contract liabilities as at 31st December 2021 with the assistance of external actuaries and it has been concluded that liabilities recorded in financial statements are adequate.

### 20.(a) Non-Life Insurance Contract Liabilities

As at 31 December	Note	2021 Insurance Contract Liabilities Rs.'000	2020 Insurance Contract Liabilities Rs.'000
Provision for reported claims by Policyholders		6,460,482	4,544,412
Provision for claims IBNR/IBNER		448,118	406,568
Outstanding claims provision	20.(a).i	6,908,600	4,950,980
Provision for Unearned Premiums	20.(a).ii	7,323,247	7,498,360
<b>Total Non Life Insurance Contract Liabilities</b>		<b>14,231,847</b>	<b>12,449,340</b>
<b>Non-life Technical Reserves</b>		<b>9,673,679</b>	<b>9,078,554</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 20. INSURANCE CONTRACT LIABILITIES (CONTD.)

#### 20.(a) i Outstanding Claims Provision

	2021			2020		
	Insurance Contract Liabilities	Reinsurance of Liabilities	Net	Insurance Contract Liabilities	Reinsurance of Liabilities	Net
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
At 1 January	4,950,980	3,419,750	1,531,230	4,433,255	2,965,845	1,467,410
Claims incurred in the current accident year	15,627,782	8,564,241	7,063,541	9,136,173	3,034,620	6,101,553
Other movements in claims incurred in prior accident years	-	-	-	533,645	-	533,645
Claims paid during the year	(13,670,162)	(7,162,136)	(6,508,026)	(9,152,093)	(2,580,715)	(6,571,378)
At 31 December	6,908,600	4,821,855	2,086,745	4,950,980	3,419,750	1,531,230

Reinsurance receivable on paid claims are included under above Reinsurance receivables are amounting to Rs. 922,829,000 (Rs.714,837,000/- in 2020).

Significant delays occur in the notification of claims and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date.

The incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claim reserve have been actuarially computed by M/S K.A.Pandit - Consultants and Actuaries. The valuation is performed on an annual basis.

The reserves are determined based on the information currently available. However, it is inherent to the nature of the business written that the ultimate liability may vary as a result of subsequent developments.

#### Outstanding Claims Provision class wise;

	2021	2020
As at 31 December	Rs.'000	Rs.'000
Fire	1,486,403	284,030
Motor	2,190,996	1,912,523
Marine	34,336	16,613
Miscellaneous	2,703,375	2,482,599
Engineering	493,490	255,215
Total	6,908,600	4,950,980

#### 20.(a).ii Provision for Unearned Premiums

	2021	2020
	Insurance Contract Liabilities	Insurance Contract Liabilities
	Rs.'000	Rs.'000
At 1 January	7,498,360	7,655,955
Premiums written in the year	13,078,410	13,397,896
Premiums earned during the year	(13,253,523)	(13,555,491)
At 31 December	7,323,247	7,498,360
Net changes in reserve for Unearned Premiums	175,112	157,599

## 21. DEFERRED REVENUE

	2021	2020
As at 31 December	Rs.'000	Rs.'000
SRCC/TC RI Commission Payable	147,074	121,498
Foreign RI Commission Provision	242,345	242,721
	389,419	364,219

### 21. (a) MOVEMENT OF DEFERRED REVENUE

	2021	2020
	Rs.'000	Rs.'000
At 1 January	364,219	339,265
Revenue Deferred	814,972	667,575
Amortisation	(789,772)	(642,621)
At 31 December	389,419	364,219

## 22. REINSURANCE PAYABLE

	2021	2020
As at 31 December	Rs.'000	Rs.'000
Domestic Reinsurer - National Insurance Trust Fund (NITF)	793,467	657,079
Domestic Reinsurers - Others	71,255	43,313
Foreign Reinsurers	3,398,500	2,530,491
	4,263,222	3,230,883

## 23. OTHER LIABILITIES

	Note	2021	2020
As at 31 December		Rs.'000	Rs.'000
Agency Commission Payable		902,645	937,792
Government Levies		230,504	168,702
Other Creditors		914,681	733,344
Lease Creditor	23.(a)	141,996	215,172
Accrued Expenses		670,895	614,326
		2,860,721	2,669,336

### 23.(a) Lease creditor

	2021	2020
	Rs.'000	Rs.'000
As at 01 January	215,172	208,681
Addition	55,472	52,816
Accretion of interest	24,807	27,354
Derecognition	(75,282)	-
Payments	(78,173)	(73,679)
As at 31 December	141,996	215,172

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

All amounts are payable within one year except Lease Creditors.

### 23.(a)i Maturity Analysis for Lease Creditors are as follows

As at 31 December	within 01 year	1 - 3 years	over 3 years	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Lease Creditors 2021	41,681	62,602	37,713	141,996
Lease Creditors 2020	52,090	146,066	17,016	215,172

# NOTES TO THE FINANCIAL STATEMENTS

## 24. NET PREMIUMS

Year Ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Gross Premiums on Insurance Contracts	24.(a)	20,206,104	20,094,192
		20,206,104	20,094,192

Year Ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Premiums Ceded to Reinsurers on Insurance Contracts	24.(b)	7,127,694	6,696,297
		7,127,694	6,696,297

### 24.(a) Gross Written Premium

The premium income for the year by major classes of business is as follows.

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Fire	3,384,913	2,783,606
Motor	10,179,681	11,000,549
Marine	762,733	580,160
Miscellaneous	4,223,545	4,273,316
Engineering	1,467,892	1,267,475
Employers' Liability	187,340	189,086
	20,206,104	20,094,192

The Gross written Premium of 2021 includes Rs. 71,418,361 and US\$ 93,018 (2020-Rs.49,937,577 and US\$ 49,272) which are collected on behalf of Co-insurance partners.

### 24.(b) Premium Ceded to Reinsurers

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Fire	3,183,028	2,501,025
Motor	920,636	1,241,278
Marine	389,735	292,120
Miscellaneous	1,484,144	1,524,022
Engineering	1,136,629	1,123,509
Employers' Liability	13,522	14,343
	7,127,694	6,696,297
National Insurance Trust Fund		
Compulsory Reinsurance Cessions	630,399	632,684
Strike , Riots, Civil Commotion	1,646,210	1,354,626
Foreign Reinsurers	4,761,467	4,649,966
Local Coinsurance Partners	89,618	59,021
	7,127,694	6,696,297

### 24.(c) Net Income

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Net Earned Premium	13,253,522	13,555,494
Other Revenue	2,534,915	2,009,735
	15,788,437	15,565,229

## 25. FEES AND COMMISSION INCOME

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Reinsurance Commission Income	789,772	642,621
<b>Total Fees and Commission Income</b>	<b>789,772</b>	<b>642,621</b>

## 26. INVESTMENT INCOME

Year Ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
<b>Available-For-Sale Financial Assets</b>			
Interest Income	26.(a)	615,882	501,741
Dividend Income	26.(b)	3,806	656
Loans and Receivables - Interest Income		661,712	601,104
Other Operating Revenue		234,777	152,974
<b>Total Investment Income</b>		<b>1,516,177</b>	<b>1,256,475</b>

### 26.(a) Available-for-Sale Financial Assets

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
<b>Interest Income</b>		
Debenture Interest	277,821	285,757
Repo Income	22,506	29,475
Treasury Bill & Bonds Income	315,555	186,509
	<b>615,882</b>	<b>501,741</b>

### 26.(b) Dividend Income

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Dividend Income-Quoted Investment	3,806	656
	<b>3,806</b>	<b>656</b>

## 27. REALISED GAINS

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
<b>Property, Plant and Equipment</b>		
Realised Gains	16,037	73,104
<b>Available-For-Sale Financial Assets</b>		
Realised Gains		
Equity Securities	133,279	37,535
Unit Trust	72,294	-
Debt Securities	856	-
<b>Total Realised Gains for Available-For-Sale Financial Assets</b>	<b>206,429</b>	<b>37,535</b>
<b>Total Realised Gains</b>	<b>222,466</b>	<b>110,639</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28. NET BENEFITS AND CLAIMS

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
(a) Gross Benefits and Claims Paid		
Non-Life Insurance Contracts	13,670,162	9,152,092
<b>Total Gross Benefits and Claims Paid</b>	<b>13,670,162</b>	<b>9,152,092</b>
(b) Claims Ceded to Reinsurers		
Non-Life Insurance Contracts	(7,162,136)	(2,580,715)
<b>Total Claims Ceded to Reinsurers</b>	<b>(7,162,136)</b>	<b>(2,580,715)</b>
(c) Gross Change in Contract Liabilities		
Change in Non-Life Insurance Contract Outstanding Claims Provision	1,957,620	517,727
<b>Total Gross Change in Contract Liabilities</b>	<b>1,957,620</b>	<b>517,727</b>
(d) Change in Contract Liabilities Ceded to Reinsurers		
Change in Non-Life Insurance Contract Outstanding Claims Provision	(1,402,105)	(453,905)
<b>Total Change in Contract Liabilities Ceded to Reinsurers</b>	<b>(1,402,105)</b>	<b>(453,905)</b>
<b>Net Benefits and Claims</b>	<b>7,063,541</b>	<b>6,635,199</b>

#### Non - Life Net Claims Incurred

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Gross Claims Incurred	15,627,782	9,669,819
Reinsurance Recoveries	(8,564,241)	(3,034,620)
<b>Total Net Claims Incurred</b>	<b>7,063,541</b>	<b>6,635,199</b>

The analysis by major classes of business is as follows-Non Life

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Fire	673,930	334,092
Motor	4,121,503	4,698,356
Marine	125,820	65,837
Miscellaneous	1,820,514	1,282,836
Engineering	285,984	230,017
Employer's Liability	35,790	24,061
	<b>7,063,541</b>	<b>6,635,199</b>

## 29. ACQUISITION COSTS

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Fees and Commission Expenses	1,977,754	1,874,659
Deferred Expenses	(18,377)	(10,838)
	1,959,377	1,863,821

## 30. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Amortisation of Intangible Assets	5	79,860	72,098
Depreciation on Property Plant and Equipment	7	359,648	403,273
Other Operating Expenses		1,087,877	1,127,151
Auditors' Remuneration - Fees		4,800	5,601
Employee Benefits Expense	30(a)	2,736,237	2,759,573
Selling Expenses		691,080	751,223
Legal Expenses		2,739	7,116
Donations		4,516	24,046
<b>Total Other Operating and Administrative Expenses</b>		<b>4,966,757</b>	<b>5,150,081</b>

### 30.(a) Employee Benefits Expense

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Wages and Salaries including Bonus & Incentives	2,346,046	2,385,445
Employees' Provident Fund	213,545	202,071
Employees' Trust Fund	53,478	50,572
Defined Gratuity Benefit & Pension Costs	(177,351)	(159,205)
Other Staff related Cost	300,519	280,690
<b>Total Employee Benefits Expense</b>	<b>2,736,237</b>	<b>2,759,573</b>

## 31. FINANCE COSTS

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Lease Interest	24,807	27,354
Other Finance Charges	26,432	26,295
<b>Total Finance Cost</b>	<b>51,239</b>	<b>53,649</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 32. INCOME TAX EXPENSE

The major components of Income Tax Expense for the years ended 31 December 2021 is:

### 32.(a) Current Year Tax Charge

Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
<b>Current Tax</b>			
Income Tax		113,782	467,008
Over/Under provision in respect of previous year		-	867
<b>Total Current Tax</b>		<b>113,782</b>	<b>467,875</b>
<b>Deferred Tax</b>			
Origination of temporary differences	14 (a)	124,395	(77,196)
<b>Total Income Tax Expense</b>		<b>238,177</b>	<b>390,679</b>

### 32.(b) Tax recorded in Other Comprehensive Income (see Note 35)

Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
Deferred Tax	14(a)	(110,403)	78,848
<b>Total Tax charge to Other Comprehensive Income</b>		<b>(110,403)</b>	<b>78,848</b>

### 32.(c) Reconciliation of Tax Charge

#### Reconciliation of Effective Tax Rate

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Profit for the Period	1,633,741	1,471,800
Total Income Tax Expense	113,782	390,679
Profit Liable for Income Tax	1,747,523	1,862,479
Income Tax using the Company's Domestic Tax Rate (2021-24% 2020 -28%)	419,406	521,494
Tax Exempt Income	(136,559)	(30,668)
Net non-Deductible/(Deductible) Expenses	(169,065)	(23,812)
Origination of Temporary Differences	124,395	(77,196)
Over / (Under) Provision of Previous Years	-	861
	<b>238,177</b>	<b>390,679</b>



### 32.(d) VAT Assessment on Reinsurance

The Department of Inland Revenue has issued VAT assessments for the taxable period in the years 2003 and 2004 mainly imposing VAT on Reinsurance recoveries and reinsurance discounts. Upon the determination of the Commissioner General of Inland Revenue, holding the position they are chargeable with VAT, Company appealed to the Tax appeals Commission. The Tax appeals commission has given its decision in favour of Inland Revenue. Hence, upon the receipt of the decision of the tax appeals commission, company appealed to the Honourable Court of appeal on the questions of Law. Now the matter is pending before the Honourable court of appeal for their opinion. The amount so assessed by Inland Revenue is Rs. 195.9 Million.

### 33. BASIC/DILUTED EARNINGS PER SHARE

Basic/Diluted Earnings per Share has been calculated by dividing profit after taxation attributable to ordinary shareholders of the parent by the weighted average Ordinary Shares in issue at the year end.

Year ended 31 December	2021	2020
Profit for the year (Rs.'000)	1,509,346	1,471,800
Weighted Average Number of Ordinary Shares	2,501,000	2,501,000
Basic/Diluted Earnings Per Ordinary Share (Rs.)	603.50	588.48

There were no potential dilutive Ordinary Shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

### 34. DIVIDENDS PAID AND PROPOSED

Year ended 31 December	2021	2020
Interim Dividend Paid (Rs.000)	462,685	100,000
Final Dividend Paid (Rs.'000)	-	-
	462,685	100,000
No. of Shares in issue for the year	2,501,000	2,501,000
Dividend Per Share (Rs.)	185.00	39.98

### 35. INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME

Year Ended 31 December	2021			2020		
	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000	Before tax amount Rs.'000	Tax (expense) benefit Rs.'000	Net of tax amount Rs.'000
Net Gain/(Loss) on Available-For-Sale Financial Assets	(119,153)	3,668	(115,485)	477,670	33,517	511,187
Actuarial Gain on Defined Benefit Plans	678,353	(140,084)	538,269	(653,264)	45,331	(607,933)
Revaluation Surplus/(Deficit) during the year	-	26,013	26,013	-	-	-
Total	559,200	(110,403)	448,797	(175,594)	78,848	(96,746)

# NOTES TO THE FINANCIAL STATEMENTS

## 36. RISK MANAGEMENT FRAMEWORK

### 36.(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company has established a risk management process with specified objectives with clear tasks.

The board of directors and senior management manages the risks through various committees and delegated authorities. The reviews of risks on regular basis and the strategies adopted timely ensures the risk management function an important activity within the organisation.

The risks are identified with clear understanding of market environment, regulatory environment and macro economic changes. The Company has well experienced and skilled directors who could assess the risks and execute appropriate strategies and achieve the targets with less negative effect to shareholders.

### 36.(b) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- To maintain the required 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 of its 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 requirements of the policyholders, regulators and stakeholders

Operations of the Company are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

The Company maintains capital, investments and solvency as per the regulations prescribed by Insurance Regulatory Commission of Sri Lanka. (IRCSL). Further, under the parallel run requirements of IRCSL the Company maintains required Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) Regime. New changes in regulations are timely adopted and necessary changes are made to internal processes.

#### Approach to capital management

The Company allocates capital to businesses as required and ensures the sufficient returns to shareholders and policyholders. The assets and liabilities management establishes the required level of liquidity and reduces the risks of the Company and achieves the required capital levels of the Company.

The primary source of capital used by the Company is equity shareholders' funds. The Company also utilises, where efficient to do so, sources of capital such as reinsurance.

The returns expectations are regularly forecast and comparisons are made in order to ensure the requirements of stakeholders are achieved.

Year ended 31 December	2021 Rs.'000	2020 Rs.'000
Available Capital Resources		
Total Equity	14,468,104	12,972,646
Adjustments onto a regulatory basis	(6,675,902)	(5,500,542)
<b>Available Capital Resources</b>	<b>7,792,202</b>	<b>7,472,104</b>

The adjustments onto a regulatory basis represent assets inadmissible for regulatory reporting purposes.

### 36.(c) 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 for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The Company is regulated by Insurance Regulatory Commission (IRCSL) of Sri Lanka with the objective of protecting shareholders and policyholders. There are various regulations and directive the Company is expected to adhere in order to achieve the expected norms, which leads the Company to maintain required solvency and maintain sufficient capital.

Financial risks arise due to movements in market rates. The risks mainly involve interest rates risks, share price changes etc. The company manages these risks through various strategies adopted at asset liability committee, investment committee and risk management committee.

IRCSL ensures that the Company maintains required solvency position to meet future liabilities. The Company successfully implemented the Risk Based Capital (RBC) framework on solvency margin as required by IRCSL.

The capital positions of the Company as of 31st December 2020 and 2021 are as follows.

	Total Available Capital (TAC) Rs.'000	Risk based Capital Requirement Rs.'000	Risk-based Capital Adequacy Ratio (CAR) %	Regulatory Minimum CAR %
31st December 2021	7,792,202	3,918,202	199	120
31st December 2020	7,472,104	4,084,544	183	120

# NOTES TO THE FINANCIAL STATEMENTS

## 36. RISK MANAGEMENT FRAMEWORK (CONTD.)

### 36.(d) Asset Liability Management (ALM) Framework

ALM is the ongoing process of formulating, implementing, monitoring and revising strategies related to assets and liabilities to achieve an organization's financial objectives, given the organization's risk tolerance and other constraints. ALM deals with the optimal investment of assets in view of meeting current goals and future liabilities.

Various financial risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces, due to the nature of its investments and liabilities, is interest rate risk.

The Investment committee identifies the nature of the liabilities arising from the product portfolio and evaluates the investment options that best suit to hedge the liability. The Company manages these selected positions within a strategically crafted ALM framework that has been developed considering the cyclical nature of the domestic interest rates to achieve investment returns in excess of its obligations in the long term.

## 37. INSURANCE AND FINANCIAL RISK

### 37.(a) Insurance risk

The principal insurance risk the Company faces is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company has entered into reinsurance treaties with world's leading reinsurers as a part of its risks mitigation programme. All reinsurance is designed to mitigate the Company's net exposure to a single claim as well as to catastrophe losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Company has all reinsurance arrangements with many leading reinsurance companies.

The main risk faced by insurance business is that the actual claims are varying from the expected claims from different types of policies. The Company minimises the risks by evaluating the business in detail and charges the correct premiums so that the Company has sufficient reserves to meet any unforeseen claims.

There are other types of risks such as reinsurance, default risk, credit risk, concentration risk, liquidity risks and market risks. The Company's risk management policies and processes mitigate the impact of these risks and also benefits the organisation by accepting some calculated risks at appropriate times.

### 37.(a) i Insurance Contracts

The non-life insurance principally issues the following types of general insurance contracts: motor, marine, engineering, fire, suwa sampatha and miscellaneous products. Risks under non-life insurance policies usually cover twelve months duration.

For general insurance contracts, the most significant risks arise from accidents, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks 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. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the non-life. Further on the spot claims settlement procedures also helps to reduce the exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The non-life has also limited its exposure by arranging reinsurance contracts with rated Reinsurers internationally.

#### Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

#### Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

Sensitivity of the Value of Insurance Liability as at 31/12/2021	Outstanding Claims reserves based on BF with a 5% increase in the initial Estimated Ultimate Loss ratio (IEULR)	Outstanding Claims reserves based on BF with a 5% Decrease in the initial Estimated Ultimate Loss ratio (IEULR)
Impact of the best estimated liability (Rs'000)	43,557	(57,181)

## NOTES TO THE FINANCIAL STATEMENTS

### 37. INSURANCE AND FINANCIAL RISK (Contd.)

#### Claims Development Table

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. (Net claims payable)

Year	0	1	2	3	4
2012	-	-	4,118,362	-	-
2013	-	5,227,313	(8,690,169)	499,999	-
2014	939,339,988	(5,564,745)	(5,564,745)	-	-
2015	570,867,852	(103,140,094)	(38,064,835)	91,881,814	-
2016	(359,345,658)	(201,260,832)	60,691,997	128,184,503	(1,000)
2017	1,024,084,173	(364,476,124)	495,972	758,285,869	-
2018	988,889,167	20,145,932	12,012,341	991,526,647	-
2019	952,207,050	30,712,276	19,286,206	-	-
2020	323,652,514	83,737,967	-	-	-
2021	992,194,186	-	-	-	-

#### 37.(b) Credit Risk

The following processes/activities of the Company reduces the credit risk of financial instruments.

- Credit risk policy is based on the IRCSL determination. The maximum exposures to each type of financial instrument is limited based on the policy.
- The investment committee evaluates the exposure and the new investments in instruments in order to reduce the risks.
- The regular review by the Board also minimises the credit risks.

## Credit Exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments.

Year ended 31 December	Note	2021 Rs.'000	2020 Rs.'000
<b>Financial Instruments</b>			
<b>Loans and Receivables</b>			
Debt Securities	10 (b)	8,761,508	7,636,817
Other	10 (a)	218,169	99,286
		8,979,677	7,736,103
<b>Available-For-Sale Financial Assets</b>			
Equity Securities	11	656,514	759,724
Unit Trust	11	276,286	192,023
Debt Securities	11	7,515,289	6,441,047
		8,448,089	7,392,794
<b>Other Assets</b>			
Reinsurance Receivables	15	4,821,855	3,419,750
Insurance Receivables	16	5,190,204	5,467,048
Cash and Cash Equivalents	18	113,305	169,061
		10,125,364	9,055,859
<b>Total Credit Risk Exposure</b>		<b>27,553,130</b>	<b>24,184,756</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 37. INSURANCE AND FINANCIAL RISK (CONTD.)

#### Industry Analysis

31 December 2021	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
<b>Assets</b>						
<b>Loans and Receivables</b>						
Term Deposits	8,761,508	-	-	-	-	8,761,508
Staff and Vehicle Loans	-	-	-	-	218,169	218,169
	8,761,508	-	-	-	218,169	8,979,677
<b>Available-For-Sale Financial Assets</b>						
Equity Securities	7,390	-	4,300	546,927	97,897	656,514
Debt Securities	2,085,614	5,429,675	-	-	-	7,515,289
Unit Trust	276,286	-	-	-	-	276,286
	2,364,290	5,429,675	4,300	546,927	97,897	8,448,089
	11,130,798	5,429,675	4,300	546,927	316,066	17,427,766

31 December 2020	Financial Services Rs.'000	Government Rs.'000	Services Rs.'000	Manufacturing and Power Rs.'000	Others Rs.'000	Total Rs.'000
<b>Assets</b>						
<b>Loans and Receivables</b>						
Term Deposits	7,636,817	-	-	-	-	7,636,817
Staff and Vehicle Loans	-	-	-	-	99,286	99,286
	7,636,817	-	-	-	99,286	7,736,103
<b>Available-For-Sale Financial Assets</b>						
Equity Securities	202,913	-	1,388	553,442	1,981	759,724
Debt Securities	2,674,210	3,766,837	-	-	-	6,441,047
Unit Trust	192,023	-	-	-	-	192,023
	3,069,146	3,766,837	1,388	553,442	1,981	7,392,794
	10,705,963	3,766,837	1,388	553,442	101,267	15,128,897

The below tables indicates the rating of investments as at 31st December 2021 & 2020.

31 December 2021	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	B	Not rated	Total
	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
<b>Financial Instruments</b>															
Loans and Receivables	3,273,961	-	-	2,193,826	-	2,434,904	803,693	19,026	31,064	-	-	-	5,034	218,170	8,979,677
<b>Available-For-Sale Financial Assets</b>															
Equity Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	656,514	656,514
Debt Securities	5,797,727	-	-	596,387	-	651,516	315,244	-	101,998	-	-	-	52,416	-	7,515,287
Unit Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	276,287	276,287
<b>Total</b>	<b>9,071,688</b>	<b>-</b>	<b>-</b>	<b>2,790,213</b>	<b>-</b>	<b>3,086,420</b>	<b>1,118,937</b>	<b>19,026</b>	<b>133,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,450</b>	<b>1,150,971</b>	<b>17,427,766</b>
<b>31 December 2020</b>															
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	B	Not rated	Total
	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000	Rs:000
<b>Financial Instruments</b>															
Loans and Receivables	1,421,917	3,145,298	-	-	883,476	2,154,867	-	-	-	31,258	-	-	-	99,286	7,736,103
<b>Available-For-Sale Financial Assets</b>															
Equity Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	759,724	759,724
Debt Securities	4,158,112	-	-	1,267,815	400,942	557,687	-	56,490	-	-	-	-	-	-	6,441,047
Unit Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	192,023	192,023
<b>Total</b>	<b>5,580,029</b>	<b>3,145,298</b>	<b>-</b>	<b>1,267,815</b>	<b>1,284,418</b>	<b>2,712,554</b>	<b>-</b>	<b>56,490</b>	<b>-</b>	<b>31,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,051,003</b>	<b>15,128,896</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 37. INSURANCE AND FINANCIAL RISK (CONTD.)

#### 37.(c) Liquidity risk

The liquidity risks in Company is where the company does not have enough cash/arrangements to meet payments./ commitments as they fall due. Following processes/activities are in place to minimise the liquidity risk.

- The regular maintenance of investments in accordance with the IBSL guidelines.
- The investment committee reviews the liquidity levels and take appropriate actions to improve the liquidity.
- Efficient forecasting of future commitments and making investments to meet the pay-outs, mitigate any possible liquidity concerns.

#### 37.(c) i Maturity analysis for Financial Assets and Financial Liabilities

Table below represent the maturity profiles of Financial Assets and Financial Liabilities.

As at December 2021	Within one year Rs.'000	After one year not more than three years Rs.'000	Above 3 years Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
<b>Financial Instrument</b>				
Measured at Fair Value	5,515,432	1,850,840	1,081,816	8,448,088
Measured at Amortized Cost	8,979,677	-	-	8,979,677
Reinsurance Receivable	4,821,855	-	-	4,821,855
Insurance Receivable	5,190,204	-	-	5,190,204
Other Assets	413,352	-	-	413,352
Cash and Cash Equivalents	113,305	-	-	113,305
<b>Total Financial Assets</b>	<b>25,033,825</b>	<b>1,850,840</b>	<b>1,081,816</b>	<b>27,966,481</b>
<b>Financial Liabilities</b>				
Reinsurance Payable	4,263,222	-	-	4,263,222
Lease Creditors	41,681,	62,602	37,713	141,996
Interest Bearing Borrowing	241,240	-	-	241,240
Other Liabilities (except statutory payables)	2,488,221	-	-	2,488,221
<b>Total Financial Liabilities</b>	<b>7,034,364</b>	<b>62,602</b>	<b>37,713</b>	<b>7,134,679</b>
<b>Total Excess Liquidity</b>	<b>17,999,461</b>	<b>1,788,238</b>	<b>1,044,103</b>	<b>20,831,802</b>

As at December 2020	Within one year Rs.'000	After one year not more than three years Rs.'000	Above 3 years Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
<b>Financial Instrument</b>				
Measured at Fair Value	4,624,409	2,225,227	543,158	7,392,794
Measured at Amortized Cost	7,736,102	-	-	7,736,102
Reinsurance Receivable	3,419,750	-	-	3,419,750
Insurance Receivable	5,467,048	-	-	5,467,048
Other Assets	329,705	-	-	329,705
Cash and Cash Equivalents	169,061	-	-	169,061
<b>Total Financial Assets</b>	<b>21,746,075</b>	<b>2,225,227</b>	<b>543,158</b>	<b>24,514,460</b>
<b>Financial Liabilities</b>				
Reinsurance Payable	3,230,883	-	-	3,230,883
Lease Creditors	52,090	146,066	17,016	215,172
Interest Bearing Borrowing	38,209	-	-	38,209
Other Liabilities (except statutory payables)	2,285,462	-	-	2,285,462
<b>Total Financial Liabilities</b>	<b>5,606,644</b>	<b>146,066</b>	<b>17,016</b>	<b>5,769,726</b>
<b>Total Excess Liquidity</b>	<b>16,139,431</b>	<b>2,079,161</b>	<b>526,142</b>	<b>18,744,734</b>

### 37.(d) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and equity price risk and commodity prices (price risk).

The investment committee reviews the impact of market risks and corrective actions are suggested regularly.

### 37.(d) i Currency risk

The Company has no significant concentration of currency risk.

However, the investments in foreign currency deposit & Bonds subject to currency risks. Due to expectation of Rupees depreciating, company perceives benefit on exchange rate movements. Since the company makes some payments in foreign currency the impact of risk is minimised.

# NOTES TO THE FINANCIAL STATEMENTS

## 37. INSURANCE AND FINANCIAL RISK (CONTD.)

### 37.(d) ii Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The Company's interest risk policy identifies the volatile nature of Sri Lankan interest rate environment. Therefore, the Company closely monitors the re-investment calendar of the investment fund and obtains internal and external expert opinion on the behaviour of interest rate environment in taking re-investment decisions.

Company maintains mix of short term and long term asset mix and also maintains interest rate sensitive and Inflation rate sensitive asset classes in managing the interest rate risk. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

### 37.(e) Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Business risks such as changes in environment, technology and the industry are monitored through the strategic management and budgeting process. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

## 38. CONTINGENCIES AND COMMITMENTS

### 38.(a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal proceeding in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position. However, there is a tax appeal relating on VAT on reinsurance recoveries. (Note 32 (d) )

"The Department of Inland Revenue has issued a Notice of Assessment on the Income Tax Return submitted by the Company for the Year of Assessment 2016/17 disputing some exemptions claimed by the company under Inland Revenue Act, No.10 of 2016. The Company has made an appeal against the said Notice of Assessment. However the Company is of the opinion that such Assessment will not have material impact to the financial position of the Company."

### 39. ASSETS PLEDGED

Nature of Assets	Nature of Liability	Carrying Amount Pledged Rs.'000	Included under
Fixed Deposits	Pledged to Seylan Bank PLC to obtain bank overdraft facilities.	341,191	Loans & Receivables

### 40. RELATED PARTY DISCLOSURES

#### 40.(a) Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 Related Party Disclosure, Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) of the Company and their immediate family members have been classified as Key Management Personnel of the Company. In addition, Chief Executive Officer together with their immediate family members have also been classified as Key Management Personnel of the Company.

Immediate family member is defined as spouse or dependent. A dependent is defined as anyone who depends on the respective KMP for his/her financial needs. As the Ceylinco Insurance PLC (CIPLC) is the ultimate parent of the Company, and the Board of Directors of the CIPLC have the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of the CIPLC and their immediate family members have also been identified as Key Management Personnel of the Company.

Year Ended 31 December	2021 Rs.'000	2020 Rs.'000
Short-Term Employee Benefits received from the Company (Salaries, Bonus, Medical expenses etc.)	185,120	171,316
Other Long term/Post Employment/Statutory Benefits (EPF, ETF, Gratuity & Pension)	89,874	86,814

#### 40.(b) Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures.

Transactions with related parties were made on the basis of the price lists in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities together with balances arising from transactions with non-related parties.

Details of related party transactions are reported below.

Year Ended 31 December	2021 Rs.	2020 Rs.
Aggregate amounts of premium received from the companies under normal terms of insurance contracts	188,688,336	112,797,694
Aggregate amounts of claim paid to the companies under normal terms of Insurance Contracts	71,000,275	3,918,144

# NOTES TO THE FINANCIAL STATEMENTS

## 40. RELATED PARTY DISCLOSURES (CONTD.)

### 40.(b)i Other Transactions with Related Parties

#### 40.(b)ia Transactions with Parent

	2021 Rs.	2020 Rs.
a) Ceylinco Insurance PLC		
Nature of Transaction		
Dividends paid	462,685,000	100,000,000

#### 40.(b)ib Transactions with Affiliates

	2021 Rs.	2020 Rs.
a) Ceylinco Investcorp (Pvt) Ltd		
Nature of Transaction		
Premium Income	109,448	-
Fund Management Fees	2,600,000	2,200,000
Loan Portfolio Disposal	73,835,764	95,000,000
b) Ceylinco Life Insurance Limited		
Nature of Transaction		
Premium Income	61,306,549	47,624,524
Claims Paid	21,863,687	1,524,081
Rent Expenses	17,372,279	20,189,167
Premium Receivable	-	10,104
Life Insurance Premium Expenses	12,136,342	11,849,776
Purchase of 5th floor of Ceylinco House	300,000,000	-
c) CEG Education Holdings (Pvt) Ltd		
Nature of Transaction		
Premium Income	467,750	187,500
d) American Education Center Ltd		
Nature of Transaction		
Premium Income	7,742,228	7,045,747
Claims paid	1,971,980	202,849
e) Ceyhydro Developers (Pvt) Ltd		
Nature of Transaction		
Premium Income	2,854,518	-
Claims Paid	949,350	-
f) Ceypower Cascades (Pvt) Ltd		
Nature of Transaction		
Premium Income	1,330,606	1,688,541



	2021 Rs.	2020 Rs.
g) International College of Business & Technology Ltd		
Nature of Transaction		
Premium Income	21,485,342	3,058,085
Claims Paid	5,632,767	448,527
h) Energy Generators (Pvt) Ltd		
Nature of Transaction		
Premium Income	4,928,257	601,152
Premium Receivable	-	160,501
Claims Paid	10,267	-
i) Citizen Development Business Finance PLC		
Nature of Transaction		
Commission	-	76,830
Premium Income	61,739,857	43,027,006
Claims Paid	24,228,984	1,490,603
Premium Receivables	-	53,259
J) Whycherley Internation School (Pvt) Ltd.		
Nature of Transaction		
Premium Income	3,571,499	2,061,579
Claims Paid	552,129	3,722
k) CEC Events (Pvt) Ltd.		
Nature of Transaction		
Premium Income	644,151	-
l) Gasworld (Pvt) Ltd.		
Nature of Transaction		
Premium Income	2,536,484	-
Claims Paid	1,414,180	-
m) ANC Modern Motessori		
Nature of Transaction		
Premium Income	1,136,156	996,440
Claims Paid	-	3,290
n) Ceylinco Insurance (Pvt) Ltd. -Maldives		
Nature of Transaction		
Management Fees	24,144,568	10,792,715

# NOTES TO THE FINANCIAL STATEMENTS

## 40. RELATED PARTY DISCLOSURES (CONTD.)

### 40.(b).ic Transactions with Related Companies

Name of the Company	Nature of Transaction	2021 Rs.	2020 Rs.
a) Asset Trust Management (Pvt) Ltd	Premium Income	180,405	-
	Investments in Units	72,294,142	-
	Claim Paid	6,700	5,000
b) Industrial Gases (Pvt) Ltd	Premium Income	2,869,067	1,387,846
	Claims Paid	1,521,216	16,082
c) Ultratech Cement Lanka (Pvt) Ltd	Premium Income	6,875,022	885,726
	Claims Paid	7,366,632	217,350
d) Kavin Polymers (Pvt) Ltd.	Premium Income	1,064,487	651,192
	Claims Paid	42,940	-
	Premium Receivables	77,262	-
e) Wealthtrust Securities (Pvt) Ltd.	Premium Income	572,500	-
f) Kent Group	Premium Income	2,725,653	941,682
	Claims Paid	2,795,285	-
g) Union Apparels Group	Premium Income	3,719,155	2,640,674
	Claims Paid	2,277,984	6,640
	Premium Receivables	647,812	-
h) EGL Solar Goup	Premium Income	829,202	-
	Claims Paid	366,174	-

## 41. TEMPORARY EXEMPTION FROM SLFRS 9 -FINANCIAL INSTRUMENTS

The Company's activities are predominately connected with Insurance and therefore its permitted by SLFRS 9 temporary exemption to defer SLFRS 9 until adoption of IFRS 17 which is expected to be adopted in 2023.

As at balance sheet date % of insurance related liabilities	93%
As required by SLFRS 9 the minimum % to be eligible for the exemption	90%

## 42. COVID 19 IMPACT

The Company has not accounted for any impairment on property, plant and equipment, Right of use assets and other assets as at the reporting date due to the COVID-19 pandemic.

The company did not face any extra ordinary surge in claims due to COVID-19 in any class of business except health insurance and IBNR and case reserves are valued considering the same. Further there was no requirement to make impairment provision for financial assets and investment property.

## 43. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the reporting date which would require adjustment to ,or disclosure in the Financial Statements.

The Government of Sri Lanka in its Budget for 2022 has proposed a one-time tax, referred to as a surcharge tax of 25% to be imposed on companies that have earned a taxable income in excess of Rs. 2,000 million for the year of assessment 2020/2021. The proposed tax should be deemed an expenditure in the financial statements relating to the year of assessment 2020/2021.

The Bill introducing the proposed tax was published after the reporting period and it has not been placed on the Order Paper of the Parliament for its first reading before the date these financial statements were authorized for issue. The proposed tax has not been substantively enacted by the end of the reporting period. Therefore, the financial statements have not been adjusted to reflect the consequences of this proposal.

# GLOSSARY OF FINANCIAL & INSURANCE TERMS

- 1. ACQUISITION EXPENSES**

All expenses which vary with and are primarily related to the acquisition of new insurance contracts and the renewal of existing insurance contracts.
- 2. ACTUARY**

An expert concerned with the application of probability and statistical theory to problems of insurance, investment, financial management and demography.
- 3. ADMISSIBLE ASSETS**

Assets that are included in determining an insurer's statutory solvency margin, specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.
- 4. CLAIMS**

The amount payable under a contract of insurance arising from occurrence of an insured event such as destruction or damage of property and related death or injuries, the incurring of hospital or medical bills, death or disability of the insured.
- 5. CLAIMS INCURRED**

The aggregate of all claims paid during the accounting period together with attributable claims handling expenses, where appropriate, adjusted by the gross claims reserve at the beginning and end of the accounting period.
- 6. CLAIMS INCURRED BUT NOT REPORTED (IBNR)**

A Reserve to cover the expected cost of losses that have occurred by the Balance Sheet date but have not yet been reported to the insurer.
- 7. COMMISSION**

Remuneration to an intermediary for services such as selling and servicing an insurer's products. This is one component of acquisition expenses.
- 8. DEFERRED ACQUISITION EXPENSES / DEFERRED ACQUISITION EXPENSE RESERVE**

Expenses which vary with and are primarily related to the acquisition of new insurance contracts and renewal of existing contracts, which are deferred as they relate to a period of risk subsequent to the Balance Sheet date.
- 9. EARNED PREMIUM**

Written premium adjusted by the unearned premium reserve at the beginning and end of the accounting period.
- 10. EARNINGS PER SHARE**

Net Profits of the Company after tax divided by the Number of Ordinary shares in issue.
- 11. GROSS CLAIMS RESERVE**

The amount provided, including claims incurred but not reported and claims handling expenses, to cover the estimated ultimate cost, arising out of events occurred by the end of the accounting period, less amounts already paid in respect of those claims.
- 12. GROSS WRITTEN PREMIUM**

Premium which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance.
- 13. INSURANCE**

Insurance is a contract whereby one party the insurer, in return for a consideration i.e, the premium, undertakes to pay to the other party - the insured, a sum of money or its equivalent in kind, upon the happening of a specified event that is contrary to the interest of the insured.
- 14. INSURANCE PROVISION**

This comprises of the gross claims reserve unearned premium reserve net of re-insurance and the deferred acquisition expenses
- 15. NET COMBINED RATIO**

This ratio indicates the profitability of the insurer's operations by combining the net loss ratio with net expense ratio.
- 16. NET EARNED PREMIUM**

Gross Written Premium adjusted for the reinsurance incurred and for the increase or decrease in Unearned Premium.
- 17. NET EXPENSE RATIO**

A formula used by insurance companies to relate acquisition and other operating and administrative expenses to net earned premium.

**FORMULA :**

$$\frac{\text{Acquisition and other operating and administrative expenses}}{\text{Net Earned Premium}}$$
- 18. NET LOSS RATIO**

A formula used by insurers to relate net claims incurred to net earned premium (i.e. after deducting relevant reinsurance)

# GLOSSARY OF FINANCIAL & INSURANCE TERMS

## FORMULA:

Net claims incurred

Net earned Premium

## 19. NET ASSETS PER SHARE

Net assets attributable to Shareholders' equity divided by the number of Ordinary shares issued.

## 20. NET WRITTEN PREMIUM

Gross Written Premium less reinsurance premium

## 21. NET CLAIMS INCURRED

Claims incurred less reinsurance recoveries.

## 22. NON LIFE INSURANCE

Non Life Insurance and General Insurance have the identical meaning.

## 23. POLICY

The printed document issued to the policyholder by the Company stating the terms of the insurance contract.

## 24. PREMIUM

The payment of one of the regular periodic payments that a policyholder makes to own an insurance policy.

## 25. REINSURANCE

A method of insurance arranged by insurers to share the exposure of risks accepted.

## 26. REINSURANCE COMMISSION

Commission received or receivable in respect of premium paid or payable to a reinsurer.

## 27. REINSURANCE PREMIUM

The premium payable to the reinsurer.

## 28. RETURN ON SHAREHOLDERS' EQUITY

Profits after tax divided by the Capital employed as at Balance Sheet date.

## 29. RETURN ON TOTAL ASSETS

Profits after Tax divided by Total assets attributable to Shareholders.

## 30. RISK BASED CAPITAL (RBC)

An amount of capital based on an assessment of risks that company should hold to protect policy holders against adverse developments.

## 31. UNDERWRITING RESULT

This is the profit generated purely from the Non life Insurance business without taking into account the investment income and other non- technical income and expenses.

## 32. UNEARNED PREMIUM / UNEARNED PREMIUM RESERVE

It represents the portion of premium already entered in the accounts as due but which relates to a period of risk subsequent to the Balance Sheet date.

# NOTICE OF MEETING

Notice is hereby given that the eighth Annual General Meeting of the Shareholders of the Company will be held on 06th April 2022 at 10.30 a.m. at the “West Wing” Level 03, “Ceylinco House”, No. 69, Janadhipathi Mawatha, Colombo 01 and the business to be brought before the meeting will be :

1. To read the Notice convening the Meeting.
2. Chairman’s Address.
3. To receive, consider and adopt the Report of the Directors and the Financial Statements for the year ended 31st December 2021 and the Report of the Auditors thereon.
4. To declare a Dividend for the year ended 31st December 2021.
5. To re-elect Mr. Anthony Rohan Harsha Fernando who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
6. To re-elect Mr. Hettithantrige Don Ajith Nandana Perera who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
7. To re-elect Mr. Yu Kitai who retires by rotation at the Annual General Meeting in terms of Article 34(i), as a Director.
8. To re-elect Mr. Mahabalage Don Emmanuel Anthony Gamini Saparamadu, who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice have been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

“Resolved that Mr. Mahabalage Don Emmanuel Anthony Gamini Saparamadu who will be 70 years

in December, 2022 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Mahabalage Don Emmanuel Anony Gamini Saparamadu ”

9. To re-elect Mr. Ekanayake Mudiyanseelage Mangala Boyagoda , who retires at the Annual General Meeting as a Director, in terms of Section 210 of the Companies Act No. 07 of 2007. Special Notice have been given pursuant to Sections 210 and 211 of the Companies Act No. 07 of 2007 of the intention to propose the following resolution as an ordinary resolution :

“Resolved that Mr. Ekanayake Mudiyanseelage Mangala Boyagoda who will be 71 years in December, 2022 be re-elected as a Director of the Company and it is specifically declared that the age limit specified in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. Ekanayake Mudiyanseelage Mangala Boyagoda”

10. To authorize the Directors to determine payments for charitable purposes for the year 2022.
11. To re-appoint Auditors and authorize the Board of Directors to determine their remuneration.
12. To transact any other business of which due notice shall be given.

By order of the Board of  
Ceylinco General Insurance Ltd.



(Mrs.) Nilika Abhayawardhana  
Company Secretary

03 March 2022

## NOTE

Any shareholder unable to attend the Meeting may appoint another to attend and vote for him and such proxy need not be a shareholder of the Company.

A Form of Proxy is attached to the Report. The completed Form of Proxy should be deposited at the Head Office of the Company at 5th Floor - “Ceylinco House”, 69, Janadhipathi Mawatha, Colombo 1, before 10.30 a.m. on 04th April 2022.

Shareholders/Proxyholders should bring with them their National Identity Card or any form of valid identification when attending the meeting.

# CORPORATE INFORMATION

## REGISTERED OFFICE

“Ceylinco House”  
3rd Floor  
No. 69, Janadhipathi Mawatha,  
Colombo 1, Sri Lanka.

## COMPANY REGISTRATION NUMBER

PB 5184

## LEGAL FORM

A Public Company with limited liability, incorporated in Sri Lanka on 22nd April 2014. Licensed as a Company authorized to carry on General Insurance business, under the Regulation of Insurance Industry Act No. 43 of 2000.

## MAIN PLACE OF BUSINESS

“Ceylinco House”,  
No. 69, Janadhipathi Mawatha,  
Colombo 1, Sri Lanka.

Telephone : 2485757-9  
Call Centre : 2393939  
Fax : 2485701  
E-mail : ceylincoinsurance@ceylins.lk  
Website : www.ceylinco-insurance.com

## PRINCIPAL ACTIVITIES

Underwriting of all classes of General Insurance

## AUDITORS

Ernst & Young,  
Chartered Accountants,  
No. 201, De Saram Place,  
Colombo 10.

## CONSULTING ACTUARIES

M/s. K. A. Pandit

Consultants & Actuaries, 2nd Floor - “Churchgate House”, Veer Nariman Road, Fort, Mumbai - 400 001, India.

## BOARD OF DIRECTORS

**Mr. H.D.K.P. Alwis** FCIC  
*Executive Chairman / Chief Executive Officer (Executive Director)*

**Mr. U. Witharana** FCA, MBA, FCMA  
*Managing Director / Director (Finance) / Chief Operations Officer - (Executive Director)*

**Dr. W.C.J. Alwis** BSc., FIII, FCII (Lond.), FlOD (UK)  
*Director (Technical) / Chief Technical Officer - (Executive Director)*

**Mr. R.A. Gunathilake**  
*Director-Branch Operations - (Executive Director)*

**Mr. H.D.A.N. Perera**  
*(Executive Director)*

**Mr. K.D.A.S.R. Arsakularatne** BCom. (Hons.)  
*(Non-Executive Director)*

**Mr. E.M.M. Boyagoda** MBA  
*(Non-Executive Director)*

**Mr. B.S.M. De Silva**  
*Director - (Non-Executive Director)*

**Mr. A.R.H. Fernando**  
*(“Independent” Non-Executive Director)*

**Mr. S.C.G. Guruge**  
*(“Independent” Non-Executive Director)*

**Mr. Yu Kitai**  
*(Non-Executive Director)*

**Mr. M.D.E.A.G. Saparamadu** MPSc.  
*(“Independent” Non-Executive Director)*

**Dr. U.D. De Silva** MBBS, FD (USA), FOM & T (USA), FAAD  
*(“Independent” Non-Executive Director)*

**Mr. G.S. Sundararajan** BEng. (Agri.)  
*(Non-Executive Director)*

**Dr. S.D. Wanigaratne** D.Clin.Psych., FBPsS.  
*(Non-Executive Director)*

**Mr. C.P.A. Wijeyesekera**  
*(“Independent” Non-Executive Director)*

## COMPANY SECRETARY

**Mrs. Nilika Abhayawardhana** ACIS (UK), ACCS (SL)

## BANKERS

Bank of China Limited - Colombo Branch  
Bank of Ceylon  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Hatton National Bank PLC  
Nations Trust Bank PLC  
National Savings Bank  
NDB Bank PLC  
Pan Asia Banking Corporation PLC  
People's Bank  
Regional Development Bank  
Sampath Bank PLC  
Seylan Bank PLC







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