'18

Annual Report

A Relentless Spirit

PEOPLE'S INSURANCE

CARING WITH LOVE

Carbon Neutral Product

ClimateSI

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

A Relentless Spirit

It takes more than strength to summit mountains, let alone move them and this year displayed our resolute determination in reaching the peak that demonstrated our focus and exceptional performance. With a notable increase in growth, we redeployed our profits in order to become better and reach higher peaks and greater results in the years ahead. So we're strapping on our gear, digging in our heels and taking the next big steps towards greatness. There are more peaks to conquer and we're on our way...

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GRI Disclosure 102-12, 45, 46, 50, 51, 52, 54

ABOUT THE REPORT

People's Insurance PLC (PI) herein presents the fifth Integrated Annual Report prepared in line with the Integrated Reporting <IR> Framework as prescribed by the International Integrated Reporting Council (IIRC). Bringing greater meaning to our integrated reporting initiatives, we have also aligned our report as was the case in the preceding year 2017, with the sustainability reporting practices as guided by the Global Reporting Initiative (GRI). The Report seeks to provide a transparent and a balanced account of our commitment and our focused efforts to uphold integrated thinking in creating value in the short, medium and long-term. The Report is prepared based on the guiding principles of conciseness, reliability, completeness, consistency and comparability.

BOUNDARY AND SCOPE

Reporting Period

Prepared and published annually, the Report corresponds to PI's financial reporting period from 1st January 2018 to 31st December 2018. Relevant comparisons are drawn with the results recorded in the preceding financial year and wherever applicable, we have benchmarked the industry performance. The future outlook and prospects are outlined with targets set for the short, medium and long-term.

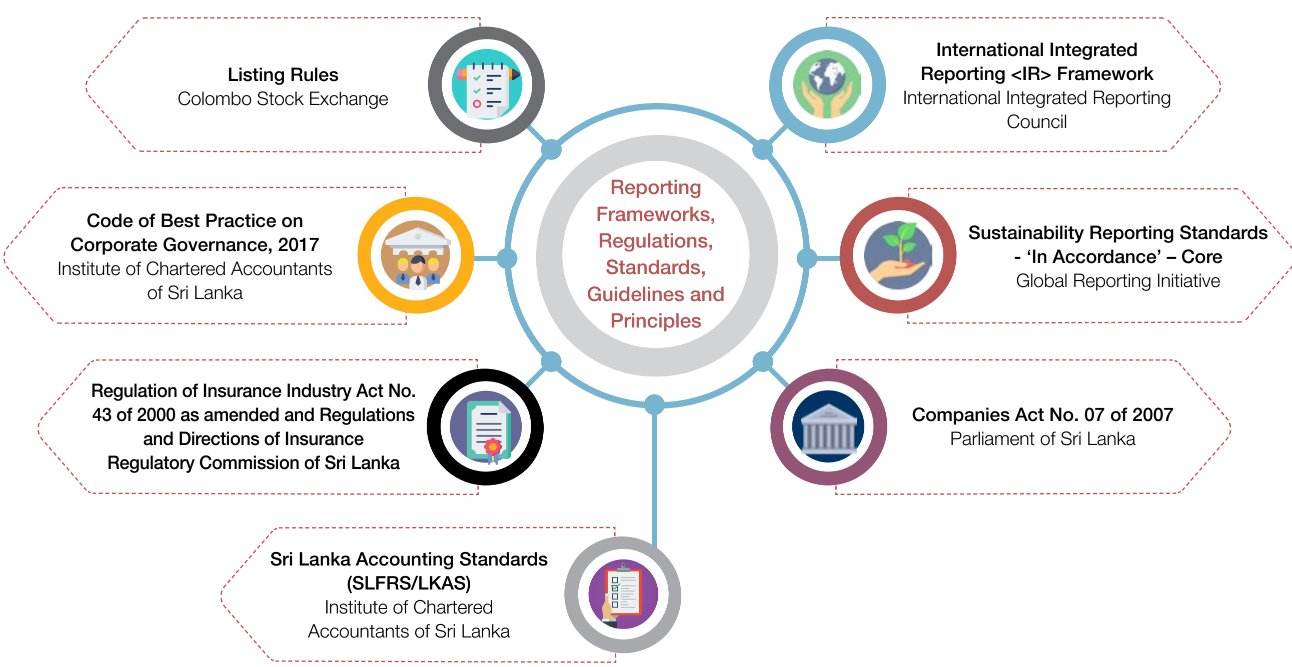
Reporting Boundary

The Report focuses on the material information on value creation covering our corporate office in Colombo; six regional offices; window offices located at 99 branches of our immediate parent, People's Leasing & Finance PLC; and the representation at the regional offices of our ultimate parent, People's Bank.

Reporting Content and Scope

Our integrated report follows current and best practices in reporting—encompassing reporting and regulatory frameworks, standards, guidelines and principles. The content is developed on the basis of the 'materiality' principle as guided by the Integrated Reporting Framework and the GRI guidelines as discussed on pages 36 to 39. Aligned to this, the Report focuses and discloses on material matters that could substantially influence the way we create and deliver value to our stakeholders from a long-term standpoint. We rely on our engagement with stakeholders, our assessment of the external environment, risk management framework and the Board and senior management insight to determine our material content. Materiality and completeness of information and data are confirmed by our Chief Executive Officer and the senior management.

The Report sets out our business model on pages 40 to 41, focusing on the way we apply and trade-off our key capitals to create value and manage impacts within our business, both in terms of outputs and outcomes. We discuss on how we integrate this model in the way we think and make strategic business decisions and set out the year's business performance against our strategic objectives and in the context



GRI Disclosure 102-48

ABOUT THE REPORT

of our operating backdrop. The Report also discusses at length our efforts in risk management, internal controls and in upholding good governance.

The content is developed with the information and data collected and compiled by relevant departments including the shared functions with the parent company. We relied on the management information reports, board minutes, PI's corporate plan and the intranet to gather information for the report. Financial information is taken from the audited financial statements and the related notes. We also carried out desk research to assess the dynamics of the external environment.

The GRI Content Index is set out on pages 279 to 281. There are no restatements of information and data published in the preceding years.

TARGETED AUDIENCE

The Report is prepared primarily to enable our shareholders and prospective investors to make informed decisions of the Company. The Report is also intended to support the information requirements of our other stakeholders—our employees, customers, business partners and communities in which we operate. The Report also entails mandatory and voluntary information to comply with the rules, regulations and guidelines set by the relevant regulatory and statutory bodies.

COMBINED ASSURANCE

Following a combined assurance model, we have obtained assurances from the Board and internal auditors on one hand and external and independent auditors on the other hand—ensuring the integrity and credibility of preparing our Annual Report 2018, in compliance with best and current practices in reporting. The assurances obtained, thus, provide reasonable assurance on the quality of the Report and against any material misstatements.

FORWARD-LOOKING STATEMENTS

The Report entails forward-looking statements with information on our future outlook, financial and operational forecasts and targets. Although we have taken due care to be pragmatic in our reporting, we urge our readers to be mindful that our future oriented information, data and opinions may be subject to change in reality. We do not take responsibility and are not liable to publicly update our forward-looking statements to factor in new information based on reality after the publication date of this report.

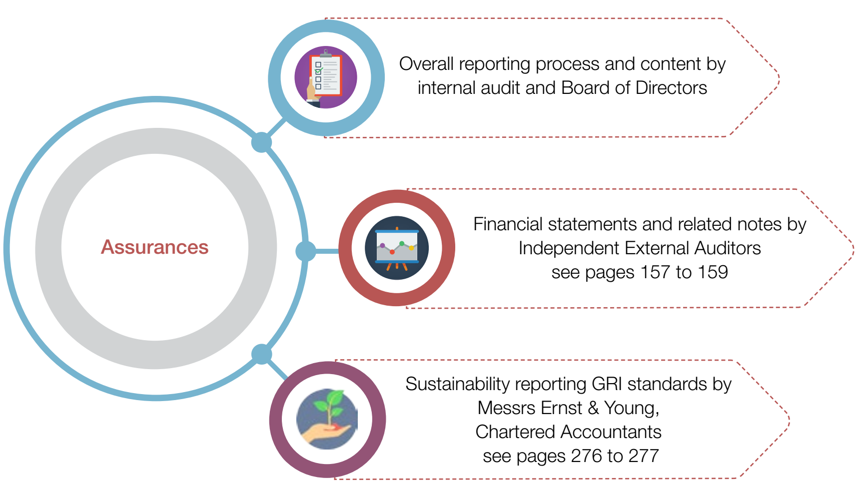
BOARD RESPONSIBILITY

The Board stands responsible and assures the integrity of our fifth Integrated Annual Report 2018. The Board is of the opinion that this report gives a fair and transparent account of all material issues that have a significant bearing on the Company's ability to create sustainable value.

Signed for and on behalf of the Board,

Jehan P. Amaratunga
Chairman

20th February 2019
Colombo



GRI Disclosure 102-53

INQUIRIES

Queries and clarifications on this integrated Annual Report 2018 are to be directed to:

Head of Finance
People's Insurance PLC
Address: No. 07, Havelock Road, Colombo 05, Sri Lanka.
Telephone: +94 11 2206406, Fax: +94 11 2206418
Email: nilushan@plc.lk

A feedback form is set out on page 307.

The Annual Report is available in hard copies, compact discs and on our official website, www.peoplesinsurance.lk.

CORE CAPITALS

Financial Capital
Stated capital and retained earnings

Manufactured Capital
Physical infrastructure including the corporate office, regional offices, window office network, call centre and digital infrastructure

Intellectual Capital
Corporate brand, reputation and value system, expertise, IT processes and strong parental support and group synergies

Social and Relationship Capital
Solid relationships with customers, business partners, regulators and communities in the areas we operate

Natural Capital
Natural resources used in value creation and operational impacts on the environment

Human Capital
Employees, their skills, talents and dedication

GRI Disclosure 102-13, 16

ABOUT US

SCAN ME

Scan the code to discover the highlights of the year and how we excelled in our diverse areas of business.

OUR PROFILE

- We are a fully fledged non-life insurer in registered under the Regulation of Insurance Industry Act and listed on the Main Board of the Colombo Stock Exchange.
- We have completed our ninth year of successful operations and stand as one of the leading players in the non-life sector in the country's insurance landscape with over Rs. 5.5 billion annual premium income and assets over Rs. 8 billion.
- We have emerged as one of the most profitable and fast growing non-life insurers in Sri Lanka with constant underwriting profits since 2012.
- We are backed by two financial giants in the country – People's Leasing & Finance PLC and People's Bank.
- We are rated A+ by Fitch Ratings affirming our financial strength and stability.
- We serve our valued customers with a range of comprehensive and innovative products and set the pace in innovation, efficiency, transparency and impeccable standards.
- We offer our products and services through window offices at People's Leasing & Finance PLC branch network and representatives at regional offices at People's Bank, apart from operations at our corporate office and six regional offices.
- We partner with globally-renowned reinsurers with sound ratings approved by the Insurance Regulatory Commission of Sri Lanka.
- We encourage sound corporate relationship with reinsurers, regulators, insurance intermediaries such as insurance agents and brokers, vehicle agents and dealers, garages, banks and financial institutions.

WE ARE A MEMBER OF

- Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka)
- Insurance Association of Sri Lanka
- Sri Lanka Insurance Institute
- Institute of Chartered Accountants of Sri Lanka
- Finance Intelligence Unit of Central Bank of Sri Lanka

GRI Disclosure 102-13

OUR VISION

To be appreciated for building lasting trust based on strength, stability and sustainability

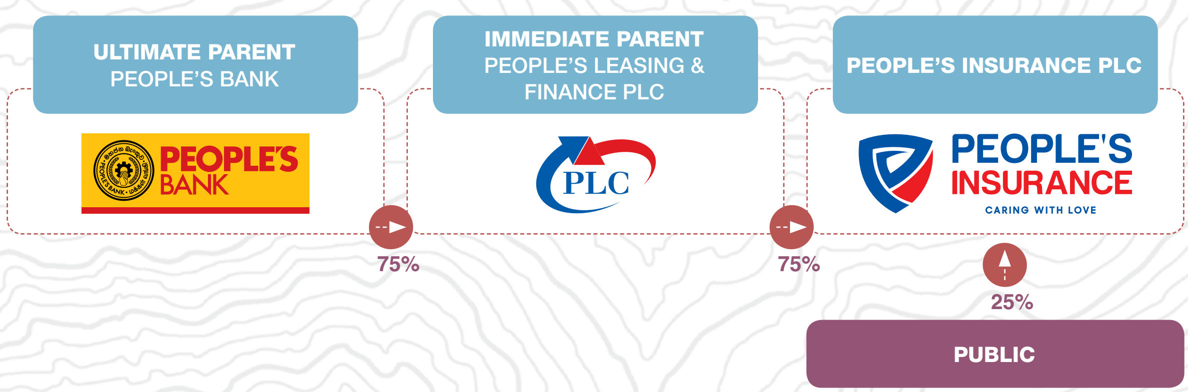
OUR MISSION

WE WILL

- work with all our stakeholders with integrity and fairness
- maintain high standards in sales and servicing
- respect creativity and commitment of our staff
- offer sound insurance solutions to our clients for a sustainable future

OUR VALUES

- Service excellence
- Professionalism
- Result orientation
- Loyalty



BOARD OF DIRECTORS

4 2 1 3

1. Mr. JEHAN P. AMARATUNGA

Non-executive, Non-independent Chairman

Mr. Amaratunga assumed duties as the Chairman of People's Insurance PLC in July 2010.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and a Fellow Member of the Institute of Chartered Management Accountants, UK (FCMA). He was awarded the First in Order of Merit Prize at the final level examination of the ICASL. Mr. Amaratunga has over 34 years of extensive experience in finance and management and has been a Consultant and Director to a large number of corporations and private entities. Amongst his many achievements, he has presented a paper titled 'Value for Money Accounting' at the National Conference of the ICASL in 1987. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka in the Year 1988 and the Governing Council of the University of Colombo from April 2015 to November 2016.

Mr. Amaratunga presently serves as a Director of People's Leasing & Finance PLC, People's Micro-Commerce Ltd., Lankan Alliance Finance Limited in Bangladesh, JAT Holdings (Pvt) Ltd., Sri Lanka Institute of Information Technology (SLIIT) and Sri Lanka Institute of Nanotechnology.

2. Mr. N. VASANTHA KUMAR

Non-executive, Non-independent Director

Mr. N. Vasantha Kumar was appointed as a Director of People's Insurance PLC in May 2011.

He holds a Master's Degree in Business Administration and counts over 38 years of experience in treasury management. Mr. Vasantha Kumar is a member of the Governing Board of the Institute of Bankers of Sri Lanka and is a past president of the Association of Primary Dealers and of the Sri Lanka Forex Association and served as Treasurer at ANZ Grindlays Bank, Colombo for many years.

5 6 7 8

He currently serves as the CEO/GM of People's Bank and is a Director of People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Leasing Fleet Management Limited, People's Travels (Private) Limited, People's Merchant Finance PLC, Credit Information Bureau, National Payment Council, Lanka Financial Services Bureau, Financial Ombudsman Sri Lanka (Guarantee) Limited, Sri Lanka Banker's Association (Guarantee) Limited and Lankan Alliance Finance Limited in Bangladesh.

3. MR. LAKSHMAN ABEYSEKERA

Non-executive, Independent Director

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

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

He currently functions as a Non-executive Director of SANASA Development Bank PLC and Director of JanRich Foods Limited and NovEx Pharmaceuticals Limited. He has held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Accountant at Hoechst (Ceylon) Limited and was the Senior Accountant at Lankem Ceylon Limited. He possesses over 26 years of experience in accounting, finance and management.

BOARD OF DIRECTORS

4. MR. S. P. K. GUNARATHNE
Non-executive, Independent Director

Mr. Gunarathne was appointed as a Non-executive, Independent Director of People's Insurance PLC in January 2017.

He is an Attorney-at-Law by profession, has extensive experience in legal affairs, leadership and management. He possesses a Bachelor of Law (LLB) from the Faculty of Law, University of Colombo and holds a National Certificate in English for Commerce, Industry and Further Education issued by the Ministry of Higher Education and a Certificate for Rural Development issued by the University of Sri Jayewardenepura.

He presently serves as a Board Member of the Road Development Authority and Institute of Post Harvesting Technology. He also functions as a panel lawyer for Rajarata Development Bank and the Municipal Council of Anuradhapura. He has also served as a legal officer at Urban Development Authority.

5. MR. N. P. KARUNARATHNE
Non-executive, Independent Director

Mr. Karunarathne was appointed as a Non-executive, Independent Director of People's Insurance PLC in January 2017.

Mr. Karunarathne possesses a B.A. (Special) Degree in Sociology from the Faculty of Arts, University of Sri Jayewardenepura and has also served as a council member of the Sabaragamuwa University of Sri Lanka.

He is a senior administrative officer with over 31 years' experience in administration and management. He has served as adviser/coordinating secretary to the Road Development Authority, as an administrative officer at the Mahaweli Economic Agency and as an executive officer at the Transport Ministry.

6. MR. W. M. ABEYRATHNA BANDARA
Non-executive, Independent Director

Mr. Bandara was appointed as a Non-executive, Independent Director of People's Insurance PLC in January 2017.

He possesses a Bachelor of Education Degree (Second Class) from the National Institute of Education, Bachelor of Arts from the Bhiksu University of Sri Lanka and a Diploma in History from the University of Kelaniya.

Mr. Bandara, a professional in the field of leadership and strategic planning is a trained teacher, lecturer and principal. He is a former Chairman/Managing Director of Gamipubuduwa Organisation.

7. MR. A. S. IBRAHIM
Non-executive, Non-independent Director

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

Mr. Ibrahim holds an Honours Degree (BSc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB). He has over 35 years of banking experience primarily in the areas of Corporate Banking, Treasury Management and Risk Management.

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

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

8. MS. LAKMINI KOTTEGODA
Company Secretary

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

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

CORPORATE MANAGEMENT

2 1 3

1. MR. DEEPAL ABEYSEKERA

Chief Executive Officer

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

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

2. MR. NIMAL PERERA

Technical Consultant

Mr. Perera joined People's Insurance in September 2009 as the Chief Operating Officer and he acts as Technical Consultant with effect from 1st July 2017. He has over 50 years of experience in the insurance industry, both in Sri Lanka and overseas. He was the General Manager of the National Insurance Corporation Limited, HNB Assurance PLC, Union Assurance PLC (General Manager - General Insurance), Asian Alliance Insurance PLC (General Manager - General Insurance) and Fidé Insurance Limited, Malawi.

Mr. Perera is a Fellow of the Chartered Insurance Institute. He is a Member of the Asia-Pacific Risk and Insurance Association and Pan-Asia Risk and Insurance Management Association.

3. MS. JEEVANI KARIYAWASAM

Head of Operations

Ms. Kariyawasam joined People's Insurance in October 2009 and has been in charge of the insurance operations of the Company since then. She counts over 24 years of experience in the insurance industry, including experience at National Insurance Corporation Limited and HNB Assurance PLC.

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

CORPORATE MANAGEMENT

4

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4. MR. NILUSHAN SOMARATHNA

Head of Finance

Mr. Somarathna joined People's Insurance in August 2012 and has been heading the finance department since then. Prior to joining the Company, he served as Manager - Finance at Union Assurance PLC. He has over 15 years of finance and audit experience, including previous experience at Union Assurance PLC and PricewaterhouseCoopers.

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

5. MR. CHANDRASIRI GANNILE

Head of Human Resources and Administration

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

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

MANAGEMENT TEAM

Ms. Kanthi Kempitiya
Senior Manager - Motor Underwriting

Mr. Hareendra Dissanayaka
Senior Manager - Motor Claims

Mr. Dulip Dissanayake
Senior Manager - Finance

Ms. Sumudu Bandara
Senior Manager - Non-motor Claims

Ms. Shalika de Silva
Senior Manager - Legal

Mr. Channa R. Abeywickrema
Senior Manager - Fire and Miscellaneous Underwriting

Mr. Sharman Kulatilake
National Sales Manager

Mr. Dinesh Rosa
Senior Manager - Bancassurance

Ms. Esther Joy Joseph
Senior Manager - Corporate Business Development

Mr. Gemunu Withanage
Manager - Marine

Mr. Sampath Digamadulla
Manager - Contact Centre

Ms. Thushari Baddevithana
Manager - Motor Claims

MANAGEMENT TEAM

Mr. Sashika Jayathilaka
Manager - Reinsurance

Mr. Kosala Jayarathne
Motor Engineer

Ms. Maheshika Perera
Manager - Finance

Mr. Malinda Wickramasinghe
Manager - Corporate and Broker Business Development

Ms. Sambavi Kanagasabapathy
Manager - Internal Audit

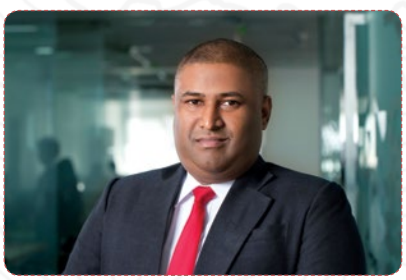
Ms. Gowri Navoda
Manager - Research and Development

Mr. Asiri Saputhanthrige
Manager - Sales Force Development

Mr. Rohana Hettiarachchi
Zonal Manager - Business Development

Mr. Manjula Jayasekara
Regional Manager - Southern

Mr. Kumara Yatawarage
Regional Manager - Negombo



Mr. Nandana Bandara
Regional Manager - Kandy

Mr. Muditha Abeywickrama
Regional Manager - Kurunegala

Mr. Lebbe Habeeb
Regional Manager - North Central

SUPPORT SERVICE TEAM

MR. PRABATH GUNASENA
Deputy General Manager - ICT (Group)

Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the head of the ICT department for the past 18 years. He is presently serving as Deputy General Manager - ICT and Head of ICT for the PLC Group.

He holds a Master's Degree in Business Administration (MBA) from the University of Western Sydney (UWS). He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka and is a member of the British Computer Society.

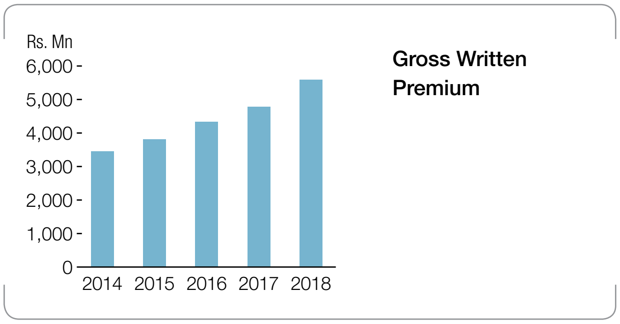
MR. DANUSHKA LIYANAGE
Manager - ICT

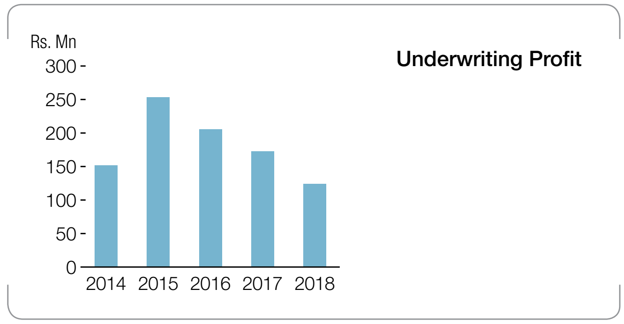
Mr. Liyanage joined People's Leasing & Finance PLC in September 2010. He possesses over 10 years of experience in the insurance industry. Prior to joining the Company, he worked as Assistant Manager - ICT at Ceylinco Insurance PLC.

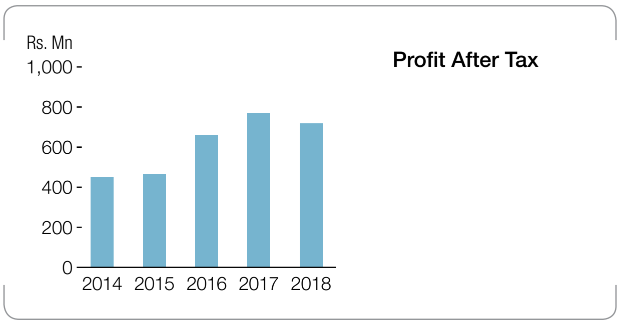
Mr. Liyanage has a BSc. Honours Degree in Computing and Information Systems from the Lincoln University, UK. He also holds a Master's Degree in Business Administration from Metropolitan University, UK.

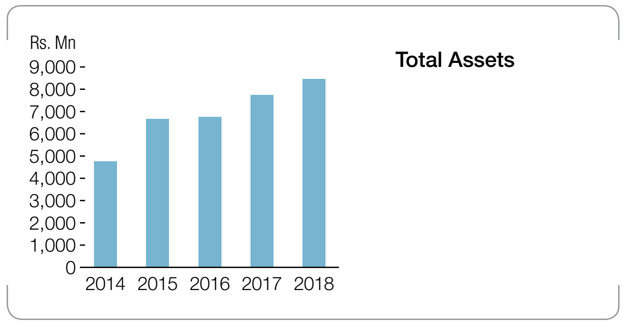
HIGHLIGHTS OF THE YEAR

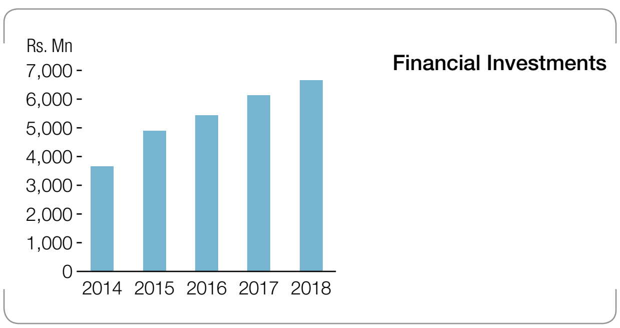
KEY FINANCIAL HIGHLIGHTS

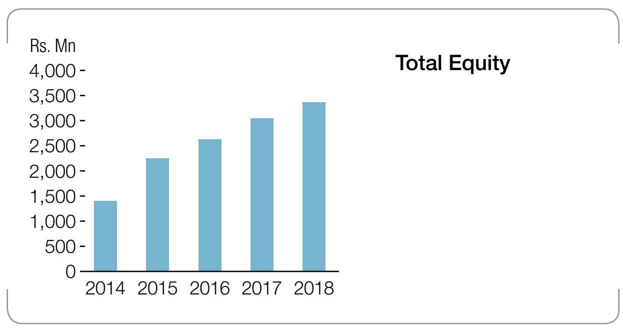










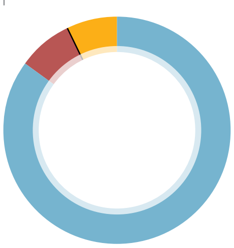


DPS	EPS	ROE
Rs. 1.85	Rs. 3.65	23%

GRI Disclosure 102-7

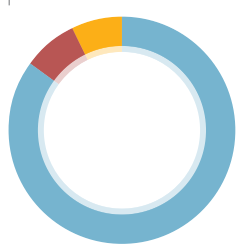
FINANCIAL HIGHLIGHTS

	2018 Rs. Mn	2017 Rs. Mn	Change %
Revenue	5,433	4,791	13
Gross written premium	5,592	4,782	17
Net earned premium	4,709	4,097	15
Net claims	(3,237)	(2,841)	14
Underwriting and net acquisition costs	(462)	(407)	14
Other operating and administrative expenses	(886)	(677)	31
Underwriting results	124	172	(28)
Other revenue	723	694	4
Profit before tax	847	867	(2)
Income tax expense	(118)	(94)	26
Profit after tax	729	773	(6)
Property, plant and equipment and intangible assets	84	95	(12)
Financial investments	6,658	6,137	8
Equity	3,375	3,057	10
Liabilities	5,042	4,688	8



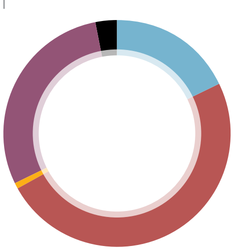
Gross Written Premium

Motor	84.8%
Fire	8.0%
Marine	0.2%
Miscellaneous	7.0%



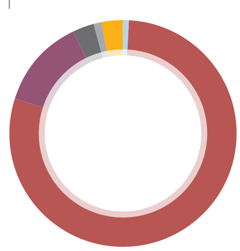
Underwriting Profit before Operating and Administrative Expenses

Motor	85.0%
Fire	7.4%
Marine	0.3%
Miscellaneous	7.3%



Financial Investments

Government securities	18%
Fixed deposits	49%
Listed shares	1%
Corporate debts	29%
Other financial assets	3%



Total Assets

Property, plant, equipment and Intangible assets	1%
Financial investments	79%
Reinsurance and insurance receivables	13%
Deferred expenses	3%
Other assets	1%
Cash and cash equivalents	3%

GRI Disclosure 102-7

HIGHLIGHTS OF THE YEAR

NON-FINANCIAL HIGHLIGHTS

MANUFACTURED CAPITAL
Corporate office and regional/window office network, Call Centre and IT infrastructure

INVESTMENT IN INFRASTRUCTURE	INVESTMENT IN IT INFRASTRUCTURE	CUSTOMER TOUCH POINTS
Rs. 21 Mn	Rs. 9 Mn	131
Rs. 79 Mn - 2017	Rs. 9 Mn - 2017	126 - 2017

HUMAN CAPITAL
Talented employees of the Company

NO. OF STAFF	EMPLOYEE RETENTION RATIO	TRAINING HOURS PER EMPLOYEE
554	77%	26
385 - 2017	85% - 2017	19 - 2017

SOCIAL AND RELATIONSHIP CAPITAL
Relationship with customers, business partners, regulators and community

NO. OF CUSTOMERS	NO. OF CLAIMS SETTLED	COMMUNITY BASED RECRUITMENTS
158,395	46,706	215
139,267 - 2017	41,895 - 2017	80 - 2017

GRI Disclosure 102-7

INTELLECTUAL CAPITAL
Brand reputation, institutional knowledge, IT software and corporate culture

NATIONAL INSURER FINANCIAL STRENGTH	GWP GENERATED THROUGH GROUP	INVESTMENT IN INTANGIBLE ASSETS
A+ (lka) Stable Outlook	Rs. 4,292 Mn	Rs. 2.6 Mn
Fitch Ratings	Rs. 4,187 Mn - 2017	Rs. 1.2 Mn - 2017

NATURAL CAPITAL
Corporate attitude and action on environment

PAPER WASTE RECYCLED	PAPER USAGE	CARBON FOOTPRINT
3,961 kg	72,631 kg	472 tCO_2e
1,892 kg - 2017	93,161 kg - 2017	478 tCO_2e - 2017

MILESTONES

2010

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

2011

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

2012

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

2018

1st Quarter
- Rated 'A+' by Fitch Ratings
- Introduced a web based e-marine system for corporate clients
- Reviewed the current hierarchy including grades of the cadre and introduced a new employee hierarchy to align with the strategies of the Company
- Paid the final dividend of Rs. 0.25 per share for 2017, amounting to Rs. 50 million

2nd Quarter
- Implemented a comprehensive Human Resources Information System (HRIS) solution
- Revamped the e-travel portal with added features to suit travel smart product
- Conducted a risk and corporate governance training program for the Board of Directors

3rd Quarter
- Annual Report 2017 was ranked among the Ten Best Integrated Reports at the 'Excellence in Integrated Reporting Awards – 2018' organised by the Institute of Certified Management Accountants of Sri Lanka
- Paid an interim dividend of Rs. 0.75 per share amounting to Rs. 150 million for 2018

4th Quarter
- Gross written premium surpassed Rs. 5 billion
- 'A Symbol of Strength', Annual Report 2017 won the Bronze award in the insurance companies category at the Annual Report Awards 2018, organised by the Institute of Chartered Accountants of Sri Lanka
- Carried out a training programme for the management to build-up confidence, networking and team spirit
- Entered into a bancassurance agreement with HDFC

2013

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

2014

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

2015

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

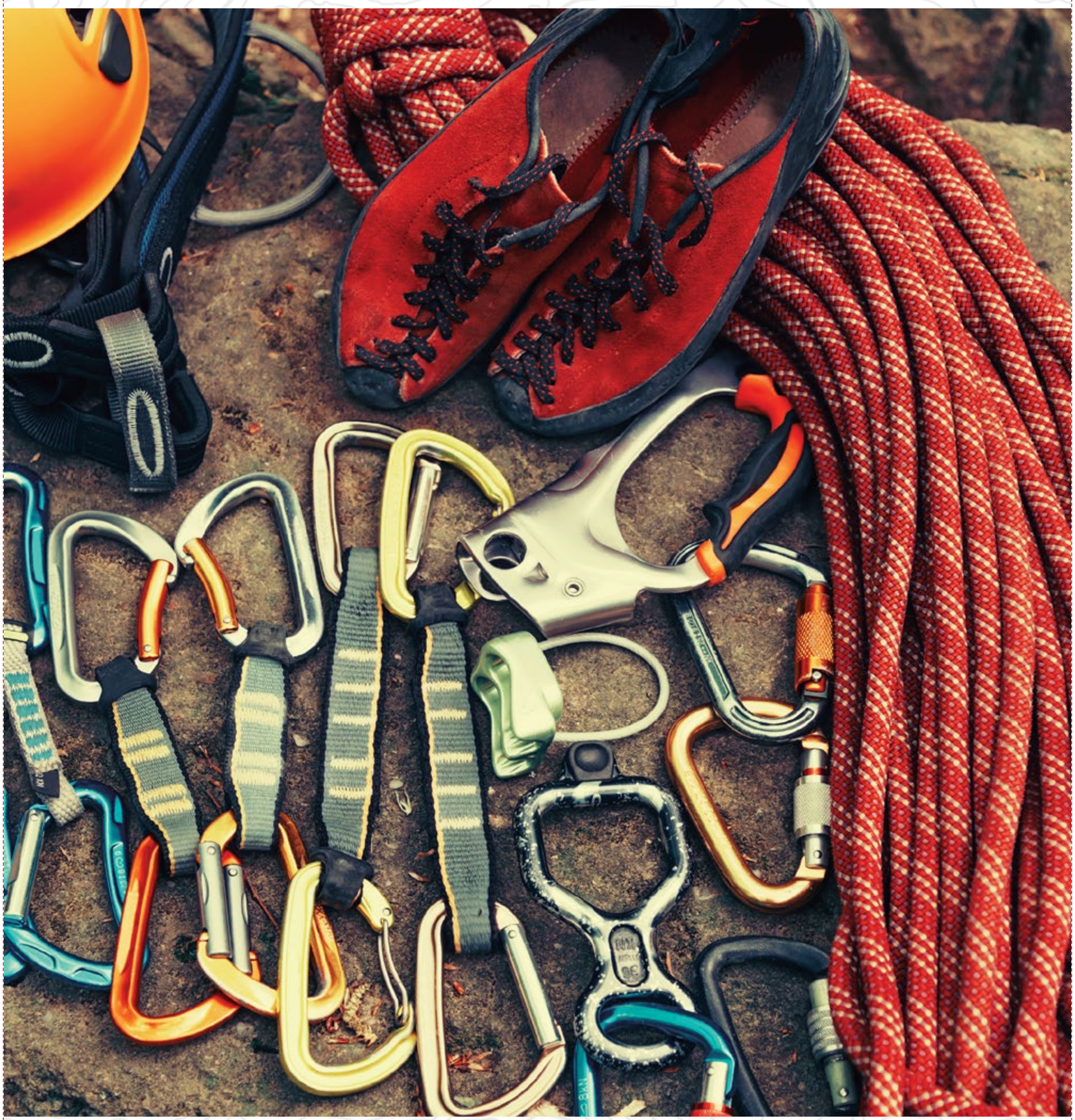
2016

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

2017

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

Equipped with the best resources



KEY MANAGEMENT MESSAGES

GRI Disclosure 102-14

CHAIRMAN'S MESSAGE

JEHAN P. AMARATUNGA
CHAIRMAN

"We looked at bringing in greater focus to our strategy and followed through with our plans to strengthen our critical success factors and achieve sustainable top-line growth."

We are proud to report that People's Insurance PLC marked another successful year in 2018 with 'relentless spirit', as themed in this year's annual report. We reinforced its positioning as an emerging insurer and sought to achieve operational excellence amidst the complexities of today's business landscape. We remained positive, proactive and principled in our delivery, giving precedence to best and current industry practices. Our performance in the year is a reflection of our commitment to secure solid growth from a long-term standpoint.

On behalf of the Board, it is my honour to present our annual report along with the audited financial statements and notes for the financial year 2018. I take this opportunity to outline our strategic aspirations, progress achieved thus far, and broadly set out our plans to create sustainable value for all our stakeholders in the years ahead.

GLOBAL ECONOMY – SOFTENING MOMENTUM

Slowing-down the upside trends witnessed for the past two years, the global economic expansion weakened by the year-end 2018, with less-than-expected results across major economies. The escalating trade tension and tightening financial market conditions underlined the slower momentum in trade, investments and production. Other than the United States of America, advanced economies fell short of meeting the anticipated targets. The emerging and developing economies performed below potential given the rising down-side risks—higher capital outflows, appreciating US dollar, downward trends in crude oil and other commodity prices. China, in particular, recorded a significant slow down.

As per the International Monetary Fund, global growth decelerated one percentage point to 3.7% in 2018 as against 2017. With imminent risks, the overall global economic prospects were set to be modest with 2019 growth forecast at 3.5%.

GRI Disclosure 102-14

CHAIRMAN'S MESSAGE

"This year, we propose to declare a final dividend of Rs. 1.10 per share for our valued shareholders. Our total dividends for the year reached Rs. 1.85 per share, with the dividend pay-out ratio at 51%. Our stock prices were broadly stable despite the lacklustre trends in the capital market"

DOMESTIC ECONOMY – SUBDUED GROWTH

The rising downside risks in the world economy combined with political tension within the domestic front, particularly, in the latter part of the year, did not reflect well on the Sri Lankan economy. Three rating agencies downgraded Sri Lanka's sovereign rating, in turn marring investor confidence.

Following the preceding year trends, the real GDP growth remained subdued. The agriculture sector rebounded whilst the services sector registered broad-based growth. Industrial activities slowed down, following the sluggishness in the construction sector. On the macroeconomic front, monetary policy shifted to a neutral policy stance whilst inflationary pressures were broadly contained and stabilised at mid-single-digit levels. The external sector was challenged with a widening trade deficit, greater capital outflows and a sharp depreciation of the rupee against the US dollar. However, higher tourism earnings, workers' remittances and inflows to the financial account supported the balance of payment position.

INDUSTRY PERFORMANCE – MODEST YET STABLE

In keeping with the country's development agenda, the insurance industry led by the non-life insurance sector has progressively moved ahead as an emerging industry. With the overall penetration levels just above one percent of GWP—well-below the global average estimated to be around 6%—the industry has vast market potential to grow and create significant value to the economy.

Skewed towards the motor class, the non-life insurance segment continued to grapple with intense market competition in the year under review. Import restrictions combined with macroeconomic and political uncertainties further pressured the industry performance. In this backdrop, the industry is expected to decelerate to single-digit growth, estimated at 8%, compared to 17% growth achieved in the preceding year. The industry also remained susceptible to higher claims and expenses, in turn, restraining the underwriting results and bottom-line profits.

CORPORATE STRATEGY - WELL-ROUNDED AND PROGRESSIVE

Steering through the fast-evolving operating backdrop, we continued to brace our business model and reinforce our positioning as a trusted insurer. We looked at bringing in greater focus to our strategy and followed through with our plans to strengthen our critical success factors and achieve sustainable top-line growth. Essentially, we leveraged on our group business whilst scaling-up our operations within the non-captive market amongst the retail and small and medium enterprises sectors. We continued to prioritise and bring in efficacy and professionalism to our underwriting, claims and reinsurance operations. We sought to enhance quality and standards in our products, services and in our work processes.

From a more holistic standpoint, we stayed true to our core values and championed good governance and corporate stewardship. We strengthened our compliance function, initiated checks and balances for effective risk management and sought to uphold best practices in governance as per the relevant codes issued by the regulatory bodies. We also adopted a sustainability policy and charter and continued to bring in more structure and meaning to our social and environmental initiatives.

CORPORATE PERFORMANCE - RESILIENT AND STEADY

With an outstanding year-on-year growth of 17%, exceeding the estimated industry average of 8%, our gross written premium income touched Rs. 5,592 million in 2018. With higher claim settlements and expenses, particularly given our expansionary initiatives, our underwriting result weakened as compared to the previous year, but commendably remained positive at Rs. 124 million. Profit after tax stood at Rs. 729 million with a sound return on equity of 23%. Our financial position was stable as at 31st December 2018 with total assets reaching Rs. 8,418 million. Our capital buffer and solvency ratio were above the prescribed requirements.

This year, we propose to declare a final dividend of Rs. 1.10 per share for our valued shareholders. Our total dividends for the year reached Rs. 1.85 per share, with the dividend pay-out ratio at 51%. Our stock prices were broadly stable despite the lacklustre trends in the capital market.

GRI Disclosure 102-14

REPORTING INITIATIVES – CURRENT AND RESPONSIBLE

Giving precedence to bring in best and current practices to our reporting initiatives, we continued in the year to refine the process with greater quality and standards as advocated by the Integrated Reporting Council along with the sustainability reporting standards prescribed by the Global Reporting Initiative. Our Annual Report 2017 'Symbol of Strength' mirrored this commitment.

We were honoured that our Annual Report 2017 was recognised amongst the best ten integrated annual reports at the CMA Excellence in Integrated Reporting Awards 2018. We also clinched the Bronze for reporting excellence within the insurance industry category at the 54th CA Sri Lanka Annual Report Awards. Internationally, our report was acclaimed at the Vision Awards 2017, clinching several awards including the Gold under the insurance category at the Integrated Report Competition and Silver under the Annual Report Competition.

FUTURE PROSPECTS – STRONGER AND SUSTAINABLE

We are well-poised with expertise, strength and stability to stand against the headwinds and take on the budding opportunities in an emerging economic setting in the years ahead. We are confident that we can further build our presence—foraying into untapped market territory, especially in the outskirts of Sri Lanka with emphasis on promoting our non-motor portfolio.

In this regard, our efforts to leverage on our cost-effective delivery channel; build our brand image; market and promote our product offer; advocate learning and innovation within the workplace; and embrace the latest in digitalisation stand significant, especially giving us a competitive advantage in an overcrowded marketplace. Our commitment to uphold and internalise ethical and socially responsible business practices and standards will pave the way to deliver excellence and ensure sustainability from a long-term standpoint.

IN APPRECIATION

In nearly a decade, we have succeeded to position our organisation as a trusted and respected insurer within the non-life insurance domain. Our stakeholders have always stood beside us, inspiring to champion our corporate mission. It is fitting and is my privilege to extend a warm thank to all our stakeholders for their enduring support.

I take this opportunity to thank my colleagues on the Board for their visionary direction and cooperation extended to surmount the trails of a demanding industry and take our organisation to achieve higher goals. I wish to thank the respective Boards of our parent companies for their guidance and unstinted support.

My sincere appreciation is with our Chief Executive Officer and his young and talented team for their dedicated efforts, team spirit and passion to achieve excellence in operations. I look forward to their enthusiasm and trust that they will give their best to the organisation to reach out to greater summits in the ensuing years.

I extend my appreciation and commend our regulator, the Insurance Regulatory Commission of Sri Lanka, for their far-sightedness and efforts to initiate and nurture best practices for a level-playing-field within the insurance industry domain.

As I conclude, I reiterate our commitment to be a principled insurance partner and I call upon all our stakeholders for their continued support and trust in taking our corporate mission well into the future.

Jehan P. Amaratunga
Chairman

20th February 2019
Colombo

CHIEF EXECUTIVE OFFICER'S REVIEW

"Strengthening our delivery to tap into the retail market opportunities, we opened up three new regional offices in Kandy, Kurunegala, Colombo and recruited more new officers to the marketing team."

Accomplishing another progressive year, we made significant strides to secure our positioning amongst the frontline non-life insurers. Navigating through a challenging operating backdrop, we maintained our poise and delivered a pragmatic expansionary strategy whilst staying true to our work ethics and values. Our operational and financial results for the year 2018 were commendable, considering our business challenges. I set forth my review, highlighting our performance, the milestones reached and plans for our way forward.

BALANCED TOP-LINE STRATEGY

Driving for a higher market share, we laid a solid foundation in the year to achieve balanced growth—focusing on growing a quality top-line with disciplined and perceptive underwriting. We continued to rely and leverage on the captive business channelled through our parents' network. Yet, our focus this year, was to intensify our efforts to grow our outreach within the non-captive market base of the retail sector, particularly, targeting the new-age customer and their lifestyle insurance needs.

Yet, we had to be mindful and reckon with the aggressive competition prevalent within our industry. To this end, we sought to strengthen our market presence with greater customer engagement and excellence in service. We invested well in strengthening our multi-channel delivery; in developing our team; on rebranding, marketing and promotions; and digitalisation to offer compelling products and to streamline our work processes and thereby, optimise our costs.

CREDITABLE PERFORMANCE

With a coherent strategy and clear priorities, we stepped-up our operations and delivered a creditable performance amidst demanding pressures of our business backdrop. Our operational and financial results were broadly in line with our budgetary targets set for the year and exceeded most of the key indicator averages recorded by the non-life insurance industry.

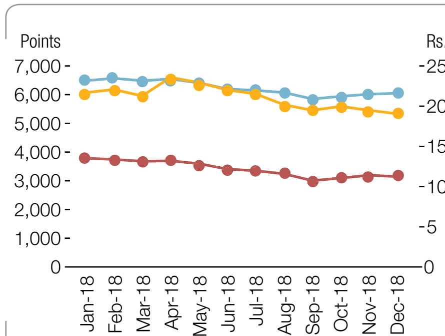
As a mid-range player, we remained exposed to significant rate pressures in the year. Yet, with our direct marketing initiatives, we were able to cushion our top-line to grow by 17% to Rs. 5,592 million. Led by the motor-class premium income, our top-line growth was ahead of the industry average estimated to be 8%.

Although we continued to bolt on the cost-efficient delivery with the support of our parental synergies, our expansionary drive along with rising intermediary costs took a toll on our expenses. With higher claims in absolute terms, our net claims ratio stood at 69% which is the same ratio posted in the previous year. Our net combined ratio posted one percentage point increase to 97%. Despite the weakening of cost ratios, we were able to manage and maintain a positive underwriting result of Rs. 124 million, albeit, a 28% fall compared to the result achieved in the preceding year. This is still commendable considering the poor underwriting results recorded by most insurers in our industry.

Given the lacklustre investment climate, our investment income posted a modest improvement of 4% to Rs. 723 million. In this setting, our bottom-line, profit after tax, moderated marginally by 6% to Rs. 729 million.

SOUND FINANCIAL POSITION

We sustained a sound financial position as at the reporting year-end. Our asset position stood at Rs. 8,418 million, posting a year-on-year growth of 9%. Taking on a share of 79% of our total assets, our investment portfolio of Rs. 6,658 million was well managed and improved by 9% over the preceding year. Our assets were adequate to cover our liability position which increased by 8% to Rs. 5,042 million. Our capital adequacy ratio at 256% and the total available capital at Rs. 3,153 million, were above mandatory requirements.



Share Performance

MODEST SHARE PERFORMANCE

Notwithstanding dismal market conditions with investor uncertainty and the weakening of the rupee, our share performance was consistent and sustained on the Colombo Stock Exchange. Our share price touched an average of Rs. 21.00 per share, comparable to the average achieved in the previous year. The highest price recorded in the year stood at Rs. 24.00 per share whilst the lowest was capped at Rs. 18.70 per share. Our earnings per share stood at Rs. 3.65 per share.

MULTI-CHANNEL DELIVERY

Strengthening our delivery to tap into the retail market opportunities, we opened up three new regional offices in Kandy, Kurunegala and Colombo and recruited more new officers to the marketing team. We continued to leverage on our parent network with two new window offices, taking the total to 99 as at the year-end. We also worked closely on our bancassurance ties with our ultimate parent, People's Bank; whilst seeking opportunities to foray into new relationships with other banks and financial institutions. We also firmed up our business partnerships with solid agent and broker network.

ENABLING THE TEAM

Our young, talented and dedicated team is definitely our forte and we stand committed to build a progressive workplace with values of equality and ethics. Striving to be a 'great place to work', we closely engaged our employees in the reporting year, focused and invested in developing their creativity and skills, their attitude to work values and team spirit. We continued to give precedence to performance; addressed skills gaps; extended due rewards and recognition; and looked into their grievances.

CHIEF EXECUTIVE OFFICER'S REVIEW

"Launched in the previous year, we continued to further our rebranding initiatives to strategically reinforce our positioning and shift focus on to the new-age market segment. Promoting our contemporary brand values, reflected in our new logo and tagline, 'Caring with Love', we relied this year on below-the-line campaigns including on social media platforms, like 'Facebook''"

With a fully-fledged HR department as initiated in the previous year, we sought to bring in more structure and coherence to our HR policies, plans and initiatives. This assumed a greater significance with the growing cadre given our expansionary drive. We gave strategic priority to training and invested in well-thought out training programmes, thus enabling our employees including the new recruits to keep up with the emerging business trends and develop their skills. This year, we extended 52 training programmes to the team—in-house as well as external—to strengthen technical skills in underwriting, claims and reinsurance; to develop management and leadership skills especially targeting our high achievers; to give a deeper understanding of the regulatory, legal and compliance requirements; and to enhance soft skills. Our overall training investment including financial assistance extended for professional studies touched Rs. 6.0 million.

DIGITALISATION PLANS

In keeping with the new-age demands, we continued to prioritise and take forward our digitalisation plans, thus, facilitating greater efficiency to our operational processes, adding innovative features to our product solutions for customer convenience and scaling-up our delivery. This year, our focus was on creating and designing mobile insurance applications to enable our sales force and facilitate customer convenience with speedy transactions.

BRANDING AND MARKETING

Launched in the previous year, we continued to further our rebranding initiatives to strategically reinforce our positioning and shift focus on to the new-age market segment. Promoting our contemporary brand values, reflected in our new logo and tagline, 'Caring with Love', we relied this year on below-the-line campaigns including on social media platforms. Our marketing investment in the year was lower than the investment in the preceding year, in which we successfully rolled out an above-the-line marketing initiative on popular electronic and print media.

MOVING FORWARD

Balancing out short-term socio-political and macroeconomic challenges, our nation has immense opportunity to reach out to higher growth and development goals in the medium term. Well-positioned in an emerging industry—with expertise coupled with the strength of the People's Group and strong fundamentals—we will have much to gain from this burgeoning economic landscape in the years to come.

In this setting, we will continue to reinforce our low-cost business model; driving for top-line growth whilst maintaining underwriting viability and financial stability. Our parent synergies and strength of our multichannel delivery network will remain as our competitive differentiators. Plans are underway to expand our network with new customer points including new regional branches. We will also focus on optimising our product mix, seeking to increase our exposure to the non-motor segment—which is presently untapped in a motor-dominant marketplace. Our plans to invest further in digitalisation to bring product innovation, process efficiency and social media marketing will remain significant and will be warranted if we are to keep up and build ties with the emerging millennial market segment. We will also remain committed to follow through with our plans to develop a well-rounded team; bring in quality and standards to our products and work processes, particularly with our ongoing 5S programme and our efforts to obtain ISO certification. We will also strengthen our social responsibility initiatives with a more structured approach to have a better strategic fit with our corporate goals.

APPRECIATION

On behalf of my team, I extend our sincere appreciation to the Chairman and the Board of Directors for their far-sighted direction, leading People's Insurance amidst the challenges of an intensely competitive industry backdrop. We place on record our appreciation to the Boards of the People's Bank and People's Leasing & Finance PLC for their collaborative support and guidance.

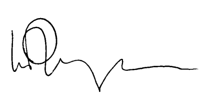
I wish to pay a tribute to my talented team for a job-well-done in the year. It is truly inspiring to see our team come together including our new staff, build solid bonds with each other, embrace our corporate values and champion our goals. I sincerely hope and trust that they will be dedicated and hard working in the year ahead.

I take this opportunity to extend our appreciation to our regulator, the Insurance Regulatory Commission of Sri Lanka, for their initiatives and direction to align our industry with international best practices.

To our business partners, thank you for the unstinted support extended in our efforts to reach operational excellence.

We are deeply grateful to the citizens of our nation for their support, confidence and the trust placed in our organisation and in our corporate journey ahead.

To all stakeholders, a warm thank you.



Deepal Abeysekera
Chief Executive Officer

20th February 2019
Colombo

The training grounds to greatness

VALUE CREATION FRAMEWORK

GRI Disclosure 102-40, 42, 43, 44

STAKEHOLDER ENGAGEMENT

Building strong and positive bonds with our stakeholders essentially underlines our ability to create value. Recognising this, we give precedence and are proactive in our efforts to engage our stakeholders upholding best practices—inclusivity, accountability, transparency and professionalism. Our engagement process is well planned out and tailored to address their issues and deliver value to meet their expectations. Our operations, both in terms of strategy formulation and day-to-day management, are aligned to this engagement process.

OUR APPROACH

We follow a structured mechanism to identify and prioritise our stakeholders and determine the level required and the nature of our engagement. Accordingly, we have identified and listed out all our stakeholders under three groups, including those stakeholders who possess resources that can contribute or impact our value creation process along with stakeholders connected to the industry and the socio-political arena.

List of Stakeholders

Resource-based
- Investors
- Customers
- Business Partners
- Employees
- Reinsurers

Industry
- Industry Association
- Competitors

Socio-political
- Government
- Insurance Regulatory Commission of Sri Lanka
- Colombo Stock Exchange
- Other Statutory Bodies
- Civil Society and Community Groups

These three stakeholder groups have been further categorised into five sub-groups based on the nature of engagement under three broad criteria; expertise, willingness and value of engagement. The level of prioritisation of each stakeholder group and our engagement strategy have been determined on this basis.

Stakeholder Prioritisation and Engagement Strategy Criteria

- Expertise *(Contribution and legitimacy of engagement)*
- Willingness *(Preparedness to engage)*
- Value *(Influence and necessity to engage)*

GRI Disclosure 102-43, 44

STAKEHOLDER ENGAGEMENT

APPROACH TO STAKEHOLDER ENGAGEMENT, ISSUES AND EXPECTATIONS AND OUR RESPONSE

Key Stakeholder Groups	Group Profile	Level of Prioritisation	Engagement Strategy	Mode of Engagement
Investors	Parent company, People's Leasing & Finance PLC, ultimate parent company, People's Bank and other corporate and retail investors	High	Closely engage	Board papers Financial statements Annual reports Investor meetings Disclosures through CSE Business agreements Networking events
Employees	Permanent and contract-based employees of the organisation	High	Closely engage	Team meetings General staff meetings Cluster meetings Performance appraisals Training programmes Staff circulars News letters Intranet
Customers	Corporate and retail customers	High	Closely engage	One-to-one meetings Road shows Door-to-door promotions Website Communication materials 24-hour call centre Mass media Social Media
Business partners	Suppliers, reinsurers, brokers, vehicle agents, garages and financial institutions	Medium	Moderately engage	Meetings Training programmes Reinsurance declarations
Community and environment	Government, regulators, environment, industry association, sister companies, civil society and community groups	Medium	Engage if necessary and keep them informed	Meetings Disclosures Annual reports Industry forums Charity projects Employee volunteerism

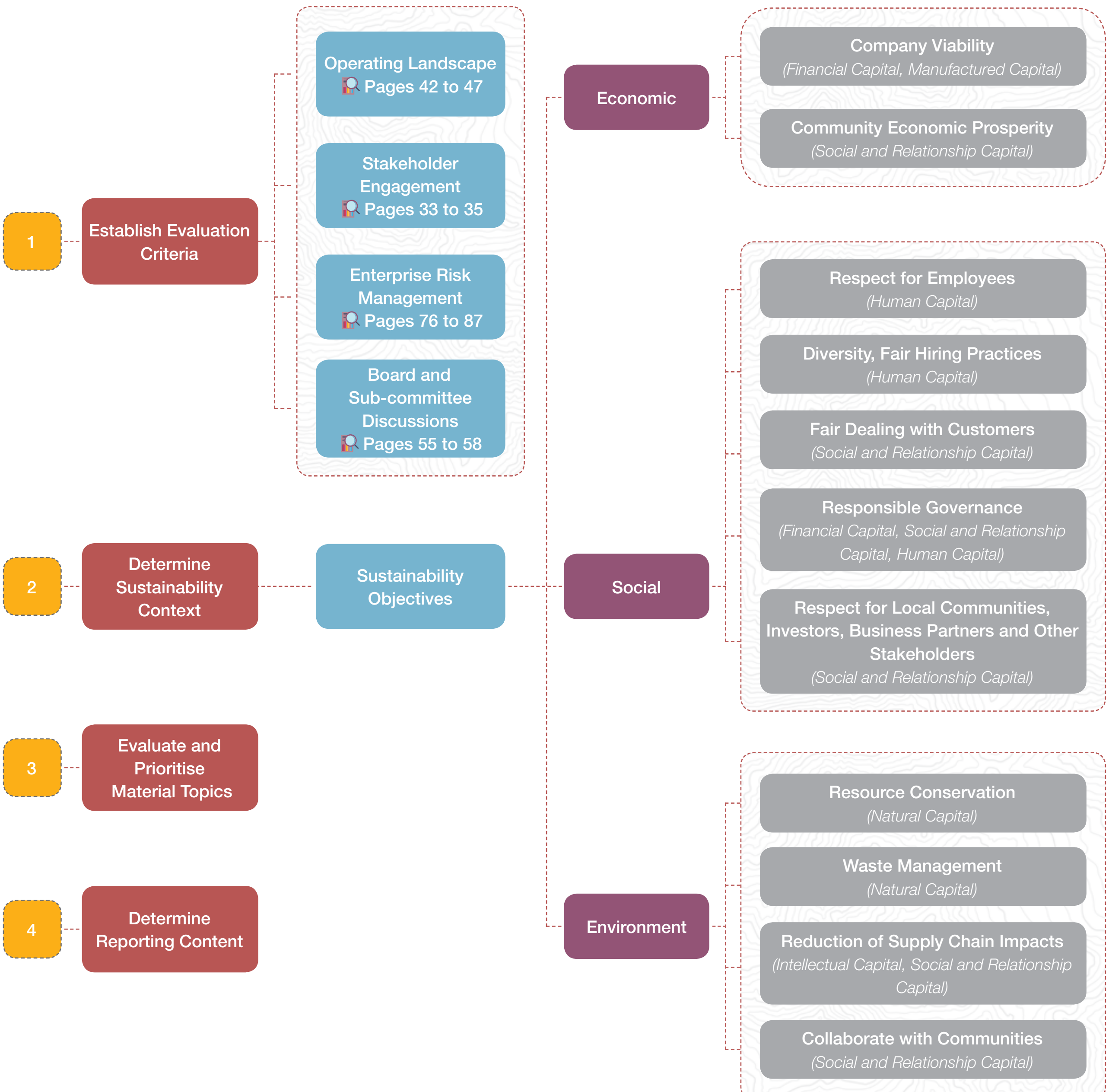
GRI Disclosure 102-43, 44

Frequency	Stakeholder Issues and Expectations	Our Strategic Response
• Monthly • Quarterly • Annually • As and when required	• Return on investment • Sound financial position • Management expertise • Good governance • Compliance, internal controls and risk management • Social responsibility • Responsible reporting	• Deliver a sustainable growth strategy with positive returns • Timely disclosures made on the Company plans, performance and changes • Compliance with laws, rules and regulations
• Daily • Monthly • Semi-annually • Annually	• Due promotions, rewards and remuneration • Performance based culture and assessments • Skills development • Welfare	• Extending equal opportunity employment • Extending fair remuneration and welfare benefits • Developing employees' skills and careers • Rewarding performance with due recognition and promotions
• Daily • Monthly • Annually • As and when required	• Value added product range • Fair pricing • Convenient and fair claims settlement • Quick turnaround time for processing claims	• Upholding best business practices • Extending customised insurance solutions • Extending best-in-class customer service • Facilitating fair pricing and claim settlements • Educating customers on insurance • Investing in technology to streamline processes and provide speedy insurance solutions.
• As and when required	• Prompt payments • Best business practices • Disclosures of required information	• Ensuring timely payments • Upholding best business practices • Giving fair referrals
• Annually • As and when required	• Good governance and compliance with regulations and statutory requirements • Community recruitments • Community service projects and philanthropic activities • Environmental campaigns	• Upholding best business practices • Compliance with all applicable regulatory requirements and prompt reporting • Carrying out community beneficial projects and environmental campaigns • Extending job opportunities for the communities

GRI Disclosure 102-47, 49

MATERIALITY ASSESSMENT

Our approach to determining materiality in developing our reporting content is multi-dimensional. We consider the findings of the stakeholder engagement process; our operating backdrop both in terms of the macroeconomic environment and industry trends; risks and opportunities of our business; and our value system, policies and strategy in determining what is material to create shared value overtime. Our analysis follows the latest GRI standards, complemented by the principles of integrated reporting. Accordingly, as was the case in the preceding financial year, our report focuses on 16 material topics in line with GRI indicators that impact our five key stakeholder groups from an economic, environmental and social standpoint. The topics are prioritised from high to medium in significance and form the basis of reporting. The aspects categorised under low in significance are not reported herein. The materiality results thus determined are validated by our Chief Executive Officer and the senior management. There are no changes in the reporting focus compared to the previous year.



GRI Disclosure 102-46, 47/ 103-1

	GRI Standard/Material Topic		Stakeholder Group Boundary	Reasons for Materiality	Reporting Level of Priority	Capital Report Reference
Economic	201	Economic performance	Investors Customers Employees Business partners	As an insurer, the economic value we create and share with our stakeholders is substantial and significant. We extend a platform for our customers to manage general risks through our insurance solutions whilst playing a significant role as an institutional investor. We also create employment opportunities and extend business opportunities to our partners.	High	Financial Capital on pages 104 to 110 Value addition and distribution on page 148
	204	Procurement practices	Business partners	With growing operations, our procurement activities are progressively increasing. We advocate best practices in procurement and as a policy, we encourage and resort to local sourcing. We also engage and obtain reinsurance to cover the risks entailed within our growing portfolio. We obtain the mandatory cover from the National Insurance Trust Fund as well as from well-rated foreign reinsurers in line with the regulatory guidelines.	Medium	Social and Relationship Capital on pages 130 to 133
	205	Anti-corruption	Investors Customers Employees Business partners Community	As a leading insurer, we take it as our fiduciary duty to uphold business ideals and ethics, securing trust and respect from our stakeholders.	High	Social and Relationship Capital on page 137
	206	Anti-competitive behaviour	Customers	As a responsible insurer, we uphold professionalism and ensure that we are fair in the way we carry out our operations in an intensely competitive industry.	High	Social and Relationship Capital on page 128

GRI Disclosure 102-46, 47/ 103-1

MATERIALITY ASSESSMENT

	GRI Standard/Material Topic		Stakeholder Group Boundary	Reasons for Materiality	Reporting Level of Priority	Capital Report Reference
Environment	302	Energy	Community	We rely on non-renewable energy to power our day-to-day operations including electricity used for lighting and cooling the office premises, fuel for transport and for operating a fully automated insurance system.	Medium	Natural Capital on page 146
	305	Emissions	Community	Taking up a large share of our operations, motor vehicle insurance business is indirectly linked to producing green-house-gas emissions and thereby, this has an impact on climate change.	Medium	Natural Capital on page 147
	306	Effluents and waste	Community	We are conscientious and have due processes in place to manage solid waste sustainably—paper, food and electronic waste.	Medium	Natural Capital on page 146
	307	Environmental compliance	Community	Complying with environmental rules and regulations is aligned with our sustainability policy and charter.	Medium	Natural Capital on page 147
Social	401	Employment	Employees	As a service-oriented organisation, we rely on our employees. Their expertise, professionalism and loyalty are critical to support our value creation process and to ensure the sustainability of our organisation.	High	Human Capital on pages 114 to 124
	402	Labour management and relations	Employees		Medium	Human Capital on page 122
	404	Training and education	Employees	Developing employee skills and creating a knowledge-based and performance-based work culture underline the strength of our organisation in a competitive business backdrop.	High	Human Capital on pages 120 to 121

GRI Disclosure 102-46, 47/ 103-1

	GRI Standard/Material Topic		Stakeholder Group Boundary	Reasons for Materiality	Reporting Level of Priority	Capital Report Reference
	405	Diversity and equal opportunity	Employees	As an equal opportunity employer, we encourage employee diversity and equity within the workplace. We are committed to uphold employee policies and practices that are fair and transparent.	Medium	Human Capital on pages 116 to 118
	406	Non-discrimination	Employees		Medium	Human Capital on page 116
	417	Marketing and labelling	Customers	We uphold best practices in marketing communications and enable customers to make informed choices, underscoring customer trust and loyalty.	High	Social and Relationship Capital on pages 128 to 129
	418	Customer privacy	Customers	As a responsible insurer, we are diligent in our policies and make substantial investments to safeguard customer data and information.	High	Social and Relationship Capital on page 129
	419	Socio-economic compliance	Community	In keeping with our group ethos and the sustainability policy, we advocate social responsibility and comply with societal rules and regulations, in turn, building our corporate brand and the confidence and trust of the public.	High	Social and Relationship Capital on page 137

BUSINESS MODEL

CORPORATE GOVERNANCE AND RISK MANAGEMENT (pages 49 to 63 and 76 to 87)

VISION

To be appreciated for building lasting trust based on strength, stability and sustainability

MISSION

We will
- work with all stakeholders with integrity and fairness
- maintain high standards in sales and servicing
- respect creativity and commitment of our staff
- offer sound insurance solutions to our clients for a sustainable future

STRATEGY

- Competitive positioning strategy
- Product-market strategy
- Growth strategy

STRATEGIC PRIORITIES

- Top-line growth
- Delivery and distribution
- Employee development
- Customer experience
- Brand equity
- Governance, compliance and risk management
- Social and environmental responsibility

CAPITAL EMPLOYED (INPUTS)

FINANCIAL CAPITAL
- Stated capital
- Retained earnings

(pages 104 to 110)

MANUFACTURED CAPITAL
- Corporate office and regional/window office network, call centre and IT infrastructure

(pages 111 to 113)

HUMAN CAPITAL
- Talented employees of the Company

(pages 114 to 124)

SOCIAL AND RELATIONSHIP CAPITAL
- Customer patronage
- Services of business partners
- Community support and community recruits

(pages 125 to 137)

INTELLECTUAL CAPITAL
- Brand equity
- IT solutions
- Expertise
- Best business practices

(pages 138 to 143)

NATURAL CAPITAL
- Energy, paper and other resources

(pages 144 to 148)

Resource allocation and trade off (pages 95 to 97)

Underwriting

Investment Management

VALUE CREATING ACTIVITIES

Claim Management

Reinsurance

Business Review (pages 98 to 103)

VALUE CREATION OVER THE PERIOD

SUPPORT SERVICES

- FINANCE
- HRM
- LEGAL
- ICT
- RESEARCH & DEVELOPMENT

CAPITAL ENHANCED IN VALUE CREATION

OUTPUT	OUTCOME
FINANCIAL CAPITAL Profit after tax - Rs. 729 Mn Asset base - Rs. 8,418 Mn Return on equity - 23% Dividend per share - Rs. 1.85	Shareholder confidence Financial stability Shareholder wealth maximisation
MANUFACTURED CAPITAL Corporate office - 1 Call centre - 1 Regional/window office network - 130 IT asset base - Rs. 39 Mn	Higher market share Higher productivity Strong brand image and respect
HUMAN CAPITAL Employee benefits - Rs. 400 Mn Employee retention - 77% Staff strength - 554	Customer satisfaction and loyalty Quality ties with business partners Responsible corporate citizen
SOCIAL AND RELATIONSHIP CAPITAL Community investments - Rs. 0.86 Mn Customer base - 158,395 Capital adequacy ratio - 256% Approved and well rated reinsurance panel	Top-of-the-mind brand recall Customer satisfaction and loyalty
INTELLECTUAL CAPITAL Captive businesses - 77% Positive word-of-mouth Streamlined processes Lean overheads 'A+' Fitch Ratings	Employee satisfaction Employee loyalty Recognition as a great place to work
NATURAL CAPITAL Carbon footprint - 472 tCO_2e Number of solar panel insurance policies issued - 199 Carbon neutral annual report	Moving towards carbon neutrality Green-based work culture Strong brand image and respect

EXTERNAL ENVIRONMENT – RISKS AND OPPORTUNITIES (pages 42 to 47)

OPERATING LANDSCAPE

ECONOMIC REVIEW

Operating in the financial sector, we are highly susceptible to the dynamics of the macroeconomic environment, directly influencing our ability to create value. Therefore, it is critical that we brace our business strategy to respond proactively to the current economic and industry trends as discussed herein this review.

The global economic outlook in the short to medium term is expected to be positive, but, is deemed to be more uneven across economies. Intensifying geopolitical issues, trade conflicts and financial sector vulnerabilities will continue to impede on global economic dynamics. The global economic growth for 2019 is forecast to be lower at 3.5%.

Global Economy

Global Economic Growth

World Output

- 2017: 3.8%
- 2018: 3.7%

Advanced Economies

- 2017: 2.4%
- 2018: 2.3%

Emerging Markets and Developing Economies

- 2017: 4.7%
- 2018: 4.6%

Source: World Economic Outlook, January 2019, International Monetary Fund 2018 - estimates

Following the broad-based expansionary trends that prevailed across all major economies since mid of 2016, the global economy in the year 2018 remained robust and stable. The emerging down-side risks in the year, however, tainted the optimism and hindered the fairly balanced growth momentum. World output growth is expected to reach 3.7%, less than the result achieved in the preceding year.

Most of the advanced nations witnessed in the year their upside economic trends peak. Except for the United States of America with strong growth results boosted by fiscal stimulus, the other advanced nations, particularly, the euro nations and the United Kingdom, posted mediocre results, slowing down its growth pace. Emerging markets and developing economies had to reckon with geopolitical tensions, fiscal pressures, tighter monetary conditions, higher borrowing costs, weaker exchange rate against the US dollar and capital outflows. Economic growth prospects in these economies, therefore, remained below expectations.

Sri Lankan Economy - Key Indicators

GDP Growth (%)

- 2017: 3.3%
- Jan-Jun 2017: 3.2%
- Jan-Jun 2018: 3.6%

NCPI - Annual Average Inflation (%)

- 2017: 7.7.%
- Jan-Jun 2017: 6.1%
- Jan-Jun 2018: 5.3%

Balance of Payment (US$ Mn)

- 2017: 2,068
- Jan-Jun 2017: 1,563
- Jan-Jun 2018: 1,148

Budget Deficit (% of GDP)

- 2017: -5.5%
- Jan-Jun 2017: -2.6%
- Jan-Jun 2018: -2.4%

Average Weighted Prime Lending Rate (%)

- 2017: 11.55%
- Jan-Jun 2017: 11.70%
- Jan-Jun 2018: 11.33%

Average Weighted Deposit Rate (%)

- 2017: 9.07%
- Jan-Jun 2017: 9.13%
- Jan-Jun 2018: 8.92%

Source: Recent Economic Developments, Highlights of 2018 and Prospects for 2019, Central Bank of Sri Lanka

SRI LANKAN ECONOMY

Amidst the challenging global economic developments combined with intense socio-political tension within the domestic front, the Sri Lankan economy in the year 2018 continued to be subdued at a lower threshold of growth.

As per the available statistics for the first half of the year, the economy grew by 3.6%, marginally above the growth of 3.2% recorded in the corresponding period in 2017. The agriculture and service sectors were robust, with broad-based expansion across the sub-sectors. However, the industry sector moderated following the sluggish performance of the construction and mining and quarrying sub sector. The macroeconomic front remained volatile and challenging. Necessary policy measures were adopted to address the imbalances in the macro fundamentals including managing the rising inflation, pressures on the external position, weakening of the Sri Lankan rupee and keeping the budget deficit in-tact.

Latest developments on the macroeconomic front are set out below:

- **Inflation:** Notwithstanding the volatility in food prices and rising administrated prices including petroleum products, inflation was well managed and relatively subdued during the first nine months of the year. Supply side conditions were favourable. Both indices, the Colombo Consumer Price Index and the National Consumer Price Index (NCPI) remained at mid to lower single digit levels.
- **Interest Rates:** Given the tight monetary policy that prevailed since 2015, monetary and credit expansion moderated and curtailed the private sector credit growth. Moving towards a more neutral policy stance, the Central Bank signaled the end of a tighter approach in monetary policy in April 2018 and reduced the Standing Lending Facility Rate whilst maintaining the Standard Deposit Rate. The short-term market rates responded and liquidity levels improved.
- **External Position:** The trade gap widened with the growth in export earnings falling short of import expenditure. Inward worker remittances, tourism earnings and inflows from foreign direct investments and debt cushioned the balance of payment position. The overall balance, however, deteriorated by end September 2018 due to higher debt repayments and the Central Bank intervention in the domestic foreign exchange market. The balance of payment position recorded a deficit of US dollars 650 million compared to the surplus of US dollars 2,027 million as at end September 2017.
- **Exchange Rate:** With tightening global financial conditions and the strengthening of the US dollar, the Sri Lankan rupee came under severe pressure—sharply depreciating and recording historic lows in the first nine months of 2018. The Sri Lankan rupee depreciated by 9.7% against the US dollar. Whilst enabling the market forces to work, the Central Bank intervened by supplying foreign exchange liquidity to manage the weakening rupee.
- **Fiscal Front:** With consolidating fiscal measures, the overall deficit was below the deficit in 2017 for the first eight months of the year. Revenue as a percentage of GDP in this period registered a decline due to lower tax income. Yet, total expenditure including recurrent and capital expenditure and net lending as a percentage of GDP also registered a decline, facilitating a lower budget deficit. Financing the deficit with foreign sources amounted to Rs. 271.3 billion, reaching 53%. Domestic financing stood at Rs. 239.5 billion.

ECONOMIC OUTLOOK

The down-side risks developing in the world economy and the repercussions of the socio-political crisis currently underway portend negatively on the stability of macro fundamentals and the nation's economic prospects. The short-term outlook is bleak and the current developments are expected to cause a serious set-back on our development aspirations. The international rating agencies have downgraded the Sovereign rating due to tightening financing conditions and political and policy uncertainty.

Ironing out the challenges present within the socio-political backdrop, the nation has immense potential to turn-around the economy in the medium-term and secure a higher rate of GDP growth. There is much hope to revive both domestic as well as foreign direct investments to spur higher-value added manufacturing sectors, commercial agriculture and knowledge-based services. Necessary policy measures are expected to bring in structural reforms and balance the overall macro fundamentals. The move towards a flexible inflation regime as a platform for formulating monetary policy along with revenue-led fiscal consolidation is expected to sustain inflation at mid-single digit levels and enable monetary and credit expansion, thereby, supporting the private sector to lead economic growth.

OPERATING LANDSCAPE

Operating Landscape		
Principal Risks and Opportunities		
Political	**Economic**	**Social**
Successive governments with varied political ideologies have supported to bring in economic prosperity to the nation. Necessary laws, policies and reforms have been introduced and are currently underway to support broad-based growth. This has paved a conducive way for us to capitalise on business opportunities within the untapped markets and expand our market base. Partisan politics, constitutional conflicts and instability, however, lowers business confidence, incite international rating agencies to downgrade the sovereign debt and hinder the aspired level of economic growth. This does not portend well on our drive to secure business growth and reach out to higher corporate goals.	With a more positive medium-term economic outlook, our operating environment is conducive to grow our market and develop new product solutions, thereby, realise our earning potential. Macroeconomic uncertainties prevalent at present including inflationary pressures and depreciating rupee will dampen disposable incomes, thereby, our potential for market growth and investment earnings. Import restrictions on motor vehicles as a counter measure to prop the deteriorating external position directly impact our motor class business growth. Changes in monetary policy affects our planned interest income from fixed income securities whilst negative capital market sentiments hamper equity earning prospects.	In a burgeoning economy, with higher disposable income and a rising middle-class, societal attitudes and perceptions are rapidly changing. People are aware of the need to be financially smart and are more open to obtain insurance solutions to manage their general risks, thus, paving the way towards market growth and wider penetration in urban areas as well as in the periphery. With greater materialism fast setting in, the industry is susceptible to unethical business practices. With intense competition within sector, the industry may resort to unethical marketing gimmicks and pricing, compromising on industry standards and wellbeing.
Strategic Response		
⦿ Support and contribute to the nation's development agenda. ⦿ Strengthen operations with priority given to build and develop critical success factors to weather negative impacts from political uncertainties. ⦿ Prepare and follow through a well-structured risk management and business continuity plans. ⦿ Uphold good governance and comply with the relevant codes both mandatory as well as voluntary. ⦿ Be agile and responsive in strategy and governance to manage the evolving political scenario.	⦿ Pursue a balanced growth strategy, focusing on volumes, quality and pricing of the portfolio to ensure profitability. ⦿ Invest in innovation and product development and strengthen the sales force to diversify and minimise the dependence on the motor segment. ⦿ Ensure informed decision making on investments in line with macroeconomic trends. ⦿ Make quality investments in blue-chip companies, rated corporate debt and investment grade securities.	⦿ Adopt the product recommendations of the research and development department to meet the latest consumer trends and demographic changes. ⦿ Leverage on vast parent synergies to penetrate non-captive markets in the periphery. ⦿ Invest in digitalisation to modernise product delivery and leverage on cost-effective social media marketing and communications.

Technology	Regulatory	Environment
Advancing technology is rapidly changing the way we do business, transforming our organisational structure, processes, products, delivery, brand and marketing communications; thereby, bringing in greater customer centricity, efficiency and cost effectiveness Keeping up with the latest technology is costly and the returns may not realise in the short-term. The organisation is also susceptible to cyberattacks and loss of information and data.	The recent changes within the regulatory landscape have paved the way for the industry to adopt best practices and standards and move on to a more structured and level-playing field in doing business. This gives a solid platform for us to navigate through downturn trends and reach out to our corporate goals with greater discipline. Increasing regulatory demands, ad-hoc changes and unrealistic timelines reflect negatively on costs and capital, employees' workload and operational efficiency.	As an insurer, environmental issues do not directly impact our operations. Yet, upholding The United Nations Sustainable Development Goals, spearheading environmental campaigns and being proactive in managing our carbon footprint, reflect well on our corporate standing—giving us a competitive advantage and complementing business growth. Our core business, motor class insurance has an indirect impact on green-house-gas emissions and climate change. Our operations are also vulnerable to increasing energy costs and higher claims related to environmental disasters, including floods.
• Invest in digitalisation to further automate and streamline processes across the network. • Enhance our online presence and extend an interactive official website for product communication and delivery. • Leverage on social media communication tools to enhance brand presence and product marketing. • Take necessary precautions to ensure cyber security.	• Comply with relevant laws, codes, rules and regulations. • Ensure necessary systems and processes are in place to respond to regulatory changes. • Engage relevant regulatory bodies to meet regulatory standards and bridge gaps in compliance, if any. • Collaborate with industry associations to resolve and manage regulatory issues and challenges in the industry. • Comply with international accounting standards, SLFRS 9 in 2018 and move on to be compatible with SLFRS 17 by 2022.	• Comply with environmental laws and regulations. • Invest in environmental campaigns and adopt measures to be sustainable in resource utilisation and minimise the organisation's carbon footprint. • Take necessary measures to publish a carbon-neutral annual report.

OPERATING LANDSCAPE

INSURANCE INDUSTRY REVIEW

Global - Non-life Insurance

Global Non-life Insurance Premium Growth

Global
- 2017: 3%
- 2018: 3%

Advanced Economies
- 2017: 2%
- 2018: 2%

Emerging Economies
- 2017: 6%
- 2018: 6%

Source: Global Insurance Review 2018 and Outlook 2018/19, Swiss Re, Economic Research & Consultancy
** 2017-Estimated*
2018-Forecast

With upswing economic trends witnessed across major nations, the global non-life insurance industry in the year 2018 continued to be robust and positive. Led by the strength of the emerging market economies, particularly emerging Asia, Non-life global premiums in real-terms are forecast to improve by 3% year-on-year, similar to the growth in the year 2017. Premiums in advanced economies were healthy, growing by 2%, comparable with the growth recorded in the preceding year. The premiums in the United States and Western Europe including Germany, France, Spain and the UK continued to post strong growth results. Emerging markets continued to remain buoyant with premiums estimated to grow at 6%, similar to the growth recorded in the previous year. Premium growth was sluggish in Latin America and Africa and Central and Eastern Europe. However, premiums were up by almost 6% in emerging Asia, led by China and India.

Following high natural catastrophe losses and softer pricing, the underwriting profitability remained modest. This together with lower investment yields moderated the operating profitability of the sector and the return on equity is estimated to fall. The outlook for 2019 is less favourable. The emerging downside risks within the global economy together with geopolitical challenges will continue to impeded on the global industry prospects. Premium income is forecast to grow modestly by 3% in 2019.

Sri Lanka - Insurance Industry

Progressively gaining ground over the recent years, the insurance industry has taken a pivotal role within the country's development drive. As at 30th September 2018, the industry operated with 25 licensed insurance entities with 12 of them engaged in life insurance business and 11 engaged in non-life insurance. Two entities continued to operate as composite insurers. There were 65 broker companies operating within the industry, mainly in non-life insurance.

On the whole, including life and non-life sectors, gross written premiums (GWP) registered a growth of 9.96% to Rs. 85,755 million for the first three quarters of 2018. Total assets grew by 7.3% to Rs. 588,746 million. Penetration levels, however, continued to be low, just above one percent in 2017, well-below the average global penetration estimated to be around 6%. Penetration in terms of non-life insurance was marginal at 0.7%. Insurance density—represented by the per capita premium—stood at Rs. 7,677.

Sri Lanka - Non-life Insurance

Non-life Insurance Industry Key Indicators

Premium Income Growth
- 2017: 17%
- Jan-Sep 2017: 19%
- Jan-Sep 2018: 8%
- 2018: 8% (estimate)

Claims /GWP
- 2017: 51%
- Jan-Sep 2017: 48%
- Jan-Sep 2018: 48%

Profit Before Tax
- 2017: Rs. 8,543 Mn
- Jan-Sep 2017: Rs. 5,743 Mn
- Jan-Sep 2018: Rs. 6,214 Mn

Assets
- 2017: Rs. 185,767 Mn
- Jan-Sep 2017: Rs. 160,900 Mn
- Jan-Sep 2018: Rs. 171,400 Mn

Source: Press Releases on 'Performance of Insurance Industry' - 2017 and 3rd quarter of 2018, 2nd July 2018 & 16th January 2019, Insurance Regulatory Commission of Sri Lanka and Statistics issued by the Insurance Association of Sri Lanka.

Premium Income

Accounting for almost 56% share of the overall industry, non-life insurance sector further progressed with gross written premium income posting a year-on-year growth of 8.32% to Rs. 71,622 million in the third quarter of 2018. This growth was modest compared to the growth of 18.89% recorded in the corresponding period in 2017. Premium income is estimated to touch 8% growth by the year-end.

Motor class continued to dominate the sector, taking up a share of 66% of the sector premium income in 2018. Notwithstanding the restrictive measures brought in to curtail motor vehicle imports including higher tariffs and loan to value ratio combined with tighter monetary policy signals, motor class remained buoyant, albeit, performing below potential. Motor premium income reached Rs. 62,907 million, growing by 10.71% compared to 13.66% recorded in the corresponding period in 2017.

The non-motor class including fire, marine and miscellaneous sub classes accounted for 34% share of the non-life premium income. Led by the miscellaneous sub-class, particularly, health and surgical insurance, non-motor class premium income reached Rs. 32,680 million in the first three quarters of 2018, a growth of 1% compared to 23% recorded in the corresponding period in 2017.

Claims, Expenses and Profitability

Led by motor class, claims within the non-life insurance sector reached Rs. 34,425 million up to the third quarter of the year 2018, up by 10.43% over the corresponding period in the previous year. Claims incurred as a percentage of GWP stood at 48% comparable with the ratio recorded in the corresponding period in 2017.

For the third quarter of 2018, both expense and the combined ratios remained high—capping the underwriting result. Overall profit before tax reached Rs. 6,214 million, representing an improvement of 8.2% as against Rs. 5,743 million recorded in the corresponding period of 2017.

Assets

The non-life industry assets as at the third quarter of 2018 touched Rs. 171,400 million, an increase of 6.5% compared to the asset position as at the corresponding period in 2017. Taking up almost 37% share of the total, investments in government debt securities of Rs. 40,787 million remained the highest asset category. This represented an increase of 17.6% over the corresponding period in 2017.

Benchmarking – Company Vs. Industry

Operational Performance, Pages 101 to 103

Ranking the fifth amongst the non-life insurers (except National Insurance Trust Fund) in terms of gross written premium income, we registered a strong performance in the year 2018. Our performance results surpassed the industry averages in most of the key performance indicators as set out below:

Key Indicators	Non-life Insurance Industry		People's Insurance		
	2017	Jan - Sep 2018	2017	Jan - Sep 2018	2018
GWP growth	17.0%	8.0%	10.0%	18.8%	16.9%
Motor GWP	13.7%	13.7%	9.6%	21.2%	18.8%
Non-motor GWP	23.5%	-0.02%	24.0%	8.6%	7.0%
Net claims ratio	61.7%	NA	69.0%	70.0%	68.7%
Profit before tax (Rs. Mn)	8,543	6,214	867	588	847

NA - Not Available

Stepping up to a daunting task

GOVERNANCE

CORPORATE GOVERNANCE

"Good governance contributes to living our values through enhanced accountability, strong risk and performance management, transparency and effective leadership"

CHAIRMAN'S MESSAGE

Dear stakeholders,
It is my pleasure to present to you on behalf of my fellow Board members, the Corporate Governance Report for 2018.

This report sets out the Company's approach to corporate governance practices and the manner in which it ensures adherence to the requirements of the Code of Best Practice on Corporate Governance 2017, Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE), Corporate Governance Framework for Insurers Direction No. 17 dated 17.12.2018 issued by the Insurance Regulatory Commission of Sri Lanka and the emerging best practices followed worldwide.

OUR APPROACH TO GOVERNANCE

We believe that success depends on our continued commitment to high standards of corporate governance and the Board recognises that a strong culture within the business enables us to create sustainable value for our shareholders, customers, employees and other stakeholders alike. Therefore, governance in the Company incorporates a culture committed to sound processes and procedures, which goes beyond legal compliance and ensures sustainability long after a law and its iterations have been implemented. We regularly review our practices to ensure that we apply what is fair and right for our regulators, customers and all other stakeholders.

OUR GOVERNANCE STRUCTURE

An effective structure is in place providing for cooperation between the Board of Directors, management and internal control functions. This structure establishes checks and balances and is designed to provide for institutional independence of the Board from the Chief Executive Officer and the senior management who together are responsible for managing the Company on a day-to-day basis.

ACCOUNTABILITY TO OUR STAKEHOLDERS

As the Board, we are accountable for the Company's successes and challenges. We aim to communicate to all our stakeholders in a transparent manner the steps we have taken to ensure that we have a clear oversight of the business and the work we have undertaken in respect of company's strategy throughout the year. Our Audit Committee plays a key role in monitoring and evaluating our risk management processes, providing independent oversight of our external audit and internal control programmes, accounting policies and in assisting the Board in reporting in a fair, balanced and understandable manner to our shareholders.

OUR FOCUS FOR FUTURE

Moving forward, we will ensure robust oversight and continuing refinement of our corporate governance framework whilst responding appropriately to be current with the developments taking place in the governance environment.

Mr. Jehan P. Amaratunga
Chairman

20th February 2019
Colombo.

CORPORATE GOVERNANCE

ENDEAVOURS TO ENHANCE CORPORATE VALUE

- Reviewed the Manual of Delegation of Financial Authority and updated the same to be current with the organisational structure whilst ensuring smooth operations.
- Prepared and adopted the Procurement Manual to ensure that all procurements are carried out within a Board approved framework.
- Prepared and adopted the Investment Operations Manual to streamline the operational aspects of Company's investments.
- Reviewed and updated the Credit Policy to streamline the credit procedures and processes.
- Adopted the Sustainability Policy in order to streamline corporate social responsibility initiatives with the objective of ensuring that all such initiatives are undertaken with sustainability platform at the core.
- Formed a Corporate Sustainability Committee and adopted the Corporate Sustainability Charter which sets out the functions and responsibilities of the Committee.
- Initiatives were taken to comply with the Corporate Governance Framework for Insurers Direction No. 17 dated 17.12.2018 issued by the Insurance Regulatory Commission of Sri Lanka.
- Provided training to the Board members on corporate governance, risk management and internal controls though an external expert.

STATEMENT OF COMPLIANCE

We continue to be committed to the highest standards of corporate governance and believe that such standards underpin our ability to function with integrity and accountability, to systematically and independently review risks and opportunities and to make decisions that will render sustainable value.

The Board of Directors of the Company wishes to confirm that the Company has voluntarily adopted the provisions of the Code of Best Practice on Corporate Governance 2017 and endeavouring to comply with Corporate Governance Rules embedded in the Listing Rules of the Colombo Stock Exchange (CSE) and the Corporate Governance Framework for Insurers Direction No. 17 dated 17.12.2018 issued by the Insurance Regulatory Commission of Sri Lanka, to the extent hereinafter disclosed in this report. Detailed reports on our compliance with the Code of Best Practice on Corporate Governance 2017, Listing Rules of the CSE and the GRI Sustainability Reporting Guidelines are presented in Annexes I, II and VI on pages 252 to 275 and 279 to 281 of this Annual Report.

The Board of Directors also wishes to confirm that, to the best of its knowledge and belief, the Company has complied with all requirements under the Companies Act No. 7 of 2007 and satisfied all its statutory payment obligations to the Government and other statutory/regulatory bodies.

GRI Disclosure 102-16,18

GOVERNANCE FRAMEWORK

The Board recognises its responsibility to conduct its affairs ethically with prudence, transparency, accountability, fairness and social responsibility, thereby safeguarding the interests of all stakeholders, including the Government and regulators, shareholders, employees, customers, suppliers and industry associates. In order to achieve this, the Board has put in place a sound governance framework which is designed to support strategy and is underpinned by the Company's culture and values.

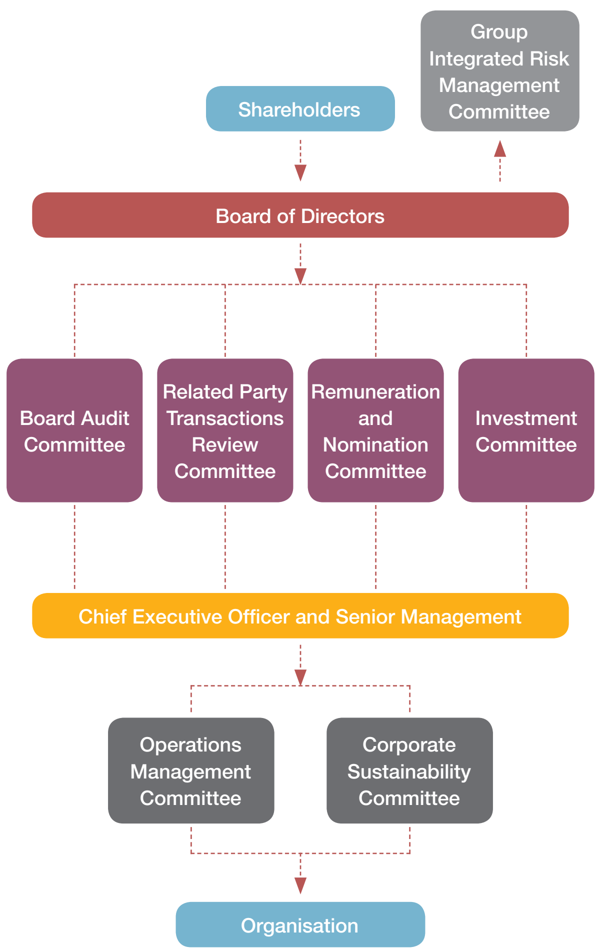
The governance framework of the Company comprises an internal governance structure that demonstrates the distinction of the functions between the Board and the management supported by a robust compliance and assurance mechanism which fosters accountability and effective coordination, and facilitates the Board to delegate to Board Committees and the management certain of its functions without abdicating its overall responsibility.

Compliance

INTERNAL
- Articles of Association
- Terms of reference of Board and management committees
- Internal control system
- Risk management framework
- Operational policies, guidelines and manuals
- Whistle Blower Protection Policy
- Business Ethics Policy
- Code of Ethical Conduct for Office Staff
- Code of Ethical Conduct for Sales Persons
- Manual of Delegation of Financial Authority

EXTERNAL
- RII Act
- Solvency Rules
- Companies Act
- Consumer Affairs Authority Act
- SEC Act
- Listing Rules of CSE
- Motor Traffic Act
- Inland Revenue Act
- Anti-money Laundering Act
- Rules, Determinations and Regulations issued by the IRCSL
- Code of Best Practice on Corporate Governance
- GRI standards on Sustainability
- Integrated Reporting Framework

Governance Structure



Assurance

MANDATORY
- Assurance on financial statements
- Actuarial certification on IBNR provision
- Internal audit

VOLUNTARY
- ISO certification on carbon footprint computation
- Assurance on the sustainability reporting criteria
- ISO certification on IT system

CORPORATE GOVERNANCE

Governance Structure

The governance structure within the Company ensures effective monitoring and execution of governance related initiatives, systems and processes, thus inculcating a culture of good governance and preserving the sustainability of the business model. It also enables the Board to delegate powers to its committees, whose committee members are specialists in their respective fields and areas of governance.

In addition, the governance structure facilitates the Board to delegate powers to the Chief Executive Officer to direct the business strategically and provide adequate direction to the Company's operations to ensure that the strategy is successfully implemented. The Chief Executive Officer is assisted by the senior management to deliver on specific mandates.

Success of the Company depends on the Board's continual commitment to high standards of corporate governance and a strong, positive culture across the business while managing effectively the risks and uncertainties of the markets in which it operates.

Board of Directors

The Board of Directors provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls. This makes it possible to assess and manage risk to ensure long-term sustainable development and growth.

Role of the Board

The Board is principally responsible for directing and overseeing the affairs of the Company, balancing the interests of shareholders and stakeholders, and ensuring the Company's long-term economic, social and environmental sustainability.

Accordingly, the Board leads the Company in its achievement of strategic objectives by directing and approving the Company's overall strategy and associated operational objectives. It monitors the Company's performance against set targets and ensures that adequate processes are in place for budget planning and allocation to advance the Company's mandate. This includes oversight of the Company's socio-economic programmes. The Board is also tasked with ensuring that the Company is able to achieve its statutory and commercial objectives.

The Board is accountable for leading the organisation ethically and effectively. The qualities of integrity, competence, responsibility, fairness and transparency are cultivated and exhibited through compliance with legislation, applicable policies, rules and binding codes, underscoring its responsibilities as a good corporate citizen.

Board Composition

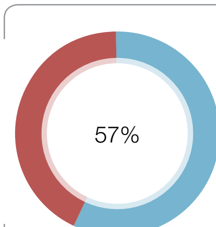
The Board is a unitary board and is considered effective and of an appropriate size for the Company. As at 31st December 2018, the Board comprised seven Directors, four of whom were Independent, Non-executive Directors.

Diversity in all its aspects is a key success factor in today's fast-changing global environment. Thus, the Board consists of individuals with wide-ranging backgrounds, experience, skills and knowledge. This favourable balance enables them to conduct their tasks and responsibilities while taking into account business needs. However, as at reporting date the Board only consists of male Directors.

There is a clear division of responsibilities ensuring that no one Director has unfettered powers in the decision-making process. This strengthens the Company's decision-making process and ensures that there is an appropriate balance of power.

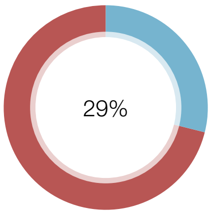
The Board members bring a wide range of experience, skills and backgrounds which complement its strategy.

Experience of the Chairman and Non-executive Directors

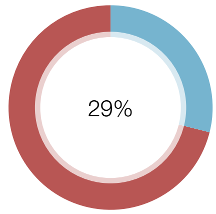


Business management/ administration and consultancy experience

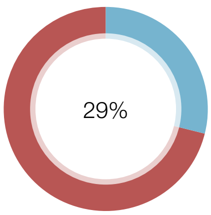
GRI Disclosure 405-1



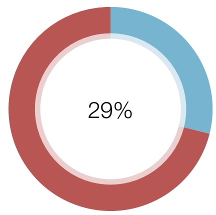
Finance/accounting experience



Strategic planning/leadership experience



Banking/treasury management experience



Legal/risk management experience

Separation of Roles

There is a defined split of responsibilities between the Chairman and the Chief Executive Officer (CEO). Mr. Jehan P. Amaratunga functions as the Chairman of the Company whilst Mr. Deepal Abeysekera functions as the CEO.

In addition, in furtherance of its commitments to best practices, the Board of Directors designated Mr. Lakshman Abeysekera as the Senior Independent Director.

Roles and Diversity of the Board

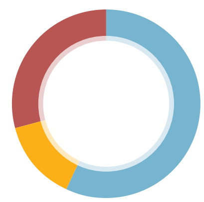
Role	Name	Responsibility		
Chairman	Mr. Jehan P. Amaratunga	The Chairman is primarily responsible for the leadership of the Board and ensuring its effectiveness. He ensures that the Board upholds and promotes the highest standards of corporate governance, sets the Board's agenda and encourages open, constructive debate of all agenda items for effective decision-making. He also ensures that shareholders' views are communicated to the Board.	Composition  **100%** Non-executive Directors	Board balance  **57%** Independent Directors
Chief Executive Officer (CEO)	Mr. Deepal Abeysekera	The CEO is responsible for the operational management of the business and for the development and implementation of the Company's strategy as agreed by the Board and management. He is responsible for developing operational proposals and policies for approval by the Board and promotes the Company culture and standards.		

GRI Disclosure 405-1

CORPORATE GOVERNANCE

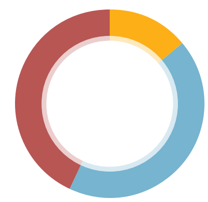
Roles and Diversity of the Board

Role	Name	Responsibility
Senior Independent Director (SID)	Mr. Lakshman Abeysekera	The SID's role includes meeting regularly with the Chairman and CEO to discuss specific issues, as well as being available to shareholders generally should they have concerns that have not been addressed through the normal channels. He also assists the other members of the Board as a whole in resolving issues in periods of stress.
Committee Chairmen	Mr. Jehan P. Amaratunga Mr. Lakshman Abeysekera Mr. S. P. K. Gunarathne	The committee chairmen are responsible for leading the Board committees and ensuring their effectiveness. They set the committees' agendas, in consultation with the Company's Management and report to the Board on committee proceedings.
Company Secretary	Ms. Lakmini Kottegoda	The Company Secretary acts as secretary to the Board and its committees, ensuring compliance with Board procedures and advising on governance matters. The Company Secretary supports the Chairman in delivery of the corporate governance agenda.



Length of Tenure of Directors

1-3 years	57% (4)
3-5 years	14% (1)
Above 5 years	29% (2)



Board Diversity by Age

Below 50 years	14% (1)
51-60 years	43% (3)
60-70 years	43% (3)

Directors' Independence

We consider the independence of its Board members to be an essential feature of good corporate governance. Our independence criteria complies with applicable laws and regulations and reflect best-practice standards such as the Code of Best Practice on Corporate Governance 2017.

For the purpose of determining the independency of the Board, self-declarations are obtained from each Director annually covering, inter alia, the following aspects:

- Independency from management and business relationships;
- Independency from any substantial shareholder; and
- Independency based on length of service

Accordingly, four out of the seven Directors who served during 2018 were considered by the Board to be independent.

Conflict of Interests

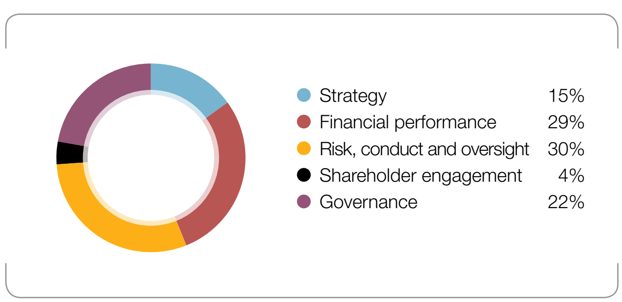
In terms of the Business Conduct and Ethics Policy of the Company, a Director or an employee is prohibited from using his or her position, or confidential and price-sensitive information, to benefit himself or herself or any related third-party, whether financially or otherwise. Directors are also required to inform the Board timeously of conflicts, or potential conflicts of interests that they may have in relation to particular items of business or other Directorships. Comprehensive registers of individual Directors' interests in and outside the Company are maintained and updated. Directors who have a material interest in a matter under discussion refrain from engaging themselves in the deliberations on that matter and abstain from voting thereon. Such abstentions from decisions are duly recorded by the Company Secretary in the minutes.

The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities effectively.

Effective Meetings

The Board and its committees meet regularly as prescribed by their respective mandates. Special meetings may be convened at the request of the Chairperson or any independent Non-executive Director, when necessary. The chairpersons set the meeting agendas, assisted by the Chief Executive Officer and the Company Secretary. Care is taken to ensure that the Board and the committees have the appropriate time to consider matters critical to the Company, including compliance, governance and administrative matters.

Timely, relevant and accurate information is provided to the Board and its committees. The digitisation of meeting packs has introduced real-time availability of information in preparation for meetings.

Board Calendar			
1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
22 January 2018 - Board meeting 15 February 2018 - 2017 4th quarter result announcement 23 March 2018 - Board meeting	27 April 2018 - 2018 1st quarter interim result announcement 30 May 2018 - Board meeting	2 July 2018 - Board meeting 7 August 2018 - 2018 2nd quarter interim result announcement 5 September 2018 - Board meeting	3 October 2018 - Board meeting 17 October 2018 - Board meeting 12 November 2018 - 3rd quarter interim result announcement 7 December 2018 - Board meeting 20 December 2018- Board meeting
Items regularly on the agenda:	• Monthly financial results, including performance against budget • Monthly/quarterly performance review	• Investment report • Feedback on key matters from committee chairmen • Regulatory compliance report	• Minutes of Board committees • Directors' and prescribed officers' declaration
How the Board spent its time in 2018:			

CORPORATE GOVERNANCE

Dynamics of Effective Board Meetings

Board and Board committee meetings are held in an environment that promotes constructive debates with diverse perspectives. The focus of the Board and the management prior to, at and after Board and Board committee meetings as demonstrated below ensures the effectiveness of each meeting and the proper discharge of functions of the Board and the Committees.

Before the Meeting

- Meetings scheduled in advance
- Carefully-thought-out and flexible agenda
- Suficient time allocation for all agenda items
- Abiity to appoint Alternate Directors
- Facility for telephone conferencing
- Option for obtaining external advice

At the Meeting

- Encouragment of constructive dialogue
- Preparation for robust discussions on key matters
- Provision of complete and comprehensive data
- Availability of senior management to clarify issues
- Regular updates on industry and regulatory framework
- Presence of company secretary to ensure compliance with rules/regulations

After the Meeting

- Management discussions on areas of concerns raised by the Board
- Follow up by the committees of matters referred by the Board
- Follow-up and preparation by the management of additional information/data required by the Board
- Follow-up by the Board of matters arising from discussions at meetings
- Circulation of minutes to the Board members

Board Continuity

The Board has a formal process in place for appointing Directors. All appointments to the Board are made with the prior approval of the Insurance Regulatory Commission of Sri Lanka. While the appointments are a matter for the Board as a whole, the responsibility to oversee the process for selection and nomination has been delegated to the Remuneration and Nomination Committee.

Apart from a candidate's skills, experience, availability and likely fit, the Committee also considers the candidate's demonstrated integrity, proven leadership as well as other Directorships and commitments to ensure that they will have sufficient time to discharge their role properly.

In terms of the Articles of Association of the Company, a Director appointed by the Board holds office until the next annual general meeting where he/she must retire and stand for re-election by shareholders. The Articles of Association also requires one-third of the Non-executive Directors to retire by rotation at each annual general meeting, and the retiring Directors may offer themselves for reappointment by the shareholders.

Board Appointments and Re-elections

Name	Date of First Appointment	Date of Last Re-election
Mr. Jehan P. Amaratunga	July 2010	March 2018
Mr. N. Vasantha Kumar	May 2011	June 2017
Mr. Lakshman Abeysekera	October 2015	June 2017
Mr. S. P. K. Gunarathne	January 2017	March 2018
Mr. N. P. Karunarathne	January 2017	June 2017
Mr. W. M. Abeyrathna Bandara	January 2017	June 2017
Mr. A. S. Ibrahim	July 2017	March 2018

Directors' Training and Induction

When first appointed to the Board, all Directors are provided with an induction training which enables them to familiarise themselves with Company's values, its business, details of Board procedures, Directors' responsibilities and various governance-related issues, including procedures for dealing company shares and their legal obligations as Directors.

In addition, all Directors receive training in the form of presentations about the Company's operations, updates on changes to relevant legislations, regulations and corporate governance as well as sector developments through Board and committee meetings as well as separate sessions organised by the management under the guidance of the Chairman.

In October 2018, a detailed and exclusive session on corporate governance, risk management and internal controls and their importance and applicability to the proper discharge of the Board's functions was conducted for the members of the Board by an external expert.

Board Evaluation

The Board evaluation for 2018 was an internal assessment of the Board undertaken through a standardised questionnaire that is structured according to the Code of Best Practice on Corporate Governance 2017.

Views of all Directors were canvassed in respect of the performance of the Board as a whole as well as of its committees and the assessment focused, inter-alia, on the Board's effectiveness in the following areas:

- Contribution to the development, monitoring and implementation of the strategy;
- Contribution to ensuring robust and effective risk management;
- Quality of the relationships with the management, employees and shareholders;
- Contribution to ensuring proper functioning of Board sub-committees.

Based on the findings of the above assessment, it is duly affirmed that the Board and its committees operated effectively during the year 2018.

Governance is underpinned by effective leadership, oversight and management accountability based on a sound ethical foundation. The Board and its committees execute the mandate according to the strategic direction of the Company, within a prudent framework of risk management.

Board Committees

In line with the requirements of the applicable rules and regulations, and to ensure that delegation within the Board's own structures promote independent judgement and assist with the balance of power and effective discharge of its duties, the Board has established three formal committees: Audit, Remuneration and Nomination, Related Party Transactions Review. In addition to these formal Board committees, the Investment Committee also operates with Board-level input.

The Composition and Role of the Committees

Each committee comprises a majority of Non-executive Directors and an experienced Chairman. In determining the composition of committees, the Board considers the skills and experience of its members, applicable regulations and the committee mandate. Where appropriate, and in line with regulations, committees comprise a majority of Independent, Non-executive Directors.

CORPORATE GOVERNANCE

For more information on committees:	
Board Audit Committee	Pages 71 to 72
Remuneration and Nomination Committee	Pages 74 to 75
Related Party Transactions Review Committee	Pages 72 to 73

Each committee has its own mandate that is reviewed periodically and the committees focus on their own areas of expertise in terms of such mandates, enabling the Board to focus on governance and risk, strategy, performance and leadership and people, thereby making the best use of the Board's time together as a whole. The committee chairmen report to the Board following their sessions, ensuring a good communication flow while retaining the ability to escalate items to the Board's agenda if appropriate.

	Board of Directors			
Committee	Board Audit Committee	Remuneration & Nomination Committee	Related Party Transactions Review Committee	Investment Committee
Scope	Assist the Board of Directors in its general oversight on financial reporting, internal and external audit, risk management and compliance with legal and regulatory requirements, internal controls and governance	Assist the Board of Directors in ensuring that remuneration arrangements in the Company align reward with performance and support and advise the Board on selection of Board members	Assist the Board of Directors in implementing, reviewing and overseeing policies and procedures relating to related party transactions of the Company and avoidance of conflicts of interests	Assist the Board in formulation of investment strategy, allocation of investment portfolio, review of investment performance, solvency and approved assets, and risk exposures, monitor compliance with internal and external investment regulations and evaluation and granting of approval for investments
Composition	Two Non-executive, Independent Directors and one Non-executive, Non-independent Director	Two Non-executive, Independent Directors and one Non-executive, Non-independent Director	Three Non-executive, Independent Directors	Three Non-executive, Non-Independent Directors, one Non-executive, Independent Director and members of the Management
Chairman	Mr. Lakshman Abeysekara	Mr. Jehan P. Amaratunga	Mr. S. P. K. Gunarathne	Mr. Jehan P. Amaratunga
Other members	Mr. N. Vasantha Kumar Mr. W. M. Abeyrathna Bandara	Mr. Lakshman Abeysekara Mr. S. P. K. Gunarathne	Mr. N. P. Karunarathne Mr. W. M. Abeyrathna Bandara	Mr. N. Vasantha Kumar Mr. S. P. K. Gunarathne Mr. A. S. Ibrahim Mr. Deepal Abeysekera (CEO) Mr. Nilushan Somarathna (Head of Finance)
Invitees	CEO and Head of Finance	CEO	CEO and senior management	Technical Consultant Senior Manager - Finance Head of Investment Unit
Number of meetings in 2018	6	4	4	3

GRI Disclosure 102-18

Attendance at Board and Committee Meetings

	Board	Board Audit Committee	Remuneration and Nomination Committee	Related Party Transactions Review Committee	Investment Committee
Number of Meetings	13	6	4	4	3
Mr Jehan P. Amaratunga	13	-	4	-	3
Mr. N. Vasantha Kumar	13	5	-	-	3
Mr. Lakshman Abeysekara	13	6	4	-	-
Mr. M. Abeyrathna Bandara	13	6	-	-	-
Mr. N. P. Karunarathne	13	-	-	4	-
Mr. S. P. K. Gunarathne	13	-	4	4	3
Mr. A. S. Ibrahim	13	-	-	4	3

Management

Subject to the powers reserved to the Board, the Board has delegated management of the Company to the Chief Executive Officer (CEO) and, under his supervision, to the members of the senior management.

The senior management is responsible for providing counsel to the CEO, acting as a sounding board and ensuring overall coordination across the Company and the Group and other key stakeholders. Ultimate decision-making powers remain vested with the CEO and all members of the senior management exercise powers in accordance with their delegated authority.

Role of the CEO

The CEO is the apex executive officer in the Company and has responsibility and accountability for the Company's management and performance. He represents the overall interests of the Group towards third parties to the extent such interests are not represented by the Board. The CEO is responsible for developing and implementing the strategic and financial plans approved by the Board. He has specific powers and duties pertaining to strategic, financial and organisational matters and manages, supervises and coordinates the activities of the members of the senior management and of his other direct reports.

Operations Management Committee

The Operations Management Committee (OMC) headed by the CEO ensures that the policies and strategies determined by the Board are implemented and the business and affairs of the Company are managed with the main objective of improving on sustainable growth.

In addition to making decisions on matters pertaining to the operations of the Company within the management's purview and making recommendation to the Board thereon where appropriate, the OMC also takes the initiative to review, from time to time, the Company's strategies and policies relating to social and environmental impacts in consultation with the Corporate Sustainability Committee. All critical issues arising from or discussed at the OMC level are escalated to the Board through the CEO at monthly Board meetings. Except for the issues relating to the day-to-day management of the business, no critical issues were reported to the Board during the year 2018.

Corporate Sustainability Committee

The Corporate Sustainability Committee (CSC) comprising the Chief Executive Officer, Head of Finance and the senior management of the Company is responsible to guide the sustainability process with focused monitoring and is ultimately accountable to the Board on sustainability matters of the Company. The CSC supports the value creation process to stakeholders by integrating ethical, social and environmental responsibility into daily business activities and strategic decisions as defined by the corporate vision and mission statements. Thus, the Company has made the formal and informal scanning of the environment in which it operates an everyday executive responsibility, and the Company's Board is regularly apprised of developments that could have a bearing on its performance and sustainability.

GRI Disclosure 102-18

CORPORATE GOVERNANCE

The Sustainability Coordinator appointed by the CSC is charged with the responsibility of focusing on the sustainability strategy of the Company. The CSC which is delegated with the authority for day-to-day management of economic, environmental and social topics, in turn has delegated the co-ordination and monitoring of the sustainability initiatives undertaken at various levels of the organisation to the Sustainability Coordinator. The Sustainability Coordinator submits periodical updates to the Board through the CSC on the Company's sustainability initiatives, risks and opportunities arising from economic, social and environmental factors impacting the Company's business operations and stakeholder concerns thereon.

In addition, the Sustainability Sub-committee (SSC) formed at the cross-functional and cross-divisional levels of the organisation assist the Sustainability Coordinator and the CSC in the preparation of the sustainability policy framework and the annual sustainability action plan, interaction with stakeholders, ensuring a close link and increased awareness within the organisation on sustainability matters, carrying out sustainability activities and appointing sustainability representatives annually to represent all departments to assist the activities of SSC.

The Integrated Annual Report of the Company which is approved by the Board prior to it being released, provides a detailed account to the stakeholders of Company's sustainability strategy, value creation and initiatives.

Stakeholder Relations

The Company recognises that its relevance to the markets and societies in which it operates depends on continued and meaningful engagement with all its stakeholders. Thus, the Company's stakeholder management approach involves the optimal application of the organisation's resources to build and maintain good relationships with stakeholders. This helps the Company to understand the expectations of society, minimise reputational risk and form strong partnerships, which all underpin business sustainability.

Regular, pertinent communication with shareholders is part of the responsibility of the Board and the management to improve shareholder relationships. In addition to the ongoing engagement facilitated by the periodical one-on-one sessions with institutional investors, brokers and financial analysts, the Board encourages shareholders to attend the Annual General Meeting where interaction is welcomed. The chairmen of the Audit, Remuneration and Nomination and Related Party Transactions Review committees are available at the meeting to respond to questions from shareholders.

Compliance

> The Company promotes a robust compliance culture across the organisation and requires everyone, from the Board down to staff, to consistently comply with applicable laws, regulations and standards.

Our Approach to Compliance

Compliance forms an important part of governance and risk management. Therefore, the basis of our compliance management mechanism is a comprehensive analysis of the compliance risks to which the Company is exposed. The Company and its business activities are examined in terms of potential compliance risks that can arise, including from its structures, processes and market conditions. Thus, the approach adopted by us towards compliance is a preventive approach which aims to create a corporate culture that stops potential breaches before they occur by raising awareness and educating employees.

Governance through Policies and Processes

The Company's internal charters and policies are designed to support and maintain a transparent and effective internal control system, institutionalisation of best processes for governance, management of risk and compliances across the organisation.

Internal Controls

The Company has adopted a set of internal controls to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard stakeholder interests and to ensure the reliability of the Company's financial record keeping and reporting.

The Board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness. Thus, risks and controls are regularly reviewed and monitored by the Board with the assistance of the Board Audit Committee, for relevance and effectiveness.

Internal controls are designed to mitigate, not eliminate, significant risks faced by the Company. The Company recognises that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as risk management, internal audit and compliance.

Risk Management

The Company's risk management process addresses all types of risks, including credit, market, operational, liquidity, reputational and strategic. It ensures the effective identification, understanding, measurement, mitigation and reporting of all risks, the allocation of adequate capital against those risks, and the assurance of an appropriate risk/return relationship. These core values outline the enterprise-wide risk management activities of the Company and detail high level organisation, authorities and processes relating to all aspects of risk management.

On behalf of the Board, the Board Audit Committee regularly reviews the economic, environmental and social impacts and risks on the Company's operations and reports to the Board. In addition, the Integrated Risk Management Committee of the Parent Company also oversees the risk management functions of the Company through the quarterly reports that are submitted to it by the Company.

Entrenching Ethics

The Board assumes ultimate responsibility for the Company's ethics performance. This responsibility is delegated to the management, which uses the following tools to fulfill its mandate:

Business Conduct and Ethics Policy – Being responsible is at the heart of our approach to business. This commitment is encapsulated in the Business Conduct and Ethics Policy, to which all Directors and employees must adhere.

The Company's Ethics Policy is informed by the Group's values; ethical standards, as set out in anti-corruption and corporate governance legislation and globally recognised standards and is reviewed periodically to ensure it stays relevant in a changing business environment.

Code of Ethical Conduct for staff – The Code of Conduct of the Company expands on the Ethics Policy. This operational document offers examples of ethical behaviour to help employees make ethical decisions.

The Chairman and the Board set the ethical tone for the Company. The Chief Executive Officer together with the senior management, are responsible for entrenching the Company's values Ethics Policy and Code of Conduct across the all levels of employment.

Whistleblower Mechanism

The Whistleblower Policy also serves as a widespread informal channel of information on violations of laws, rules and regulations and unethical conduct and corporate fraud. This policy enables employees who observe or notice any improper or illegal activity or unethical practice in the Company or receive credible information on such a practice, to report the same to the Board Audit Committee. Information channelled through the whistle blower is verified carefully and appropriate actions are taken by the Board Audit Committee.

Assurance

> Assurance mechanisms act as the supervisory module of our corporate governance framework and ensure integrity of its operations and existence of a sound governance system.

External Audit

The external audit report enables the Board with necessary proof to determine the appropriateness, adequacy and effectiveness of the Company's internal controls which forms an essential part of a sound corporate governance mechanism.

The external assurance report issued by Messrs. Ernst & Young, Chartered Accountants on the financial statements is presented on pages 157 to 159 of this Annual Report.

Messrs. Ernst & Young, Chartered Accountants functioned as the external auditors of the Company during the year ended 31st December 2018. In addition to the normal audit services, the external auditors also provide certain non-audit services to the Company. All such services have been provided with the approval of the Board Audit Committee and in a manner to ensure that there are no adverse effects on the independence of their audit work or the perception of such independence. The external auditors also provide a certificate of independence on an annual basis.

GRI Disclosure 102-56

CORPORATE GOVERNANCE

Actuarial Certification on IBNR Provision

The Company obtains an actuarial valuation of its claim and premium liabilities from an independent professional firm on a quarterly basis. Since claims reserves and measurement of sufficiency of premium liabilities to meet future obligations are based on judgment and estimates, an actuarial valuation provides a greater degree of comfort as to the adequacy of these liabilities. The Company adopts undiscounted 75% confidence level basis since 2013 in determination of its claim liabilities according to the actuarial valuation principles and is one of the very few insurance companies in Sri Lanka to follow this basis. Prior to 2013, the Company adopted the central estimate actuarial valuation basis for both premium and claim liabilities. Undiscounted 75% confidence level basis includes a provision of risk margin for adverse deviation and usually requires a company to have more provisions for claim liabilities in order to absorb unexpected losses that may occur, to a greater extent. Hence undiscounted 75% confidence level basis in actuarial valuation provides a greater degree of confidence on the adequacy of provisions in respect of claim liabilities of an insurance company. In view of this, the Company is confident that the provisions made for claim liabilities are adequate to meet future obligations. The certification of the Actuary regarding the claims and premium liabilities is presented on page 156 of this Annual Report.

Internal Audit

The internal audit department is an independent function that intends to enhance the Company's overall control environment. Its mandate and authority are defined in its Internal audit charter which has been approved by the Board Audit Committee. To maintain its independence, the internal audit department reports to the Board Audit Committee, which in turn reports to and is accountable to the Board.

The internal audit is tasked to assist the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal audit's risk-based internal audit plan focuses on the following:

- Ascertain effectiveness and efficiency of the Company's internal control structure;
- Ascertain integrity and reliability of financial and operational information;
- Ascertain safeguarding and utilisation of the Company's assets; and
- Ascertain compliance with established policies, procedures, laws and regulations.

ISO Certification on Carbon Footprint Computation

The Company is committed to operating in a manner that is economically, socially and environmentally sustainable while balancing the interests of its various stakeholders. Thus, the Company performs its social responsibilities by taking management measures methodically and orderly, while considering the possible overall effects of its decisions and actions on the economy, society and environment at large. Thus, aligning its strategies to the parent; People' Leasing & Finance PLC's carbon neutral initiatives, the Company tracks its GHG (Green-House-Gas) emissions, vis-à-vis the 'GHG Protocol, ISO 14064:2006' standards under the guidance of the Sri Lanka Climate Fund. The ISO certification on the carbon footprint computation issued by the Sri Lanka Climate Fund is presented on page 278 of this Annual Report.

Assurance on the Sustainability Reporting

The Company is aware that the benefits of sustainability reporting go beyond relating financial risk and opportunity to performance along ESG dimensions and establishing license to operate. Sustainability disclosure serves as a differentiator in competitive industries and fosters investor confidence, trust and employee loyalty.

In order to ensure that accepted sustainability reporting standards are followed in the preparation of its annual report, the Company obtains the services of an independent professional firm, M/s. Ernst & Young, Chartered Accountants to provide an assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' issued by the CA Sri Lanka on compliance with the Global Reporting Initiative, GRI standards. The assurance report issued is presented on pages 276 to 277 of this Annual Report

ISO Certification on IT system

IT governance plays a critical role in assuring integrity, confidentiality, connectivity and continuity of information management within the Company. The Board Audit Committee is delegated with the authority to ensure the implementation of the IT governance framework. Its design, implementation and execution have been assigned to the Group ICT Department. The Board Audit Committee ensures that risks are adequately addressed through risk monitoring and assurance processes, and considers the impact of IT on financial controls in its annual audit plan. Material findings are reported to the Audit Committee which monitors remedial actions implemented by the management.

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

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

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

GENERAL

The Board of Directors of People's Insurance PLC ('the Company') has pleasure in presenting this report to the shareholders together with the audited financial statements for the year ended 31st December 2018 of the Company and the Independent Auditor's Report thereon in compliance with the requirements of the Companies Act. People's Insurance PLC is an insurance company registered under the Regulation of Insurance Industry Act No. 43 of 2000 and is a public limited liability company incorporated in Sri Lanka on 22nd July 2009 under the Companies Act.

The registered office and the principal place of business of the Company is situated at No. 07, Havelock Road, Colombo 05.

The Company's parent company is People's Leasing & Finance PLC.

NATURE OF THE BUSINESS

[Section 168 (1) (a)]

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission statements are provided on page 9. The Company's business activities have been carried out within the framework of the vision and mission statements, which reflect our commitment to the highest ethical standards and integrity as set out in the Code of Business Conduct and Ethics, and in conformity with the values of the Company stated on page 61 of this Report.

PRINCIPAL ACTIVITIES

There were no significant changes in the nature of principal activities of the Company during the financial year under review. The principal activity of the Company, which is non-life insurance, remained unchanged. The Company has not engaged in any activities, which contravene laws and relevant regulations.

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

COMPANY OWNERSHIP STRUCTURE

The details of the Company ownership structure is given on page 9 of this Annual Report.

BRANCH NETWORK

The total branch network of the Company as at 31 December 2018 comprised six regional offices, 99 window offices at People's Leasing & Finance PLC branch network and 25 representatives at People's Bank regional branches.

REVIEW OF BUSINESS

A review of the financial and operational performance and future business developments of the Company is contained in the Chairman's Message (pages 25 to 27), Chief Executive Officer's Review (pages 28 to 31) and Performance Against Strategy (pages 89 to 150). These reports form an integral part of the Annual Report of the Board of Directors and together with the audited financial statements reflect the state of the affairs of the Company.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is presented in the Chairman's Message (page 27), Chief Executive Officer's Review (page 30) and Performance Against Strategy (pages 89 to 150).

FINANCIAL STATEMENTS

[Section 168 (1) (b) and 2]

The financial statements of the Company for the year ended 31st December 2018 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) and comply with the requirements of the Companies Act No. 07 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000 as amended and which were duly certified by the Chief Financial Officer (the person responsible for the preparation of the financial statements) and were approved by two members of the Board as appearing on pages 160 to 249 form an integral part of this Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company to reflect the true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto. The Statement of Directors' Responsibility for Financial Reporting provided on pages 153 to 154 forms an integral part of this report.

FINANCIAL RESULTS APPROPRIATIONS

The Company recorded a net profit of Rs. 729 million for the year. A synopsis of the Company's performance is presented below.

	2018 Rs. '000	2017 Rs. '000
Profit after taxation	729,062	773,085
Profit brought forward from previous year	1,711,544	1,287,639
Impact of adopting SLFRS 9	(7,431)	-
Profit available for appropriation	2,433,175	2,064,724
Appropriations		
Interim dividend paid in respect of previous year	(200,000)	(150,000)
Final dividend paid in respect of previous year	(50,000)	(50,000)
Interim dividend paid in respect of current year	(150,000)	(150,000)
Other comprehensive income	(1,738)	820
Un-appropriated profit carried forward	2,031,437	1,711,544

PROVISION FOR TAXATION

The tax position of the Company is disclosed in Note 20 (pages 188 to 189) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are shown in Note 24 (pages 193 to 195).

RESERVES

The movement in reserves during the year is set out in the Statement of Changes in Equity on page 163.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 26 (pages 197 to 208) to the financial statements.

TURNOVER

The Company underwrote an amount of Rs. 5,592 million in 2018 (Rs. 4,782 million in 2017) as gross written premium. Gross written premium for the year by major classes of business is given on page 178.

STATED CAPITAL AND SHAREHOLDERS' FUNDS

In compliance with the Companies Act, the financial statements reflect the stated capital of the Company. The stated capital of the Company as at 31st December 2018 amounted to Rs. 1,350 million (Rs. 1,350 million in 2017).

EXTERNAL AUDITOR

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

Messrs. Ernst & Young, Chartered Accountants served as the Company's Auditors during the year under review as decided by the Auditor General.

INDEPENDENCE OF THE EXTERNAL AUDITOR

Based on the declaration made by Messrs. Ernst & Young and as far as the Directors are aware, the Auditor does not have any relationship or interest in the Company or the Parent Company other than to the extent disclosed in this paragraph.

AUDITOR'S REPORT

The Report of the Auditor on the financial statements of the Company is provided on pages 157 to 159.

AUDITOR'S REMUNERATION

A sum of Rs. 1,915,500 (2017 - Rs. 1,775,000) was payable to Messrs. Ernst & Young as audit fees during the year under review and a sum of Rs. 1,181,226 (2017 - Rs. 1,112,500) was payable by the Company for tax related services and other non-audit work performed.

APPOINTMENT OF AUDITORS

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorised by the Auditor General shall carryout the External Audit of the Company for the ensuing financial year.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

[Section 168 (1) (d)]

Accounting policies of the Company are prepared based on the Sri Lanka Accounting Standards and industry best practices. The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements.

NEW ACCOUNTING POLICIES AND REGULATION

The Board has taken into consideration the requirements of the Sri Lanka Accounting Standard – SLFRS 9 on Financial Instruments effective for the annual periods beginning on 1st January 2018, and the requirement of the new standard was fully implemented during the year.

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

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

BOARD OF DIRECTORS

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

PROFILES

Names of the Board of Directors together with their profiles, including skills and experience are set out on pages 10 to 12 of this Annual Report.

APPRAISAL OF BOARD PERFORMANCE

The method used to appraise the performance of the Board of Directors is presented in the Corporate Governance section on page 57.

OTHER DIRECTORSHIPS/SIGNIFICANT POSITIONS OF DIRECTORS

Information of the other directorships/significant positions of the present Directors of the Company are given in their profiles presented on pages 10 to 12.

RESIGNATIONS AND APPOINTMENTS

There were no resignations and appointments during the year 2018.

INTERESTS REGISTER

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

Directors' Interests in Transactions

The Directors of the Company have made general declarations as provided for in section 192 (2) of the Companies Act. Arising from this, details of contracts in which they have an interest are found in Note 46 on page 246, under related party transactions.

Loans to Directors

The Company has not granted any loans to the Directors.

Directors' Interests in Shares

The Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof. The Directors' individual shareholding in the Company as at 31st December 2018 and 31st December 2017 are given below.

Name of Director	Number of Shares	
	As at 31st December 2018	As at 31st December 2017
Jehan P. Amaratunga	-	-
N. Vasantha Kumar	-	-
Lakshman Abeysekera	-	-
W. M. Abeyrathna Bandara	-	-
N. P. Karunarathne	-	-
S. P. K. Gunarathne	-	-
A. S. Ibrahim	-	-

Remuneration to Directors

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

	2018 Rs. '000	2017 Rs. '000
Executive Directors' fees and emoluments	-	200
Non-executive, Non-independent Directors' fees and emoluments	2,225	2,150
Non-executive, Independent Directors' fees and emoluments	3,250	3,175
Total	5,475	5,525

Directors' Meetings

Details of Directors' meetings are presented on page 59.

SHARE INFORMATION

Information relating to earnings, dividends and net assets per share is given in the Five Year Summary on page 289.

SUBSTANTIAL SHAREHOLDINGS

People's Leasing & Finance PLC held 75% of the ordinary voting shares as at 31st December 2018. The list of top 20 shareholders, number of shares held, percentage of their respective holding and the public holding percentage are given under the title, Shareholder Information on pages 282 to 286 of this Annual Report.

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information to shareholders in all published materials.

DIVIDENDS

An interim dividend of Rs. 0.75 per share was paid in 18th September 2018. The Directors also recommended a final dividend of Rs. 1.10 per share for the financial year ended 31st December 2018.

The Board of Directors ensured that the Company met the requirement of the solvency test in terms of Section 56(3) of the Companies Act No. 07 of 2007 immediately after the payment of the said interim dividends and would ensure the compliance with the Solvency Test after the payment of the said final dividend as well. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the Auditors in respect of the interim dividend paid and would obtain a certificate of solvency from the Auditors in respect of the final dividend not yet paid, thereby strictly conforming to the above statutory provision.

DONATIONS

[Section 168 (1) (g)]
During the year under review, the Company made donations amounting to Rs. 978,753 (2017 - Rs. 632,376) in terms of the Resolution passed at the last Annual General Meeting. The corporate social responsibility initiatives of the Company are presented in 'Social and Relationship Capital' on pages 134 to 137 and 'Natural Capital' on pages144 to 147.

CORPORATE GOVERNANCE

[Code of Best Practice D.1,D.1.1,D.1.4,D.4]
The Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided the necessary resources and installed appropriate processes and procedures in compliance with the relevant codes of best practice issued by the regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance 2017. The measures taken in this regard and information to fulfil disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set out on pages 271 to 275 of this Annual Report.

Further, the Directors declare that:

- The Company has not engaged in any activity which contravenes laws and regulations.
- All material interests in contracts involving the Company have been declared by the Directors and they have refrained from voting on matters in which they were materially interested.
- The Company has made all endeavours to ensure the equitable treatment of shareholders.
- The business is a going concern.
- A review of internal controls covering financial, operational and compliance controls and risk management has been conducted and the Directors have obtained a reasonable assurance of their effectiveness and successful adherence.

SYSTEM OF INTERNAL CONTROLS

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

BOARD SUB-COMMITTEES

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

Board Sub-committees	Committee Report Reference
Board Audit Committee	Pages 71 to 72
Remuneration and Nomination Committee	Pages 74 to 75
Related Party Transactions Review Committee	Page 73

The composition of each Board Sub-committee and Directors' attendance at meetings are given on pages 58 to 59.

RELATED PARTY TRANSACTIONS

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

Such transactions disclosed by the Directors are given in Note 46 to the financial statements on page 246 and form a part of the Annual Report of the Board of Directors. During the year, there were no transactions which exceeded 10% of the equity or 5% the total assets which require immediate disclosure to the CSE and separate disclosure in the Annual Report.

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

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

REMUNERATION AND NOMINATION COMMITTEE

The report of the Remuneration and Nomination Committee are given on pages 74 to 75 of this Annual Report.

BOARD AUDIT COMMITTEE

All the members of the Board Audit Committee are Non-executive Directors. The Chief Executive Officer and Head of Finance attend the meetings by invitation. The report of the Board Audit Committee is given on pages 71 to 72.

RISK MANAGEMENT

The Board and executive management of the Company have put in place an adequate risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Enterprise Risk Management report on pages 76 to 87.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has complied with all applicable laws and regulations. A separate paper on regulatory compliance is submitted to the Board on a monthly basis. Further, the Company complies with the Financial Transaction Reporting Act No. 40 of 2011 and the Convention on the Suppression of Terrorist Financing Act No. 3 of 2013, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

ENVIRONMENT

The Company has not engaged in any activity that is harmful to the environment.

STATUTORY PAY MENTS

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

OUTSTANDING LITIGATIONS

In the opinion of the Directors and in consultation with the Company Lawyers, litigation currently pending against the Company will not have a material impact on the reported financial results or future operations of the Company other than those arising in the normal course of conducting insurance business.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are provided in Note 48 (page 249) to the financial statements.

GOING CONCERN

(Code of Best Practice D1.4)

After considering the financial position, the Company's corporate/business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance 2017 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on 29th March 2019 at 3.30 p.m. The Notice of the Meeting relating to the 10th Annual General Meeting is given on page 301.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

[Section 168 (1) (k)]

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

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

Lakmini Kottegoda
Company Secretary

26th February 2019
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

In line with Section D2.5 of the Code of Best Practices on Corporate Governance 2017 (Code), the Board of Directors presents this report on Internal Control of People's Insurance PLC (the Company).

RESPONSIBILITY OF THE BOARD

The Board is responsible for the design and effectiveness of the system of internal controls of the Company in safeguarding the shareholder's investment and the Company's assets. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls provides a reasonable, but not an absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

ONGOING PROCESS

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

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The Board, in establishing an appropriate control environment, stipulates the scope, reviews frequent reports on the design and effectiveness of the internal control system, management information systems and systems in place for compliance with applicable laws and regulations on a systematic basis.

SYSTEM OF INTERNAL CONTROL

The key processes that have been established in reviewing the adequacy and integrity of the system of internal control with respect to financial reporting include the following:

- Board Sub-committees are instituted to assist the Board in ensuring the effectiveness of the Company's operations and that those are in accordance with the corporate strategies and annual budget as well as the policies and business directions that have been approved.
- Policies and procedures are developed covering most of the functional areas of the Company and these are approved by the Board or Board approved sub-committees. Such policies and procedures are reviewed and approved periodically.
- The internal audit department reviews for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes in accordance with the audit plan which is drawn based on the level of risk assessed and the same is reviewed and approved by the Board Audit Committee. Findings of the internal audits are submitted to the Board Audit Committee for review at periodic meetings. Certain reviews over internal controls are outsourced to specialised external professional firms, depending on the nature and complexity of the concerned areas.
- The Board Audit Committee of the Company reviews the outcome of the audits carried out on internal control systems, regulatory authorities and management audits, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board Meetings of the Company. Further, details of the activities carried out by the Board Audit Committee are presented in the Board Audit Committee Report on pages 71 to 72.
- In assessing the internal control system, the Company continued to review and update procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. The internal audit department continues to verify the suitability of design and effectiveness of these procedures and controls on an on-going basis.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

CONFIRMATION STATEMENT

Having implemented the internal control processes as mentioned above, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the applicable Sri Lanka Accounting Standards and regulatory requirements.

By order of the Board

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

Lakshman Abeysekera
Chairman - Board Audit Committee

20th February 2019
Colombo

BOARD AUDIT COMMITTEE REPORT

CHARTER

The Charter of the Board Audit Committee (BAC) is revisited and revised regularly with the concurrence of the Board of Directors to ensure that the new developments relating to the functions of the Committee are addressed. The terms of reference of the Audit Committee is clearly demarcated in the Charter.

The Audit Committee, which reports to and is accountable to the Board, assists the Board of Directors in its general oversight responsibilities in relation to integrity of the financial reporting and disclosure, internal control and risk management systems, compliance with laws and regulations, whistleblowing and effectiveness of the functions relating to internal and external audits.

COMPOSITION

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

Brief profiles of the following members of the BAC as at 31 December 2018are given on pages 10 to 11 of this Annual Report.

- Mr. Lakshman Abeysekera (Non-Executive, Independent Director) – Chairman
- Mr. W. M. Abeyrathna Bandara (Non-Executive, Independent Director)
- Mr. N. Vasantha Kumar (Non-Executive, Non-Independent Director)

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

MEETINGS

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

During the year 2018, the BAC held five meetings. Attendance of the BAC members at meetings is set out in the table on page 59 of this Annual Report.

ACTIVITIES IN 2018

Reporting on Financial Position and Performance

In order for the Board to evidence a true and fair view of the Financial Position and Performance, the committee assisted the Board in its oversight responsibility on preparation of Financial Statements by providing assurance on the reliability of Financial Statements. The assurance is given through an independent review of risks, controls and governance processes. The Committee quarterly reviews the financial statements and annual financial statements are reviewed in consultation with the external and internal auditors prior to making recommendation to the Board for approval.

Compliance with Sri Lanka Accounting Standards

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

Identification of Risk and Control Measures

The Company adopted a risk based audit approach and the effectiveness of the Internal Control Procedures that are in place to identify, manage and mitigate all significant risks are monitored by the Committee on a quarterly basis.

A risk grading matrix is adopted for assessing and measuring the risks identified during the internal audits.

Oversight on Regulatory Compliance

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

Internal Audit

The BAC monitors the effectiveness of internal audit function by reviewing the adequacy of the audit coverage, functions, independence and resources of the internal audit department.

BOARD AUDIT COMMITTEE REPORT

BAC ensured the independence of the Audit Function by appraising the activities it audited and that those were performed with impartiality, proficiency and due care.

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

Significant findings of Internal Audits and Investigations with recommendations to the management are considered and appropriate instructions have been issued by the BAC. Further, follow-up actions on internal and external audit recommendations are monitored. During the year 2018 the committee invited a representative from an audit firm to brief the management on the importance of Corporate Governance, Risk Management and Internal Audit.

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

External Audit

In evaluating and selecting the Company's independent accounting firm, the Board Audit Committee considers, among other things, historical and recent performance of the current independent audit firm, an analysis of known significant legal or regulatory proceedings related to the firm, external data on audit quality and performance, industry experience, audit fee revenues, firm capabilities and audit approach, and the independence and tenure of the lead audit partner.

In assessing the independence of the external auditors, the Board Audit Committee has considered all of the relationships between the Auditor and the Company, the Company's management and Directors. The Board Audit Committee has considered whether a relationship with or service provided by the external auditors:

(a) creates a mutual or conflicting interest with the Company;
(b) places them in the position of auditing their own work;
(c) results in their acting as management or an employee of the Company; and
(d) places them in a position of being an advocate for the Company.

The BAC reviewed the external audit plan and discussed their audit approach and procedures, including the matters relating to the scope of the annual audit, delivery of audit, resources and quality assurance initiatives. 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 BAC, while ensuring that appropriate follow-up actions were taken.

According to Section 55 of the National Audit Act No. 19 of 2018, the Auditor General or any person authorized by the Auditor General shall carryout the External Audit of the Company for the ensuing financial year.

WHISTLE BLOWING AND FRAUD

The Company's whistle blower protection policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, reports the same to the Board Audit Committee. Concerns raised are investigated by the company and overseen by the Audit Committee and the identity of the person raising the concern is kept confidential, as even anonymous complaints are looked at.

Lakshman Abeysekera
Chairman – Board Audit Committee

26th February 2019
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

COMPOSITION

The Committee comprises Independent, Non-executive Directors. Composition of the RPTRC meets the requirements under the Listing Rules of CSE. The members of the Committee as of 31st December 2018 were:

- Mr. S. P. K. Gunarathne (Independent, Non-executive Director) - Chairman
- Mr. N. P. Karunarathne (Independent, Non-executive Director)
- Mr. W. M. A. Bandara (Independent, Non-executive Director)

Brief profiles of the above Directors are given on pages 10 to 11.

FUNCTIONS OF THE COMMITTEE

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

MEETINGS AND ACTIVITIES

The proceedings of the Committee meetings which mainly include activities under its mandate are reported to the Board of Directors. The Committee had four meetings during the year 2018 and details of attendance of the Committee members are set out in the table under page 59. The Chief Executive Officer and members of the management of the Company are invited to attend meetings as and when required.

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

METHODOLOGY ADOPTED BY THE COMMITTEE

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

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

DECLARATION

Related party transactions that took place during the year in terms of the Sri Lanka Accounting Standards are disclosed in the financial statements and have been approved by the Board of Directors. It may also be noted that there were no related party transactions that occurred during the financial year under review which required approval of the shareholders of the Company as determined in Rule 13 of the Code. Please refer the Annual Report of the Board of Directors on the Affairs of the Company, page 67 for the declaration made by the Board of Directors, confirming that no related party transaction falling within the ambit of the Listing Rules which required an immediate market disclosure was entered into by the Company during year ended 31st December 2018.

S. P. K. Gunarathne
Chairman - Related Party Transactions Review Committee

20th February 2019
Colombo

REMUNERATION AND NOMINATION COMMITTEE REPORT

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

COMPOSITION AND COMMITTEE MEETINGS

The Remuneration and Nomination Committee comprised the following Non-executive Directors as at 31st December 2018, whose brief profiles are given on pages 10 to 11 of this Annual Report.

- Mr. Jehan P. Amaratunga
  (Non-executive, Non-independent Director) - Chairman
- Mr. Lakshman Abeysekera
  (Non-executive, Independent Director)
- Mr. S. P. K. Gunarathne
  (Non-executive, Independent Director)

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

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

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

During the year, the Committee conducted four meetings for which all members of the Committee were present. Details pertaining to the attendance are provided on page 59 of this Annual Report.

ROLES AND RESPONSIBILITIES

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

Nomination related responsibilities are as follows:

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

Remuneration related responsibilities are as follows:

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

REWARD STRATEGY

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

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

REMUNERATION PRINCIPLES

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

AUTHORITY

The Committee has the authority to discuss issues relating to remuneration and nomination and report to the Board with recommendations, enabling the Board to take a final decision on the matter. The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary. Accordingly, the following initiatives have been taken by the management with the recommendation of the Remuneration and Nomination Committee and approval of the Board.

Initiatives in 2018	
Re-structure employee hierarchy and salary levels	The Committee reviewed the current hierarchy including grades of the cadre and completed the task of introducing a new employee hierarchy to align with the strategies of the Company (i.e. attract, retain and reward young talented staff within the organisation).
Implementation of people-centric human resource solution	The Company launched a comprehensive Human Resources Information System (HRIS) solution during the year, in order to provide a comprehensive set of HRM functionalities to serve the needs of the employees and the organisation.

EVALUATION OF THE COMMITTEE

As part of the annual self-assessment of the Board of Directors, the performance and effectiveness of the Board Committees was also assessed by the Board as a whole. Details of the annual assessment of the Directors can be found on page 57 of this Annual Report.

DIRECTORS' COMPENSATION

Compensations paid to the Board of Directors are specified on page 187 of this Annual Report.

Jehan P. Amaratunga
Chairman - Remuneration and Nomination Committee

20th February 2019
Colombo

ENTERPRISE RISK MANAGEMENT

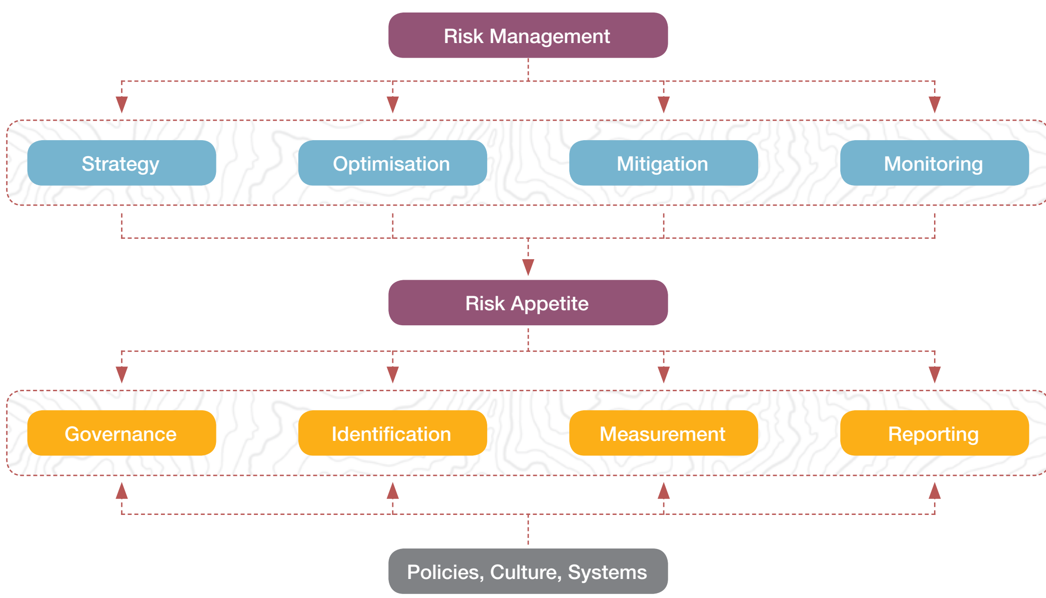
INTRODUCTION AND OVERVIEW

Risk management is embedded within our corporate governance process, underscoring our success as a responsible organisation. As an integral part of our overall corporate governance framework, risk management process is continuously evolving and developing. Our internal audit function and the Integrated Risk Management Committee of our parent company, play a key role in this process, including to risk identification, management and reporting. With a sound risk management process in place, future risks and opportunities can be accurately identified and dealt with in a timely manner. This in turn will support our organisation in achieving the goal of sustainable growth and secure our strategic and operational objectives.

The Company specific risks as well as the industry's common risks are analysed and reviewed by the Management Committee, Board Audit Committee and the Group Integrated Risk Management Committee. Risks covered at these levels mainly include strategic risks, operational risks, default risks, foreign exchange risks, concentration risks, fraud risks and labour related risks among other risks.

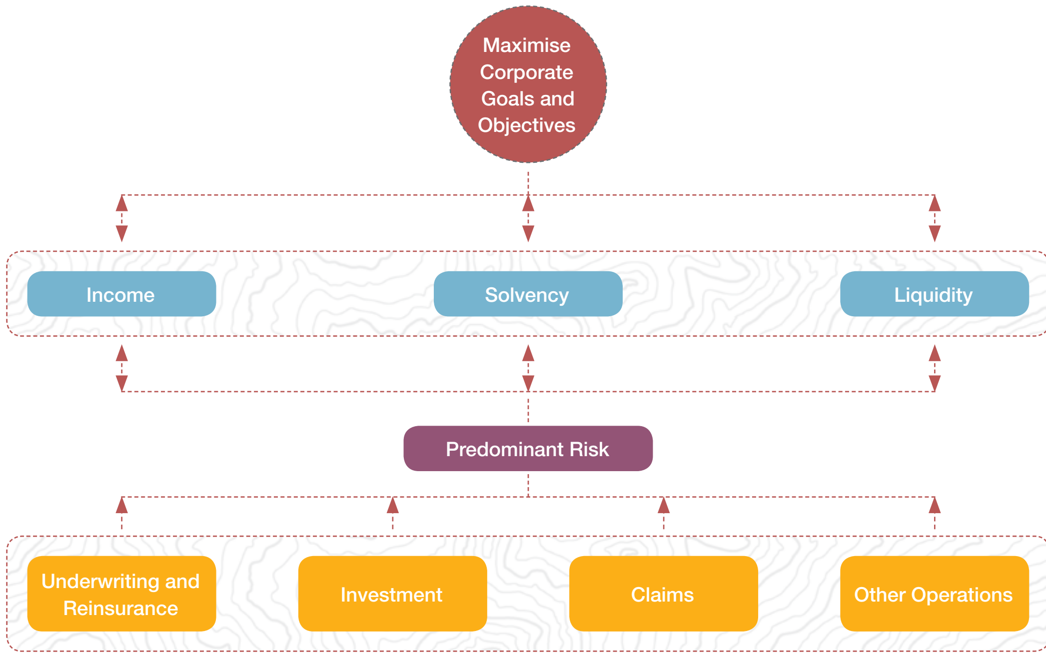
We are committed to bring in effective and efficient risk management practices into our operations to ensure that risks—which may delay or prevent achievement of both strategic and operational objectives—are assessed and controlled in time.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



We have designed our integrated risk management framework based on the ISO 31000 principles, and strive to ensure that this framework is embedded into our organisational culture, governance and accountability arrangements, planning, reporting, performance review, business transformation and improvement processes. This is particularly important for us as an insurer which is in the business of covering risks of others. We consider a number of factors, many of which can have a significant strategic impact. These range from marketing position, changing consumer demand to strategic investments, stakeholder communications and investor relations. Often, these risks tend to prompt management to focus on what could go wrong.

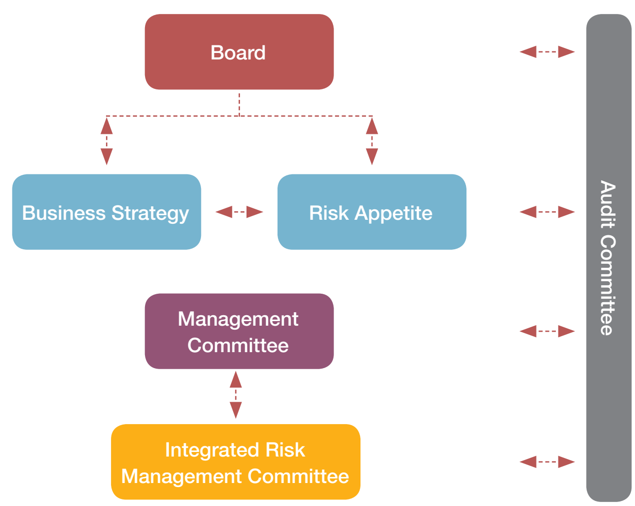
RISK APPETITE



RISK GOVERNANCE

Risk governance bridges the gap between corporate governance and risk management and is fully aligned with the objective of long-term value optimisation of a the company. The ultimate responsibility for setting our risk appetite, communication of the risk management strategy and accordingly, approving of policies come under the purview of our Board. In line with the delegations granted by the Board, our Board Audit Committee reviews specific risks and receive regular reports on risk management, which includes the Company's policies, standards, soundness of internal controls, infrastructure and regulatory compliance.

We have an internal audit department in place which focuses on providing an independent oversight to the Board of Directors and the Board Audit Committee on the processes and controls to mitigate major risks.

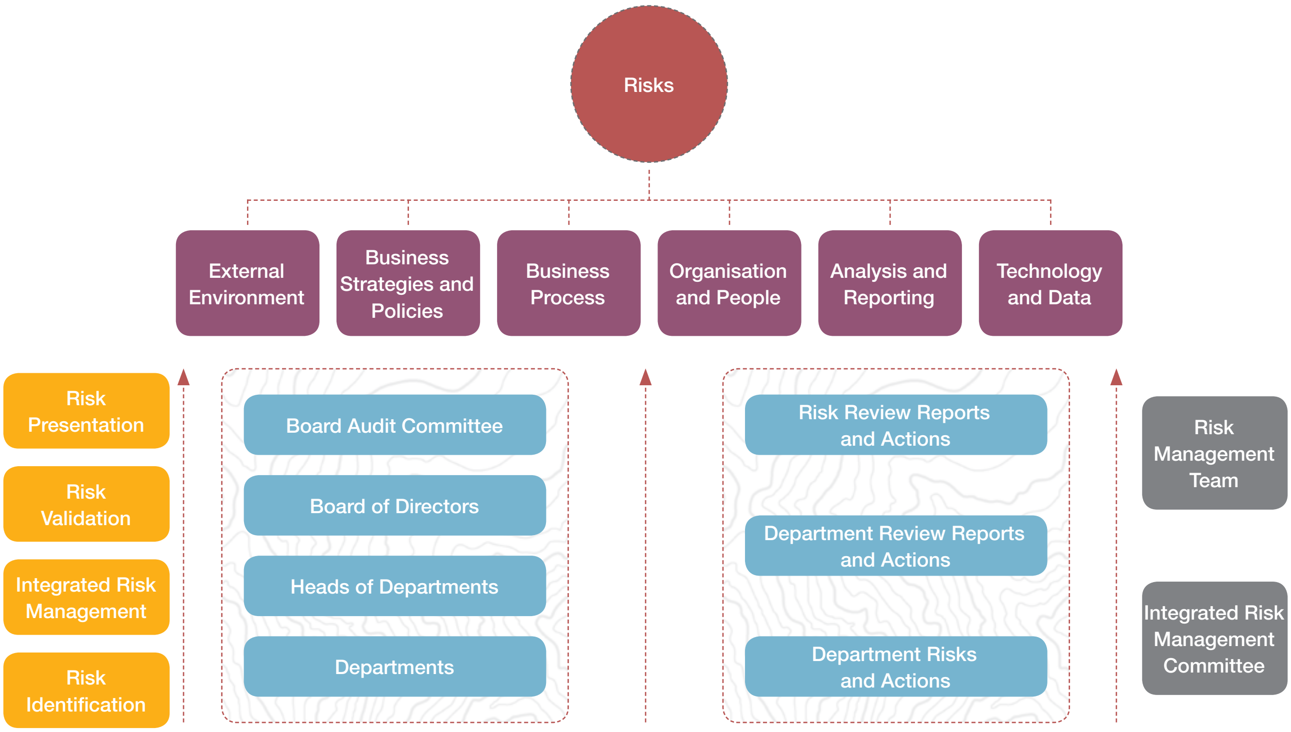


Our Enterprise Risk Management Committee is responsible for assessing, measuring and managing our risk exposures. In addition, our risks are assessed and monitored at the group level, by the Integrated Risk Management Committee of our parent company. Meetings of Integrated Risk Management Committee are held on a quarterly basis and actions are taken as appropriate.

ENTERPRISE RISK MANAGEMENT

RISK MANAGEMENT PROCESS

Our risk management process is diagrammatically presented below.



RISK ASSESSMENT

Our risk management framework consists of strategic, assumed and operational risks that are inherent within the insurance business. Our risk assessment process is based on the impact and likelihood of occurrence of risks and managing those risks through risk mitigating strategies. The key steps of our risk identification process are as follows:

- Continuous monitoring of internal and external environments;
- Identify and categorise risks in terms of their source, their impact on operations and the preferred strategies for dealing with them;
- Rate the risks based on the likelihood of occurrence and possible consequences or impacts; and;
- Prioritise the risks.

Risk analysis is effectively used to rate identified risks by considering the likelihood and consequences; and subsequently, prioritised or ranked, enabling further analysis.

The general risk exposure of our organisation as an insurance entity is diagrammatically presented below.

Identified Risks

Strategic

- Business risk
- Regulatory risk

INVESTMENT

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

Underwriting

- Exposure risk
- Claims settlement risk
- Reserving risk
- Reinsurance risk
- Credit risk

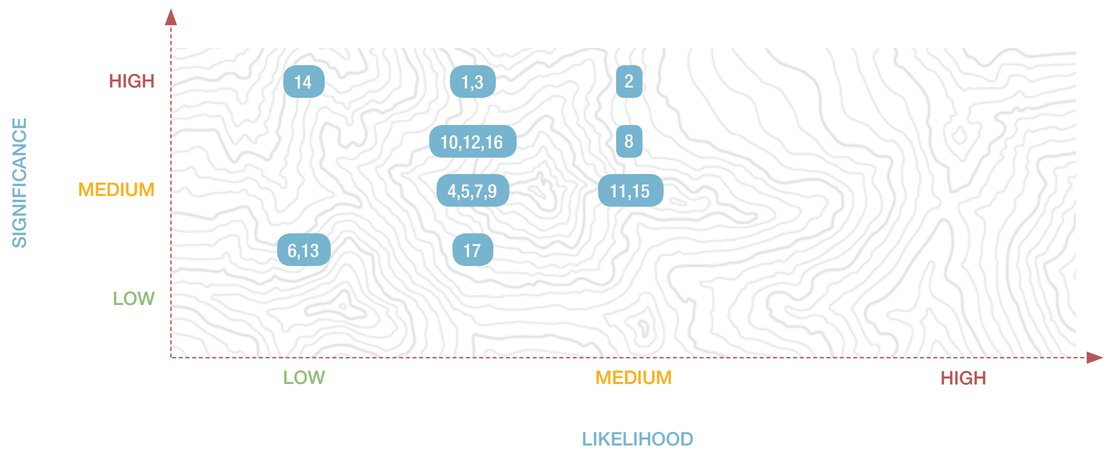
OPERATIONAL

- Socio-economic and political risk
- Environmental risk
- Information and communication technology risk
- Human resource risk
- Reputational risk
- Fraud risk

Our risk analysis and evaluation on the significance and likelihood are illustrated as follows;

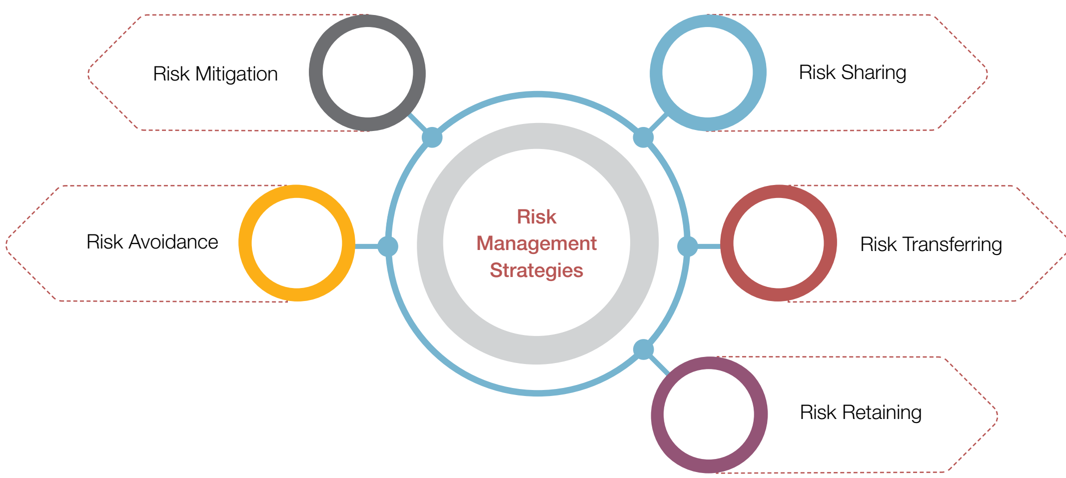
	Significance			Likelihood		
Risk Category	High (5)	Medium (4-2)	Low (1)	High (5)	Medium (4-2)	Low (1)
1) Business risk	5				2	
2) Regulatory risk	5				3	
3) Exposure risk	5				2	
4) Claims settlement risk		3			2	
5) Reserving risk		3			2	
6) Reinsurance risk		2				1
7) Credit risk – Insurance receivables		3			2	
8) Concentration risk		4			3	
9) Liquidity risk		3			2	
10) Credit Risk – Financial instruments		4			2	
11) Market risk		3			3	
12) Socio-economic and political risk		4			2	
13) Environmental risk		2				1
14) ICT risk	5					1
15) Human resource risk		3			3	
16) Reputational risk		4			2	
17) Fraud risk		2			2	

ENTERPRISE RISK MANAGEMENT



RISK TREATMENT

Risk treatment is the activity of selecting and implementing appropriate control measures to modify the risks. Risk treatment mainly includes risk control (or mitigation), but extends further to, for example, risk avoidance, transfer and sharing. Our system of risk treatment provides efficient and effective internal controls. Effectiveness of internal control is the degree to which the risk will either be eliminated or reduced by the proposed control measures. We believe that compliance with laws and regulations is not an option to an insurer, but key to the sustenance of the organisation in the long-run. We are aware of the applicable laws and regulations and have implemented a system of controls that achieves compliance. We take an integrated approach, because it is impossible to manage any of these risks in isolation and it needs to fit the size, nature and complexity of our business. Therefore, risk management which plays a crucial role, is considered an integral component of our enterprise governance system.



The key strategies followed to manage our risks are:

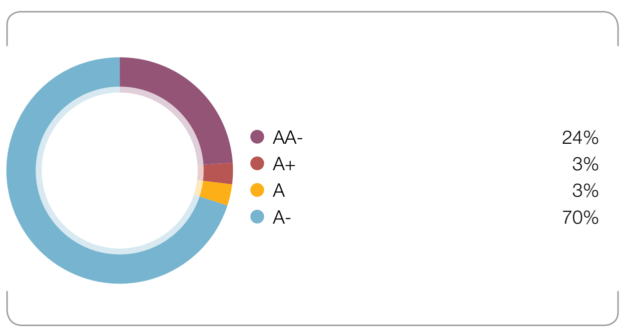
- Reducing risks through strong internal controls
- Risk transferring
- Risk sharing
- Avoiding risks by being selective in choosing options, where possible
- Retaining risks either to minimise cost on reducing risks or gain a higher profit by taking on more risks

Monitoring and reviewing functions ensure that the organisation monitors its risk performance and takes into account the lessons learnt. Communication and consultation is another important mechanism of feedback of risk management as well as part of the supporting framework. We monitor the risks quarterly by way of a risk dashboard presented to the Integrated Risk Management Committee and it is communicated to our Board, if there is a major impact on our operations.

A summary of the controls that have been adopted and implemented to manage risks that are generally faced by insurance companies is given in the following table.

Risks	Controls
Strategic Risks	
Business Risk This relates to poor strategic business decisions. Business risk may arise if the corporate strategy is not compatible with the market and customer expectations, or with socio economic/political parameters.	• The Company's budget is approved by the Board on an annual basis. • Strategic plans are reviewed by the Board on an ongoing basis.
Regulatory Risk This arises when the Company is not in compliance with the regulatory requirements which are subject to change from time to time.	• The management reviews the changes in regulations and assesses the business impact of such proposals. • A comprehensive regulatory compliance checklist is in place, which is signed off by the relevant officials on a monthly basis. • A separate Board paper on compliance which is verified by the internal audit department is presented to the Board on a monthly basis. • Company officials closely work with regulators, other insurance companies, etc. to ensure that regulatory requirements are fully understood and complied with.
Underwriting Risks	
Exposure Risk The risk of accepting insurance business that carries an unacceptably high exposure to the risk of claims and accepting risks at rates that do not contain an adequate risk premium.	• Follow the Delegation of Financial Authority Manual which establishes limits for underwriting authority. • Profitability, pricing and terms and conditions of the policies are reviewed by the Management on an ongoing basis. • Underwriting staff scrutinises all relevant information and documents before granting covers. • Underwriter training is extended to train staff in their underwriting duties. • Underwriters work within a formally documented limit of authority including segregation of duties. • In case of a need for reinsurance support, cover is not confirmed until the reinsurance cover is confirmed by the reinsurer.

ENTERPRISE RISK MANAGEMENT

Risks	Controls
Claim Settlement Risk This refers to the risk of possible disputes which may arise at the time of settling claims.	• Customers are advised on the adequacy of sum insured and covers, deductibles, special terms and conditions, etc. • Claims Manual is available and updated on a periodic basis. • Claims handling staff cross check policy conditions, covers, sum insured and other underwriting details with available information on the claim. • Segregation of duties is in place with regard to claims payment function. • Claim payments are recommended and approved based on pre-defined authority limits. • Information is cross checked from various sources.
Reserving Risk This risk refers to unexpected or unbudgeted increases in claims from business written prior to the current underwriting year.	• Claims handling staff creates necessary reserves as soon as information is received. • Reserves are updated as and when further information is received. • Reserves are reviewed periodically. • An independent, professional actuary is in place for valuation of incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims provision and valuations are obtained from the actuary on a quarterly basis.
Reinsurance Risk This refers to the risk of inadequate transfer of underwriting risks to reinsurers and the inability to meet their commitments due to insufficient financial stability.	• Reinsurance is obtained from reinsurers with standards approved by the Insurance Regulatory Commission of Sri Lanka and National Insurance Trust Fund (NITF). • Reinsurance panel is approved by the Board on an annual basis. • Reinsurer ratings are reviewed on a periodic basis and appropriate measures are taken accordingly. Reinsurance receivables as at 31st December 2018 by rating is illustrated below. 
Credit Risk – Insurance Receivables This arises when the customers/intermediaries do not settle their dues as per the contractual obligations to the Company.	• Customers are informed on a regular basis regarding the premium warranty clause. • Credit is granted as per the Board approved credit policy. • Outstanding premiums are followed up on an ongoing basis. Policies which are not settled within a reasonable time period are cancelled on a regular basis. • Outstanding premiums are checked before settling claims. • A provisioning policy has been implemented for long outstanding premiums.

Risks	Controls

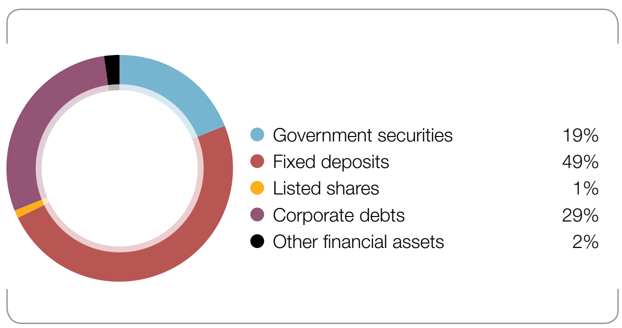
Investment Risks

Concentration Risk

This refers to the risk arising from the lack of diversification, investing too heavily in one industry, one geographic area, or one type of security.

- Follow the limits specified in the Delegation of Financial Authority Manual and Investment Operations Manual.
- Single exposures are reviewed by the Investment Committee periodically.
- The Board reviews the Company's investment portfolio on a monthly basis.
- A stringent process is in place to monitor the single investment exposure limits at entity level and group level prescribed by the Insurance Regulatory Commission of Sri Lanka.
- A significant amount of total investments is made in government securities which are considered risk free.
- A careful analysis is done before investing in equity investments.

The composition of the Company's investment portfolio as at 31st December 2018 is given below.

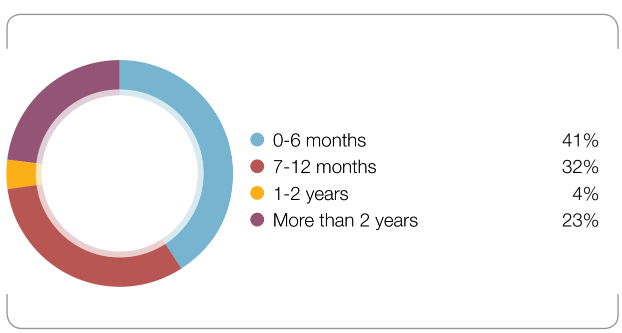


Liquidity Risk

This arises when a security or asset cannot be traded in the market on time to prevent or minimise a loss.

- Investment durations are diversified depending on the cash flow needs of the Company.
- Cash flow analysis is done prior to investments are made.
- Maturity periods of the investments are regularly reviewed.

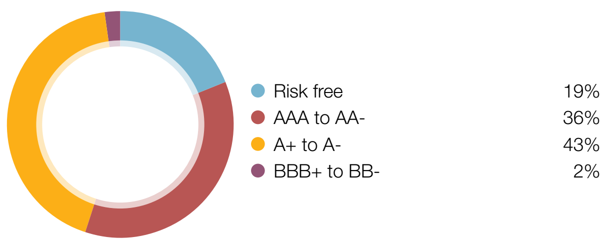
Maturity analysis of government securities, corporate debt and fixed deposits as at 31st December 2018 is given below.



ENTERPRISE RISK MANAGEMENT

<table>
<tr><th>Risks</th><th>Controls</th></tr>
<tr><td>Credit Risk – Financial Instruments
This refers to the potential that a borrower or counter party will fail to meet its obligations in accordance with the agreed terms.</td><td>• Credit rating of the respective investee or issue is evaluated prior to investing.
• A stringent process is in place to monitor the single investment exposure limits prescribed by the Insurance Regulatory Commission of Sri Lanka.

Analysis of investments in government securities, fixed deposits and corporate debts with credit ratings of the investees as at 31st December 2018 is given below.



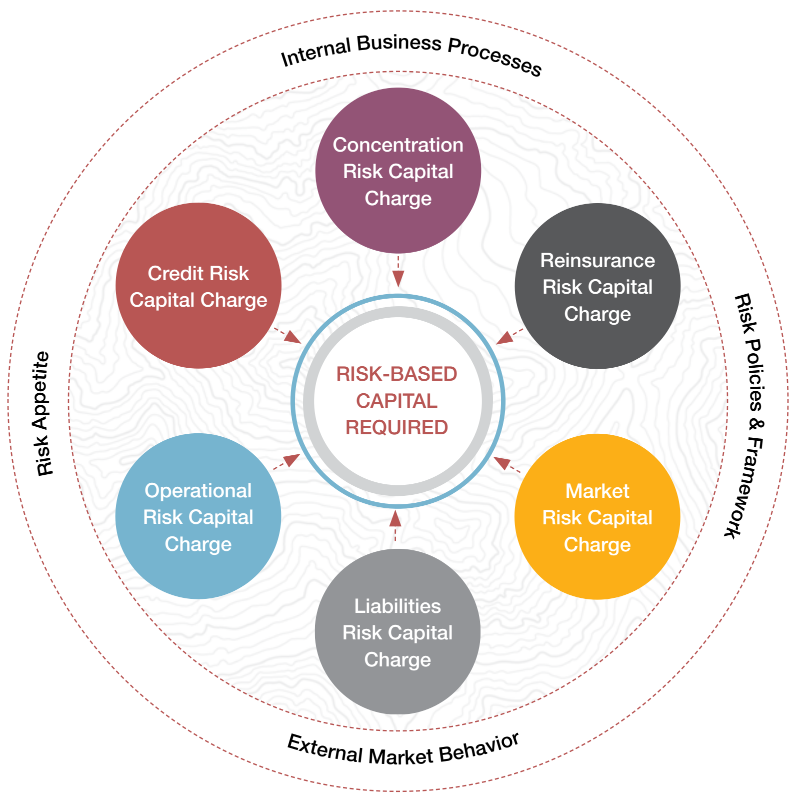
* Government securities were assumed to be credit risk free instruments</td></tr>
<tr><td>Market Risk
This refers to the risk of losing value of investments due to adverse movement in asset prices.</td><td>• Investment decisions are based on fundamentals rather than on speculation.
• Stop-loss limits are in place to minimise losses from fluctuations in the market prices.
• Investment portfolio is reviewed by the Board on a monthly basis.
• Investment portfolio is periodically reviewed by the Investment Committee in detail.</td></tr>
<tr><td colspan="2">Operational Risks</td></tr>
<tr><td>Socio-economic and Political Risk
This refers to the negative impact on operations due to changes in the socio-economic and political environment and the investment climate.</td><td>• The socio-economic and political variables are evaluated during the corporate planning sessions.
• Review pricing in light of inflation and current trends.
• Constantly improve underwriting and claims management processes to monitor issues arising from fraudulent claims, under insurance, etc.</td></tr>
<tr><td>Environmental Risk
This refers to actual or potential adverse impacts on operations and product responsibility with respect to emissions, waste and resource depletion.</td><td>• A sustainability committee, charter and a team are in place to promote and give leadership, inter alia, to environmental based campaigns and initiatives and monitor and take mitigation action to prevent negative impacts on the environment.
• Paper waste and e-waste are systematically collected and sent for responsible recycling on a periodic basis.
• Guided by the carbon footprint initiative advocated by the Parent Company, measures are in place to monitor and record carbon emissions and thus, ascertain the footprint.</td></tr>
</table>

Risks	Controls
Information and Communication Technology (ICT) Risk This refers to the risk of failures or breakdowns of systems resulting in interruption to operations and loss or exploitation of data, including the Internet of things and cyber security risks.	• The Group's IT policies by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software. • Maintain a 'back up' system at an off-site location in order to prevent data losses. • A password/access control policy is in place. • Necessary validation and verification functions are in place at the information entry level. • Logical controls such as Unified Threat Management (UTM) and Sophos Endpoint Security and Control are in place. • The incident management process enables staff members to lodge reports to the Head of IT of PLC Group who functions as the Chief Information Security Officer of any (potential) breaches of security. • Risks relating to all IT matters including that arising from cyber security are discussed and assessed in detail by the Board Audit Committee and the Board too dedicates a considerable time to discuss matters as appropriate. • Audit Committee engages the services of independent/outsourced information technology auditors whenever they deem that expert advice is required. Review of information security has been carried out by the Messrs. Ernst & Young at the year-end audit as well.
Human Resource Risk This risk relates to high staff turnover especially of competent staff or shortage of qualified personnel.	• Conduct periodic performance appraisals of staff and reward accordingly. • Bonus payments are made based on performance and years of experience/ service. • Provide financial assistance to staff for their higher studies. • Employees are given the opportunity to meet their senior managers at any time to discuss work related matters. • Employees are provided with in-house or external training in view of improving their skills. • Review and align employee benefits periodically.
Reputational Risk This risk arises when an event or incident could damage the image of the Company.	• Internal controls are in place, which are regularly reviewed by the internal and external auditors. Any shortcomings are reported and followed up by the Board Audit Committee. • Company officials closely work with regulators, other insurance companies, etc. to ensure that regulatory requirements are fully understood and complied with. • A process is in place to ensure the compliance with relevant laws and regulations.

ENTERPRISE RISK MANAGEMENT

Risks	Controls
Fraud Risk This refers to the risk of not having a sound internal control system to avoid misappropriation of assets or fraudulent financial reports.	• Internal audits are regularly carried out in the areas which are susceptible to fraud. • Authority limits, segregation of duties and access controls have been implemented for all critical functions. • A whistle blowing procedure is in place where any employee who suspects wrong doing at work can report his/her concerns directly to the Board Audit Committee. • Remedial actions are immediately taken once a fraud is detected. • Zero tolerance policy is in place with regard to frauds and misappropriation.

RISK-BASED CAPITAL REGIME



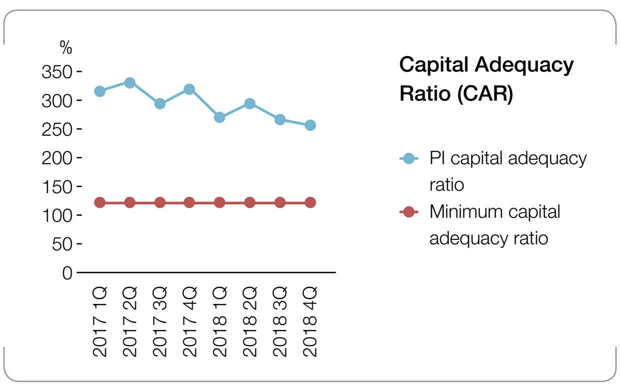
A risk-based minimum capital regime developed by the Insurance Regulatory Commission of Sri Lanka for the insurance industry was implemented with effect from 1st January 2016.

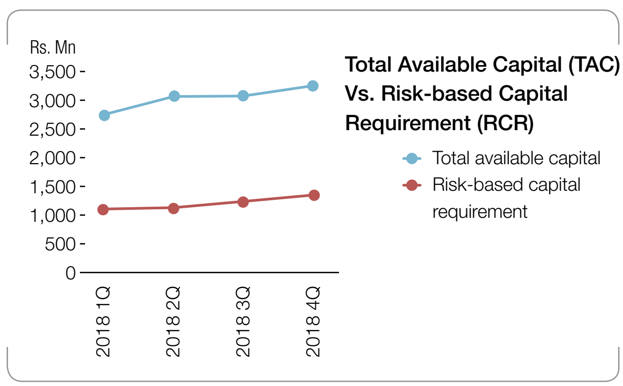
A risk-based capital methodology measures the amount of available capital relative to the risks inherent in the liabilities, and the assets supporting those liabilities, and the adequacy of capital to absorb unforeseen losses. A risk-based formula includes factors such as credit, market, liability and operational risks. This framework outlines the minimum capital requirements for insurers operating in Sri Lanka, using a risk-based formula and defines the capital that is available to meet the standard. It also outlines the principles for the market consistent valuation methodology to be used in determining the amounts under the risk-based capital formula. The risk-based capital required is the aggregate of capital charges determined for various risk categories with appropriate allowances for diversification.

Under this regime, the Capital Adequacy Ratio (CAR) is set at 120% below which supervisory actions are taken to resolve the financial position of an insurer. Total Available Capital (TAC) comprises Tier 1 and Tier 2 capital and is subject to deductions. Minimum TAC has been prescribed as Rs. 500 million.

RISK-BASED CAPITAL POSITION

	2018				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Available Capital (TAC) (Rs.'000)	2,648,061	2,965,854	2,973,749	3,153,106	2,794,933	2,805,313	2,631,129	2,825,708
Risk-based Capital Requirement (RCR) (Rs. '000)	983,985	1,008,415	1,118,123	1,230,228	886,177	848,598	900,910	884,562
Risk-based Capital Adequacy Ratio (CAR)	269%	294%	266%	256%	315%	331%	292%	319%
Minimum Capital Adequacy Ratio	120%	120%	120%	120%	120%	120%	120%	120%
Minimum Capital Requirement (MCR) (Rs. '000)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000

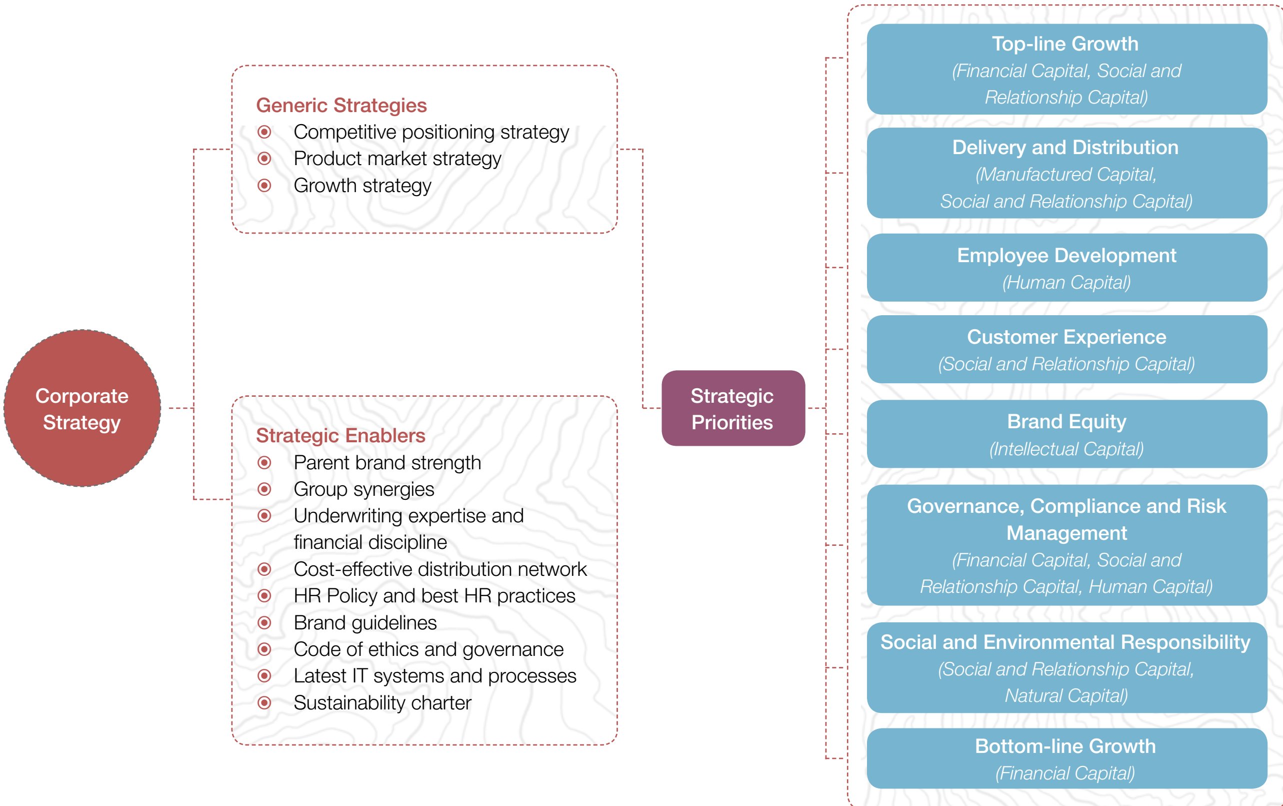




Overcoming hurdles with persistence and strength

PERFORMANCE AGAINST STRATEGY

CORPORATE STRATEGY



Navigating through risks and taking on opportunities present within our operating landscape, we follow through a well-integrated and a pragmatic strategy that is directed towards creating value for our shareholders and all other stakeholders. Underscored by our commitment to bring in and uphold best corporate practices, our strategy focuses on driving our business model sustainably and reaching out to our business objectives over short, medium to long-term. In this regard, our strategy focuses on balanced growth where we seek to be sustainable in growing our top-line whilst ensuring that we are disciplined in underwriting and financial management to secure sound bottom-line results. Our strategy gives precedence to optimising and managing our key capitals responsibly.

We rely predominantly on captive business through synergies present within our group network, particularly, business generated through parent entities. This accounts for 77% of our top-line business. Our non-captive business mainly within the retail and the small and medium enterprises sector at present accounts for the balance 23%. Our growth opportunities mainly lie within this segment. Whilst consolidating our captive opportunities, it is critical that we position our business strategically to increase our market share and scale-up our business within the non-captive market.

It is in this light that our three-year strategic corporate plan 2015-2018, and the ongoing plans for the next three years up until 2021, has adopted three generic strategies, encompassing growth, competitive positioning, product and market to strengthen our ability to create aspired value and reach out to higher growth goals. Our strategic priorities are set within the context of these three strategies as discussed below.

- **Competitive positioning strategy:** In an intensely competitive marketplace, it is essential that we establish our competitive positioning to gain market share and secure top-line growth. To this end, a lower pricing strategy is not a sustainable option, considering its negative impact on the underwriting result and profitability. Therefore, we rely on differentiation as our competitive strategy to position us as a trusted and a versatile insurer in the industry. On one hand, we look to introduce unique features to our product solutions which will differentiate our offer and give us a significant advantage over our competitors. On the other, we rely and seek to leverage on the strength and stability of our parent companies—their solid brand image and strong financial standing—which we believe will clearly underpin our competitive edge in the marketplace.

CORPORATE STRATEGY

- **Product-market strategy:** This strategy aims at growing our market and thereby, our share within the non-life insurance industry through a combination of strategies aimed at developing markets and products, both current and new. Accordingly, we give due precedence to our existing customer base—strengthening our ties with them and seeking to secure their repeat business; penetrate further to gain untapped business; and ensure that we retain their patronage within our organisation, notwithstanding the intense competition.

  Aside our effort to improve the existing market, we also give precedence to new market development. As we are relatively young in the business, there is much potential to increase our outreach in untapped new markets. To this end, our strategy looks at further developing our distribution network—in terms of expanding our presence through new branches and customer touch-points in untapped strategic locations as well as through window operations within our vast and cost-effective group distribution network present across the island.

  With regard to products, we will continue to allocate resources for product development—value addition to the existing product offer to give better solutions tailored to meet latest market trends along with product diversification to lessen our dependence on our core product, motor.

- **Growth strategy:** Our approach to growth is organic where we rely on our internal resources to grow our business. The brand strength of our parent entities, synergies present within the group network combined with our expertise and cost-effective operating model set a solid platform to drive for growth internally. We have the necessary financial resources to support this strategy. Our commitment to drive for ethical and best practices in business complements this growth path to achieve sustainability in the long-term.

SHORT, MID TO LONG-TERM STRATEGIES, DELIVERY 2018 AND TARGETS

Short-term Strategy	Delivery in 2018	Mid to Long-term Strategy	Mid to Long-term Goals
Top-line Growth: Achieve balanced top-line growth by increasing business volumes by consolidating the captive business and driving for direct business through strategic positioning and distribution; whilst ensuring the right price through prudent underwriting. *Financial Capital, Pages 104 to 110* *Social and Relationship Capital, Pages 125 to 133*			
• Strengthen ties and work closely with parent entities to capitalise on their vast client base through customer referrals. • Seek synergies and collaborate with the Group to secure their insurance business. • Strengthen ties with People's Bank to improve bancassurance arrangements. • Strategically position the Company, leveraging on brand, corporate standing and cost-effective distribution network to grow direct businesses. • Invest in new product development and add value-to the existing range to be customer centric and competitive.	• Premium income from captive business grew by 12%. • Premium income from non-captive business segment grew by 40%. • Non-captive business took up 23% share of total premium income. • Achieved a positive underwriting result with 69% claims ratio and 97% combined ratio.	• Collaborate with parent entities to design comprehensive financial solutions through product-bundling and cross-selling. • Seek and secure bancassurance arrangements and business partnerships with other banks, financial institutions and corporates (outside the Group). • Strengthen the underwriting department and extend training to develop technical skills.	• Achieve a double digit business growth. • Increase non-captive business share. • Maintain a positive underwriting result.

Short-term Strategy	Delivery in 2018	Mid to Long-term Strategy	Mid to Long-term Goals
Delivery and Distribution: Leverage on the cost-effective distribution channel and expand our outreach in strategic locations. *Manufactured Capital, Pages 111 to 113* *Social and Relationship Capital, Pages 125 to 133*			
• Consolidate operations at the regional offices in Galle, Negombo and Anuradhapura with necessary systems and processes, manpower and training. • Open regional offices at strategic locations. • Increase the number of marketing officers and establish new window offices within the parents' branch network. • Strengthen relationships with insurance agents and brokers.	• Direct business earnings from regional offices accounted for 4% share. • Opened three new regional offices at Kandy, Kurunegala and Colombo Metro. • Established two new window offices at PLC branches. • Recruited 96 new marketing representatives. • Placed one new marketing officer at a People's Bank regional office.	• Establish new regional offices in strategic locations. • Further explore opportunities to open sub branches within the PLC branch network. • Collaborate and secure new bancassurance arrangements. • Increase the marketing and sales force.	• Establish new regional offices at strategic locations. • Increase the sales force. • Increase window operations. • Expand bancassurance arrangements to other banks.
Employee Development: Ensure equal opportunity and fair employment to attract and retain best talent; extend training to hone employee skills; and inculcate professionalism. *Human Capital, Pages 114 to 124*			
• Closely engage employees with consistent communication. • Recruit new staff with necessary skills to execute business strategies. • Extend technical and soft skills training and continue to support employees to take up further professional studies. • Assess staff, reward and recognise on performance.	• Recruited 279 employees taking the permanent cadre to 554. • Invested Rs. 6 million on training, covering 14,379 training hours. • Reimbursed Rs. 475,000 for professional studies. • 100% of the permanent cadre was assessed on performance. • Extended Rs. 9.6 million as defined benefits. • Staff turnover and retention rates reached 23% and 77% respectively.	• Nurture an interactive and a team-oriented workplace. • Continue to extend strategic training opportunities to develop skills and create a learning culture. • Develop a mentoring scheme to build employee leadership skills.	• Create a strong team by enhancing employees' technical as well as soft skills. • Maintain staff retention rate above 80% and staff turnover rate below 20%. • Make the Company a great place to work.

CORPORATE STRATEGY

Short-term Strategy	Delivery in 2018	Mid to Long-term Strategy	Mid to Long-term Goals
Customer Experience: Uphold professionalism and ensure efficiency to extend best-in-class customer service and experience.			
Relationship and Social Capital, Pages 125 to 132			
• Take necessary measures to ensure fair customer practices. • Invest in latest technology, deploy mobile applications and online services to boost efficiency and speedy turn-around times. • Closely engage customers and keep them updated on the processes, obtain feedback and address their grievances. • Extend structured and consistent training for staff on customer care and service.	• Customer retention rate reached 67%. • Settled Rs. 3.3 billion worth of claims, an increase of 17% over 2017. • Extended 2,730 training hours on customer service to 185 customer relationship officers.	• Continue to uphold and improve on fair customer practices. • Obtain customer feedback, analyse retention ratios and customise the products and services to cater to the changing customer needs. • Appoint dedicated customer relationship officers to support and address grievances.	• Maintain customer retention rate above 70%. • Deploy mobile applications • Revamp an online payment platform to fully digitalise premium and claim transactions.
Brand Equity: Build brand equity by positioning the organisation as a top-tier insurer with expertise combined with solid parent support and synergies.			
Intellectual Capital, Pages 138 to 143			
• Deploy below-the-line marketing communications and promotion techniques to showcase and strengthen brand image. • Promote corporate brand and market products on social media. • Collaborate with parent entities in joint brand and marketing promotional campaigns.	• Invested Rs. 7 million in branding and marketing initiatives, taking up 2% share of the marketing and administration costs. • First ever TV commercial won a merit certificate from Sumathi Tele awards 2018.	• Showcase the brand consistently through structured communication campaigns to create top-of-the-mind brand recall. • Place the corporate signboards with brand logo at customer touch points. • Use of communication material to create greater brand visibility.	• Increase the investment for branding initiatives. • Increase the brand awareness.

Short-term Strategy	Delivery in 2018	Mid to Long-term Strategy	Mid to Long-term Goals
Governance, Compliance and Risk Management: Strengthen internal controls, risk management and conform with laws, rules and regulations stipulated by relevant regulators and other statutory bodies. *Corporate Governance, Pages 49 to 63* *Risk Management, Pages 76 to 87*			
• Comply with the Regulation of Insurance Industry Act and Amendments under the Insurance Regulatory Commission of Sri Lanka. • Comply with the continuous listing rules prescribed by the Colombo Stock Exchange. • Strengthen the compliance function, internal audit, risk management and actuarial valuations with due training. • Maintain a sound reinsurance base. • Follow prudent provisioning.	• Capital adequacy ratio of 256% is well above the minimum of 120%. • Maintained relationships with 'A' rated reinsurers, accounting for 89% of the panel. • Maintained a provision of Rs. 479 million for incurred but not reported (IBNR) claims based on actuarial valuation in addition to case reserves.	• Continue to invest in strategic training for relevant staff on actuarial valuations and best practices in risk management and internal controls. • Establish a dedicated research unit to disseminate market information for effective management decision making.	• Maintain capital adequacy ratio above the stipulated minimum ratio. • Continue to maintain relationships with highly rated reinsurers. • Maintain sufficient IBNR provisions required as per actuarial principles.
Social and Environmental Responsibility: Closely engage communities and initiate community service projects and philanthropic activities; adopt environmentally friendly practices and carry out green campaigns to minimise our carbon footprint. *Relationship and Social Capital, Pages 134 to 137* *Natural Capital, Pages 144 to 147*			
• Uphold the sustainability policy to achieve clear social responsibility goals. • Organise community service and philanthropic projects. • Uphold green practices within the organisation. • Collaborate with the parent, PLC, on environmental campaigns and carbon-neutral initiatives.	• Invested approximately Rs. 1 million on community-based projects. • Employees volunteered 349 hours to engage in socially responsibility initiatives. • Recycled 3,961 kilograms of used paper. • Carbon footprint reached 472 tonnes of CO_2 equivalent.	• Initiate well-structured social and environmental responsibility projects aligned with our business objectives and the sustainability policy.	• Allocate specified amounts to carry out community-based projects. • Continue to sponsor for the one million tree programme at Moragahakanda managed by the Sri Lanka Climate Fund. • Reduce carbon intensity.

CORPORATE STRATEGY

KEY PERFORMANCE INDICATORS

Strategic Priorities	Key Performance Indicators	2018 Target	2018 Actual	2017 Actual
Top-line Growth	Gross written premium growth (%)	19	17	10
	Revenue growth (%)	14	13	13
Bottom-line Growth	Profit after tax growth (%)	(9)	(6)	18
	Net claims ratio (%)	69.2	68.7	69.3
	Expense ratio (%)	26.5	28.6	26.5
	Net combined ratio (%)	95.7	97.4	95.8
	Underwriting result (Rs. Mn)	104	124	171
Delivery and Distribution	New customer touch points	12	7	11
	Market share (%)	6	6	5.4
Employee Development	Training per employee (Hours)	25	26	20
	Staff turnover ratio (%)	20	23	15
	Staff retention ratio (%)	80	77	85
Customer Experience	Customer retention ratio (%)	70	67	66
	Customer complaints to ombudsman (Number)	0	2	6
Governance, Compliance and Risk Management	Return on equity (%)	21	23	27
	Investment yield	11.0	11.4	12.2
	'A-' or above rated investments as % of ratable Investments (%)	90	98	99
	Capital adequacy ratio (%)	225	256	319
Social and Environmental Responsibility	Employee volunteerism for social responsibility initiatives (Hours)	600	349	527
	Carbon footprint (Tonnes of CO_2 equivalent)	450-500	472	478

RESOURCE ALLOCATION AND TRADE-OFF

Operating in an intensely competitive business environment, it is critical that we follow a structured mechanism to allocate resources effectively and thereby, execute our strategic priorities for optimum shareholder returns. To this end, during our corporate planning sessions, we systematically lay out our actions plans for each of our business functions—underwriting, claims, reinsurance, investments and support services—and allocate resources to meet the set deliverables as aligned to our strategic priorities. We give due precedence to this process, where we take stock of our scarce resources, thoroughly evaluate them against predefined metrics and assess the trade-offs for effective decision making. We also have in place a set of key performance indicators to monitor the progress against pre-agreed targets.

Resource allocation with regard to our business units in monetised terms for the year under review is set out in the table below.

Financial Resource Allocation		
Business Units	2017	2018
	(Percentage of Total Resources Allocated)	
Underwriting	62%	56%
Claims	14%	11%
Reinsurance	1%	1%
Investments	1%	1%
Support services	22%	31%

Key Areas Focused During the year 2018 for Resource Allocation	
◉ Corporate office	◉ Branding and product marketing
◉ Regional offices and window officers	◉ IT hardware and software
◉ Call centre	◉ Community based projects
◉ Human resources	◉ Environmental initiatives
◉ Product diversification	◉ Regulatory requirements

Relative Importance of Capitals for Key Business Pillars						
	Financial	Manufactured	Human	Social and Relationship	Intellectual	Natural
Underwriting	Important	Very important	Very important	Very important	Very important	Less important
Claims	Very important	Very important	Very important	Very important	Important	Less important
Reinsurance	Important	Important	Important	Very important	Very important	Less important
Investments	Very important	Less important	Very important	Very important	Important	Less important
Support services	Very important	Important	Very important	Very important	Important	Less important

◉ Very important ◉ Important ◉ Less important

RESOURCE ALLOCATION AND TRADE-OFF

The table below sets out the trade-offs with regard to our decisions in resource allocation against our strategic priorities.

Strategic Priorities	Trade-off	Relevant Stakeholders	Trade-off in Capitals
Topline growth	**Growing the top-line versus short-term profitability** Driving for higher top-line targets, we continued to invest in product innovation, distribution channels, digitalisation, branding and marketing and strengthening our synergistic ties with the Group network. We also invested in firming up our underwriting expertise with required skills training. These initiatives added on to our cost, impacting the bottom-line profitability and returns in the short-term. However, we expect these investments to reflect well on the top-line in the medium to long-term which together with economies of scale and our focused cost optimisation measures will create higher value and thus, boost shareholder returns.	Shareholders Customers Employees	Financial Capital ↓ Manufactured Capital ↑ Intellectual Capital ↑ Social and Relationship Capital ↑ Human Capital ↑
Delivery and distribution	**Expanding delivery and distribution channels versus short-term profitability** Strengthening our outreach, we continued to invest in our distribution network with three new regional offices, new window offices at PLC branches and higher representation at People's Bank branches. We invested in three new regional offices and streamlining our systems and processes at the corporate office as well as at the existing three regional offices. We also strengthened our marketing force and increased the permanent cadre and broker and agent representation. Our staff cost including compensation, benefits and training increased. These measures added on to our administration costs, impacting our profitability levels in the short-term. However, capacity improvements will support to secure a higher market share, bring benefits from economies of scale and improve value-creation and profitability in the medium to long-term.	Shareholders Customers Employees	Financial Capital ↓ Manufactured Capital ↑ Intellectual Capital ↑ Social and Relationship Capital ↑ Human Capital ↑
Employee development	**Investing in employee skills training and development versus short-term profitability** Nurturing a learning culture, we invested on training our employees including technical skills, soft skills, professional development as well as induction training for new recruits. Although our training initiatives will enhance the quality of our workforce, higher training costs will pressure our bottom-line in the short-term. However, benefits could be reaped over the years, adding on to our expertise and empowering the workforce to meet the strategic goals in the long-term and thereby, ensure greater shareholder returns.	Shareholders Employees	Financial Capital ↓ Human Capital ↑
Customer experience	**Investing in customer centric measures versus short-term profitability** Investing in product development to offer a comprehensive product along with digital solutions to increase efficiency and convenience enables us to be a customer centric organisation, with the ability to attract and retain customers within the business. The trade-off is higher costs impacting the bottom-line results. However, the cost optimisation measures we have adopted with the support of better systems and processes mitigates this trade-off to an extent.	Shareholders Customers	Financial Capital ↓ Social and Relationship Capital ↑

Strategic Priorities	Trade-off	Relevant Stakeholders	Trade-off in Capitals
Brand equity	**Building brand and marketing products versus short-term profitability** In the aftermath of the rebranding campaign we initiated in the preceding year, we continued to invest strategically on building our brand and marketing and promoting our product offer to reach out to a wider customer share. Despite higher marketing costs impacting short-term profitability levels, these initiatives are expected to underscore our drive to grow the non-captive market base, thereby, enabling greater value creation and profitability in the medium to long-term.	Shareholders Customers	**Financial Capital** ↓ **Intellectual Capital** ↑
Governance, compliance and risk management	**Regulatory compliance versus product innovation, customer experience and profitability** Responding to increasing changes taking place within the regulatory front, we continue to invest in strengthening our internal controls, risk management and compliance functions. This year, we invested on such initiatives including training relevant staff on recent regulatory developments. Notwithstanding the trade-off between the resources allocated for product innovation and enhancing customer experience, profitability and shareholder returns in the near-term, these measures have underscored our efforts to maintain a healthy financial position with capital adequacy and solvency levels maintained above the minimum stipulated.	Shareholders Regulator Customers Employee	**Financial Capital** ↓ **Social and Relationship Capital** ↑ **Human Capital** ↑
Social and environmental responsibility	**Community-based initiatives versus profitability** With an integrated strategic approach, we are increasingly allocating more resources to carry out social and environmental responsibility initiatives. Although adding on to costs and impacting our short-term profitability, these initiatives are expected to strengthen our corporate standing and brand image, thereby, reinforcing stakeholder confidence, in turn, complementing wealth creation in the medium to long-term. **Expanding operational footprint versus environmental impact** Our initiatives to expand our presence within the industry increases our carbon footprint, particularly, due to our indirect impact from our core business segment, motor-class insurance. However, countering the negative impacts, key measures are in place to be environmentally friendly in our business practices and thereby, curtail our carbon footprint.	Shareholders Community Civil Society Governmental and non-governmental organisations	**Financial Capital** ↓ **Natural Capital** ↑ **Social and Relationship Capital** ↑

GRI Disclosure 102-2

BUSINESS REVIEW

Value Chain

Product Development
- Assessing market trends
- Studying product feasibilities
- Structuring product solutions

Marketing and Promotions
- Branding and product marketing through above-the-line and below-the-line advertising and promotions
- Digital marketing on the official website and social media platforms

Sales and Delivery
- Securing captive and non-captive business through regional and window offices and agent/broker network

Underwriting
- Identifying and evaluating possible risks
- Determining pricing to cover risk exposures

Policy Processing
- Issuing policies with risks coverage, premiums

Reinsurance
- Obtaining reinsurance from well-rated reinsurers to cover portfolio risks

Claim Settlement
- Receiving claims notification at the call centre
- Registering, assessing and validating claims
- Handling claim disputes

Processing Receipts and Payments
- Processing premium receipts
- Settling reinsurance premium payments
- Settling claim payments
- Settling supplier payments

Investment Management
- Invest excess funds in investment grade financial instruments
- Fulfill liquidity requirements

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MAIN PRODUCTS

At People's Insurance, we offer a spectrum of effective, well-priced General (Non-life) Insurance solutions for the individuals as well as for the corporates. We are prepared to package products to cater to special needs.

Lifestyle Products

Our Lifestyle products have been specially designed to help families prepare for the unexpected and reduce the financial burden in times of loss. We currently offer the following Lifestyle insurance covers to our discerning customers providing comprehensive coverage during their hour of need.

- Dwelling Fire and Allied Perils Insurance
- Home (Package Policy) Insurance
- Personal Accident Insurance
- Motor Vehicle Insurance
- Travel Insurance
- Personal All Risks Insurance

Business Products

Our range of Business products caters to a diverse clientele from individual businessmen to corporate customers with tailor-made packages to help them you thrive amidst a plethora of challenges. We currently offer the following non-life insurance products and services to safeguard business from unforeseen risks and damages.

- Commercial Fire and Allied Perils Insurance
- Business Interruption (Consequential Loss) Insurance
- Burglary Insurance
- Plate Glass Insurance
- Fidelity Guarantee Insurance
- Money Insurance
- Cargo Insurance
- Goods in Transit Insurance
- Machinery/Electronic Equipment Insurance
- Contractor's All Risks Insurance
- Workmen's Compensation Insurance
- Public Liability Insurance
- Products Liability Insurance
- Professional Indemnity Insurance
- Motor Vehicles Insurance
- Group Personal Accident Insurance
- Business Travel Insurance
- SME Solution Insurance
- Solar Panel Insurance
- Medical Expenses (Group) Insurance
- Live Stock Insurance

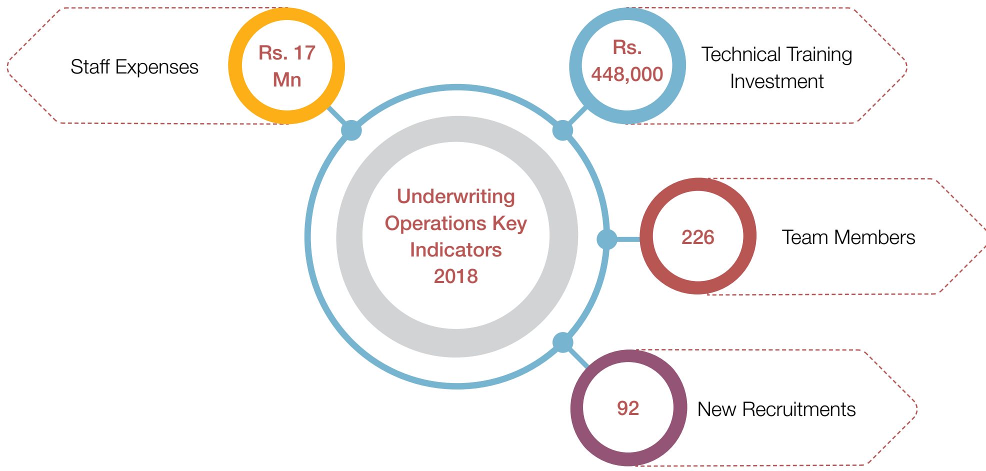
Core Business Units

Resource Allocation and Trade-off, Pages 95 to 97

BUSINESS REVIEW

UNDERWRITING OPERATIONS

Customers Capital, Fair Pricing and Claims Management, Page 128.



Underscoring our competitive positioning, we have in place a fully-fledged underwriting department at the corporate office in Colombo. Led by a well-qualified and experienced operational head with extensive expertise of a consultant, our underwriting team is technically savvy to extend pragmatic pricing solutions—balancing our financial risks against policy liabilities. We uphold best practices and have efficient processes in place to manage all underwriting functions—including pricing on par with industry norms, managing risks exposures and audits to ensure that underwriting recommendations are viable and aligned to our business strategy and goals. Our Board is responsible for formulating underwriting policies and setting the risk appetite boundary in line with market and regulatory dynamics.

In the reporting year, we continued to allocate our resources to brace our underwriting operations. This included recruiting staff to strengthen the team; skills training; and systems and process improvements.

CLAIMS MANAGEMENT

Driving for claims management efficiency is critical to ensure operational excellence and secure our competitiveness in an overcrowded marketplace. With claims being the largest cost component within our business, adopting a focused approach in strengthening our claims settlement process is highly warranted. Our efforts to be efficient and agile in our claims service complement our expansionary plans, particularly significant within the non-captive retail market segment.

We have in place a set of guidelines to support the operations to meet quality and standards in claims settlement process. We also have a dynamic claims management team along with access to a panel of vehicle valuers/assessors to improve our claim losses, to minimise leakages and to extend high-quality customer service and in turn, gain their loyalty.

Investments were made during the year to strengthen the claims department staffing; to train on claims management and customer service; and for systems and process improvements.

REINSURANCE OPERATIONS

Social and Relationship Capital, Business Partners, Engaging Reinsurers and Reinsurers Brokers, Page 133.

Ensuring our stability in the marketplace, we give precedence to our reinsurance function where we seek to transfer our risks to globally renowned reinsurers with sound ratings and standards approved by the Insurance Regulatory Commission of Sri Lanka. We follow best practices in our selection process which are in line with regulatory directives. We also have the expertise of a technical consultant to guide us in our reinsurance programmes and ensure that there is balance between our risk exposures and costs of reinsurance.

Reinsurance Panel		
Reinsurers/Brokers	Rating	Rating Agency
Asia Capital Reinsurance Group Pte Ltd.	A-	A. M. Best
Asian Reinsurance Corporation	B+	A. M. Best
General Insurance Corporation of India	A-	A. M. Best
Labuan Reinsurance (L) Ltd.	A-	A. M. Best
Malaysian Reinsurance Berhad	A-	A. M. Best
National Insurance Trust Fund	AA-	Fitch
Swiss Reinsurance Company Ltd.	A+	A. M. Best
Trust International Insurance and Reinsurance Company B. S. C.	A-	A. M. Best
XL Insurance Co. Ltd.	A	A. M. Best

INVESTMENT MANAGEMENT

Financial Capital, Other Revenue, Page 107

We have in place a well-structured investment management function to ensure that we manage our substantial investment portfolio with perceptiveness. Our investment management team is savvy to make strategic choices in our investment mix in line with market trends, and thus, optimise on returns. The Company always tries to maximise returns while maintaining the acceptable level of risk based on the Company risk appetite and the risk tolerance levels. Our investment committee under the purview of the Board guides the team in their decision-making process.

OPERATIONAL PERFORMANCE

Policy Portfolio

Policy Portfolio Key Indicators

New Business Policies
- 2018: 74,544
- 2017: 54,188

Renewed Policies
- 2018: 115,210
- 2017: 110,018

Gross Written Premium
- 2018: Rs. 5,592 Mn
- 2017: Rs. 4,782 Mn

Overall Premium Growth
- 2018: 17%
- 2017: 10%

Market Share
- 2018: 5.9%
- 2017: 5.4%

BUSINESS REVIEW

In keeping with our top-line growth strategy, our business volumes in the year 2018 registered a noteworthy increase over the previous year. Active policies grew by 16% to reach 189,754 compared to 164,206 policies in the preceding year. Out of the total, policy renewals took up the largest share of 61% whilst new policies took up the balance 39%.

In an overcrowded marketplace with significant consolidations, the pressures on the rates continued to be a serious concern. Yet, led by the growth in business volumes, gross written premium (GWP) income was strong at Rs. 5,592 million, up by 17% compared to Rs. 4,782 million income registered in the year 2017. Captive business still dominated the portfolio, corresponding to 77% of the total GWP. However, complemented by our direct marketing initiatives, including an above-the-line marketing campaign rolled out in the preceding year, the share of policies generated from non-captive sources grew by 11 percentage points to 23%. GWP achieved in the year is marginally less than the budgetary target while the growth is well ahead of the industry average estimated at 8%. Our estimated market share stood at 5.9%, with a ranking of sixth without considering the National Insurance Trust Fund.

CLAIMS AND EXPENSES

Claims and Expenses Key Indicators 2018

Claims Settled
- 2018: Rs. 3,298 Mn
- 2017: Rs. 2,812 Mn

Claims Settlement Growth
- 2018: 17%
- 2017: 8%

Net Claims Ratio
- 2018: 68.7%
- 2017: 69.3%

Net Expense Ratio
- 2018: 28.6%
- 2017: 26.5%

Net Combined Ratio
- 2018: 97.4%
- 2017: 95.8%

Net Claims Ratio

- Focused and disciplined, we strived to be efficient and fair in managing our claims settlement process. However, following higher business growth and market dynamics, particularly within the motor-class with higher number of road accidents, our claims incurred in absolute numbers increased to Rs. 3,290 million. Claim settlements recorded a year-on-year growth of 17% to Rs. 3,298 million.

Our net claims ratio representing total claim losses divided by net earned premiums stood at 68.7%. This corresponded to a marginal decrease compared to 2017.

Net Expense Ratio

We operate a cost-efficient business model. With the support of our parent, PLC's branch network, our delivery is extensive and we reap benefits on scale as well as on shared functions. This underlines our competitiveness in an overcrowded industry. Yet, our expansionary measures, including a new recruitment drive, reflected adversely on our expenses. With higher staff, administration and intermediary expenses, our total expenses recorded 24% increase over the previous year.

Our net expense ratio representing total expenses divided by the net earned premiums, stood at 28.6%, an increase of 2.1 percentage points over the ratio of 26.5% recorded in 2017.

Net Combined Ratio

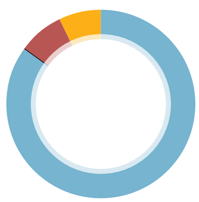
Pressured by higher claims and overhead expenses, our net combined ratio stood at 97.4%, a 1.6 percentage point increase over the previous year's ratio of 95.8%. However, our net combined ratio remained lower than the industry norm which was above 100% in most cases. Our underwriting result, therefore, remained positive.

REINSURANCE

Covering our growing exposure to risks, we incurred a sum of Rs. 482 million on reinsurance premiums. This corresponded to a 13% year-on-year increase. Out of total reinsurance value, 25% accounted for reinsurance of the dominant motor class. The balance reinsurance was for non-motor class, mainly to cover risk exposures of fire and engineering.

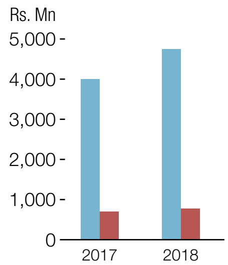
Segmental Analysis

Gross Written Premium



Gross Written Premium 2018

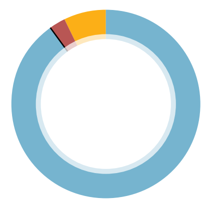
Motor	84.8%
Marine	0.2%
Fire	8.0%
Miscellaneous	7.0%



Gross Written Premium Class Segmentation 2017-2018

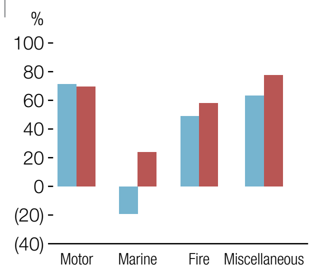
- Motor
- Non-motor

Claim Settlement



Net Claims 2018

Motor	89.5%
Marine	0.5%
Fire	3.0%
Miscellaneous	7.0%



Net Claims Ratio 2017-2018

- 2017
- 2018

Motor Class

Gross Written Premium: Taking a dominant share of 85% of the overall GWP income, motor income posted a 19% increase to Rs. 4,747 million. Motor performance was commendable amidst vehicle import restrictions, macroeconomic and political uncertainty and rate pressures. Both commercial and private vehicle polices contributed to the growth.

Claim Settlement: Accounting for the highest share of 90%, motor claims posted a year-on-year growth of 12% to Rs. 2,899 million.

Non-motor Class

Gross Written Premium: With greater emphasis on growing non-motor products, premium income registered a growth of 7% to Rs. 844 million. The share of the GWP income of 15% was comparable to the share achieved in 2017.

- **Fire and engineering:** With a 53% share within the non-motor class and 8% as the second largest contributor to overall GWP income, this sub-class posted an increase of 21% to Rs. 447 million.
- **Marine:** With a 1% share within the non-motor class and less than 1% of the overall GWP income, marine income was modest at Rs. 9 million.
- **Miscellaneous:** This comprised mainly of personal accident and health insurance. With a 46% share of non-motor earnings and 7% share of the overall GWP income, miscellaneous premiums recorded Rs. 388 million.

Claim Settlement: With greater exposure to non-motor class, claims from this sub-sector registered a year-on-year growth of 31% to Rs. 338 million. This accounted for 10% share of the total claims settled, similar to the share achieved in 2017.

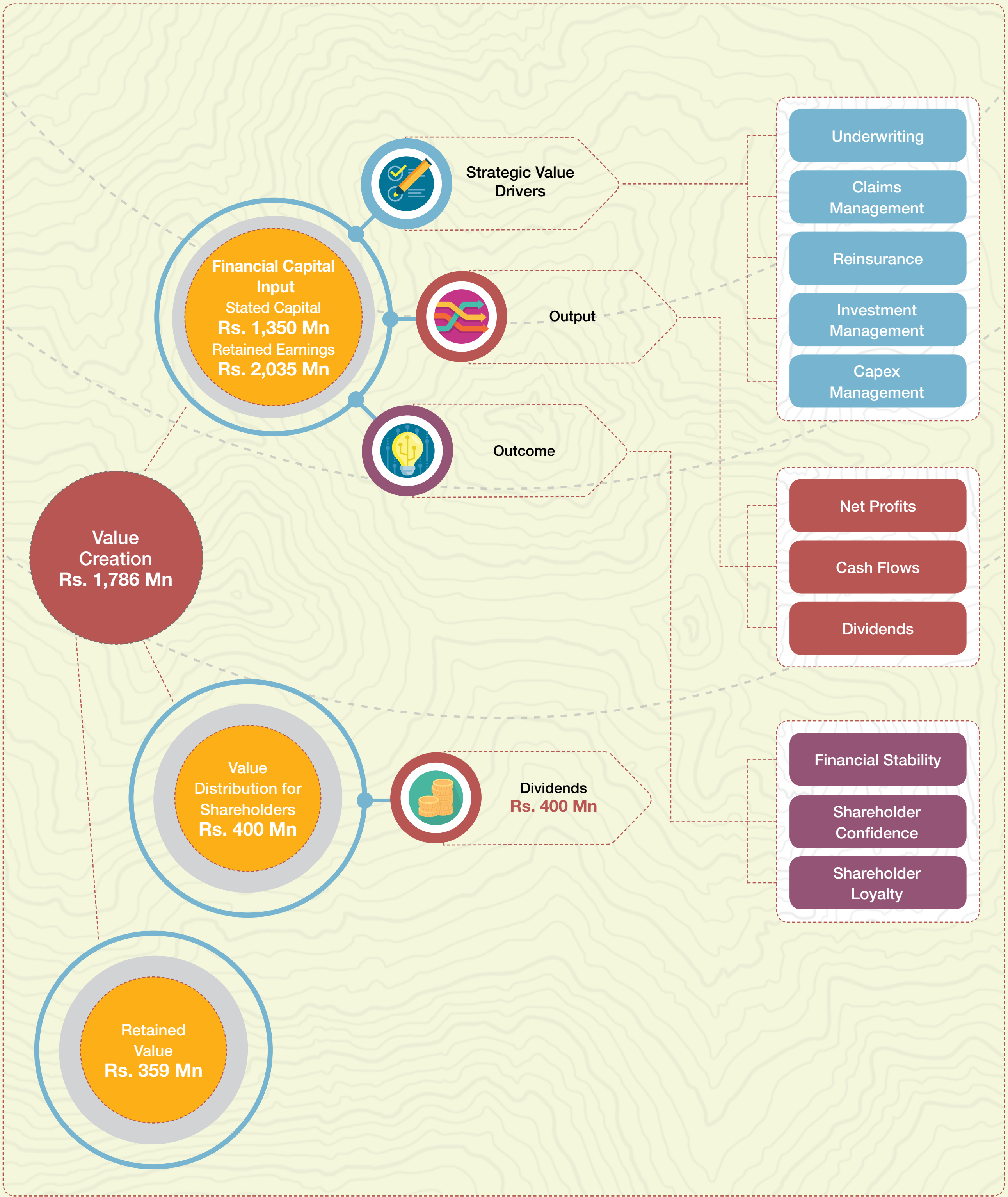
- **Fire and engineering:** Claims posted a year-on-year increase of 57% to Rs. 88 million. This accounted for 26% of the non-motor claims and 3% of the overall claim settlements.
- **Marine:** Taking less than 1% of the non-motor claims settlements, marine recorded only Rs. 0.5 million.
- **Miscellaneous:** Led by personal accidents and health claims, miscellaneous claims accounted for 74% of the non-motor claim settlements. Claims posted a year-on-year growth of 23% to Rs. 249 million.

FUTURE FOCUS

Operating in an emerging socio-economic and political environment, it is imperative that we strengthen our business units to meet challenges and deliver our corporate goals. In this regard, we will continue to be focused in our management approach, formulate and follow best-fit strategies and allocate necessary resources to ensure adequate staffing to the core business units; training to refine and close skills gap; and bring in systems and process improvements for streamlined operations. We will continue to give due precedence to extend fair premiums; ensure transparency and efficiency in claims management; obtain reinsurance from well-acclaimed reinsurers and brokers; and be pragmatic in our investment management decision making.

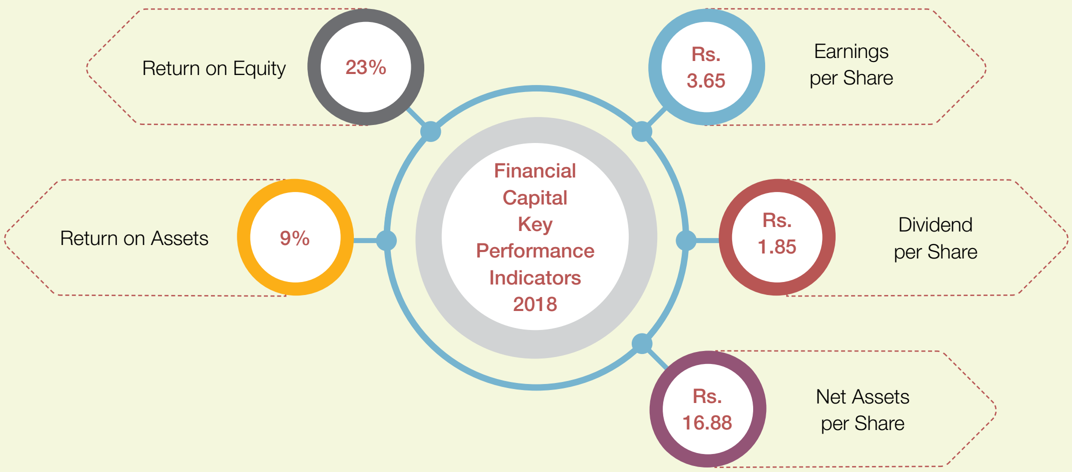
FINANCIAL CAPITAL

Financial Capital in Value Creation



OVERVIEW

As a responsible non-life insurer, we believe that it is our duty to manage business viability and ensure sustainability from a long-term perspective. This stands more significant in an industry such as ours with grave complexities widespread across the operating landscape. Therefore, we give strategic priority to financial capital management, with due focus on allocating our financial resources to deliver value in the present as well as in the future to meet our shareholder expectations.



MANAGEMENT APPROACH

Risks

- Intense competition in the market leading to unethical pricing practices.
- Over-dependence on motor class in an intensely competitive marketplace hinders market growth.
- Rising claims and overhead expenses impacting profitability and returns.
- Lack of qualified actuaries in the industry to support the underwriting functions.
- Macroeconomic and socio-political uncertainties may hamper operational and financial performance and growth.
- Ad-hoc regulatory changes can delay financial progress.

Opportunities

- Strength of the two parent entities and captive business support to cushion the top-line.
- Solid synergistic business opportunities with the sister companies.
- Cost effective delivery through window operations at the parents' branch network.
- Growing brand image of People's Insurance.
- Investments into strengthening the underwriting and claims functions in the workplace.
- Board and senior management uphold discipline and best practices in financial management.

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FINANCIAL CAPITAL

Financial capital at People's Insurance is made up of stated capital and retained profits. Our immediate parent, People's Leasing & Finance PLC, takes up 75% of the total equity capital and the balance 25% is the public on the Colombo Stock Exchange. We do not have a debt component as at the year-end 2018.

We follow best and current practices in accounting and management to manage our financial capital base, essentially underlining our commitment to create value responsibly. We follow Accounting Standards, set by the Institute of Chartered Accountants of Sri Lanka. We have already taken proactive steps to comply with the latest IFRS 17 standard relevant to the insurance industry ahead of the effective date on 1st January 2022. We also comply with the relevant laws, rules and regulations placed by our regulator, the Insurance Regulatory Commission of Sri Lanka along with other relevant statutory and regulatory authorities with regard to financial management, risk management and governance.

Pragmatic and focused in the way we manage our financial capital; our aim is to create sustainable value—profits in the short-term as well as wealth maximisation over-time. In this regard, we give precedence to our corporate planning process—where we seek to assess our external environment; formulate strategies to grow and consolidate our business in line with the prioritised corporate goals; and allocate scarce resources, to optimise the value we create for our shareholders. This process is carried out in consultation and concurrence of our Board and our senior management.

We give due consideration to optimise costs—looking into strengthening the efficiency of the underwriting and claims processes whilst seeking to minimise wastage and leakages. We also give careful consideration to secure sound returns on our investment portfolio; manage our cash flows and liquidity levels; and ensure that we maintain a healthy financial position with assets adequate to cover our liabilities.

FINANCIAL PERFORMANCE HIGHLIGHTS

We completed yet another successful financial year in 2018, continuing our strong financial performance. Our financial performance highlights during the past five years are provided below.

Indicator	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Gross written premium	5,592	4,782	4,340	3,813	3,441
Net earned premium	4,709	4,097	3,723	3,268	2,990
Net claims and expenses	(4,586)	(3,925)	(3,517)	(3,014)	(2,839)
Underwriting profit	124	172	206	254	152
Other revenue	723	695	527	349	421
Profit before income tax	847	867	733	603	573
Income tax expenses	(118)	(94)	(75)	(139)	(123)
Profit for the year	729	773	658	464	450

We recorded a gross written premium of Rs. 5,592 million during the year under review, posting a growth of 17% over the previous year.

Underwriting profit decreased by 28%, but remained above the budgeted levels despite higher operating and administrative expenses reported during the year under review.

Other revenue consisting of investment income and fee income increased marginally by 4% in 2018, contributed by increase in interest income despite losses from listed equity investments.

However, profit after tax dropped by 6%, mainly due to the increase in net claims and expenses by 17% compared to last year, while net earned premium increased only by 15%.

GROSS WRITTEN PREMIUM

We reported a total gross written premium (GWP) of Rs. 5,592 million in 2018, an increase of 17% compared to 2017. This was attributable to 18% growth in motor segment and 9% growth in non-motor segment. Fire class was the key contributor to the growth of the non-motor segment, recording a growth rate of 21%. Motor segment contributed 85% towards the total GWP while non-motor business segment contributed the balance.

PREMIUM CEDED TO REINSURERS

During the year under review, reinsurance premium ceded increased by 13%. However, reinsurance ratio decreased from 8.9% to 8.6% mainly due to the increase in motor class composition of 84% to 85% during the year.

The table below depicts the contributions made to reinsurers, including National Insurance Trust Fund (NITF) and the same as a percentage of GWP.

Indicator	2018	2017	2016	2015	2014
Gross written premium (Rs. Mn)	5,592	4,782	4,340	3,813	3,441
Premium ceded to reinsurers (Rs. Mn)	482	428	351	305	294
Reinsurance ratio	8.6%	8.9%	8.1%	8.0%	8.5%

NET EARNED PREMIUM

Net earned premium increased by 15% from Rs. 4,097 million in 2017 to Rs. 4,709 million in 2018 bolstered by the growth in GWP. Accordingly, Rs. 430 million was transferred to unearned premium reserve in 2018 compared to Rs. 255 million transferred in 2017. Rs. 30 million was transferred to the unearned reinsurance premium reserve in 2018 in contrast to the transfer of Rs. 1.4 million from unearned reinsurance premium reserve in 2017. This is an accounting adjustment required to match the premiums over the policy period.

INSURANCE CLAIMS

Gross claims paid increased by 17% to Rs. 3,298 million in 2018 from Rs. 2,813 million in 2017 while the gross change in contract liabilities decreased by Rs. 365 million to Rs. 106 million in 2018 from negative Rs. 258 million in 2017. Accordingly, total gross claims incurred amounted to Rs. 3,192 million in 2018 compared to Rs. 3,070 million in 2017, recording an increase of 1% for the year. Claims recovered from reinsurers decreased significantly by 36% to Rs. 52 million for 2018 from Rs. 80 million in 2017, as result of lower reinsurance recoveries during the year due to significant reduction in flood claims. The change in contract liabilities recoverable from reinsurers also decreased by Rs. 246 million from Rs. 149 million in 2017 to reach negative Rs. 97 million by end of 2018. Net claims with the combination of the above, increased by 14% to Rs. 3,237 million in 2018 from Rs. 2,841 million in 2017. The increase in insurance claims was significantly less than the business growth of the Company, thereby posting an improvement in the claim ratio from 69.3% in 2017 to 68.7% in 2018 which was mainly attributable to motor class.

UNDERWRITING AND NET ACQUISITION COSTS

Underwriting and net acquisition costs consist of commissions paid in respect of procuring business, net of reinsurance commission received in respect of reinsurance premium ceded to reinsurers. Underwriting and net acquisition costs increased by 13% to Rs. 462 million in 2018 from Rs. 407 million in 2017 as a result of increase in insurance commissions paid amid higher business growth.

OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Other operating and administrative expenses incurred in 2018 amounted to Rs. 887 million, up by 31% from Rs. 677 million reported in 2017. This increase is mainly due to the investments made in the areas of infrastructure including regional offices and people in view of business expansion.

Our net expenses ratio also increased from 26.5% in 2017 to 28.6% in 2018, reflecting this position. However, our net expenses ratio is still well below the industry net expense ratio of 35% recorded in 2017.

UNDERWRITING RESULTS

We were able to record a commendable underwriting profit of Rs. 124 million during the year under review though this is below our previous year's underwriting profit of Rs. 172 million. The main reason for the decline was the increase in expense ratio by two percentage points to 28.6% in 2018 in view of the increased other operating income and administrative expenses as explained previously, thus net combined ratio reached 97.3% in 2018 from 95.8% in 2017.

OTHER REVENUE

Other revenue increased by 4% from Rs. 695 million in 2017 to Rs. 723 million in 2018 mainly due to the increase in interest and dividend income and other income. Interest and dividend income which represents the largest share in other revenue increased by 6% from Rs. 626 million in 2017 to Rs. 664 million in 2018, thanks to higher market interest rates experienced in 2018. Other income for the year under review also increased from Rs. 2 million in 2017 to Rs. 23 million in 2018 as a result of unclaimed other liabilities written back to the statement of income. Fee income, consisting of policy fees and administrative fees charged from customers increased by 17% from Rs. 42 million in 2017 to Rs. 49 million in 2018, mainly in view of the business growth.

INCOME TAX EXPENSE

Income tax expenses increased by 26% from Rs. 94 million in 2017 to Rs. 118 million in 2018 mainly due to the introduction of Inland Revenue Act No. 24 of 2017 which abolished income tax exemptions given for certain income from investments, including interest income from listed debentures, effective from 1 April 2018 though profit before tax decreased by 2% during the period. Income tax expense for both 2018 and 2017 was

FINANCIAL CAPITAL

computed at the rate of 14% due to a waiver of 50% of the income tax liability that is available to the Company in view of the listing of its shares on the CSE as per the eligible criteria specified.

PROFIT AFTER TAX

Profit after tax decreased by 6% from Rs. 773 million in 2017 to Rs. 729 Million in 2018 mainly due to the decrease in underwriting profit during the year under review.

DIVIDENDS

Dividends continue to be the most important distribution mechanism to investors. Hence, we have been maintaining a steady dividend pay-out close to 50% during the past few years. Continuing this,we declared a total dividend of Rs. 1.85 per share, amounting to Rs. 370 million in respect of the financial year ended 31st December 2018, compared to the total dividend of Rs. 2.00 per share, amounting to Rs. 400 million paid in 2017, recording a decrease of 7.5% in dividends during the year under review.

ASSETS AND FINANCIAL POSITION

Financial Position Highlights

The financial position reflects the strength and stability of the Company. A summary of financial position of the Company is given below.

	2018 Rs. Mn	2017 Rs. Mn	Growth %
Assets			
Intangible assets and property, plant and equipment	84	95	(11.58)
Financial investments	6,658	6,137	8.49
Reinsurance and insurance receivables	1,116	1,089	2.48
Other assets	360	307	17.26
Cash and bank balances	221	117	88.89
Total assets	8,418	7,745	8.69
Equity and liabilities			
Equity			
Stated Capital	1,350	1,350	-
Revenue reserves	2,025	1,707	18.63
Total equity	3,375	3,057	10.40
Liabilities			
Insurance liabilities	4,368	4,074	7.22
Financial and other liabilities	526	509	3.34
Reinsurance payables	62	36	72.22
Bank overdrafts	86	69	24.64
Total liabilities	5,042	4,688	7.55
Total equity and liabilities	8,418	7,745	8.69

Our financial position remained strong with an asset base of Rs. 8,418 million as at the reporting date with an investment portfolio of Rs. 6,658 million. Our equity base was also strong with stated capital of Rs. 1,350 million. Our solvency position also remained healthy with this capital base which is capable of absorbing risks of the business comfortably.

Assets

A strong asset base is required to ensure the regulatory minimum requirements and absorb internal and external shocks while the management of the asset base plays a key role in financing a company, ensuring its profitability. We continue to maintain a strong financial position with a sound asset base. Our total assets grew by 9% with an increase in financial investments by Rs. 521 million as at 31st December 2018.

Investments

We strive to maintain an appropriate trade-off between risks and returns within its investment strategy and as such, firmly adhere to the stipulated regulatory framework, especially Capital Adequacy Ratio (CAR) requirements under the recently implemented Risk Based Capital (RBC) regime by the IRCSL, when we make our investment decisions. Our total investment portfolio grew by 8% during the year under review as a result of the business growth, reinvestment of investment income and profits made in 2018.

Investment Instrument	2018		2017		Growth %
	Amount Rs. Mn	Composition %	Amount Rs. Mn	Composition %	
Government securities	1,232	19	1,441	23	(15)
Listed debentures	1,933	29	1,757	29	10
Fixed deposits	3,286	49	2,710	44	21
Listed equity securities	58	1	136	2	(57)
Other financial assets	149	2	94	2	59
Total	6,658	100	6,137	100	8

We have invested slightly above 95% of our investment portfolio in interest bearing instruments while increased investments in fixed deposits during the year under review due to their attractiveness as short-term investments. Accordingly, the share of fixed deposits in the portfolio increased to 49% in 2018 from 44% in 2017. Investments in fixed deposits represented the largest share of our investment portfolio as at the end of the reporting period, similar to the previous year.

We continued to maintain our investments in government securities to be in line with the regulations of the IRCSL which requires a minimum investment of 20% of the technical reserve in government securities. However, the government securities investment portfolio recorded a decline of 15% in 2018 mainly in view of our strategic focus on fixed deposits during the period under review. Investments in listed equity securities also reported a decrease of 57% in 2018 compared with 2017 due to the disposal of shares during the year under review to mainly curtail further losses from shares in view of the poor performance of the stock market in 2018.

Capital

As at the reporting date, our stated capital stood at Rs. 1,350 million, indicating our strong capital position. This capital base has enabled us to maintain our CAR well above the minimum capital requirement under the RBC regime which became effective from 2016 onwards.

Insurance Provisions

We have taken necessary action to ensure that the required insurance provisions stipulated by the insurance regulator, the IRCSL were maintained throughout the year under review. In this regard, we obtained a certification from an independent professional actuarial firm, NMG Financial Services Consulting Pte Ltd. (NMG), on the adequacy of incurred but not reported claims (IBNR) provision in relation to the claim liabilities as at 31st December 2018. This IBNR provision, together with case reserves held by us is expected to be adequate to meet future liabilities in respect of our claims obligations as at 31st December 2018.

At the end of each reporting period, insurance companies are required to carry out a Liability Adequacy Test (LAT) according to Sri Lanka Financial Reporting Standards (SLFRS) 4 - Insurance Contracts. LAT is performed to assess the adequacy of the carrying amount of Unearned Premium Reserve (UPR). Our consultant actuaries, NMG has certified that UPR maintained by us is adequate in relation to the unexpired risks of the Company as at 31st December 2018.

Solvency Position

During 2018, we maintained our CAR well above the stipulated minimum regulatory and supervisory targets of 120% and 160% respectively, reflecting the strength of our capital base. Our Total Available Capital (TAC) was also well above the required minimum of Rs. 500 million prescribed under the RBC regime. The following table depicts the compliance with the key requirements with the RBC regime.

	2018	2017	Change
Capital Adequacy Ratio (CAR)	256%	319%	-20%
Total Available Capital (TAC)	Rs. 3,152 Mn	Rs. 2,826 Mn	12%

Cash Flows

Cash and cash equivalents stood at Rs. 277 million and bank overdraft balance stood at Rs. 86 million as at 31st December 2018. A majority of the cash flows are generated through premium income which is the main source of our operations. During the year under review, a total net cash inflow of Rs. 1,047 million was generated through our operating activities while those operating cash flows were used for investing and financing activities. Net financial investment and investment in property, plant and equipment amounted to

FINANCIAL CAPITAL

Rs. 504 million and Rs. 24 million respectively under investing activities while a sum of Rs. 400 million was paid as dividends as a financing activity for the year ended 31st December 2018.

Earnings per Share

2018	2017
Rs. 3.65	Rs. 3.87

The Company's Earnings per Share (EPS) over the past years were at a steady level and continued in 2018 as well, showcasing the substantial value generated by us for our shareholders. However, EPS reduced by 7% during the year under review amid the decrease in profit after tax.

Return on Equity

2018	2017
23%	27%

Return on Equity (ROE) measures a company's profitability by revealing the profit that a company generates using the money shareholders have invested. The amount of net income as a percentage of shareholder's equity is referred as ROE and expressed as a percentage. Our ROE for 2018, taking other comprehensive income also into account was 23% indicating a decline of 4% mainly due to reduction of profit after tax.

Dividend per Share

2018	2017
Rs. 1.85	Rs. 2.00

Dividend per share represents the dividend that has been declared/paid for the each share of the Company. We declared Rs. 1.85 as dividend per share for the year ended 31st December 2018, compared to Rs. 2.00 declared for the year ended 31st December 2017, indicating a 17.5% decrease in return to our shareholders.

Return on Assets

2018	2017
9%	10%

Return on assets represents profit after tax as a percentage of total assets during the period. Our return on assets for 2018 was 9% compared to 10.0% in 2017, indicating 13% decreased result mainly due to the reduction of profit after tax in 2018.

Dividend Pay-out Ratio

2018	2017
51%	52%

Dividend pay-out ratio represents the amount of dividends declared/paid as a percentage of earnings for a period. During the year, our dividend pay-out ratio was 51% compared to 52% in the previous year, indicating a marginal decrease in the dividend pay-out ratio.

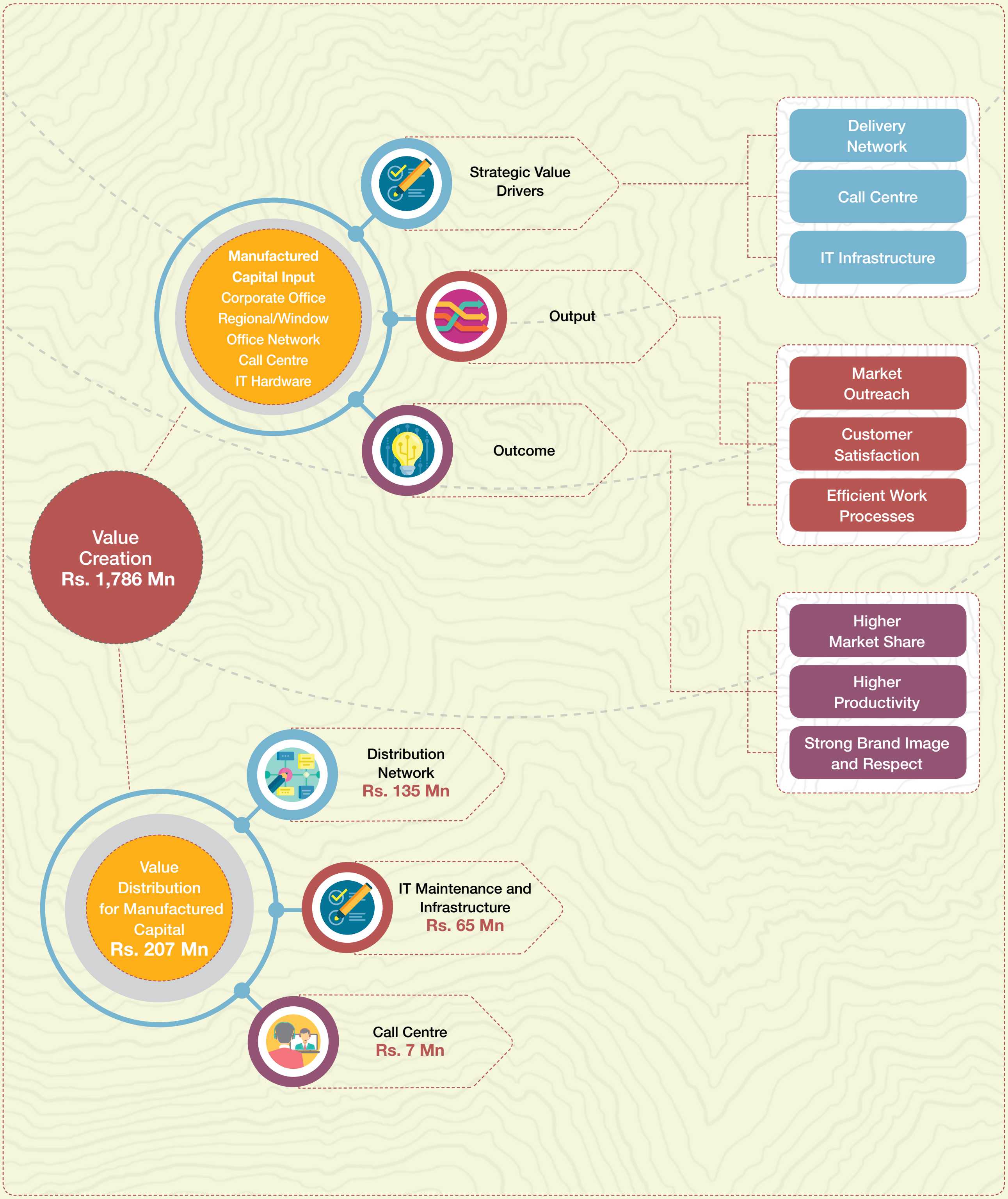
Price Earnings Ratio

2018	2017
5.24	5.94

Price Earnings (PE) ratio is one of the most widely used tools for the measurement of performance of a share. It is calculated by dividing current market price of the stock by its EPS. Our PE ratio for 2018 was 5.24 compared to 5.94 in 2017, as a result of relatively low market price of our share in 2018.

MANUFACTURED CAPITAL

Manufactured Capital in Value Creation



MANUFACTURED CAPITAL

OVERVIEW

Our manufactured capital—comprising brick and mortar delivery network, information technology (IT) infrastructure, furniture, fixtures and all other physical assets—stands as a critical enabler, underlining our value creation process. We give strategic precedence for investement decision making on maintaining and managing our manufactured captial base, thereby, securing our growth aspriations, productivity, and in turn, our business viability.

Manufactured Capital Key Performance Indicators 2018

- 4% — Percentage of investment on Manufactured Capital Call Centre
- 131 — Customer Touch Points
- 65% — Percentage of Investment on Manufactured Capital, Delivery Network
- 31% — Percentage of Investment on Manufactured Capital, IT Maintenance and Infrastructure

MANAGEMENT APPROACH

Risks

- Down-turn economic conditions may hinder planned returns from new investments on manufactured assets.
- Expanding our manufactured asset base will increase our environmental footprint in terms of renewable resource depletion and carbon emissions.

Opportunities

- Strategically deliberated and planned investments to strengthen the distribution network will complement top-line growth goals.
- Solid standing of parent companies will support cost-effective expansions through window offices located within their branch network.
- Investing in IT assets will support efficient processes, higher productivity and customer satisfaction, in turn, business viability.

Procument Manual Objectives

- Maximising economy, timeliness and quality in procurement.
- Adhering to prescribed standards, statutory requirements and policies of People's Insurance PLC.
- Expeditious execution of projects and delivery of goods and services.
- Compliance with local laws and regulations and international obligations; ensuring transparency and consistency in the evaluation and selection of suppliers.

Following a focused approach, we are diligent and systematic in the way we build and manage our manufactured capital, which plays a mediatory role in creating value. Our investments in physical assets are strategic, timely and well-planned—mainly aiming at securing a cost-effective and wide outreach through our delivery network and modernising our work processes with IT related infrastructure and thereby, reaching out to our growth targets and optimising our return on investment.

All investments on procuring physical assets are carried out as per best practices. All high value investment decisions are well-deliberated at the top management level and most often a due diligence study is carried out to ascertain our corporate requirements against industry trends, cost-benefits, availability of resources and sustainability considerations in terms of social and environmental responsibility. Aligned to our strategic goals, our three-year strategic plan gives due priority to draw up annual plans on physical assets including new investments and maintenance and upgrades.

DELIVERY NETWORK

Social and Relationship Capital, Customer, Product Delivery, Page 127

With the support of our parent companies, we have established a substantial presence across the island with a cost-effective delivery network. This stands more significant given our expansionary aspirations in an intensely competitive operating backdrop. Building on the network in the reporting year to reach 131 customer touch points in total, we added three new regional offices in 2018 and two window offices in two branches of our parent and one representative at ultimate parent network in strategic locations. We incurred a total sum of Rs. 135 million on our distribution network, including Rs. 10 million on our expansionary drive and Rs. 12 million on maintenance and upgrading the existing physical asset base. This corresponded to a 6% increase; and accounted for a 65% share of the total investment in manufactured capital.

CALL CENTRE

Complementing our delivery network, we have established a well-equipped, state-of-the-art call centre to support and serve our customers.

IT INFRASTRUCTURE

Intellectual Capital, IT Systems and Processes, Page 142

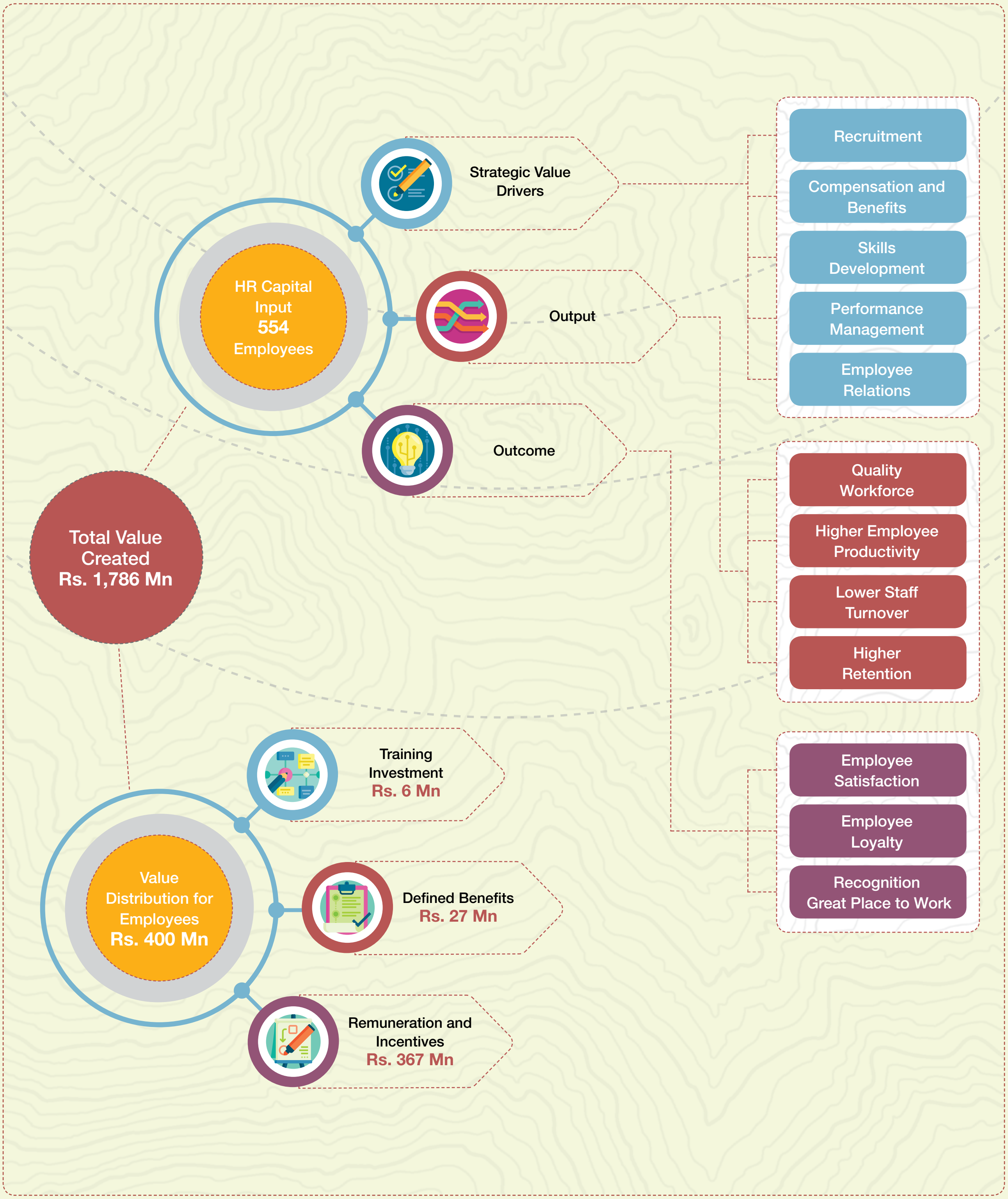
With digitalisation recognised as our way forward, we continued to invest in IT infrastructure to bring in work process efficiency and customer centricity—particularly significant in our drive to expand our non-captive market base. Guided by our digital roadmap, we incurred Rs. 45 million in the reporting year on updating and maintaining network hardware and Rs. 20 million on procuring computers, mobile phones, printers and scanners. This is similar to the IT investment in the preceding year. This also took up a share of 31% of our total investment in manufactured capital.

FUTURE FOCUS

As an emerging insurer, we will continue to rely and leverage on our manufactured capital base, building a solid platform to progress and reach out to our corporate goals. In this regard, we will remain accountable and responsible in making investment decisions on expanding our delivery touch points to meet the potential demand. We intend to increase our outreach further by the year-end 2019. We will also continue to take forward our digitalisation drive and invest further in latest IT infrastructure to strengthen our work processes across our delivery network.

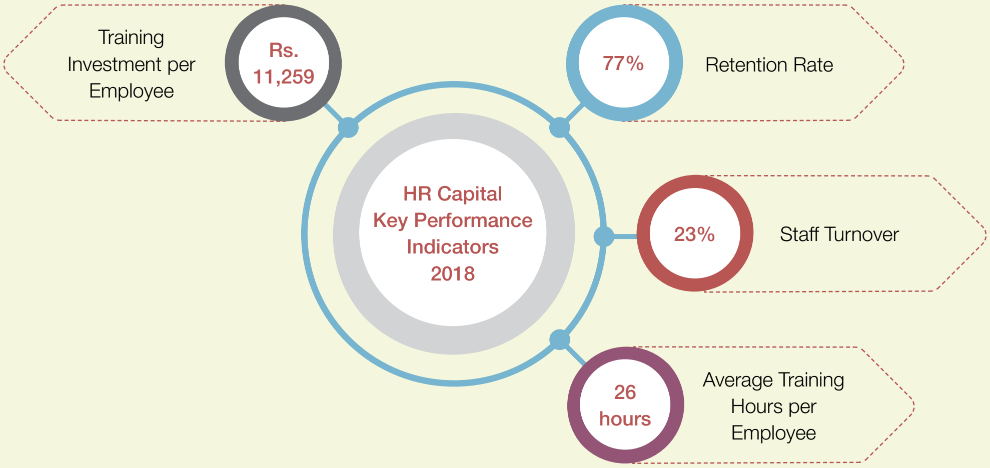
HUMAN CAPITAL

HR Capital in Value Creation



OVERVIEW

Strategically prioritised, we stand committed to build a solid human resource (HR) capital base, critical to reach out to our corporate goals amidst challenges prevalent in our evolving business landscape. We have in place a well-focused strategy and structured mechanism to attract the best talent and in turn, extend an enabling work environment with positive engagement to retain them within the organisation. We lay emphasis on developing employee talents, rewarding and recognising them for their hard work and dedication and ensuring their wellbeing.



MANAGEMENT APPROACH

Risks

- Lack of specialised and skilled insurance personnel in the market for recruitment
- Intense competition to recruit trained personnel
- Lack of interest and awareness of millennials to take up insurance sector careers
- Higher turnover of young staff
- Rise of decadent moral values in society to compromise business ethics and professionalism

Opportunities

- Young and dynamic workforce will support greater innovation, creativity and progress
- Trainable qualities of the workforce will enable to adopt best and current business practices
- Strategic commitment and investments in developing employees will lead to higher productivity levels and improve staff retention
- Versatile group exposure to nurture a well-rounded team

GRI Disclosure 102-8/ 103-2, 3/ 405-1, 406-1

HUMAN CAPITAL

HR and Sustainability Policy - Excerpts

- "We are committed to find and retain an appropriate and contented workforce, giving maximum contribution to the organisation's success. We give precedence to improving employee productivity, employee development and employee involvement in increasing the quality of work and ensuring customer compliance and legal compliance."
- **Respect for Employees:** We treat our employees in a respectful, fair, non-exploitative way, especially with regard to compensation and benefits; promotion, training; open, constructive dialogue with management; involvement in decision making; working conditions that are safe, healthy, and non-coercive; rights of association, collective bargaining, and privacy; employment-termination practices; and work-life balance.
- **Diversity, Fair Hiring Practices:** We promote diversity and use hiring practices that are fair, responsible, non-discriminatory, and non-exploitative for our employees, Board members and suppliers.

Aligned with our group ethos and best HR practices, we stand as an 'equal opportunity' employer with fair, responsible and transparent work ethics. We extend a non-discriminatory workplace in compliance with the country's labour laws, rules and regulations. We also comply with the International Labour Standards.

We are pragmatic and liberal in the way we engage with our employees. Our aim is to attract and recruit the right-profiled individuals to build a well-rounded team and retain them within our organisation. To this end, we are focused in our strategy and duly invest in retention measures including nurturing employee talent; building careers; extending industry-competitive remuneration; looking into their wellbeing; and rewarding and recognising them for performance and commitment to the organisation.

As initiated in the preceding year, we have in place a dedicated HR department at the corporate office to oversee our HR management functions including the management of the six regional offices and 124 window operations located within the parents' network.

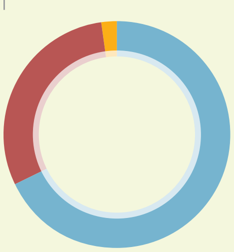
CADRE POSITION AND DIVERSITY

In keeping with our expansionary drive, our cadre position increased to 554, comprised only full time employees as at 31st December 2018. This represented an increase of almost 44% as against the position of 385 employees as at 31st December 2017.

As an 'equal opportunity' employer, we strive to extend an inclusive workplace where all employees are respected and treated fairly without prejudices or discriminatory practices on race, gender, age, political ideology and ethnicity. Our HR policy clearly sets out our commitment to foster diversity within the workplace. Our HR strategy and actions in terms of recruitment, remuneration, rewards, recognition and training are well in line with this commitment. Our Code of Conduct guides everyone at the workplace from top-down to respect diversity and foster a team culture. In the reporting year, we did not record any incidents of discrimination of employees with regard to socio-political and economic prejudices.

Our cadre as at the reporting year-end stood skewed towards male employees with 81%, mainly due to higher number of executive and non-executive marketing field officers. However, the management grades were fairly represented in terms of gender, representing 32% of female employees. This year, 51 female employees joined the cadre including 25 as executives and managers. Age wise, majority of our employees fell under the age group between 20 to 30 years—energising the workplace with greater vitality, creativity and new age thinking. We also have a fair representation of senior employees with expertise, stability and discipline. With respect to ethnicity, our cadre was skewed towards the majority Sinhalese with minor ethnic groups representing 14%, higher compared to 8% in the preceding year.

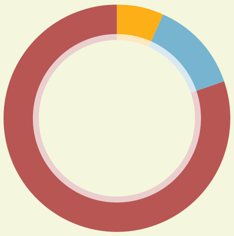
DIVERSITY INDICATORS



Employees by Contract Type

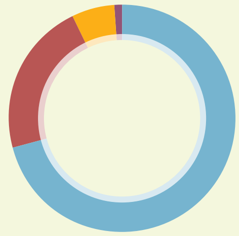
Permanent	68%	(376)
Probation	30%	(169)
Contract	2%	(9)

GRI Disclosure 102-8/ 405-1



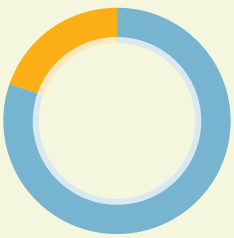
Employees by Grade

Manager	7%	(37)
Executive	13%	(71)
Non-executive	80%	(446)



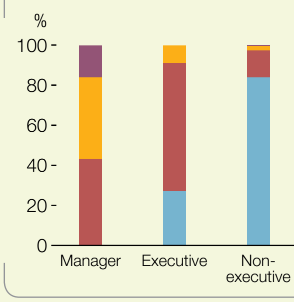
Employees by Age

20-30	71%	(393)
31-40	22%	(123)
41-50	6%	(31)
Over 50	1%	(7)



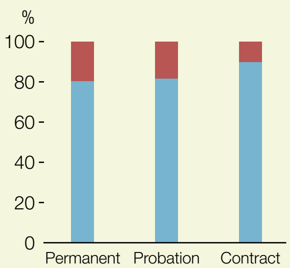
Employees by Gender

Male	81%	(446)
Female	19%	(108)



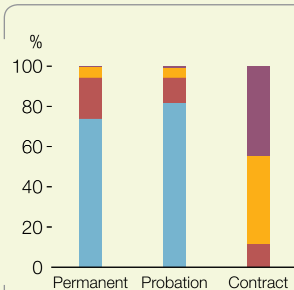
Age by Employment Grade

	Manager	Executive	Non-executive
20-30	-	27%	84%
31-40	43%	65%	14%
41-50	41%	8%	2%
Over 50	16%	-	-



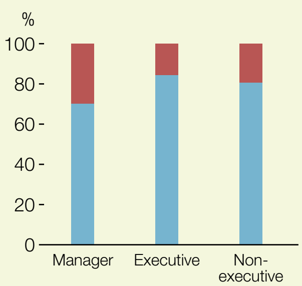
Gender by Employment Contract

	Permanent	Probation	Contract
Male	75	32	1
Female	301	137	8



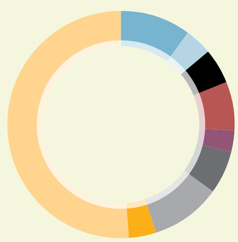
Age by Employment Contract

	Permanent	Probation	Contract
20-30	74%	82%	-
31-40	21%	13%	11%
41-50	5%	5%	44%
Over 50	1%	1%	44%



Gender by Employment Grade

	Manager	Executive	Non-executive
Male	68%	85%	81%
Female	32%	15%	19%



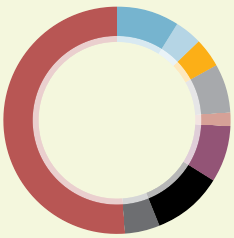
Employees by Location

Central province	10%	(54)
Eastern province	4%	(20)
North Central province	5%	(27)
North Western province	7%	(41)
Northern province	3%	(17)
Sabaragamuwa province	6%	(34)
Southern province	10%	(58)
Uva province	4%	(22)
Western province	51%	(281)

GRI Disclosure 102-8/ 401-1

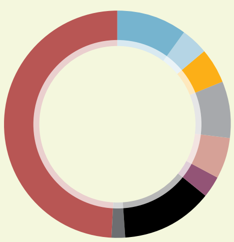
HUMAN CAPITAL

Permanent Employees by Location



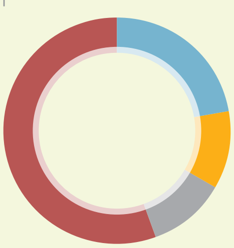
Central province	9%	(35)
Eastern province	4%	(14)
North Central province	4%	(17)
North Western province	7%	(26)
Northern province	2%	(7)
Sabaragamuwa province	8%	(29)
Southern province	10%	(37)
Uva province	5%	(18)
Western province	51%	(193)

Probation Employees by Location



Central province	10%	(17)
Eastern province	4%	(6)
North Central province	5%	(9)
North Western province	8%	(14)
Northern province	6%	(10)
Sabaragamuwa province	3%	(5)
Southern province	13%	(21)
Uva province	2%	(4)
Western province	49%	(83)

Contract Employees by Location



Central province	22%	(2)
North Central province	11%	(1)
North Western province	11%	(1)
Western province	56%	(5)

RECRUITMENT

Social Capital - Community, Page 136

Our recruitment process is well-structured and competitive to ensure that we have a well-rounded workforce to carry out our strategy and plans. As an equal opportunity employer, we are diligent in our selection process, ensuring that we recruit talented individuals to our team to best-fit the job responsibilities. Recruitment is impartial and purely based on merit, focusing on competence, experience, attitude and professionalism. We have in place a clear set of recruitment guidelines along with aptitude tests and interviews for short-listing and selections.

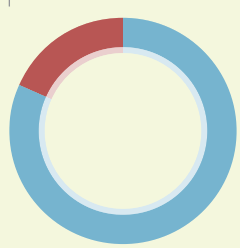
In the reporting year, in keeping with our expansionary path, we recruited 279 new employees to our permanent cadre mainly to support sales and marketing, research and development, bancassurance, internal audit and corporate and broker development. Out of the new recruits, 91% were absorbed under the non-executive grade, particularly as marketing officers, followed by 9% under the executive and management grades. Female recruits accounted for 18% of the total recruitments whilst 79% fell under the age category of 20 to 30 years.

We give due consideration for internal recruitments subject to employees meeting the pre-defined selection criteria. Our performance evaluations as discussed below underscore this process, enabling the management to earmark potential employees to meet job vacancies including promotions and cross-placements across the group. In the reporting year, we promoted 229 employees across categories, including 44 female employees; and processed 26 inter-departmental transfers. We supported such employees with due training opportunities including on-the-job training to be confident in their new job roles.

Our HR recruitment strategy also advocates community recruitments, thus, integrating our operations closely with the communities living in areas in which we operate. In the year, we processed 215 community recruitments, representing 77% of the total. This included 33 female employees and 18 under the executive and management categories.

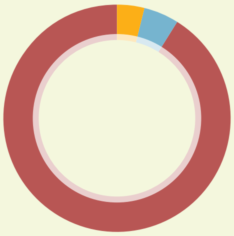
RECRUITMENT INDICATORS

Recruitments by Gender



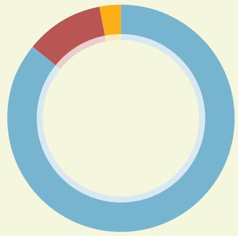
Male	82%	(228)
Female	18%	(51)

GRI Disclosure 401-1, 2



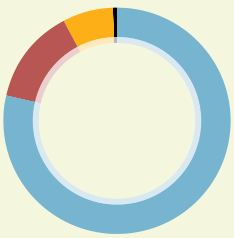
Recruitments by Grade

Managers	4%	(11)
Executive	5%	(14)
Non-executives	91%	(254)



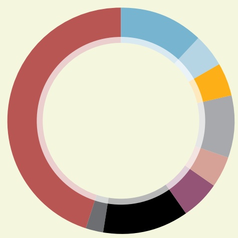
Recruitments by Ethnicity

Sinhalese	86%	(239)
Tamil	11%	(31)
Muslim	3%	(9)



Recruitments by Age

20-30	79%	(220)
31-40	14%	(38)
41-50	7%	(20)
Over 50	0%	(1)



Recruitments by Location

Central province	12%	(34)
Eastern province	5%	(13)
North Central province	5%	(13)
North Western province	9%	(25)
Northern province	4%	(12)
Sabaragamuwa province	6%	(16)
Southern province	12%	(34)
Uva province	2%	(7)
Western province	45%	(125)

COMPENSATION AND BENEFITS

Remuneration and Benefits			
	2018 (Rs. Mn)	2017 (Rs. Mn)	Variance (Rs. Mn)
Remuneration	288	190	98
Incentives and bonuses	50	31	19
Staff welfare	1	-	1
Employee Provident Fund (EPF)	22	15	7
Employee Trust Fund (ETF)	6	4	2
Gratuity liability	27	18	9

Staff Benefits - Permanent Employees			
	All Staff	Executives and above	Non-executives
Medical insurance (hospitalisation cover for employee and immediate family)	✓		
Gymnasium facilities	✓		
Holiday bungalows (concessionary rates)	✓		
Staff welfare society benefits (death donations of Rs. 25,000)	✓		
Mobile phones	✓		
Car loans		✓	
Motor cycles loans			✓
Travelling reimbursements	✓		
Housing loan interest reimbursements	✓		

GRI Disclosure 103-2, 3, 404-1, 2

HUMAN CAPITAL

Aligned with the group policy, we maintain a market competitive compensation structure. Compensation is determined on employee's assigned job responsibilities, skills and experience. Our incentives and increments are tied to performance ascertained during performance evaluations as discussed below. In the reporting year, we revisited and refined our rewards and benefits programme to include housing loan interest reimbursements. We also stand by our benefit obligations—12% of the basic salary to the Employee Provident Fund (EPF) and 3% to the Employee Trust Fund (ETF). In the year, we incurred a total sum of Rs. 338 million as remuneration, incentives, bonuses, benefits in monetary terms. Our gratuity obligations reached Rs. 27 million.

SKILLS DEVELOPMENT

Given strategic precedence, we advocate learning across all employee grades to hone their skills and empower them to work in a challenging business landscape. Aligned to our HR policy, our training is well-structured, focused and extensive. We have in place a training plan to build multi-disciplinary expertise, competence and agility. We cover three broad areas—technical skills development, behavioural and leadership skills. Aside on-the-job training, inter-departmental work rotation, project exposure and cross placement across the Group, we have in place structured training as discussed below.

- **In-house Training:** Supported by resource persons drawn from the management and senior executive cadre, our in-house programmes entail training in sales and marketing, customer service, drawing up policy proposals, underwriting and claims management. Most often, we structure customised programmes internally to address specific training needs, identified through our performance evaluation scheme.
- **Induction Programme:** Supported by internal resource persons both within the Company and the Group, we have in place a structured training and orientation programme for new recruits. Under this programme, new recruits are given overall exposure covering all functional aspects of operations, business ethics, values and practices along with networking opportunities with peers and superiors.
- **External Training:** Giving a greater exposure to employees on current and best practices in the industry, we strategically invest in external training programmes conducted by renowned resource professionals and private and government training institutions. This includes overseas training exposure, particularly, for high-achiever employees.
- **Professional Development:** Advocating continuous learning and education, we encourage employees to take up further studies and obtain professional and post-graduate level qualifications. Management grade employees are also reimbursed to obtain memberships from professional bodies. This year, we increased the scope by including new professional examinations and memberships relevant to insurance and finance.

This year under review, we continued to extend training opportunities, covering all staff grade categories based on a training need analysis. Training investment stood at Rs. 6 million, up by 106% over the preceding year whilst total man hours trained reached 14,379. This included induction programs for 231 new recruits for 7,392 training hours. We also reimbursed a sum of Rs. 706,339 for professional and academic courses and memberships.

GRI Disclosure 404-1, 2

Training - 2018		
Focus area	**Training Goals**	**Training Hours**
Strategy, planning and sustainability	• Corporate business development and planning • Identifying sales objectives and individual responsibilities • Understanding environmental, social, governance perspectives in business practices	718
Technical training on insurance aspects	• Enhance knowledge on bancassurance, underwriting, claims and liability insurance techniques • Technical understanding on engineering sub-class • Update on current trends in the sphere of insurance	1,866
Finance and auditing	• Awareness on insurance accounting • Technical update on SLFRSs and their practical implications and tax reforms • Update on integrated reporting and financial reporting • Understanding internal audit function, new Audit Act and requirements of ISO 9001:2015 on auditing	315
Legal and compliance	• Understanding risk management • Adopting to challenges • Update on disciplinary inquiry procedure	40
Sales and marketing	• Update on sales and marketing techniques and customer handling	1,506
Skills development on leadership and communication	• Enhance effective communication skills including oral, letter writing and business English and call centre skills • Coaching and mentoring • Leadership development through outbound training • Update on technological transition for leaders	2,467
Induction	• Adherence to the People's Insurance culture and overall understanding on company process and procedures	7,392
Other	• Update on market research avenues • Update on computer crimes and admissibility of digital evidence • Update on HR function	75
Total		14,379
Average training hours per employee		26

TRAINING INDICATORS

Training Indicators - 2018			
	Number of Staff	Total Training Hours	Average Training Hours
Employee Category-wise			
Executive and management	108	3,578	33
Non-executive	446	10,848	24
Gender-wise			
Male	445	11,304	25
Female	109	3,122	29

GRI Disclosure 102-41/ 103-2, 3/ 402-1/ 404-3

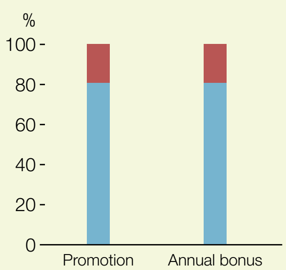
HUMAN CAPITAL

PERFORMANCE MANAGEMENT

Nurturing a performance-oriented work culture, we have in place a progressive performance appraisal mechanism where all permanent employees are engaged, assessed on their performance and recognised and rewarded for their hard work and commitment.

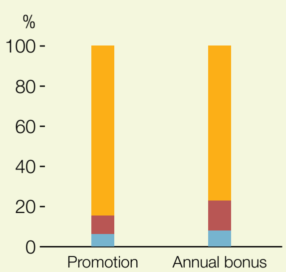
Employee performance is appraised annually. The process is structured on pre-agreed targets for the year, both at a collective level as well as at an individual level. High achievers are well-recognised and mentored to hone their leadership and management skills whilst poor performers are carefully guided to improve their performance standards with tailored training opportunities.

In the year under review, all permanent employees were evaluated twice for the purpose of bonus payments and annual promotions and was duly recognised and rewarded. Our evaluations included 411 employees under annual promotion scheme and 313 were evaluated for bonus payments. 229 employees were promoted during the year, including 44 female employees and 185 male employees.



Evaluations by Gender

	Promotion	Annual bonus
Male	81%	81%
Female	19%	19%



Evaluations by Grade

	Promotion	Annual bonus
Manager	6%	8%
Executive	9%	15%
Non-executive	85%	77%

EMPLOYEE RELATIONS

Grievance Redressal

Fostering a collaborative workplace, we closely engage and maintain positive relations with our employees. We openly communicate and encourage them to discuss their ideas and redress their issues and grievances with their immediate supervisors and the management. Our performance appraisals mechanism along with our flatter cadre structure complement this process. 'Coffee with CEO' remains an ideal platform for the Chief Executive Officer and the senior management to interact with employees and resolve their concerns. However, our employees also have recourse to a formal grievance redressal mechanism, independently managed by our HR department. In the reporting year, we did not record any grievances on labour practices as well as violations of human rights under this formal mechanism.

Collective Agreements and Minimum Notice Period

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

Work-life Balance

Nurturing a well-balanced and positive workplace, we stand committed to ensure the wellbeing of our employees, in turn, securing higher levels of productivity with lower job absenteeism and staff turnover. To this end, we encourage our employees to strike a healthy blend between work and life. We delegate the workload and give them time and space to plan their tasks and their leave, thus, ensuring that they are not over-worked and stressed. We also have in place welfare benefits, including health insurance package for employees and their immediate families; gymnasium facilities; and health and safety policy initiatives to minimise occupational injuries and illnesses.

This reporting year, we conducted a healthy work place survey in collaboration with AIA Insurance; 38% of the corporate office staff participated in the survey. As per the survey results, our staff members attained a satisfactory score of 4.2 in the long term health index compared to 5.2 of country benchmark. We encouraged the employees with health issues to take necessary medical precautions. We arranged a 24X7 emergency medical service facility with Medi Calls (Pvt) Limited for our employees.

GRI Disclosure 401-1


Pirith Chanting Ceremony at corporate office


Christmas carols at corporate office

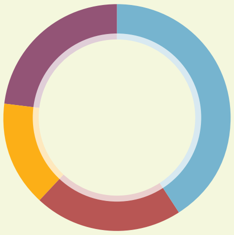
Team Culture

Seeking to nurture 'team' spirit within the workplace, we continue to encourage our employees to collaborate and share their learning and experiences and best practices to deliver excellence in operations. We also advocate employee networking, thereby enabling the team to build their confidence and mutual trust in each other. Our welfare society under the purview of the HR department complements our efforts in this regard. In the reporting year, we organised several team building activities with enthusiastic participation by employees across all staff categories and branches.

Staff Retention and Turnover

Operating in a competitive industry backdrop, we continue to give strategic precedence to employee retention. We remain focused in our strategy and resource allocation to pave an enabling workplace where employees are empowered, recognised, compensated and rewarded for their hard work and commitment as discussed above. With the pace of recruitment in the year, our retention ratio deteriorated to 77% and our staff turnover increased to 107 employees, recording a 23% turnover ratio compared to the previous year. The highest turnover, typically, came from male employees under the non-executive category, mostly falling between 20-30 year age group.

STAFF RETENTION INDICATORS



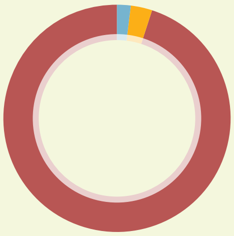
Service Period

Less than 1 year	41%	(228)
1-3 years	21%	(115)
3-5 years	15%	(82)
Over 5 years	23%	(129)

GRI Disclosure 401-1

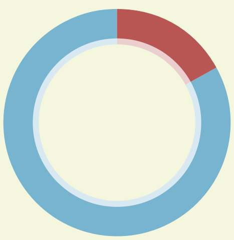
HUMAN CAPITAL

Turnover by Grade



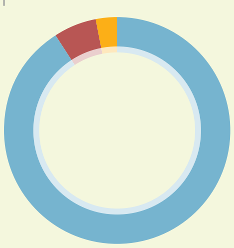
Manager	2%	(2)
Executive	3%	(3)
Non-executive	95%	(102)

Turnover by Gender



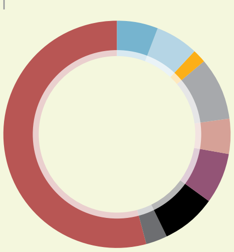
Female	17%	(18)
Male	83%	(89)

Turnover by Age Group



20-30	91%	(98)
31-40	6%	(6)
41-50	3%	(3)

Turnover by Location



Central province	6%	(6)
Eastern province	6%	(7)
North Central province	2%	(2)
North Western province	9%	(10)
Northern province	5%	(5)
Sabaragamuwa province	7%	(7)
Southern province	8%	(9)
Uva province	3%	(3)
Western province	54%	(58)

Employee Satisfaction

As initiated in the preceding year, we collaborated with 'Great Place to Work' to conduct an employee satisfaction survey. The survey sought to ascertain the level of employee satisfaction along with their perceptions on the prospects with the Company. The survey was based on a sample of 342 employees across all categories at the corporate office. As per the results, we scored 69.5, marginally below 70 marks to be a 'Great Place Work' under the given criteria. This reflects well on our efforts to create an enabling workplace.

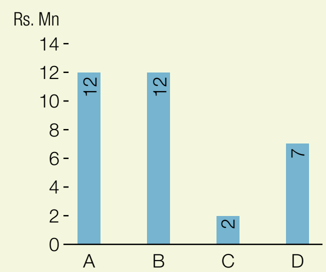
Taking on board a survey recommendations, we revisited our cadre structure and made progressive changes to be more in line with the industry best practices. We also set out a new career path for below executive categories—a positive step in attracting and retaining young talent.

Employee Productivity

Intellectual Capital, Page, 142

With progressive HR policies, practices and key measures in place to extend an enabling workplace and motivate employees to give their best, we have been able to deliver higher productivity levels over the years. Our initiatives to embrace 5S programme and to obtain ISO certification are expected to further boost our productivity in the ensuing years.

Productivity Indicators



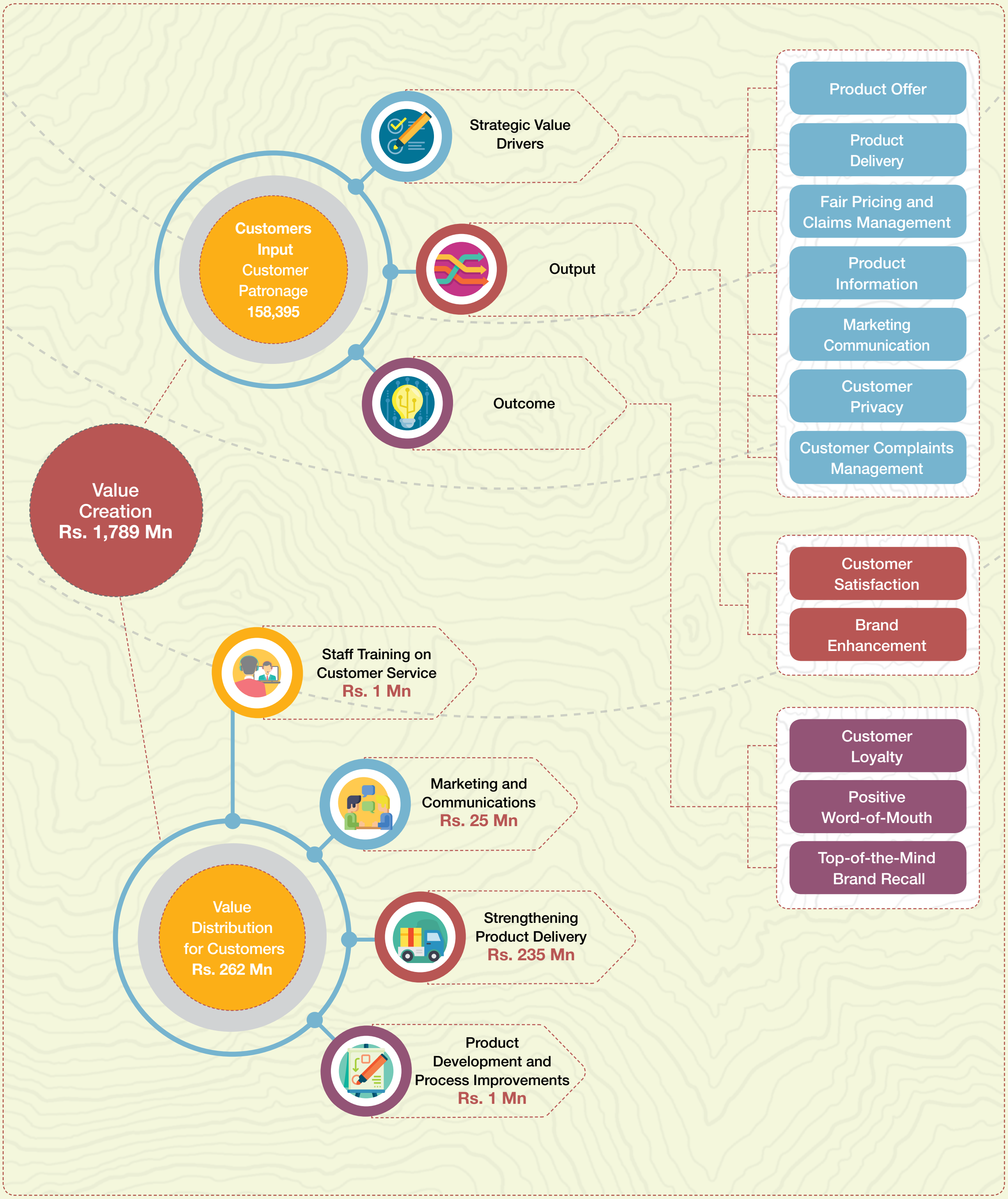
A - Revenue per employee
B - GWP per employee
C - Net profit per employee
D - Net assets per employee

FUTURE FOCUS

With operations intensifying in an evolving industry backdrop, we will continue to focus and invest in building a solid team to pursue our strategic goals. In the aftermath of a recruiting drive to accommodate expansionary plans as was the case in the year under review, our HR strategy in the ensuing year will focus on consolidating on our HR policies, processes and practices. Our recruitment plans will be limited to only cover labour gaps to support planned expansion. We will further step up our initiatives to be a 'Great Place to Work' by strengthening employee engagement, learning and development, performance appraisals, succession planning and quality and standards at the workplace. The 5S programme along with ISO certification will further support our efforts in this regard.

SOCIAL AND RELATIONSHIP CAPITAL

Customer in Value Creation



SOCIAL AND RELATIONSHIP CAPITAL - CUSTOMERS

OVERVIEW

In an evolving industry backdrop, we stand committed to serve our customers as a trusted non-life insurer. We give precedence to buiding and managing positive customer relationships with excellence in operations and upholding responsible business practices. This underscores our success to be positioned amongst the top-tier players in the industry.

Customer Key Performance Indicators 2018

- Complaints Resolved: 75%
- Customer Growth: 14%
- Claims Lodged (Number): 50,848
- Policy Growth (Volume): 16%
- Claims Settled: Rs. 3,298 Mn
- Customer Complaints (Number): 8

MANAGEMENT APPROACH

Risks

- Down-turn economic trends may impede on demand for non-life insurance products.
- Market differentiation through digitalisation of processes and product innovation may not be sustainable with competition adopting similar strategies.
- Rising cost of marketing and branding initiatives and adoption of latest technology may pressure the bottom-line profitability.
- Rising cost may compromise on quality and standards of the work processes and products and hinder the profitability.
- Cyber security threats and loss of information may reflect poorly on customer trust and confidence.
- Lack of good technical judgement in the underwriting process may create mismatches between pricing and claims.

Opportunities

- Burgeoning economic trends in the mid-term to boost insurance business.
- Growing brand and corporate reputation along with the solid support of parent entities will improve market share in the non-captive market.
- Board and senior management commitment to adopt best practices in the workplace.
- Code of Business Ethics and Code of Conduct underscore quality and standards of products and processes.
- Customers are more inclined to build business relationships with insurers that uphold best practices.

Customer Policy

- Fair dealing with customers: We are honest and fair with our customers, competing fairly for their business, respecting their privacy and providing them safe and effective products and services under the conditions we promise.

Seeking to build and sustain positive relationships, we are proactive in the way we engage with our customers. Our management approach is centred on customer centricity. To this end, we maintain a consistent dialogue, ensuring that we are agile and responsive to offer our customers a more tailored service to meet their expectations and create a positive experience.

We give strategic precedence to extend comprehensive product solutions aligned to market trends. In this regard, we rely on digital solutions, including online and mobile applications for product innovation. We also focus on product delivery where we look to invest in our own brick and mortar in selected and strategic locations whilst setting up customer touch-points in our vast parents' branch network. Apart from products, we also look to give best-in-class service to all our customers—maintaining quality and standards in the workplace; ensuring fair pricing; customer privacy and efficiency in work processes. We give our employees comprehensive training on customer service and on building relationships whilst managing customer complaints and addressing their grievances promptly, with empathy.

We stand committed to be transparent and responsible in all our dealings. We are guided by the Regulation of Insurance Industry Act No. 43 of 2000 (as amended) and comply with all other applicable laws, rules, and regulations in terms of product responsibility.

PRODUCT OFFER

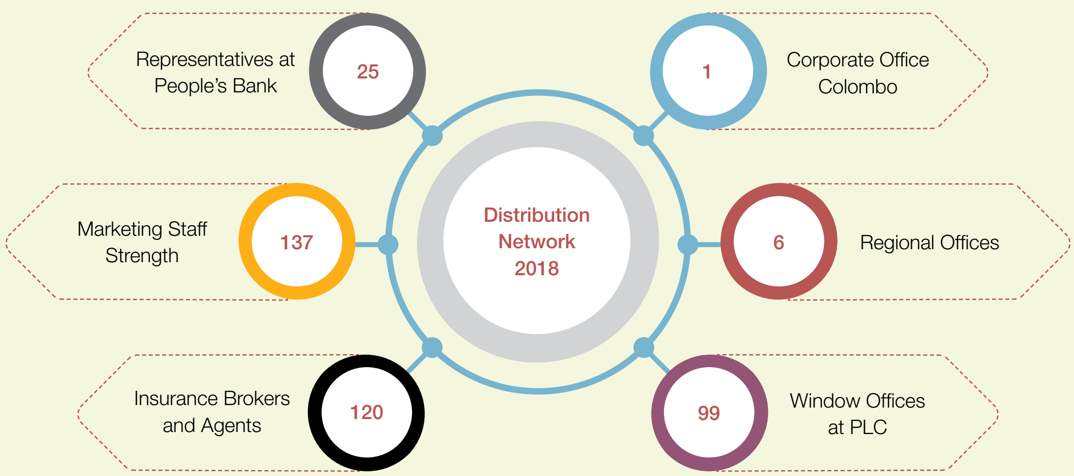
Business Review, Page 99

We offer a complete range of non-life insurance products, covering both lifestyle and business insurance requirements. We give top strategic priority and invest well in strengthening our product offer through value-added features, product innovation and process improvements. The synergistic support of our parent and sister companies support our efforts to offer an all-inclusive solution combining insurance with other financial products and services.

With the support of our research and development team and the specialised underwriters, we introduced innovative products such as per day insurance, SME insurance and international health cover and added new features to travel insurance during the year. Our well-priced product portfolio includes six lifestyle products and 21 business products. We are always prepared to package products to cater to special needs of our customers.

PRODUCT DELIVERY

Manufactured Capital, Page 113 and Social and Relationship Capital – Business Partners, Pages 131 to 132



Essentially underpinning our competitive differentiation, we have a solid product delivery channel—our corporate office in Colombo, regional offices and customer touch points at our parents' vast branch network spanning across the country. Our bancassurance ties with the People's Bank continue to be significant with access to a large client base. We have also established solid ties and work closely with a large network of brokers and agents to distribute our products.

GRI Disclosure 103-2, 3/ 206-1/ 417-1, 2

SOCIAL AND RELATIONSHIP CAPITAL - CUSTOMERS

FAIR PRICING AND CLAIMS MANAGEMENT

Work Ethics, Page 137

Claims Settlement – 2018			
	Claims Department	Claims Panel	Insurance Ombudsman
Claims lodged (Number)	50,848	122	2
Claims settled (Number)	46,606	98	2
Claims settled (Rs. Mn)	3,298	428	0.1

Guided by our policy on business ethics, we are pragmatic and disciplined in our underwriting process. We are cautious and carefully balance out our pricing against claims risks. This enables us to offer fair pricing to our customers without resorting to price undercutting. We have a competent team backed by actuarial consultancy to support this function. In the year, we did not record any incidents for legal action with regard to anti-competitive behaviour, anti-trust and monopoly practices.

We are also conscientious, transparent and stand by our contractual obligations in settling claims. Our sister company, People's Leasing Fleet Management Ltd., facilitates professional valuations to assess our claims effectively. Our claims settlement process is periodically audited by our internal audit department.

We also have in place a claims panel with technical expertise to manage disputed and higher threshold claims. We avail the mediation of the Insurance Ombudsman, a body established jointly by the Insurance Association of Sri Lanka and the Insurance Regulatory Commission of Sri Lanka, to support us in handling unresolved claim disputes. In the year under review, we were able to settle 92% of the claims lodged amounting to Rs. 3,298 million. Only eight claims were reported as disputes to the Insurance Ombudsman and six were subsequently settled through its mediation.

PRODUCT INFORMATION

As a responsible insurer, we extend unbiased product information to our customers. Our code on work ethics clearly sets out the importance of respecting our customers' right to information on our products and services. Accordingly, our policies and the corresponding legal documentation are comprehensive, with all required information on policy coverage and covenants. Our customer relationship officers including our agents are well-trained and competent to keep our customers well-informed with good counsel on the entire insurance process—from selecting best-fit insurance solutions, pricing, legal obligations to making claims. Further, insurance proposals are available in all three languages; English, Sinhala and Tamil to better understand the information for all ethnicities.

Aside from our one-to-one communications and written correspondence, we rely on the following to disseminate product information:

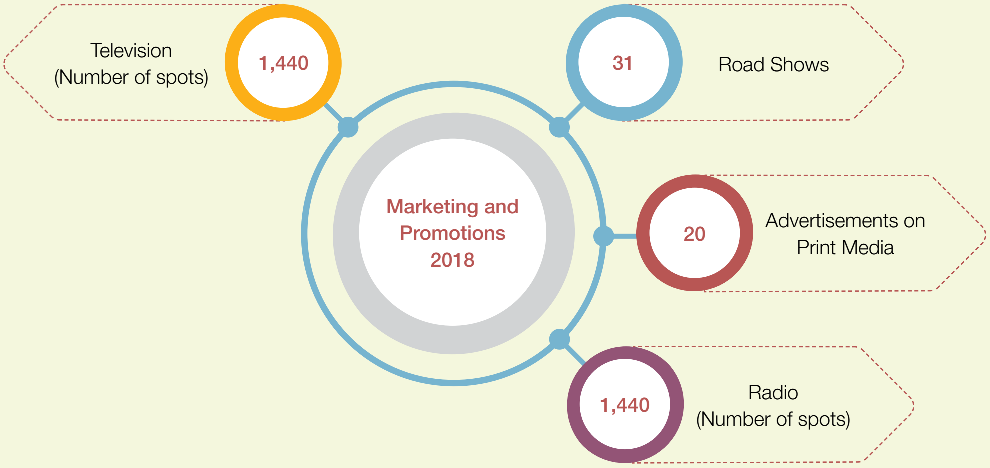
- **Call centre:** Our 24x7 call centre provides an ideal platform to interact and communicate with our customers, disseminate information and obtain their feedback. The call centre services stand more significant for motor claims where customers can easily report accidents and initiate the claims process.
- **Official website:** Our website, www.peoplesinsurance.lk is interactive, user-friendly and informative. The website which was revamped in the preceding year, entails relevant content on the Company, products, branches, career opportunities, policy and claims procedures, e-quotations and payments along with information for frequently asked questions and contact us facility. The website is offered in HTML version for smart phone access.
- **SMS alerts:** We use a short messages (SMS) gateway to reach out to our customers and keep them informed of the current developments. Our SMS alerts notify customers on products, reminders for premium payments and claims status, particularly, with respect to motor and medical policies.
- **Social media:** We use well-known social media platforms like Facebook to communicate with our customers, mainly targeting our new-age customers. We use this platform to communicate on the latest news of the Company, products, events and achievements.

In the reporting year, we did not report any incidents of non-compliance with regulations and voluntary codes with respect to product information and labelling.

GRI Disclosure 103-2, 3/ 417-3/ 418-1

MARKETING COMMUNICATIONS

Intellectual Capital, Corporate Standing and Brand, Page 140



Upholding integrity, accountability and fair competition, our marketing initiatives aim at strengthening our brand and promoting our product solutions to gain market share within the non-captive retail segment. We rely on both above-the-line communication activities on electronic and print media as well as below-the-line communication including one-to-one promotions, seminars, road shows and distribution of brochures and leaflets on products.

In the reporting year, we continued to invest in marketing communications and branding totalling Rs. 25 million, albeit a reduction of 56% compared to the preceding year which invested in the re-launching activities of the new logo. In our initiatives this year, we did not report any incidents of non-compliance with regulations and voluntary codes with respect to marketing communications.

CUSTOMER PRIVACY

Intellectual Capital, Information Security, Page 143

Operating as an insurer, we have access to our customers' personal information and data. Well in line with our corporate values, we respect customer privacy and therefore we maintain strict confidentiality of information and data. Without formal consent, customer information and data are not shared with third parties, including with the Group. However, we are bound by law to share information and data with statutory and regulatory bodies, inter-alia, the Insurance Regulatory Commission of Sri Lanka, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. We submit quarterly reports on customers and all transactions above rupees one million to relevant regulatory bodies in compliance with the Know Your Customer policy and under the laws pertaining to Anti-Money Laundering. As discussed in detail under the Intellectual Capital section, we have taken the necessary precautions to maintain information and data security. In the reporting year, we did not record any complaints on breaching customer privacy and on loss of data and information.

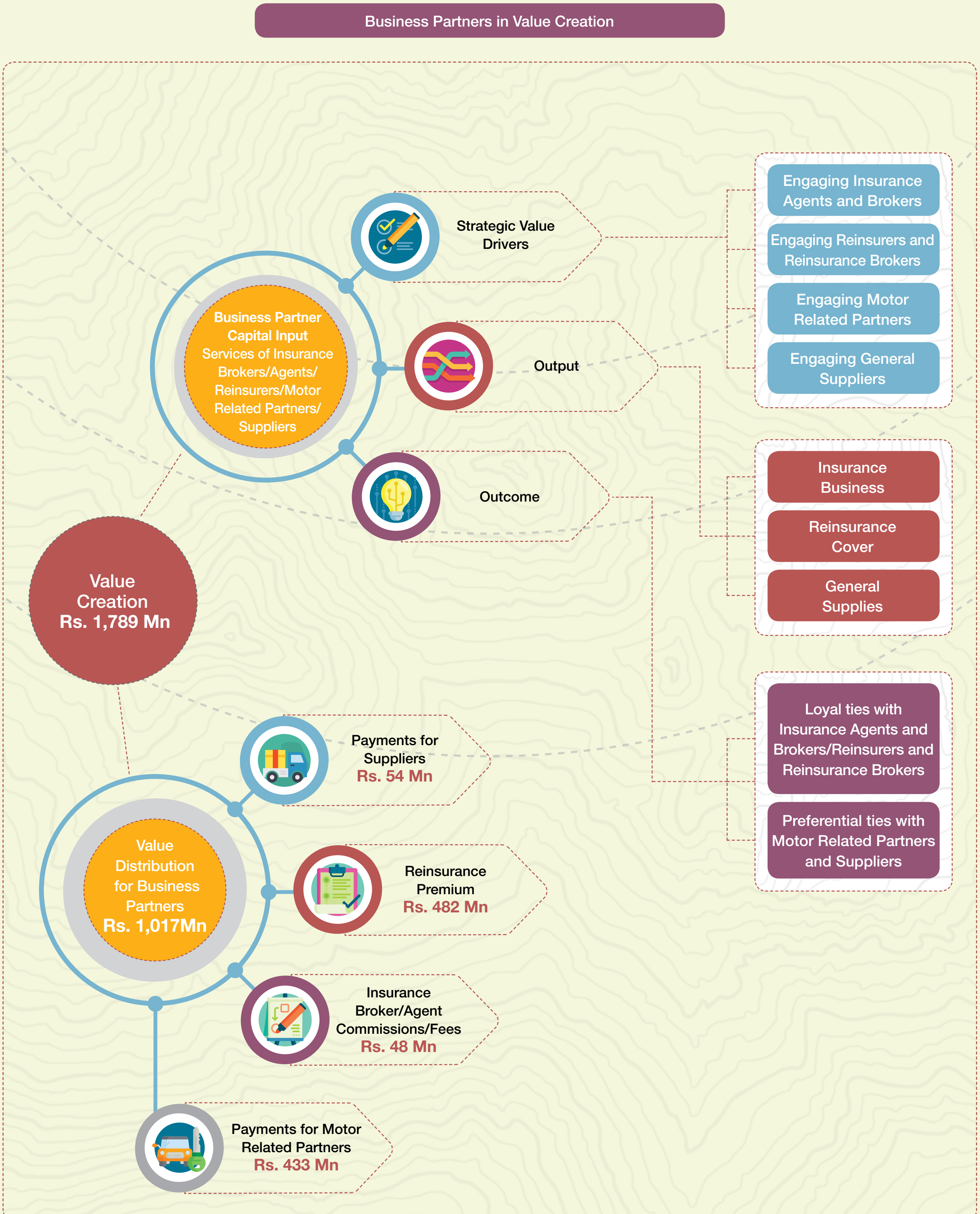
CUSTOMER COMPLAINTS MANAGEMENT

We appreciate and encourage customer feed-back on our products and services. We have established structured platforms in place to address customer complaints and grievances. Our call centre, official website and social media sites support our efforts in this regard. As discussed above, we also have in place a structured mechanism to look into the customer complaints with regard to claims settlement disputes.

FUTURE FOCUS

With greater emphasis on expanding our non-captive market share in a competitive industry backdrop, both at the retail level as well as at corporate level, we will continue to focus on extending greater value to our customers. In this regard, we expect to further strengthen our market outreach with new customer touch points. Already, plans are underway to establish new regional offices and window offices within our parents' network. Digitalisation will continue to take centre-stage in our efforts to bring in product innovation and efficient processes in keeping with market trends. We will continue to pursue training our employees to be customer-oriented whilst carrying out marketing and promotional initiatives to enhance our brand visibility and promote our product awareness.

SOCIAL AND RELATIONSHIP CAPITAL - BUSINESS PARTNERS



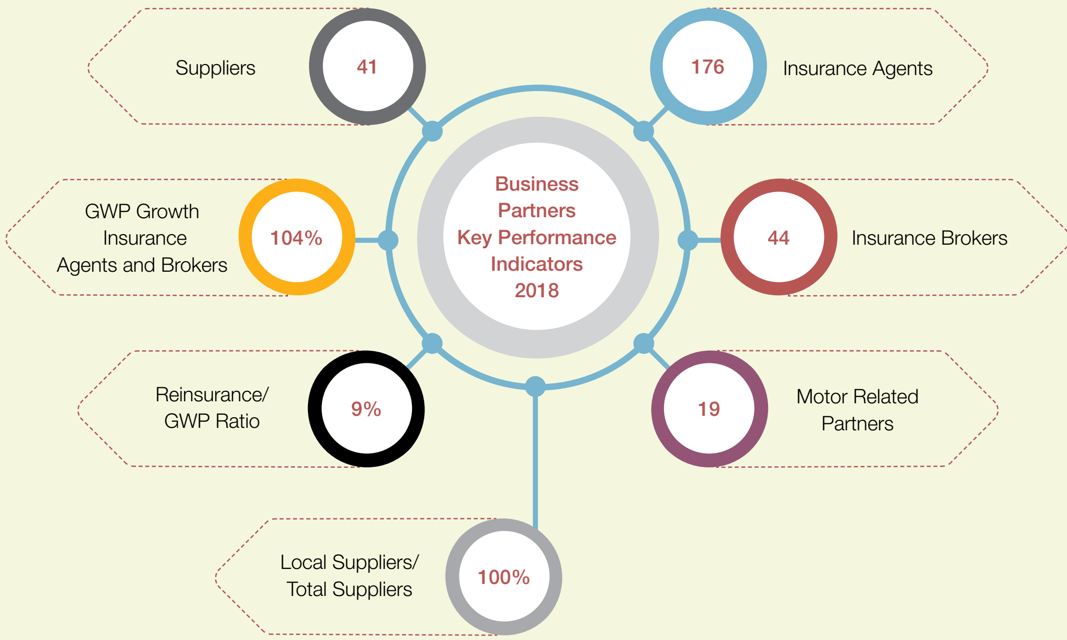
GRI Disclosure 103-2, 3

OVERVIEW

Key Business Partners

- Insurance Brokers and Agents
- Reinsurers and Reinsurance Brokers
- Vehicle Assessors, Loss Adjusters and Investigators
- Vehicle Dealers and Agents
- Banks and Financial Institutions
- General Suppliers

Essentially underscoring our competitive advantage in an emerging business backdrop, our business partners take up a collaborative role in our value creation process. It is of strategic importance and warrants our focus to build mutually beneficial relationships with responsible and high performing business partners who in turn, will support and set the tone to secure our strategic goals.



MANAGEMENT APPROACH

Risks

- Down-turn economic trends may impact the viability of partner businesses.
- Business partners may forego quality and standards for short-term gains.
- Business partners may shift their loyalties to competitor companies.
- Non-compliance with regulatory requirements by business partners may compromise the Company's good reputation in the industry.
- Cyber-security breaches by business partners may compromise customer information and data and thereby, customer trust and confidence.

Opportunities

- Solid network of business partners with strong ties with the Company.
- Greater willingness of business partners to learn and adopt best practices aligned to the Company core values.
- Market recognition for advocating best practices across the partner network.
- Support from statutory and regulatory bodies to compel business partners to comply with relevant codes and adopt best practices.

GRI Disclosure 103-2, 3

SOCIAL AND RELATIONSHIP CAPITAL - BUSINESS PARTNERS

Business Partner Policy

- **Respect for Stakeholders:** We are transparent, respectful and fair to local populations, investors, suppliers and other stakeholders outside our organisation who may be affected by our operations. We work collaboratively with our communities to enhance the well-being of others.

Seeking to deliver excellence in operations, we look to build and secure relationships with like-minded business partners who have a 'best-fit' or are willing to embrace our core corporate values. We expect them to recognise our mission and support us in our endeavours to achieve our strategic goals. Accordingly, prior to securing relationships, we evaluate and carry out due diligence studies to ascertain the corporate standing of our business partners, their professionalism and commitment to quality and standards. We also look at cost factors, delivery standards and responsiveness to suit our business requirements.

With a collaborative approach, we work closely with our partners, and when the need arises, we advocate and train them to adopt best business practices and work ethics in their operations. We have a monitoring process in place—where we engage and monitor our relationships including contract performance, environmental and social risks and their compliance with relevant laws and regulations along with potential opportunities to further our ties for future progress.

ENGAGING INSURANCE AGENTS AND BROKERS

Work Ethics, Page 137

Insurance Agents and Brokers – Performance			
	2018	2017	% Change
Insurance Agents			
Insurance agents (Number)	176	66	166
Premium income generated (Rs. Mn)	434	233	86
Commissions paid (Rs. Mn)	32	21	52
Insurance Brokers			
Insurance brokers (Number)	44	27	63
Premium income generated (Rs. Mn)	173	65	166
Commissions paid (Rs. Mn)	16	7	129

Our insurance agents are certified under the Sri Lanka Institute of Insurance and are bound to abide by the rules and regulations set by the Insurance Regulatory Commission of Sri Lanka. Our agents have also pledged their compliance with our Code of Ethical Conduct for Sales Persons set out under our organisation's Policy of Work Ethic. Our agents are well trained under the purview of our Manager, Sales Force Development. Training is extended on products, processes and their job responsibilities including professional conduct required in discharging their duties. Our internal audit department is responsible in monitoring their conduct and compliance with the relevant codes and rules and regulations. In the reporting year, we did not record any incidents of business partners violating our Code of Conduct as well as non-complying with agent rules set by our regulator.

The insurance brokers we work with are all registered with the Insurance Regulatory Commission of Sri Lanka. They are competent and are committed to uphold best business practices as aligned to our corporate ethos. We carry out due diligence to check out on their credentials before we enter into working partnerships to canvass and to secure non-captive business.

In the reporting year, we collaborated with 176 agents representing us in all districts and 44 broker organisations. The agents and brokers together raised Rs. 607 million in premium income, representing a 104% increase and a 11% share of the total premium income. The total commissions and broker fees paid stood at Rs. 48 million, an increase of 71% over the preceding year. We also extended hours of training to our agents and brokers.

GRI Disclosure 102-9, 10/ 204-1

ENGAGING REINSURERS AND REINSURANCE BROKERS

Reinsurance Cover			
	2018	2017	% Change
Reinsurance premium (Rs. Mn)	482	428	13
Reinsurance/GWP ratio (%)	8.6	8.9	3.4

We have established close ties with best-in-class reinsurance and brokering companies with a solid corporate reputation and renowned expertise. As a policy, we stand cautious and only enter into working relationships with reinsurers rated above the minimum rating requirement stipulated by the Insurance Regulatory Commission of Sri Lanka. In the reporting year, we maintained relationships with nine reinsurers from Singapore, Malaysia, India, Switzerland, Bahrain and Thailand. We also contributed to the National Insurance Trust Fund as stipulated.

Our reinsurance premium for the year stood at Rs. 482 million, representing an increase of 13% over the preceding year.

ENGAGING MOTOR RELATED BUSINESS PARTNERS

With motor class segment taking up a significant share within our business—above 80%—it is important that we maintain good relations with vehicle agents, assessors, valuers and garages. We have a dedicated liaison officer who is responsible to develop ties with them and to avail preferential benefits—business referrals in the case of vehicle agents; assessors and valuers to support the claims management process; and priority arrangements for customers' accident vehicles at the garages. These benefits complement our efforts to be a customer-centric organisation. During the reporting year, the Company carried out and extensive training for the valuation officers focusing on the Company's objectives, regulations issued by the IRCSL, their role in insurance inspection and service quality improvements. In the reporting year, we paid out Rs. 43 million for services rendered by motor related partners.

ENGAGING GENERAL SUPPLIERS

Type	2018 (Rs. Mn)	2017 (Rs. Mn)	% Change	% of Local Procurement
General supplies (IT hardware and software, furniture, printing materials and stationery, etc.)	40	37	8	100%
Services (security, janitorial, etc.)	14	13	8	100%
Total procurement expenditure paid	54	50	8	100%

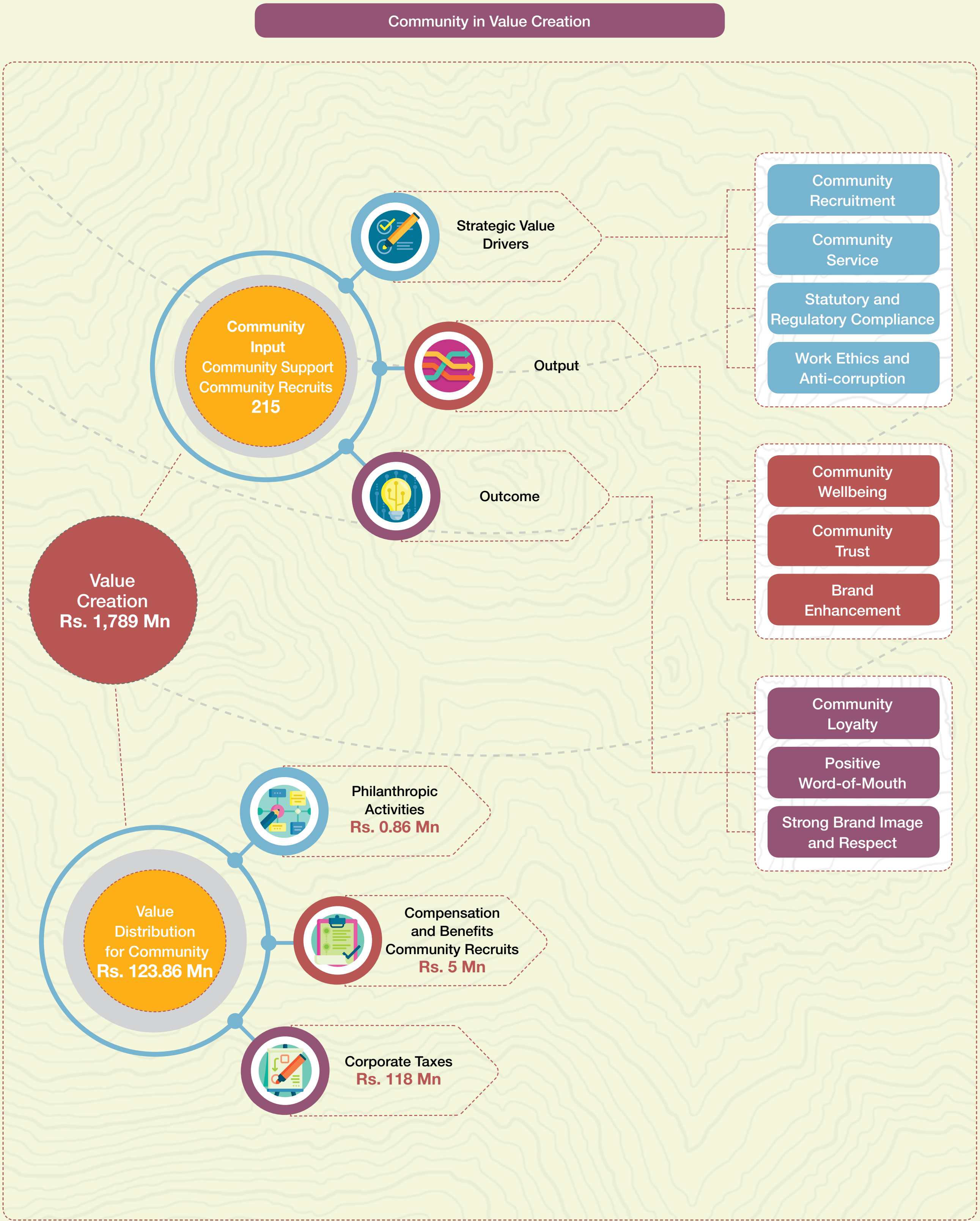
Procurement of general supplies include IT equipment—both hardware and software, air conditioning and electrical equipment, furniture and fittings, printing materials, stationery and other goods and services. Coming under the purview of our central administration department, we follow group policies and have adopted best practices in procurement including calling for tenders or obtaining three competitive quotations. During the year, there were no significant changes to the Company and its supply chain and we give due consideration to quality, reliability, timeliness of delivery as well as cost. We also look into and take necessary steps to mitigate any environmental or social risks associated with the procurement process. As a policy, we give due preference to local suppliers.

In the reporting year, we procured general supplies for a sum of Rs. 54 million from 41 suppliers. This represented a 8% increase over the previous year. All procurement was locally sourced.

FUTURE FOCUS

With growing operations, sustaining solid relationships with all business partners will remain significant to reach out to our goals in our business way forward. We intend to strengthen our insurance agent and broker network, enabling them with opportunities for learning best business practices. To this end, we will intensify our training initiatives with regard to technical aspects, products and on maintaining work ethics. We will also give strategic priority to strengthen our reinsurance platform; the technical learning library we have already initiated will be further developed and leveraged to keep abreast of the latest developments and international best practices in the reinsurance industry.

SOCIAL AND RELATIONSHIP CAPITAL - COMMUNITY



OVERVIEW

Aligned with the integrated approach we emulate in our value creation process, we strive to uphold exemplary business practices and work towards being a good corporate citizen. Our engagement with local communities and our initiatives to support and build positive relationships with them, therefore, stand significant and merit our strategic focus.

MANAGEMENT APPROACH

Risks

- Some communities may not be open to support the Company's overtures for community engagement and development.
- Increasingly changing socio-cultural perceptions, values and attitudes may not reflect well on the Company's engagement aspirations with the communities.

Opportunities

- Positive engagement with communities will strengthen brand equity and boost the non-captive market.
- Support of local communities will ensure greater sustainability of operations.
- Availability of intelligent and trainable youth within communities will support the Company's growth aspirations.

Community Policy

- Community economic prosperity: We help our community to survive and prosper economically.
- Responsible governance: We manage our risks properly, use our economic power responsibly and operate our business in a way that is ethical and legal.
- Respect for community: We are transparent, respectful and fair to local populations. We work collaboratively with our communities to enhance the well-being of others.

SOCIAL AND RELATIONSHIP CAPITAL - COMMUNITY

Our social initiatives come under the purview of the Board approved Corporate Sustainability Committee–comprising our Chief Executive Officer, Head of Finance and members from the senior management team—thus ensuring greater commitment at the top. We also have a dedicated officer, a Sustainability Coordinator, who is responsible for coordinating and managing the sustainability agenda in line with our strategic priorities. This officer is responsible for communicating with and engaging all employees across the board in implementing sustainability plans endorsed by the Committee. Our sustainability activities are consistently monitored and assessed for social impacts and duly reported to the Board where relevant and subsequently, to other stakeholders through our annual reporting process.

Guided by our sustainability policy, we are responsible, transparent and fair in our engagement with local communities. We advocate civic consciousness and abide by all relevant laws, rules and regulations. Our aim is to collaborate with communities in areas where we operate and bring them significant socio-economic benefits to uplift their wellbeing. Our community approach is two-pronged—on one hand, we give due precedence to community recruitment and thereby, empower them with ripple effects on societal progress; on the other, we advocate community service through philanthropic initiatives to support and solve current social issues, particularly, focusing on the underprivileged and the needy of our communities. We also look for initiatives and projects that have a strategic-fit with our core business lines.

COMMUNITY RECRUITMENTS

We advocate community recruitment which is recognised and upheld in our recruitment strategy. We open up career opportunities to suitable candidates from local communities, particularly for the youth in areas where we operate our regional branches and window offices. This in effect has enabled a solid platform to support our growth aspirations whilst securing stronger ties with the local people. In the reporting year, we recruited 215 new employees under this strategy; 79% was accounted for by the youth aged between 20 to 30 years whilst 15% was female and 8% was absorbed to the executive and management categories.

COMMUNITY SERVICE

Reinforcing our commitment to enable local communities, we continued our community service activities as detailed out below. We allocated a sum of Rs. 658,753 on community service whilst our employees were enthusiastic in their volunteering with 349 volunteer hours.

First Aid Training

- **Description:** Strategically linked to our motor business, a first aid training programme was organised in collaboration with Ms. Pushpa Ramyani Soyza, National First Aid Training Coordinator, attached to the National Hospital.
- **Beneficiaries:** Islandwide driving schools and three-wheeler drivers
- **Cost incurred:** Rs. 191,650
- **Volunteering employees:** 25
- **Employee volunteer hours:** 131

GRI Disclosure 103-2, 3/ 205-3/ 419-1

Wesak Dansala

- **Description:** For the sixth consecutive year, Wesak ice-cream dansala was organised at the new corporate office premises for devotees visiting the Bauddhaloka Vesak Kalapaya.
- **Beneficiaries:** Devotees
- **Cost incurred:** Rs. 152,103
- **Volunteering employees:** 58
- **Employee volunteer hours:** 218

Community Projects Sponsored by Company (Rs. 515,000)

- Enterprise Sri Lanka exhibition
- 'Pipena Kekulu' programme organised by Darmashoka Vidyalaya
- Blind musical orchestra

STATUTORY AND REGULATORY COMPLIANCE

Corporate Governance Report, Pages 49 to 63

As a flagship organisation of a well-renowned group, we stand committed to be responsible and ethical in our corporate conduct. It is in this spirit that we are focused in our compliance—positively responding and complying with voluntarily as well as mandatory rules, regulations and legal requirements set by relevant statutory and regulatory agencies.

WORK ETHICS AND ANTI-CORRUPTION

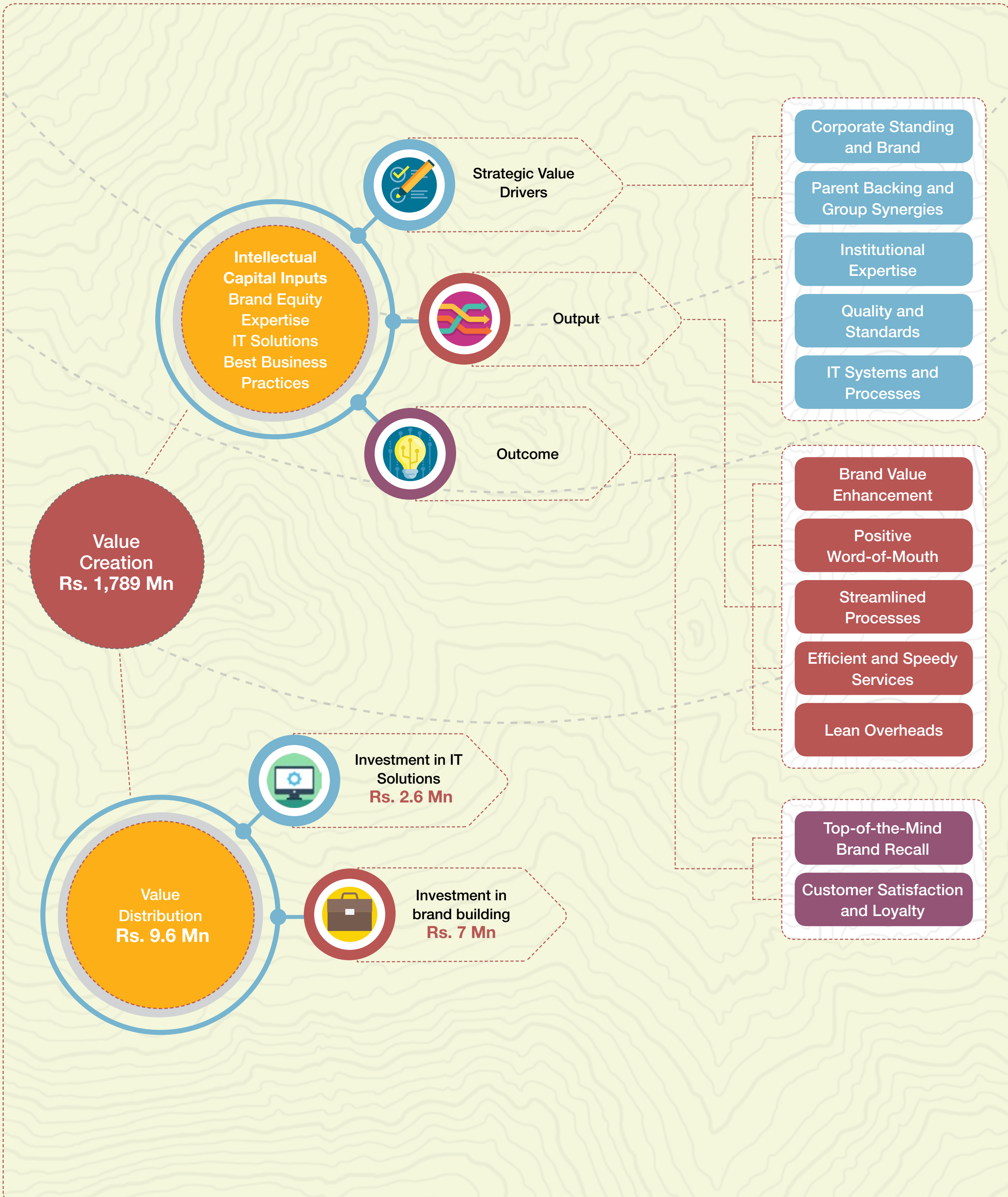
We have established a 'policy on business ethics' that guides us on our responsibilities as a good corporate citizen. The two codes set under this policy—'Code of Ethical Conduct for Office Staff' and 'Code of Ethical Conduct for Sales Persons'—guide all employees including insurance agents to be principled and professional in their conduct in discharging their daily duties. These two codes are well internalised amongst all employees with necessary training extended to all staff, particularly, targeting the new recruits. Our internal audit carries out periodic checks and monitors staff compliance with the codes. Any violations including corruption and fraudulent business activities are tabled to the Board for their intervention with due disciplinary action. The Company also reports to the Insurance Regulatory Commission of Sri Lanka in this regard. Our whistle-blower policy under the purview of our Board Audit Committee, enables our employees with confidentiality protection to report on any illegal activities, unethical business practices and improper behaviour against our codes and corporate values. In the reporting year, we did not record on any incidents of corruption, fraud or illegal activities. We also did not record any fines or non-monetary sanctions for non-compliance with laws and regulations relevant to socio-economic aspects.

FUTURE FOCUS

Operating in an evolving industry, it is critical that we remain focused in creating value from a long-term perspective. This calls for us to continue, to be more focused and intense in our efforts—underscored by our sustainability charter—to integrate social responsibility aspects with our value creation process. Therefore, we will further our efforts in the ensuing years to bring in more structured community-based projects with higher investments which will strategically complement our business goals whilst having a greater impact on society. We will also continue to further our community recruitments, with more training opportunities for the community youth to secure their career progress. We will remain committed to keep abreast of the current global best practices in doing business.

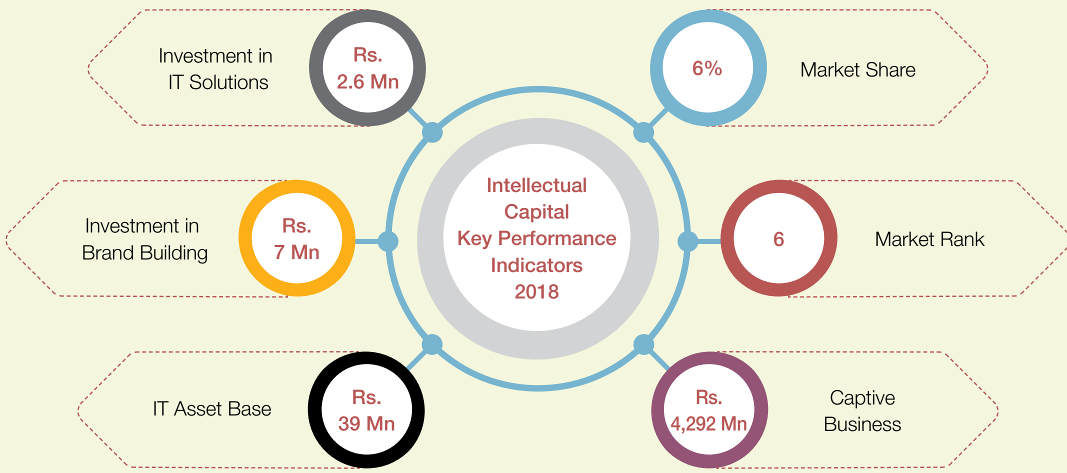
INTELLECTUAL CAPITAL

Intellectual Capital in Value Creation



OVERVIEW

Operating in a service industry amidst mounting competition, it is critical that we navigate through challenges in our business backdrop and sustain our positioning as a top-tier non-life insurer. Intellectual capital—our intangible assets comprising the corporate standing and brand, parent and group strength, institutional expertise and modern systems and processes—essentially underline our competitive differentiation, and thereby, support a sustainable platform to generate business value. Therefore, it is imperative that we stay fully focused on building and managing our intellectual capital base.



MANAGEMENT APPROACH

Risks

- Changing demographic trends and societal values may adversely impact brand acceptance and product preferences.
- Subdued economic growth trends may hinder the demand for non-life insurance products.
- Retaining technically savvy and trained staff is increasingly becoming more challenging with mounting competition.
- Susceptibility to cyber-attacks and loss of customer information and privacy will impact customer trust and compromise on brand reputation.

Opportunities

- Technically competent and dedicated employees to strengthen institutional expertise.
- Sustainability charter along with adopted codes enabling best practices in business within the workplace.
- Commitment of the Board and senior management to uphold best practices in governance and risk management.
- Commitment to adopt emerging digital solutions to redefine customer experience and gain a competitive edge.

INTELLECTUAL CAPITAL

We give strategic precedence in our management approach to nurture and build our intellectual capital base. We look to leverage on the strengths of these intangible assets to bring in efficiency and give us a competitive advantage to enhance our value creation process. We have the necessary documentation, procedures, charters, policies and codes in place to support our efforts in this regard.

We give time, effort and due investments along with a well-structured strategy and plans to

- sustain our solid corporate repute and build our brand equity;
- strengthen our ties and bolt on parent reputation and group synergies;
- build and secure our expertise with due learning exposure, sharing knowledge and research and development;
- adopt smart digital solutions to streamline and improve our processes for greater productivity;
- enhance management information, strategic planning and decision making; and,
- uphold best corporate practices for effective risk management, good governance and sustain quality and standards of our products and services.

CORPORATE STANDING AND BRAND

Social and Relationship Capital - Customers, Marketing Communications, Page 129

Over a span of nine years, we have positioned our organisation as a trusted insurer within the non-life insurance industry in Sri Lanka. We are rated 'A+ (lka)' by Fitch Ratings affirming our financial strength as an insurer. Our corporate standing is solid and we have remained committed in upholding ethical and socially responsible business practices. Our Board, management and all employees are guided by the Code of Conduct and the Sustainability Charter we adopted in the preceding year—representing our core corporate values. This underscores our growing brand strength, essentially, paving the path for the business to be competitive, secure customer confidence, gain on market share and reach out to corporate goals.

Further building on our new marketing communication campaign launched in the preceding year, we continued to be proactive in our efforts and invested in marketing and promotions to reinforce our new brand logo along with the tagline. Following through with the given brand guidelines, we remained consistent in the way we used and communicated our brand—seeking to reinforce brand values to create top-of-the-mind brand recall for higher value creation. This reporting year, we invested Rs. 7 million on brand communications. The Company was awarded a merit certificate for the first ever TV commercial released, at the Sumathi Awards 2018.

Bronze
Insurance Companies Category
54th Annual Report Awards 2018
CA Sri Lanka

Top Ten Integrated Reports
CMA Excellence in Integrated Reporting Awards 2018
CMA Sri Lanka

Gold - Insurance Sector
Top Sri Lankan Report
Top 100 Worldwide
Integrated Report Competition
Silver - Insurance Sector
Annual Report Competition
2017 Vision Awards
League of American Communications Professionals (LACP), USA

PARENT SUPPORT AND GROUP SYNERGIES

INTELLECTUAL CAPITAL

We operate on a solid foundation backed by our well-respected parent entities, People's Leasing & Finance PLC (PLC) and People's Bank. Their brand strength gained over the years along with their expertise and outreach within the banking and financial services domain in the country stand as our point of differentiation, giving us a strong competitive edge in our industry. The synergistic opportunities present within the Group network also complement our business and bring in a competitive advantage. The captive business in the year stood at Rs. 4,291 million, an increase of 12% as against the business generated in the preceding year.

INSTITUTIONAL EXPERTISE

Human Capital, Skills Development, Pages 120 to 121

For nearly a decade, we have progressively moved forward within the insurance industry, initially in our role to support captive insurance needs of our parent entities and subsequently, as an emerging market player. In this period, we have gained immense knowledge and experience within the non-life insurance domain, backed by the insight and solid foundation of our well-renowned parent entities. We are endowed with a well-rounded team, including technically-skilled staff along with necessary systems and processes in place to deliver our value proposition—trusted insurance solutions to meet our customer and other stakeholder expectations.

In building on our expertise, we are focused in our efforts to modernise our processes with latest technology, add value features to the existing product range, develop new products and ensure quality and standards to be current and in line with the rapidly changing industry needs. We have a dedicated Research and Development Manager who is responsible to bring in innovation to our product portfolio. We also invest well in long-term learning opportunities with mentoring programmes to support our high achievers, motivate them, develop their careers and retain them within the organisation.

QUALITY AND STANDARDS

Seeking to bring in operational excellence with quality and standards, we initiated the 5S programme in the reporting year at the corporate office in collaboration with the National Productivity Secretariat. This programme is expected to improve the efficiency and effectiveness of our workplace processes. We laid the foundation for the programme to take-off—formulating action plans for the ensuing year along with due training extended for managers, executives and to the 5S programme coordinators. We also held '5S SEIRI Week' programme to educate, inspire and engage all staff at the head office on this programme.

We also initiated the process to obtain the internationally renowned ISO 9001:2015 Quality Management System certification. The certification is expected to underscore our efforts to be customer centric and ethical in our business practices. Accordingly, we conducted due training for managers, executives and ISO coordinators. We also conducted an internal audit training program in this regard. In the reporting year, we invested a sum of Rs. 248,728 on the 5S and ISO certification programme.

IT SYSTEMS AND PROCESSES

In a rapidly changing business setting, information technology (IT) essentially plays a critical role in value creation. We have set the framework and invested strategically to keep up with the latest developments in IT, leading to more streamlined systems and processes, underlining our operations to be efficient, agile and thereby, customer centric.

Our IT operations come under the Group IT department as a shared function on a fee-based model.

Insurance System

We have a comprehensive end-to-end insurance system in place—with software solutions to automate and streamline operational processes, covering the corporate office, regional branches and window offices. The system is embedded with five modules, supporting our core functions such as policy and claims processing, underwriting and reinsurance along with non-core functions like human resources management and payroll. The system is fully integrated and transactions are carried out on a real-time basis. Staff across the organisation is well-trained and rely on the system to carry out their day to day operations.

Insurance System Key Features

Operations

- Automates core and non-core operational processes with security features against malicious cyber-attacks and unauthorised transactions.

Management Information

- Compiles information and data to generate management reports for decision making.

Strategic Planning Support

- Provides analytical tools for strategic planning

Document Management

- Electronic filing of paper and digital documents

Disaster Recovery

- Ensures business continuity with data and information back-up at on-site and off-site locations.

Developments in 2018

Sales App

- The sales application was developed for the People's Insurance sales team, in order to enable the marketing officers to generate quotation and check the policy/claim status while they are on the field. The new IT platform enabled the marketing officers to provide quick and efficient services to the existing/ potential customers at their doorstep

E-marine

- E-marine online portal was launched and enable the corporate customers to generate policy document online

Revamping e-travel

- Revamped the e-travel option to cater to the needs of newly introduced 'Travel Smart' product

Information Security

Social and Relationship Capital – Customer – Customer Privacy, Page 129

With a well-thought out business continuity plan, we have in place the necessary systems and processes to safeguard our customer information and data. Our disaster recovery system handled by the Group ICT department safeguards information and data both on-site and off-site locations whilst a SMS facility is in place to notify the server administrators in the event of a power failure. All glitches, traffic build-up and unwarranted online activity are monitored and rectified by the network monitoring system. The core system also entails a security module with dual authority levels and set-limits. Necessary firewalls and anti-malicious software are in place to protect information and data from malicious attacks.

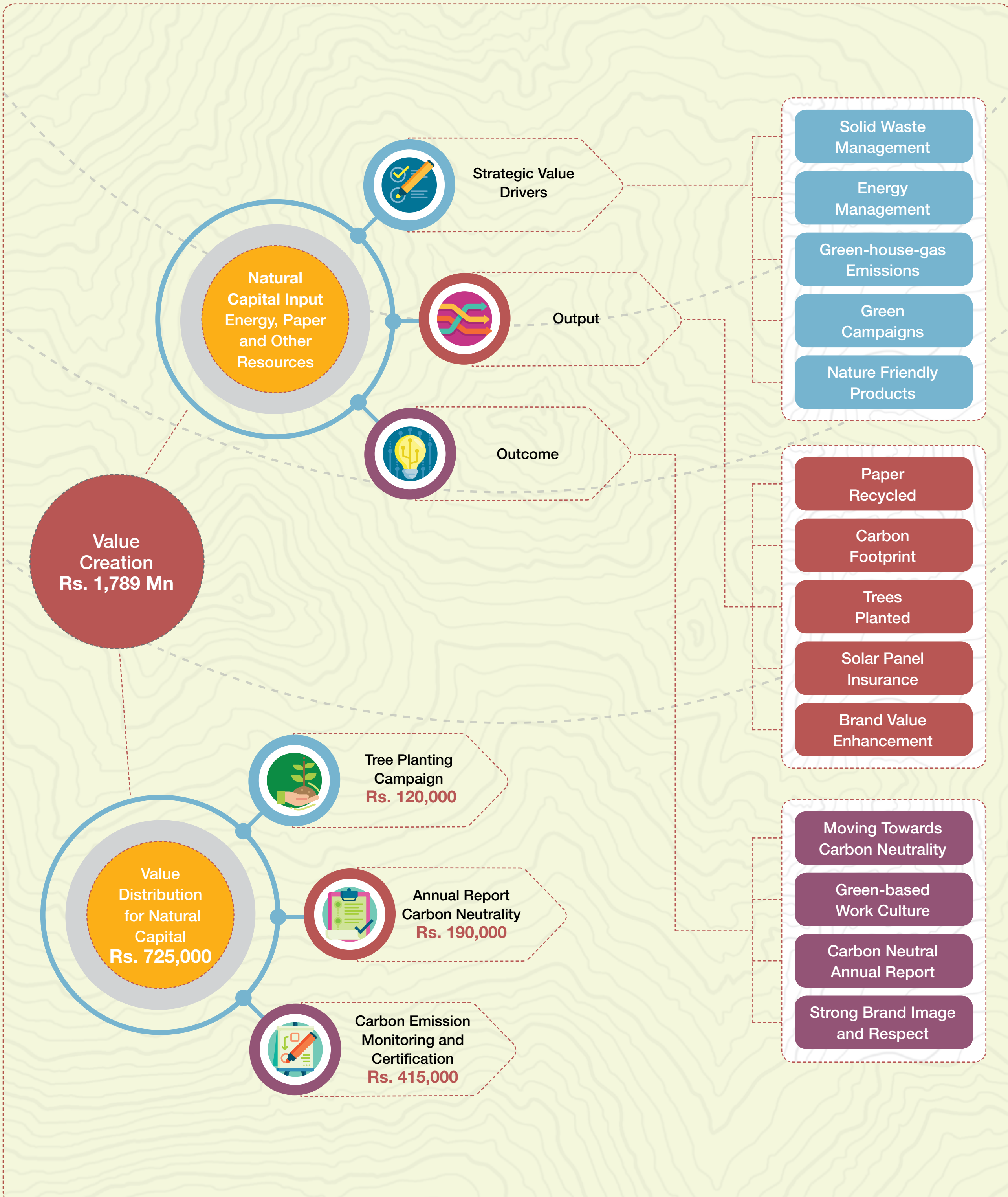
The Group IT framework is certified under the ISO 27001 Information Security Management System, thus, supporting our organisation to manage the security of IT assets including financial, employee, customer or third-party information. Group internal audit as well as external auditors and certification bodies also carry out periodic audits and vulnerability assessments on ICT systems, software programmes and processes. In the reporting year, the Group internal audit carried seven audits covering systems and processes of the corporate and regional offices of the Group. The findings were duly addressed by our Group ICT department. The Group ICT department has also obtained certification from Messrs. Det Norkse Veritas Sri Lanka, assuring compliance with the ISO/ IEC27001:2013 standards. This certification is valid until 29th March 2020.

FUTURE FOCUS

Continuing to give strategic precedence, we will further our actions to build on our intellectual capital base. We expect to strengthen our brand equity with consistent brand communication—using a strategic mix of conventional as well as new age tools such as social media marketing through mobile applications and YouTube advertising. We will also look to further invest in our learning initiatives; and in the latest technology to better our processes and to rethink and add value to our products, delivery to be in line with changing customer expectations in a digital age and integrate with systems of other financial institutions. The work we initiated this year on the 5S programme and on obtaining ISO certification is expected to be formalised in the coming year which will enhance our quality and standards in the workplace—giving us a firm platform to achieve a competitive differentiation.

NATURAL CAPITAL

Natural Capital in Value Creation



GRI Disclosure 103-2, 3

OVERVIEW

Working towards an integrated approach to value creation, it is of significance to champion environmental stewardship to support and address growing concerns on fast depleting renewable energy sources to climate change and global warming. Although as an insurer our operational impact on the environment is not extensive, we are conscious to do our part and thus we have adopted environmental sustainability as part of our corporate strategy.

Natural Capital Key Performance Indicators 2018

- 0.85 – Tonnes of CO_2 Equivalent per Employee Carbon Footprint Intensity
- 3,961 kg – Paper Recycled
- 60 – Trees Saved due to Paper Recycling
- 472 – Tonnes of CO_2 Equivalent Carbon Footprint

MANAGEMENT APPROACH

Risks	Opportunities
• Growing operations will increase the Company's resource consumption and thereby the environmental footprint. • Expanding operations within the motor segment will increase the Company's indirect impact on emissions and increase the carbon footprint.	• Commitment at the top level management and focused initiatives to curtail the carbon footprint will reflect well on the Company's brand reputation and support growth within the non-captive market.

Environmental Policy

- Resource conservation: We conserve our use of natural resources to the extent practicable.
- Waste prevention and management: We reduce to the extent practicable the quantity and degree of hazard of the wastes we generate from our operations and handle them in a safe, legal and responsible way to minimise their environmental effects.
- Reduction of supply chain impacts: We work with others in our supply chain to help assure adverse environmental impacts and risks associated with our services are reduced and properly controlled and environmental benefits optimised.
- Collaboration with communities: We collaborate with our communities to protect and improve the environment.

GRI Disclosure 103-2, 3/ 302-1, 3/ 306-2

NATURAL CAPITAL

Upholding environmental laws, rules and regulations, our sustainability policy and charter define our commitment and guide us to adopt best practices and manage our impacts to be environmentally responsible in the way we do business. Our allegiance to work towards the Sustainable Development Goals as prescribed by the United Nations, sets the tone for our engagement in environmental initiatives.

Our sustainability committee, supported by our dedicated coordinating officer, is responsible to formulate key strategies, plans and decide on the necessary resources to address environmental issues that are material and linked to our operations. The coordinating officer is also responsible to monitor the implementation process and duly report to the Committee. We have a structured mechanism in place to track and measure our carbon footprint, underlining our carbon certification process.

Our approach to ensure environmental responsibility is two-fold. On one hand, we rely on internal measures initiated within the workplace, following the '3R' concept—reuse, reduce and recycle. Accordingly, we look into our solid waste management, particularly, reducing and recycling our paper and e-waste; bringing in greater efficiency to energy usage; and controlling green-house-gas emissions through green initiatives. On the other hand, we concentrate on external initiatives, including environmental campaigns, to change people's mindsets and create awareness on environmental conservation.

SOLID WASTE MANAGEMENT

Solid Waste Management			
	2018	2017	% Change
Paper usage (kg)	72,631	93,161	(22)
Paper sent for recycling (kg)	3,961	1,892	109

Paper Usage and Recycling

Operating in the services sector, our paper usage in the workplace is extensive. However, we have been proactive in our efforts to reduce paper consumption over the years. We invest well in automation of processes and have in place a document management system to facilitate electronic filing of paper and digital documents. We also rely on and encourage our stakeholders to embrace online transactions and communications; and more so, muster the support of the staff to be conscious and frugal in using paper, in printing and photocopying.

For the past four years, we have been following a systematic paper recycling process at the corporate office. This is carried out in collaboration with a well-established paper recycling company, Amana Paper Collections (Private) Ltd. This reporting year, we sent 3,961 kilograms of waste paper for recycling, an increase of 109% over the prior year.

ENERGY MANAGEMENT

Energy Usage and Intensity			
Energy Source	Consumption Level		
	2018	2017	% Change
Direct			
Electricity consumption (kwh)	498,448	422,453	18
Energy intensity – Electricity usage per employee	900	1,097	(18)
Indirect			
Fuel consumption (ltr)	12,199	12,749	(4)

Energy consumption at PI is mainly direct electricity used for lighting and cooling the premises. Indirect energy consumption relates to fuel usage for transport purposes including foreign and employee travel for meetings, training and marketing promotions. With growing operations, our direct electricity consumption continued in the year to be substantial at 498,448 kwh, an increase of over 18% as against the previous year. Our fuel consumption decreased by 4% to 12,199 litres.

With significant impacts on both our operational viability and sustainability of the environment, we continued to be focused in our efforts to track, monitor and efficiently manage our energy usage. We follow through with best energy practices and solutions within the workplace. Our corporate office is located in a new building equipped with a sophisticated building management system. This ensures that our corporate office premises are well maintained and efficient in energy management. Apart from this, we also continue to use energy efficient appliances, invest in automating our operational processes and encouraging our staff across the board to be energy efficient in their work practices and encourage our customers to use solar panels by offering an insurance product for the solar panels. During the year, we insured 199 solar panels and generated a premium of Rs. 342,656.

GRI Disclosure 305-1, 2, 3, 4, 6, 7/ 307-1

EMISSIONS

Aligned to our parent policies, we continue to work closely with the Sri Lanka Carbon Fund, a carbon consulting firm, to track, measure and monitor our green-house gas emissions under three scopes covering the corporate office, regional offices and call centre. We are guided and certified under the 'GHG Protocol, ISO 14064:2006' standards. Our carbon footprint in the reporting year stood at 472 tonnes of CO_2 equivalent with an intensity of 0.85 tonnes of CO_2 equivalent per employee. Compared to our footprint ascertained in the preceding year, this year's footprint has recorded a decrease of six tonnes of CO_2 equivalent.

Our operations did not record emissions of ozone-depleting substances and NOx, SOx and other significant air emissions.

Green House Gas Emissions and Intensity			
Scope	Description	2018	2017
		Emissions (Tonnes of CO_2 Equivalent)	
Scope 1: Direct GHG Emissions	Company hired vehicles	18	1
	Company owned vehicles	8	22
	Refrigerants	-	72
	Generators	3	1
	Total - Scope 1	29	94
Scope 2: Indirect GHG Emissions	Purchased electricity	284	240
	Total - Scope 2	284	240
Scope 3: Other Indirect GHG Emissions	Water consumption	1	1
	Overseas business travel	-	1
	Outsourced vehicles - Business travel	8	8
	Electricity T & D loss	30	26
	Employee commuting	120	108
	Waste disposal	-	-
	Total - Scope 3	159	144
	Carbon footprint (Scope 1+2+3)	472	478
	Carbon footprint intensity – Emissions per employee	0.85	1.23

GREEN CAMPAIGNS

As part of our five-year pledge to support the 'One Million Trees' programme led by the Sri Lanka Climate Fund, we extended sponsorship of Rs. 120,000 to plant 400 trees in 2018. This national initiative is expected to increase the forest cover from the current 29% to 33% by 2025. This campaign is expected to earn us carbon credit points, complementing our efforts to be carbon neutral in operations.

We are proud to produce the Annual report 2018 as a carbon neutral product having offset its carbon footprint of 3.5 tCO_2 by purchasing United Nations Certified Emission Reductions (CERs) from the project activity 2698 registered under UN Clean Development Mechanism. Product carbon footprint has been measured and reported in accordance with the requirements of the Greenhouse Gas Protocol (Life Cycle Accounting and Reporting Standard) developed by World Business Council for Sustainable Development and World Resource Institute by Climate Smart Initiatives (Pvt) Ltd.

ENVIRONMENTAL COMPLIANCE

In the reporting year, we were not subjected to any fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

FUTURE FOCUS

As an emerging non-life insurer, we have to be mindful and carry forward our focused initiatives to be environmentally responsible and achieve carbon neutrality status as aspired. We will continue to give precedence with necessary budgets to further our energy usage and mitigate our green-house-gas emissions. To this end, we will muster the support of our staff, collaborate with the Group and encourage all other stakeholders to come on board and support us in our environmental activities and campaigns.

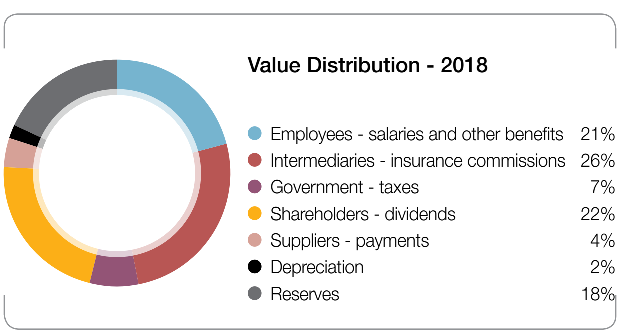
GRI Disclosure 103-2, 3/ 201-1

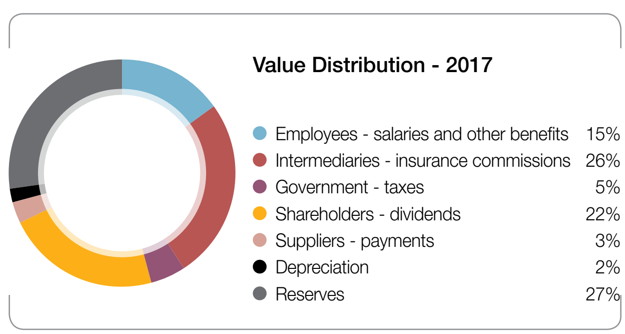
VALUE ADDITION AND DISTRIBUTION

In the financial year 2018, a total value of Rs. 1,786 million was generated as set out in the value added statement, corresponding to an increase of 12% over the value created in 2017. Out of the total value generated, Rs. 1,356 million representing 71% was re-distributed to key stakeholders with the bulk of 26% as commission to insurance intermediaries, followed by 22% as dividends to shareholders. The sum retained and reinvested within the operation was Rs. 359 million, corresponding to 28% of the total value generated to be used for replacement of assets and investment purposes.

VALUE ADDED STATEMENT

Value Addition	Trade-off Between Capitals		2018		2017	
			Rs. Mn	%	Rs. Mn	%
Net earned premium			4,709		4,097	
Other revenue			723		694	
Net claims			(3,237)		(2,841)	
Cost of external services			(409)		(353)	
Total value added			1,786		1,597	
Value distribution						
Employees - salaries and other benefits	Human Capital	↑	376	21	246	15
	Financial Capital	↓				
Intermediaries - insurance commissions	Social and Relationship capital	↑	462	26	407	26
	Financial Capital	↓				
Government - taxes	Social and Relationship capital	↑	118	7	94	5
	Financial Capital	↓				
Shareholders - dividends	Social and Relationship capital	↑	400	22	350	22
	Financial Capital	↓				
Suppliers - payments	Social and Relationship capital	↑	71	4	50	3
	Financial Capital	↓				
Retained value						
Depreciation	Financial Capital	↑	35	2	27	2
Reserves	Financial Capital	↑	324	18	423	27
Total value distributed and retained			1,786	100	1,597	100





CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS

UNITED NATIONS - SUSTAINABLE DEVELOPMENT GOALS – OUR CONTRIBUTION

No Poverty

GOAL 1

We create substantial economic value from our operations as a leading insurer along with employment generation and the taxes we pay for public finance. This complements the nation's drive for economic development and in turn, support poverty alleviation.

Value Addition and Distribution, Page 148 and Business Review, Pages 98 to 103

Good Health and Wellbeing

GOAL 3

Upholding best practices in HR management, we are concerned and have key measures in place to ensure employees' health, safety and their wellbeing. We encourage our employees to adopt healthy lifestyles and have a work-life balance. We also offer healthcare insurance with tailored solutions to meet our customer needs and thereby, foster their good health and wellbeing.

Human Capital, Page 122 and Business Review, Page 99

Quality Education

GOAL 4

Advocating learning across the workplace, we invest well in our training initiatives along with a reimbursement scheme for professional studies, thus, developing employee skills and their work values. We also help out with educational needs of underprivileged rural schools as part of our philanthropic programmes.

Human Capital Pages 120 to 121 and Social and Relationship Capital, Page 137

Gender Equality

GOAL 5

The principle of equal opportunity underlies our workplace ethos. We follow best labour practices without prejudices on gender. All recruitment, remuneration, benefits and promotions are purely dependent on quality and industry norms.

Human Capital, Page 116

Decent Work and Economic Growth

GOAL 8

With a solid distribution channel along with a large workforce and an extensive agent and broker network, we create significant economic value with ripple-effects across the society—supporting the nation's development goals. We follow Sri Lanka's labour laws and ensure a fair, transparent and progressive workplace.

Human Capital, Pages 114 to 124 and Business Review, Pages 98 to 103

Industry Innovation and Infrastructure

GOAL 9

We are current in our business practices and give precedence for product innovation. We invest well in adopting latest technology to automate our work processes for speedy, streamlined and efficient operations. We look for digital solutions and develop mobile applications to extend agile and convenient products and customer service.

Intellectual Capital, Page 142, Social and Relationship Capital, Pages 127 to 128 and Manufactured Capital, Page 113

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

Reduced Inequalities

GOAL 10

We strive to be inclusive in our operations. Our distribution network including the expansions are spread across the country, thus, targeting a wider market segment. The product offer is also inclusive as we strive to extend customised solutions and innovate products to match the changing needs of our customers. We offer employment without any bias including to the communities in which we operate; whilst extending solid business opportunities for our business partners.

Human Capital, Page 116 Social and Relationship Capital, Page 127

Sustainable Cities and Communities

GOAL 11

As part of our recruitment strategy, we extend employment opportunities to those living in the areas in which we operate, thus, creating a solid platform for communities to progress and be sustainable. We also support the underprivileged communities with our philanthropic initiatives to develop their living environment and to support their needs for a better quality of life.

Human Capital, Page 118 Social and Relationship Capital,Pages 135 to 137

Responsible Consumption and Production

GOAL 12

Advocating corporate stewardship, we are conscientious in the way we use our scarce resources. We have initiated and adopted proactive measures to be energy efficient, manage solid waste responsibly following through the 3Rs—reduce, reuse and recycle.

Natural Capital, Pages 145 to 147

Climate Action

GOAL 13

Advocating energy efficiency across our workplace along with our, tree planting initiative, we are committed in our efforts to curtail our carbon footprint and thus, do our part to abate climate change and global warming.

Natural Capital, Pages 145 to 147

Life on Land

GOAL 15

We are committed in our efforts to take forward our tree planting initiative to increase the forest cover and thus, protect the eco system. Our initiative is in support of the 'One Million Trees' programme led by the Sri Lanka Climate Fund.

Natural Capital, Pages 145 to 147

Peace, Justice and Strong Institutions

GOAL 16

Upholding ethical business and governance practices, we are fair, accountable and transparent in all dealings, be it with our customers, employees and business partners. We follow through fair labour practices and comply with regulatory and statutory laws, directives, rules and regulations.

Human Capital, Page 122, Social and Relationship Capital, Pages 126 to 129, Corporate Governance, Pages 49 to 63

Partnerships for the Goals

GOAL 17

We stand committed to partner with the members who have pledged their support to achieve the sustainable development goals.

Realigning ourselves to a clear path

FINANCIAL INFORMATION

FINANCIAL INFORMATION

FINANCIAL CALENDAR	2018	2017
Dividends		
First Interim Dividend Paid	18 September 2018	22 September 2017
Second Interim Dividend Paid	-	18 March 2018
Final Dividend Paid	-	29 March 2018
Final Dividend Proposed	20 February 2019	15 February 2018
Financial Statements		
Interim Financial Statements - First Quarter	01 May 2018	27 April 2017
Interim Financial Statements - Second Quarter	08 August 2018	03 August 2017
Interim Financial Statements - Third Quarter	13 November 2018	26 October 2017
Interim Financial Statements - Fourth Quarter	21 February 2019	16 February 2018
Audited Financial Statements for the Year	In March 2019	08 March 2018
Annual General Meeting (AGM)		
9th Annual General Meeting	-	29 March 2018
10th Annual General Meeting	29 March 2019	-

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the financial statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 ('Companies Act') is set out in this statement. The responsibilities of the External Auditors in relation to the financial statements are set out in the Independent Auditor's Report given on pages 157 to 159.

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

The financial statements comprise the statement of financial position as at 31st December 2018, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the financial statements of the Company give a true and fair view of:

1. The state of affairs of the Company as at 31st December 2018; and
2. The financial performance of the Company for the financial year then ended.

The financial statements for the year 2018, prepared and presented in this Annual Report are in agreement with the underlying books of accounts and are in conformity with the requirements of the following:

- Sri Lanka Accounting Standards (SLFRSs and LKASs);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Regulatory commission of Sri Lanka (IRCSL);
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017.

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

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

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The financial statements of the Company have been certified by the Chief Financial Officer, the officer responsible for their preparation as required by section 150(1)(b) of the Companies Act. In addition, the financial statements of the Company have been signed by two Directors on 20 February 2019 as required by Section 150(1)(c) of the Companies Act and other regulatory requirements. In compliance with section 148(1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements, in accordance with the Companies Act and further enabling the financial statements to be readily and properly audited.

The financial statements for the year 2018 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

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

By order of the Board

Lakmini Kottegoda
Company Secretary

20th February 2019
Colombo

CEO'S AND CFO'S RESPONSIBILITY STATEMENT

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

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);
- Companies Act No. 07 of 2007;
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995;
- Insurance Industry Act No. 43 of 2000 and amendments thereto;
- Statement of Recommended Practice (SoRP) issued by Insurance Regulatory Commission of Sri Lanka (IRCSL);
- Listing Rules of the Colombo Stock Exchange (CSE) and;
- Code of Best Practice on Corporate Governance 2017.

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

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to these financial statements were made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The internal audit department conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

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

The financial statements of the Company were audited by the Messrs. Ernst & Young, Chartered Accountants and their report is given on pages 157 to 159 of this Annual Report.

We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review.
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance.
4. There are no material litigations that are pending against the Company other than those disclosed in Note 49 of the financial statements of this Annual Report.
5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2018 have been paid or where relevant provided for.
6. The Company has complied with all the legal and regulatory provisions of the Regulation of Insurance Industry act.
7. The Company has arranged treaty reinsurance with approved reinsurers as per IRCSL guidelines.
8. Reserving and solvency guidelines have been complied with and total reserves are backed by matching admissible assets.
9. The equity capital meets the set minimum capital requirement in accordance with the applicable regulations.

Deepal Abeysekara
Chief Executive Officer

Nilushan Somarathna
Chief Financial Officer

20th February 2019
Colombo

IBNR AND LAT CERTIFICATION

PEOPLE'S INSURANCE PLC 31 DECEMBER 2018 NET IBNR AND LAT CERTIFICATION

I hereby certify that the undiscounted 75% confidence level IBNR provision of LKR 460,821,876 inclusive of Claims Handing Expenses, is adequate in relation to the Claim Liability of People's Insurance PLC as at 31 December 2018, net of reinsurance. This provision applies to claims from Accident Years 2010 to 2018. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate at a 75th percentile to meet the future liabilities in respect of the Company's incurred claims obligations as at 31 December 2018, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 2,873,860,649 set by the Company, net of reinsurance, is adequate at a 50th percentile in relation to the unexpired risks of People's Insurance PLC as at 31 December 2018, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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

Sivaraman Kumar
Fellow of the Institute and Faculty of Actuaries (FIA)
For and on behalf of NMG Consulting
Dated: 12 February 2019

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INDEPENDENT AUDITOR'S REPORT

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Chartered Accountants
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eysl@lk.ey.com
ey.com

SPF/HLKC/MHM

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PEOPLE'S INSURANCE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of People's Insurance PLC ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and 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 of the Company give a true and fair view of the financial position of the Company as at 31 December 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

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Key audit matter	How our audit addressed the key audit matter
Valuation of Insurance contract liabilities	
The Company has significant general Insurance contract liabilities amounting to Rs. 4.367,565,525 as disclosed in Note 36, which represent 87% of Company's total liabilities. General insurance contract liabilities, are accounted for in the financial statement using significant estimates and judgments which are sensitive to various factors and uncertainties as disclosed in note 45.7. Significant management judgement was applied in setting these assumptions. Changes in such significant estimates and judgments used in the valuation of the insurance contract liabilities directly impact the statement of profit and loss. Accordingly we considered the valuation of insurance contact liabilities as a key audit matter.	Our audit procedures were focused on the valuations performed by the firm of external professional actuaries engaged by the Company which included the following procedures; ◉ Testing the key controls on a sample basis over the process of recognition, measurement and submission of data for estimating the insurance contract liabilities. ◉ We engaged our internal specialized resources to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities. ◉ We also assessed the adequacy of the related disclosures in Notes 36 and 45.7 to the financial statements.

Other Information included in the 2018 Annual Report

Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2018 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 and 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

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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 controls.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

As required by Section 47(2) of the regulation of Insurance Industry Act, No.43 of 2000, we state that, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Regulatory Commission of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2199.

Ernst & Young

26 February 2019
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Page	2018 Rs.	2017 Rs.
Revenue	7	177	5,432,668,375	4,791,413,814
Gross written premium	8	178	5,591,815,141	4,781,919,014
Change in reserve for unearned insurance premium	9	179	(430,497,807)	(255,511,825)
Gross earned premium			5,161,317,334	4,526,407,189
Premium ceded to reinsurers	10	179	(482,181,063)	(427,744,495)
Change in reserve for unearned reinsurance premium	11	180	30,349,349	(1,480,259)
Net earned premium			4,709,485,620	4,097,182,435
Claims and expenses				
Net claims	12	180	(3,237,226,440)	(2,840,950,188)
Underwriting and net acquisition costs	13	183	(461,795,813)	(407,022,478)
Other operating and administrative expenses	14	184	(886,630,201)	(676,749,665)
			(4,585,652,454)	(3,924,722,331)
Underwriting results			123,833,166	172,460,104
Other revenue				
Fee income	15	185	49,393,044	41,804,663
Interest and dividend income	16	185	664,296,927	625,649,303
Net fair value gains/(losses)	17	186	(13,931,593)	24,646,592
Other income	18	187	23,424,377	2,130,821
			723,182,755	694,231,379
Profit before tax	19	187	847,015,921	866,691,483
Income tax expense	20	188	(117,953,614)	(93,606,037)
Profit for the year			729,062,307	773,085,446
Basic earnings per share	21	189	3.65	3.87

The notes to the financial statements as set out on pages 166 to 249 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2018 Rs.	2017 Rs.
Profit for the year			729,062,307	773,085,446
Other comprehensive income				
Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods:				
- Net change in fair value during the year	26.4	208	(2,688,967)	1,857,814
- Recycling to statement of profit or loss due to disposal of investments			-	4,846,648
- Deferred tax effect on above	20.2	188	951,082	(260,094)
			(1,737,885)	6,444,368
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods:				
- Actuarial losses on defined benefit obligations	37.2	219	(2,225,774)	(1,369,127)
- Deferred tax effect on above	20.2	188	239,861	(377,795)
			(1,985,913)	(1,746,922)
Other comprehensive income for the year, net of tax			(3,723,798)	4,697,446
Total comprehensive income for the year, net of tax			725,338,509	777,782,892

The notes to the financial statements as set out on pages 166 to 249 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2018 Rs.	2017 Rs.
Assets				
Intangible assets	23	191	2,388,131	11,000,000
Property, plant and equipment	24	193	82,008,927	84,392,671
Deferred tax asset	25	195	3,006,071	28,484
Financial investments	26	197	6,658,264,189	6,136,594,446
Reinsurance receivables	27	209	153,118,635	249,714,521
Insurance receivables	28	210	963,276,019	838,919,041
Deferred expenses	29	212	264,162,186	238,256,786
Other assets	30	213	69,952,648	69,549,058
Cash and cash equivalents	31	213	221,391,043	116,659,642
Total assets			8,417,567,849	7,745,114,649
Equity and liabilities				
Equity				
Stated capital	32	214	1,350,000,000	1,350,000,000
Retained earnings	33	214	2,034,950,758	1,710,724,129
Fair value reserves	34	215	(3,513,627)	819,647
Other reserves	35	215	(6,289,863)	(4,303,950)
Total equity			3,375,147,268	3,057,239,826
Liabilities				
Insurance contract liabilities	36	215	4,367,565,525	4,073,554,521
Employee defined benefit obligations	37	219	27,490,317	17,881,854
Other financial liabilities	38	221	400,727,257	408,960,354
Other liabilities	39	222	49,383,144	44,495,102
Reinsurance payables	40	222	61,807,635	35,715,836
Income tax payables	41	222	49,392,448	38,429,964
Bank overdrafts	42	223	86,054,255	68,837,192
Total liabilities			5,042,420,581	4,687,874,823
Total equity and liabilities			8,417,567,849	7,745,114,649

The notes to the financial statements as set out on pages 166 to 249 form an integral part of these financial statements.

Certification

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

Nilushan Somarathna
Chief Financial Officer

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

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

20th February 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

	Note	Page	Stated capital Rs.	Retained earnings Rs.	Fair value reserve Rs.	Other reserves Rs.	Total Rs.
Balance as at 1 January 2017			1,350,000,000	1,287,638,683	(5,624,721)	(2,557,028)	2,629,456,934
Profit for the year			-	773,085,446	-	-	773,085,446
Other comprehensive income			-	-	6,444,368	(1,746,922)	4,697,446
Dividends paid during the year	22	190	-	(350,000,000)	-	-	(350,000,000)
Balance as at 31 December 2017			1,350,000,000	1,710,724,129	819,647	(4,303,950)	3,057,239,826
Impact of adopting SLFRS 9 – Financial Instruments as at 1 January 2018	33, 34	214, 215	-	(4,835,678)	(2,595,389)	-	(7,431,067)
Restated balance as at 1 January 2018			1,350,000,000	1,705,888,451	(1,775,742)	(4,303,950)	3,049,808,759
Profit for the year			-	729,062,307	-	-	729,062,307
Dividends paid during the year	22	190	-	(400,000,000)	-	-	(400,000,000)
Other comprehensive income	33, 34	214, 215	-	-	(1,737,885)	(1,985,913)	(3,723,798)
Balance as at 31 December 2018			1,350,000,000	2,034,950,758	(3,513,627)	(6,289,863)	3,375,147,268

The notes to the financial statements as set out on pages 166 to 249 an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2018 Rs.	2017 Rs.
Operating activities				
Premium received from customers			5,453,273,701	4,662,121,344
Reinsurance premium paid			(456,089,267)	(433,312,281)
Claims paid	12	180	(3,298,454,547)	(2,811,720,982)
Reinsurance receipts in respect of claims			36,522,045	48,402,585
Interest received			641,580,071	529,203,943
Dividends received	16.2	186	5,739,383	19,851,866
Other operating cash flows			(1,287,624,137)	(886,186,052)
Cash flows from operating activities	A		1,094,947,249	1,128,360,423
Gratuity paid	37.2	219	(694,734)	(1,804,195)
Income tax paid	41	222	(47,522,289)	(24,226,000)
Net cash flows from operating activities			1,046,730,226	1,102,330,228
Investing activities				
Purchase of liquid investments			(22,466,695,822)	(20,586,085,223)
Purchase of other investments			(4,698,589,664)	(3,366,527,232)
Sale of liquid investments			22,838,691,027	20,293,612,086
Sale of other investments			3,822,503,593	2,961,838,013
Purchase of intangible assets	23	192	(2,558,712)	-
Purchase of property, plant and equipment	24	194	(21,014,593)	(69,382,534)
Proceeds received from disposal of fixed assets			-	1,169,018
Net cash flows used in investing activities			(527,664,172)	(765,375,873)
Net cash flows before financing activities			519,066,055	336,954,355
Financing activities				
Ordinary dividends paid	22	190	(400,000,000)	(350,000,000)
Net cash flows used in financing activities			(400,000,000)	(350,000,000)
Net increase/(decrease) in cash and cash equivalents during the period	B		119,066,055	(13,045,645)

The notes to the financial statements as set out on pages 166 to 249 form an integral part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2018 Rs.	2017 Rs.
A. Cash flows generated from operating activities				
Profit before tax			847,015,921	866,691,483
Adjustments for:				
Unrealised loss on quoted equity securities at market value	17	187	4,185,970	40,462,471
Provision for employee defined benefit obligations	37.2	219	8,077,423	5,396,702
Depreciation and amortisation expenses			34,568,924	27,494,102
Provision for impairment			14,184,461	5,056,341
Bad debt written off			37,671	-
Profit from disposal of property, plant and equipment	18	187	-	(762,017)
Profit before working capital changes			908,070,370	944,339,082
Changes in working capital				
(Increase)/decrease in reinsurance receivables			96,627,910	(145,209,785)
Increase in insurance receivables and other assets			(200,603,371)	(225,120,800)
Increase in deferred expenses			(25,905,400)	(17,676,766)
Increase in insurance liabilities			294,011,004	515,760,139
Increase in other liabilities			22,746,736	56,268,553
Cash flows from operating activities			1,094,947,249	1,128,360,423
B. Increase in cash and cash equivalents				
Cash and cash equivalents	31.1	214	277,248,205	140,965,087
Bank overdrafts	42	223	(86,054,255)	(68,837,192)
Net cash and cash equivalents as at 31 December			191,193,950	72,127,895
Less: Net cash and cash equivalents as at 1 January			72,127,895	85,173,540
Net Increase/(decrease) in cash and cash equivalents during the period			119,066,055	(13,045,645)

The notes to the financial statements as set out on pages 166 to 249 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

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

For more information, please refer page 300 of this Annual Report.

1.2 Parent entity and ultimate parent entity

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

1.3 Principal activities and nature of operations

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

1.4 Responsibility for financial statements

The Board of Directors is responsible for these financial statements. The responsibilities of the Board of Directors in relation to the financial statements are set out in the Statement of Directors' Responsibility for Financial Reporting on pages 153 to 154 in this Annual Report.

1.5 Number of employees

Staff strength of the Company as at 31 December 2018 is 554 (2017- 385).

1.6 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2018 were approved and authorised for issue on 20 February 2019 in accordance with the resolution of the Board of Directors on 20 February 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial statements include the following components:

- a statement of profit or loss and statement of comprehensive income providing information on the financial performance of the Company for the year under review (pages 160 to 165);
- a statement of financial position providing information on the financial position of the Company as at the year-end (Refer page 162);
- a statement of changes in equity depicting all changes in shareholders' equity (page 163);
- a statement of cash flows providing information to the users on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows (pages 164 to 165); and
- notes to the financial statements comprising accounting policies and other explanatory information (pages 166 to 249).

2.2 Basis of measurement

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

Item	Basis of Measurement	Note No.	Page Reference
Insurance contract liabilities	Values are determined in accordance with internationally accepted actuarial principles	36	215
Employee defined benefit obligations	Present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	37	219
Policy applicable from 1 January 2018			
Financial investments at fair value through profit or loss (FVPL)	Fair value	26.1	200

Item	Basis of Measurement	Note No.	Page Reference
Debt investments measured at fair value through other comprehensive income (FVOCI)	Fair value	26.3	206
Policy applicable before 1 January 2018			
Financial investments at fair value through profit or loss	Fair value	26.1	200
Available-for-sale financial assets	Fair value	26.3	206

2.3 Presentation of financial statements

An alternative format has been used in presenting accounting policies to minimise the disclosure overload and clutter in the financial statements. The assets and liabilities of the Company in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement period is presented in Note 45 (Risk management framework – exposure to liquidity risk). No adjustments have been made for inflationary factors affecting the financial statements.

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

2.4 Functional and presentation currency

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

2.5 Materiality and aggregation

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

2.6 Significant accounting judgments, estimates and assumptions

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

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

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below, whereas the respective carrying amounts of such assets and liabilities are as given in related notes.

2.6.1 Going concern

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

2.6.2 Fair value of financial instruments

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

2.6.3 Assessment of impairment

The measurement of impairment losses both under SLFRS 9 and LKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NOTES TO THE FINANCIAL STATEMENTS

Policy applicable after 1 January 2018

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

- The external credit grading model, which assigns probability of defaults (PDs) to the individual grades
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life-time expected credit loss (LTECL) basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as gross domestic product, and the effect on PDs, exposure at default (EAD) and loss given defaults (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Policy applicable before 1 January 2018

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating value in use requires the management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates; hence, they are subject to uncertainty.

2.6.4 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. The management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

2.6.5 Transfer pricing

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

3. CHANGES IN ACCOUNTING POLICIES

3.1 New and amended standards and interpretations

In these financial statements, the Company has applied SLFRS 9, effective for annual periods beginning on or after 1 January 2018, for the first time. The Company has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

3.2 SLFRS 9 - Financial Instruments

SLFRS 9 replaces LKAS 39 for annual periods on or after 1 January 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of SLFRS 9. Therefore, the comparative information for 2017 is reported under LKAS 39 and not comparable to the information presented for 2018. Differences arising from the adoption of SLFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Note 4.

3.3 Changes to classification and measurement

To determine their classification and measurement category, SLFRS 9 requires all financial assets, except equity instruments, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The LKAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available-for-sale (AFS), held-to-maturity (HTM) and amortised cost (AC)) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at fair value through other comprehensive income (FVOCI), with no recycling of gains or losses or profit or loss on de-recognition
- Financial assets at fair value through profit or loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under LKAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss.

The Company's classification of its financial assets and liabilities and impact of applying SLFRS 9 is disclosed in Note 4.

3.4 Changes to the impairment calculation

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for insurance receivables, reinsurance receivables and debt instruments at amortised cost by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. SLFRS 9 requires the Company to record an allowance for ECLs for all insurance and reinsurance receivables and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Company's impairment method are disclosed in Note 2.6.3. The quantitative impact of applying SLFRS 9 as at 1 January 2018 is disclosed in Note 4.

3.5 SLFRS 7 disclosures

To reflect the differences between SLFRS 9 and LKAS 39, SLFRS 7 - Financial Instruments: Disclosures was updated and the Company has adopted it together with SLFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 4. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 5.4.

4. TRANSITION DISCLOSURES

The following pages set out the impact of adopting SLFRS 9 on the statement of financial position and retained earnings including the effect of replacing LKAS 39's incurred credit loss calculations with SLFRS 9's ECLs.

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1 January 2018 is as follows:

Financial assets		LKAS 39 measurement			Re-measurement		SLFRS 9 measurement	
	Ref.	Category	Amount Rs.	Reclassification Rs.	ECL Rs.	Other Rs.	Amount Rs.	Category
Financial investments								
Fair value through profit or loss								
Listed equity securities		FVPL	135,561,249	-	-	-	-	N/A
To: Equity instruments fair value through profit or loss			-	(135,561,249)	-	-	-	-
Equity instruments at fair value through profit or loss	i							
From: Equity instruments through profit or loss			-	135,561,249	-	-	135,561,249	FVPL

NOTES TO THE FINANCIAL STATEMENTS

Financial assets		LKAS 39 measurement			Re-measurement		SLFRS 9 measurement	
	Ref.	Category	Amount Rs.	Reclassification Rs.	ECL Rs.	Other Rs.	Amount Rs.	Category
Loans and receivables								
Repurchase agreements		L&R	579,758,563	-	-	-	-	N/A
Staff loans		L&R	24,034,934	-	-	-	-	N/A
Rent deposits		L&R	45,199,893	-	-	-	-	N/A
Fixed deposits		L&R	2,709,568,064	-	-	-	-	N/A
Listed debentures		L&R	1,757,152,176	-	-	-	-	N/A
Savings accounts		L&R	24,305,445	-	-	-	-	N/A
To: Debt instruments at amortised cost			-	(5,140,019,075)	-	-	-	-
Debt instruments at amortised cost	ii							
From: Loans and receivables			-	5,140,019,075	(433,733)	-	5,139,585,342	AC
From: Available-for-sale			-	806,059,822	-	(2,235,158)	803,824,664	AC
Available-for-sale								
Treasury bills		AFS	806,059,822	-	-	(2,235,158)	803,824,664	N/A
Treasury bonds		AFS	54,954,300	-	-	-	54,954,300	N/A
To: Debt instruments at amortised cost			-	(806,059,822)	-	-	-	-
To: Debt instruments at fair value through other comprehensive income			-	(54,954,300)	-	-	-	-
Debt instruments at fair value through other comprehensive income	iii							
From: Available-for-sale			-	54,954,300	-	-	54,954,300	FVOCI
Reinsurance receivables	iv	L&R	249,714,521	-	(23,309)	-	249,691,212	AC
Insurance receivables	iv	L&R	838,919,041	-	(4,293,763)	-	834,625,278	AC
Cash and bank balance	v	L&R	116,659,642	-	(1,049)	-	116,658,593	AC
Non-financial assets								
Deferred tax asset	vi		28,484	-	(402,860)	-	(374,376)	
Financial liabilities								
Financial liabilities		AC	408,960,354	-	-	-	408,960,354	AC

L&R – Loans and receivables
N/A – Not applicable

I. Equity instruments through profit or loss – As of 1 January 2018, the Company intends to classify listed equity securities under financial assets at fair value through profit and loss under SLFRS 9 where these equity investments are held with a trading objective. Listed equity fails the contractual cash flow characteristic test (SPPI test) as the return does not solely represent capital and interest.

II. Debt instruments at amortised cost – Upon completion of the SPPI test and evaluating the historical data the management intends to hold these instruments to collect the contractual cash flows. As of 1 January 2018, the management elected the business model of hold to collect the contractual cash flows and measured the instruments at amortised cost.

III. Debt instruments at fair value through other comprehensive income – The Company has not held treasury bonds untill its maturity in the history. Further, the management intends to dispose the remaining bond in a favourable market condition. Accordingly, as of 1 January 2018, the Company classifies this instrument under debt securities at fair value through OCI.

IV. Reinsurance receivables/insurance receivables - Even though there were no interest charge for reinsurance receivables and premium receivables, they will qualify the SPPI test as they are considered to be short-term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, as of 1 January 2018, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, amortised cost will be equal to carrying value.

V. The impact of adopting SLFRS 9 on deferred tax is set out in Note 25.

The impact of transition to SLFRS 9 on reserves and retained earnings is as follows;

	Rs.
Fair value reserve	
Closing balance under LKAS 39 (31 December 2017)	819,647
Reclassification of debt securities from available-for-sale to amortised cost	(2,235,158)
Deferred tax in relation to the above	(360,231)
Opening balance under SLFRS 9 (1 January 2018)	(1,775,742)
Retained earnings	
Closing balance under LKAS 39 (31 December 2017)	1,710,724,129
Recognition of SLFRS 9 ECLs including those measured at FVOCI	(4,793,050)
Deferred tax in relation to the above	(42,628)
Opening balance under SLFRS 9 (1 January 2018)	1,705,888,451
Total change in equity due to adopting SLFRS 9	(7,431,067)

NOTES TO THE FINANCIAL STATEMENTS

The following table reconciles the aggregate opening impairment provision under LKAS 39 to the ECL allowances under SLFRS 9. Further details are disclosed in Notes 26.3, 26.5, 27 and 28.

	Impairment Provision under LKAS 39 at 31 December 2017	Re-measurement	ECLs under SLFRS 9 at 1 January 2018
Insurance receivables as per LKAS 39 Financial assets at amortised cost under SLFRS 9	15,072,959	4,293,763	19,366,722
Reinsurance receivables as per LKAS 39 Financial assets at amortised cost under SLFRS 9	-	23,309	23,309
Loans and receivables as per LKAS 39 Debt instruments at amortised cost under SLFRS 9	-	433,733	433,733
Cash and bank balances	-	1,049	1,049
	15,072,959	4,751,854	19,824,813

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Foreign currency translation

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

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

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

5.2 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed, only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

5.3 Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

5.4 Impairment of financial assets

Policy applicable after 1 January 2018

5.4.1 Overview of the ECL principles

As described in Note 3.4, the adoption of SLFRS 9 has fundamentally changed the Company's impairment method by replacing LKAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Company has been recording the allowance for expected credit losses for all insurance receivables, reinsurance receivables and other debt financial assets not held at FVPL in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 5.4.2). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 45.1.1.4.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis is explained in Note 45.1.1.4.1.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 45.1.1.5.1. Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12mECLs.
- Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial instrument also include instruments, where the credit risk has improved and the instrument has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 45.1.1.4.1). The Company records an allowance for the LTECLs.

5.4.2 Calculation of ECLs

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognised and is still in the portfolio. The concept of PD is further explained in Note 45.1.1.4.2.
- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the counterparty would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. LGD is further explained in Note 45.1.1.5.5.

When estimating ECLs, the Company considers three scenarios (a base case, good and bad). Each of these is associated with different PDs, EADs and LGDs as set out in Note 45.1.1.4.1. When relevant, the assessment of multiple scenarios also incorporates how defaulted financial instruments are expected to be recovered, including the probability that the instrument will cure and the value of collateral or the amount that might be received for selling the asset.

NOTES TO THE FINANCIAL STATEMENTS

5.4.3 The mechanics of the ECL method

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial instruments considered credit-impaired (as defined in Note 45.1.1.4.1), the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

5.4.4 Forward looking information

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Policy applicable before 1 January 2018

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a Company of financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a Company 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 have occurred after the initial recognition of the asset (an ‘incurred loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

5.4.5 Impairment of debt instruments measured at fair value through other comprehensive income (FVOCI)

Policy applicable from 1 January 2018

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the statement of profit and loss upon de-recognition of the assets.

Policy applicable before 1 January 2018

Impairment of available-for-sale financial investments.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income is transferred from equity to the statement of profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of profit or loss.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of profit or loss.

5.4.6 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

5.4.7 Statement of cash flows

The statement of cash flows has been prepared using the direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements. Interest and dividends received are classified as investing cash flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand, balances with banks and short-term deposits with banks. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

5.5 New standard and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

- Sri Lanka Financial Reporting Standard (SLFRS) 16 - Leases

SLFRS 16 will replace Sri Lanka Accounting Standard (LKAS 17) - Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 - Operating Leases Incentives and SIC 27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under SLFRS 16 is substantially unchanged from today's accounting under LKAS 17.

Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. Lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Pending a detailed impact analysis, possible impact from SLFRS 16 is not reasonably estimable as of the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING SEGMENTS

Operating segment is a component of an entity:

a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity.
b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) For which discrete financial information is available.

For the management purposes, the Company has organised the main business into four business units based on their products and services and has four reportable segments.

The Company operates mainly in Sri Lanka and the economic environment in which the Company operates is not subject to significant change in risk and rewards. Therefore, disclosures are not provided geography wise.

The segmental information reported below is used by the chief operating decision maker for the allocation of resources and assessment of performance.

Reportable Segment	Nature of Operation
Motor insurance	Provides cover for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of bodily injuries or property damage.
Marine insurance	Provides the insured with indemnity and financial protection for loss of or damage to cargo during transit.
Fire insurance	Provides property cover for damage and losses caused by fire and other incidents as applicable to property.
Miscellaneous insurance	Provides cover for variety of risks mainly for personal accident and other general insurance which are not categorised under other segments.

Segment Results - 2018

Description		Operating Segment				
	Note	Motor	Fire	Marine	Miscellaneous	Total
Gross written premium	8	4,747,346,927	446,803,008	9,277,422	388,387,784	5,591,815,141
Change in reserves for unearned insurance premium	9	(394,783,780)	(36,173,455)	(93,639)	553,067	(430,497,807)
Gross earned premium		4,352,563,147	410,629,553	9,183,783	388,940,851	5,161,317,334
Reinsurance premium	10	(120,515,159)	(286,595,187)	(7,225,452)	(67,845,265)	(482,181,063)
Change in reserves for unearned reinsurance premium	11	-	29,396,127	335,101	618,121	30,349,349
Net earned premium		4,232,047,988	153,430,493	2,293,432	321,713,707	4,709,485,620
Net claims	12	(2,899,186,195)	(88,534,649)	(556,678)	(248,948,918)	(3,237,226,440)
Underwriting and net acquisition costs	13	(473,005,500)	9,879,506	1,188,986	141,195	(461,795,813)
Underwriting results before other operating and administrative expenses		859,856,293	74,775,350	2,925,740	72,905,984	1,010,463,367
Other operating and administrative expenses	14					(886,630,201)
Underwriting results						123,833,166
Investment income						650,365,334
Fee and other income						72,817,421
Profit before tax						847,015,921
Income tax						(117,953,614)
Profit after tax						729,062,307

Segment Results - 2017

Description	Note	Operating Segment				
		Motor	Fire	Marine	Miscellaneous	Total
Gross written premium	8	4,009,005,156	368,877,442	16,332,018	387,704,398	4,781,919,014
Change in reserves for unearned insurance premium	9	(225,279,297)	(27,421,054)	6,012,276	(8,823,750)	(255,511,825)
Gross earned premium		3,783,725,859	341,456,388	22,344,294	378,880,648	4,526,407,189
Reinsurance premium	10	(126,507,239)	(237,837,947)	(13,729,765)	(49,669,544)	(427,744,495)
Change in reserves for unearned reinsurance premium	11	-	12,831,969	(6,134,641)	(8,177,587)	(1,480,259)
Net earned premium		3,657,218,620	116,450,410	2,479,888	321,033,517	4,097,182,435
Net claims	12	(2,582,039,559)	(56,548,639)	460,943	(202,822,933)	(2,840,950,188)
Underwriting and net acquisition costs	13	(418,687,932)	9,310,191	2,741,219	(385,956)	(407,022,478)
Underwriting results before operating and administrative expenses		656,491,129	69,211,962	5,682,050	117,824,628	849,209,769
Other operating and administrative expenses	14					(676,749,665)
Underwriting results						172,460,104
Investment income						650,295,895
Fee and other income						43,935,484
Net profit before tax						866,691,483
Income tax						(93,606,037)
Net profit after tax						773,085,446

Chief operating decision maker uses only operating segment's profit or loss in assessing segment performance and deciding how to allocate resources. Therefore, according to the SLFRS 8 - Operating Segments, the Company discloses only operating segment's profit or loss in the financial statements.

7. REVENUE

Accounting policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Net earned premium	4,709,485,620	4,097,182,435
Other revenue	723,182,755	694,231,379
	5,432,668,375	4,791,413,814

NOTES TO THE FINANCIAL STATEMENTS

8. GROSS WRITTEN PREMIUM

Accounting policy

Product classification of insurance and investment contracts

SLFRS 4 - Insurance Contracts, requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending in the level of insurance risk transferred.

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. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as insurance contracts under SLFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Revenue recognition of gross written premium

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on accrual basis.

Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Rebates that form part of the premium rate, such as no claim rebates are deducted from GWP.

Premium income for the year by major classes of business are as follows;

For the year ended	31.12.2018			31.12.2017		
	Basic Rs.	*SRCC/TC Rs.	Total Rs.	Basic Rs.	*SRCC/TC Rs.	Total Rs.
Motor	4,016,262,696	731,084,231	4,747,346,927	3,412,953,684	596,051,472	4,009,005,156
Fire	301,381,996	145,421,012	446,803,008	244,010,636	124,866,806	368,877,442
Marine	9,265,454	11,968	9,277,422	16,321,080	10,938	16,332,018
Miscellaneous	381,641,061	6,746,723	388,387,784	384,482,006	3,222,392	387,704,398
	4,708,551,207	883,263,934	5,591,815,141	4,057,767,406	724,151,608	4,781,919,014

*SRCC/TC - Strike, Riot and Civil Commotion Cover and Terrorism Cover; both ceded to the SRCC and TC Fund.

9. CHANGE IN RESERVE FOR UNEARNED PREMIUM

Accounting policy

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premium is calculated on the 365 basis. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Class-wise		
Motor	(394,783,780)	(225,279,297)
Fire	(36,173,455)	(27,421,054)
Marine	(93,639)	6,012,276
Miscellaneous	553,067	(8,823,750)
	(430,497,807)	(255,511,825)

10. PREMIUM CEDED TO REINSURERS

Accounting policy

Gross reinsurance premium written comprises the total reinsurance premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Class-wise		
Motor	(120,515,159)	(126,507,239)
Fire	(286,595,187)	(237,837,947)
Marine	(7,225,452)	(13,729,765)
Miscellaneous	(67,845,265)	(49,669,544)
	(482,181,063)	(427,744,495)
Payee-wise		
National Insurance Trust Fund		
- Compulsory reinsurance cessions	(72,681,376)	(68,435,455)
- Strike, Riot, Civil Commotion and Terrorism cover	(239,909,811)	(199,626,313)
Foreign reinsurers	(169,589,876)	(159,682,727)
	(482,181,063)	(427,744,495)

NOTES TO THE FINANCIAL STATEMENTS

11. CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

Accounting policy

Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. Unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Class-wise		
Fire	29,396,127	12,831,969
Marine	335,101	(6,134,641)
Miscellaneous	618,121	(8,177,587)
	30,349,349	(1,480,259)

12. NET CLAIMS

Accounting policy

Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

Recognition of reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the re-insured business.

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Claims paid	12.1	(3,298,454,547)	(2,811,720,982)
Claims recovered from reinsurers	12.2	51,654,513	80,284,801
Net change in contract liabilities	12.3	9,573,594	(109,514,007)
		(3,237,226,440)	(2,840,950,188)

12.1 Claims paid

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Class-wise		
Motor	(2,939,198,755)	(2,500,643,911)
Fire	(98,037,487)	(90,463,476)
Marine	(1,549,069)	(703,005)
Miscellaneous	(259,669,236)	(219,910,590)
	(3,298,454,547)	(2,811,720,982)

12.2 Claims recovered from reinsurers

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Class-wise		
Motor	14,767,516	29,979,036
Fire	36,036,781	49,729,668
Marine	850,216	576,097
	51,654,513	80,284,801

12.3 Net change in contract liabilities

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Gross change in insurance claims outstanding	12.3.1	106,137,456	(258,768,055)
Change in reinsurance recoverable on claims outstanding	12.3.2	(96,563,862)	149,254,048
		9,573,594	(109,514,007)

12.3.1 Gross change in insurance claims outstanding

For the year ended	31.12.2018		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	27,459,424	98,476,441	125,935,865
Fire	(33,493,532)	(5,553,604)	(39,047,136)
Marine	649,748	616,711	1,266,459
Miscellaneous	14,092,081	3,890,187	17,982,268
	8,707,721	97,429,735	106,137,456

NOTES TO THE FINANCIAL STATEMENTS

12. NET CLAIMS (CONTINUED)

For the year ended	31.12.2017		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(44,022,114)	(161,796,473)	(205,818,587)
Fire	(30,325,568)	(22,311,845)	(52,637,413)
Marine	143,970	281,029	424,999
Miscellaneous	21,504,032	(22,241,086)	(737,054)
	(52,699,680)	(206,068,375)	(258,768,055)

12.3.2 Change in reinsurance recoverable on claims outstanding

For the year ended	31.12.2018		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(16,110,000)	(84,580,821)	(100,690,821)
Fire	10,944,065	1,569,128	12,513,193
Marine	(574,507)	(549,777)	(1,124,284)
Miscellaneous	-	(7,261,950)	(7,261,950)
	(5,740,442)	(90,823,420)	(96,563,862)

For the year ended	31.12.2017		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on IBNR Rs.	Total Rs.
Class-wise			
Motor	(2,396,132)	96,840,035	94,443,903
Fire	17,353,575	19,469,007	36,822,582
Marine	228,230	(65,378)	162,852
Miscellaneous	-	17,824,711	17,824,711
	15,185,673	134,068,375	149,254,048

13. UNDERWRITING AND NET ACQUISITION COSTS

Accounting policy

Acquisition expenses, representing commissions, which vary with and are directly related to the production of business are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Acquisition cost	13.1	(544,749,072)	(469,324,849)
Change in deferred acquisition cost		31,733,611	19,090,642
		(513,015,461)	(450,234,207)
Reinsurance commission	13.1	57,047,858	44,625,605
Change in unearned commission reserve		(5,828,210)	(1,413,876)
		51,219,648	43,211,729
		(461,795,813)	(407,022,478)

13.1 Class-wise

For the year ended	31.12.2018				
	Acquisition cost Rs.	Change in deferred acquisition cost Rs.	Reinsurance commission Rs.	Change in unearned reinsurance commission Rs.	Total underwriting and net acquisition cost Rs.
Class-wise					
Motor	(504,846,854)	31,841,354	-	-	(473,005,500)
Fire	(37,076,388)	162,061	52,185,952	(5,392,119)	9,879,506
Marine	(421,852)	46,540	1,618,546	(54,248)	1,188,986
Miscellaneous	(2,403,978)	(316,344)	3,243,360	(381,843)	141,195
	(544,749,072)	31,733,611	57,047,858	(5,828,210)	(461,795,813)

For the year ended	31.12.2017				
	Acquisition cost Rs.	Change in deferred acquisition cost Rs.	Reinsurance commission Rs.	Change in unearned reinsurance commission Rs.	Total underwriting and net acquisition cost Rs.
Class-wise					
Motor	(435,737,969)	17,050,037	-	-	(418,687,932)
Fire	(30,688,195)	2,719,380	39,958,422	(2,679,416)	9,310,191
Marine	(518,339)	(555,527)	2,713,538	1,101,547	2,741,219
Miscellaneous	(2,380,346)	(123,248)	1,953,645	163,993	(385,956)
	(469,324,849)	19,090,642	44,625,605	(1,413,876)	(407,022,478)

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Accounting policy

Other operating and administrative expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment are charged to the statement of profit or loss.

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Staff expenses	14.1	(376,484,369)	(246,411,102)
Administrative expenses		(461,392,454)	(397,788,120)
Amortisation and depreciation		(34,568,918)	(27,494,102)
Impairment loss		(14,184,461)	(5,056,341)
		(886,630,201)	(676,749,665)

14.1 Staff expenses

Accounting policy

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company recognises the changes in the defined benefit obligations under staff expenses in the statement of profit or loss.

(a) current service cost
(b) interest cost

For more details, please refer Note 37 on defined benefit obligation.

Defined contribution plans

A defined contribution plan is a post employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Company contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Wages and salaries	(243,983,296)	(163,651,205)
Staff benefit expenses	(96,506,864)	(58,963,325)
Contributions made to the EPF	(22,333,429)	(14,698,553)
Contributions made to the ETF	(5,583,357)	(3,701,317)
Defined benefit plan expenses	(8,077,423)	(5,396,702)
	(376,484,369)	(246,411,102)

15. FEE INCOME

Accounting policy

Policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or become due.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Policy fees	32,614,978	27,461,850
Administration fees	16,778,066	14,342,813
	49,393,044	41,804,663

16. INTEREST AND DIVIDEND INCOME

Accounting policy

Interest income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Under both SLFRS 9 and LKAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under SLFRS 9, similar to interest bearing financial assets classified as available-for-sale or held to maturity under LKAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Interest income from debt instruments	16.1	658,557,544	605,797,437
Dividend income	16.2	5,739,383	19,851,866
		664,296,927	625,649,303

NOTES TO THE FINANCIAL STATEMENTS

16. INTEREST AND DIVIDEND INCOME (CONTINUED)

16.1 Interest income

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Interest income from FVOCI investments		
- Treasury bonds	5,738,213	6,222,222
Debt instrument at amortised cost		
- Treasury bills	77,850,131	97,799,697
- Debentures	211,553,919	195,463,940
- Fixed deposits	329,262,288	266,219,572
- Reverse repurchase agreements	22,078,357	32,432,313
- Staff loans	3,660,156	2,827,065
- Others	8,414,480	4,832,628
	658,557,544	605,797,437

16.2 Dividend income

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Dividend income from available-for-sale financial assets		
- Unit trust	-	1,893,222
Dividend income from financial assets at fair value through profit or loss		
- Listed equity securities	5,739,383	17,958,644
	5,739,383	19,851,866

17. NET FAIR VALUE GAINS/(LOSSES)

Accounting policy

Net fair value gains/(losses) recorded in the statement of profit or loss on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
- Realised	(9,745,623)	69,955,711
- Unrealised	(4,185,970)	(40,462,471)
	(13,931,593)	29,493,240
Net fair value losses from financial assets at available-for-sale		
- Realised	-	(4,846,648)
	-	(4,846,648)
	(13,931,593)	24,646,592

18. OTHER INCOME

Accounting policy

Other income includes disposal gains/losses on property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Profit from disposal of fixed assets	-	762,017
Unclaimed other liabilities written back	13,637,180	-
Miscellaneous income	9,787,197	1,368,804
	23,424,377	2,130,821

19. PROFIT BEFORE TAX

The profit before tax for the year is stated after charging following expenses;

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Auditors' remuneration - statutory audit services		1,915,500	1,775,000
- other services		1,181,226	1,112,500
Amortisation of intangible assets	23	11,170,581	12,388,110
Depreciation of property, plant and equipment	24	23,398,337	15,105,992
Directors' emoluments		5,475,000	5,525,000

NOTES TO THE FINANCIAL STATEMENTS

20. INCOME TAX EXPENSE

Accounting policy

Recognition of Income tax expenses

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

Major components of income tax expense are as follows;

20.1 Tax recognised in statement of profit or loss

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Current income tax			
Income tax on current year's profits		(119,604,204)	(92,666,233)
Over/(under) provision for income tax in respect of previous year		(538,914)	265,517
		(120,143,118)	(92,400,716)
Deferred tax			
Reversal of deferred tax liability	25.3	(3,199,899)	(2,322,136)
Origination of deferred tax asset	25.3	5,346,775	1,116,815
Deferred taxation charge/(reversal)		2,146,876	(1,205,321)
Opening balance impact due to adopting SLFRS 9	25.3	42,628	-
Net deferred taxation charge/(reversal)		2,189,504	(1,205,321)
Income tax expense		(117,953,614)	(93,606,037)

20.2 Tax recognised in statement of comprehensive income

For the year ended	Note	31.12.2018 Rs.	31.12.2017 Rs.
Change in deferred tax asset due to actuarial loss	25.3	239,861	377,795
Change in deferred tax asset due to fair value gains	25.3	951,082	260,094
		1,190,943	637,889

20.3 Reconciliation of effective tax rate

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Profit for the year	729,062,307	773,085,446
Income tax expense	120,143,118	92,400,716
Deferred taxation charge/(reversal)	(2,189,504)	1,205,321
Profit before income tax	847,015,921	866,691,483
At the statutory income tax rate of 14% (2017 - 14%)		
Income exempt from income tax	(38,697,423)	(245,078,894)
Aggregate allowable expenses	(22,347,183)	(23,079,571)
Aggregate disallowable expenses	68,344,421	63,368,644
	854,315,737	661,901,660
Statutory tax rate	14%	14%
Tax at applicable rate	(119,604,204)	(92,666,233)
Net deferred taxation charge/(reversal)	2,189,504	(1,205,321)
Over/(under) provision for income tax in respect of previous year	(538,914)	265,517
Income tax expense	(117,953,614)	(93,606,037)

20.4 Income tax rate

According to the transitional provisions published in the Government Gazette in April 2018 in respect of the Inland Revenue Act No. 24 of 2017, if a company is entitled to pay tax at a concessionary rate under the provision 59D of the Inland Revenue Act No. 10 of 2006 for a specified period and if there is any unexpired part of that period as at 31 March 2018, such period would continue.

As per section 59D of the Inland Revenue Act No. 10 of 2006, any company which was liable to pay income tax at the rate of 28% listed its shares on the Colombo Stock Exchange (CSE) by way of a minimum Initial Public Offering (IPO) through which not less than 20% of its shares was issued to the general public on or before 1 April 2017, the income tax rate was to be reduced by 50% for the year of assessment in which the such shares were listed and for another two years of assessment, provided that such company after listing continued to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company were offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2018, the public float of the Company's shares was above 20% while the Company was liable for income tax at 28% (before the tax rate reduction).

In view of the above, the Company was considered eligible for the 50% tax reduction during the reporting period and income tax was calculated at the rate of 14% (2017 – 14%).

21. BASIC EARNINGS PER SHARE

Accounting policy

Company presents basic and diluted Earnings Per Share (EPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

For the year ended	31.12.2018	31.12.2017
Profit for the year (Rs.)	729,062,307	773,085,446
Weighted average number of shares	200,000,000	200,000,000
Basic earnings per share (Rs.)	3.65	3.87

As at	2018	2017
Number of shares		
Issued ordinary shares as at 1 January and 31 December	200,000,000	200,000,000
	200,000,000	200,000,000

NOTES TO THE FINANCIAL STATEMENTS

21. BASIC EARNINGS PER SHARE (CONTINUED)

21.1 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as the basic earnings per share stated above.

22. DIVIDENDS

Accounting policy

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a note to the financial statements.

Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Interim dividends		
Interim dividend paid (Rs.)	150,000,000	350,000,000
Number of ordinary shares	200,000,000	200,000,000
Interim dividend per share (Rs.)	0.75	1.75
Final dividend		
Final dividend proposed (Rs.)	220,000,000	50,000,000
Number of ordinary shares	200,000,000	200,000,000
Final dividend per share (Rs.)	1.10	0.25

22.2 Final dividend proposed

Subsequent to the reporting date, the Board of Directors of the Company has proposed a final dividend of Rs. 1.10 per share for the financial year ended 31 December 2018 to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2018.

23. INTANGIBLE ASSETS

Accounting policy
The Company's intangible assets include the value of acquired computer software.

Basis of recognition
An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation
Intangible assets are amortised on a straight-line basis over the period of services to be rendered. Amortisation is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortised over the useful economic life. Amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Class	Useful Life	Amortisation Method
Computer software	5 years	Straight-line method

De-recognition
An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in the statement of profit or loss when the item is de-recognised.

Impairment
An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

23. INTANGIBLE ASSETS (CONTINUED)

	Computer Software Rs.
Cost	
As at 1 January 2017	64,021,180
As at 31 December 2017	64,021,180
Additions during the year	2,558,712
As at 31 December 2018	66,579,892
Accumulated amortisation	
As at 1 January 2017	40,633,070
Amortisation during the year	12,388,110
As at 31 December 2017	53,021,180
Amortisation during the year	11,170,581
As at 31 December 2018	64,191,761
Carrying amount	
As at 31 December 2017	11,000,000
As at 31 December 2018	2,388,131

23.1 Fully amortised intangible assets in use

Intangible assets also include fully amortised assets which are still in use of normal business activities.

Initial cost of fully amortised intangible assets which are still in use as at the reporting date is as follows.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Call handling software	4,021,180	4,021,180
General insurance system	60,000,000	-
	64,021,180	4,021,180

23.2 Title restriction on intangible assets

No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.

23.3 Acquisition of intangible assets during the year

Intangible assets purchased during the year 2018 was Rs. 2,558,712 (2017 - Nil).

23.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year (2017 - Nil).

23.5 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2018. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

24. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment (PPE) are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. Property, plant and equipment include computer hardware, office equipment, furniture and fittings and motor vehicles.

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

The Company applies the cost model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance

Repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred. Cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation charge begins when an assets is available for use. The estimated useful lives are as follows;

Asset Class	Useful Life
Computer hardware	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years

De-recognition

Carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of profit or loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

24. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer hardware Rs.	Office Equipment Rs.	Furniture and fittings Rs.	Motor vehicles Rs.	Total Rs.
Cost					
As at 1 January 2017	31,059,310	31,162,881	9,627,693	304,705	72,154,589
Additions during the year	9,012,000	14,624,328	36,877,099	18,004,200	78,517,627
Disposals during the year	(183,600)	(7,114,337)	(304,704)	(7,602,641)	
As at 31 December 2017	40,071,310	45,603,609	39,390,455	18,004,201	143,069,575
Additions during the year	9,122,000	7,945,390	3,947,203	-	21,014,593
Disposals during the year	(1,257,049)	-	-	-	(1,257,049)
As at 31 December 2018	49,193,310	52,291,950	43,337,656	18,004,201	162,827,117
Accumulated depreciation					
As at 1 January 2017	19,401,457	22,612,868	8,631,774	120,453	50,766,552
Depreciation during the year	5,035,370	4,863,079	3,688,014	1,519,529	15,105,992
Disposals during the year	-	(183,600)	(6,868,960)	(143,080)	(7,195,640)
As at 31 December 2017	24,436,827	27,292,347	5,450,828	1,496,902	58,676,904
Depreciation during the year	5,741,490	6,142,572	7,913,435	3,600,840	23,398,337
Disposals during the year	-	(1,257,049)	-	-	(1,257,049)
As at 31 December 2018	30,178,317	32,177,868	13,364,263	5,097,742	80,818,190
Carrying amount					
As at 31 December 2017	15,634,483	18,311,262	33,939,627	16,507,299	84,392,671
As at 31 December 2018	19,014,993	20,114,082	29,973,393	12,906,459	82,008,927

24.1 Fully depreciated property, plant and equipment in use

Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities. Initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows:

As at	31.12.2018 Rs.	31.12.2017 Rs.
Computer hardware	18,218,510	15,400,710
Office equipment	19,978,850	15,682,020
Furniture and fittings	2,173,494	2,061,832
	40,370,854	33,144,562

24.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

24.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment amounting to Rs. 21,014,593 (2017 - Rs. 78,517,627). Cash payments amounting to Rs. 21,014,593 (2017 - Rs. 69,382,534) were made during the year to purchase property plant and equipment.

24.4 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the year ended 31 December 2018 (2017 - Nil).

24.5 Capitalisation of borrowing cost
There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year ended 31 December 2018 (2017 - Nil).

24.6 Temporarily idle property, plant and equipment
There were no temporarily idle property, plant and equipment as at the year ended 31 December 2018 (2017 - Nil).

24.7 Assessment of impairment of property, plant and equipment
The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2018. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

24.8 Amount of contractual commitments for the acquisition of property, plant and equipment
There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

25. DEFERRED TAX ASSET

Accounting policy
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valuation of deferred tax assets and liabilities
Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimate based on the tax laws and interpretations.

NOTES TO THE FINANCIAL STATEMENTS

25. DEFERRED TAX ASSET (CONTINUED)

As at	Note	31.12.2018 Rs.	31.12.2017 Rs.
Deferred tax asset	25.1	12,450,696	6,273,210
Deferred tax liability	25.2	(9,444,625)	(6,244,726)
		3,006,071	28,484

25.1 Deferred tax asset

As at	Statement of financial position			
	31.12.2018		31.12.2017	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Employee benefits	23,895,416	6,690,716	16,512,727	4,623,564
Debtors impairment recognised in statement of profit or loss	14,184,460	3,971,649	5,056,341	707,887
Actuarial loss recognised in other comprehensive income	2,225,774	623,217	1,369,127	383,356
Fair value gains recognised in other comprehensive income	-	-	3,988,594	558,403
Opening balance impact due to adoptation of SLFRS 9	4,161,124	1,165,115	-	-
	44,466,774	12,450,696	26,926,789	6,273,210
25.2 Deferred tax liability				
Property, plant and equipment	(39,513,900)	(9,444,625)	(27,799,100)	(6,244,726)
	(39,513,900)	(9,444,625)	(27,799,100)	(6,244,726)
Recognised net deferred tax asset	4,952,874	3,006,071	(872,311)	28,484

25.3 Change in deferred tax asset/liability

For the year ended 31 December	Statement of profit or loss		Statement of other comprehensive income	
	2018	2017	2018	2017
	Change in deferred tax asset/liability Rs.	Change in deferred tax asset/liability Rs.	Change in deferred tax asset/liability Rs.	Change in deferred tax asset/ liability Rs.
Deferred tax asset				
Employee benefits	2,067,153	1,767,053	-	-
Debtors impairment	3,322,250	(650,238)	-	
Actuarial loss		-	239,861	377,795
Fair value gains	-	-	951,082	260,094
Opening balance impact due to adoption of SLFRS 9	(42,628)		(360,232)	
	5,346,775	1,116,815	830,711	637,889
Deferred tax liability				
Property, plant and equipment	(3,199,899)	(2,322,136)	-	
	(3,199,899)	(2,322,136)	-	-
Total	2,146,876	(1,205,321)	830,711	637,889

25.4 Reconciliation of deferred tax asset

	2018 Rs.	2017 Rs.
Balance as at 1 January	28,484	1,871,694
Opening balance impact due to adoption of SLFRS 9	(402,860)	-
Restated opening balance	(374,376)	1,871,694
Amounts recorded in statement of profit or loss	2,189,504	(1,205,321)
Amounts recorded in other comprehensive income	1,190,943	(637,889)
Balance as at 31 December	3,006,071	28,484

26. FINANCIAL INVESTMENTS

Accounting policy

Classification of financial investments

With the adoption of SLFRS 9, LKAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and amortised cost] have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on de-recognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVPL

To determine the classification and measurement category, in accordance with SLFRS 9, the Company assesses all financial assets, except equity instruments based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. Accordingly, the Company classifies its non-derivative financial assets into the following categories;

Financial Asset	Classification under SLFRS 9 from 1 January 2018	Classification under LKAS 39 before 1 January 2018
Listed equity securities	Equity instruments at fair value through profit or loss	Fair value through profit or Loss (FVPL)
Reverse repurchase agreements	Debt instruments at amortised cost	Loans and receivables
Staff loans and rent deposits	Debt instruments at amortised cost	Loans and receivables
Fixed deposits	Debt instruments at amortised cost	Loans and receivables
Debentures	Debt instruments at amortised cost	Loans and receivables
Savings accounts	Debt instruments at amortised cost	Loans and receivables
Treasury bills	Debt instruments at amortised cost	Available-for-sale financial assets (AFS)
Treasury bonds	Debt instruments at fair value through other comprehensive income (FVOCI) with gains or losses recycled to profit or loss on de-recognition	Available-for-sale financial assets (AFS)

After 1 January 2018, the Company did not have any investments classified as equity instruments through fair value through OCI.

Before 1 January 2018, Company did not have any investment classified as held to maturity.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)

Accounting policy
Financial instruments - Initial recognition
From 1 January 2018

Date of recognition
The Company initially recognises insurance and reinsurance receivables on the date that they are originated. All other financial assets are initially recognised on the trade date i.e. the date that the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in business model assessment and the SPPI test below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day 1 profit or loss as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is de-recognised.

Before 1 January 2018
The Company initially recognises loans and receivables on the date that they are originated. All the other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company become a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Measurement categories of financial assets
From 1 January 2018
The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- FVPL as explained in Note 26.1
- Debt instrument at amortised cost as explained in Note 26.2
- FVOCI as explained in Note 26.3

Before 1 January 2018
The Company classified its financial assets as loans and receivables (amortised cost), Fair value through profit or loss, available-for-sale, as explained in Notes 26, 26.1, 26.2 and 26.3

De-recognition of financial investments
From 1 January 2018
De-recognition due to substantial modification of terms and conditions.

The Company de-recognises a financial asset, such as a premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, the Company considers the following factors:

- Loss of insurable interest
- Change in counterparty

De-recognition other than for substantial modification
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

Before 1 January 2018
The Company de-recognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

Offsetting of financial investments
Financial assets and liabilities are offset and net amount is presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's financial investments are summarised below based on measurement category.

Classification of financial assets and liabilities as per SLFRS 9 – Financial Instruments

Financial assets at FVPL and debt instruments at FVOCI have been valued at fair value. Debt instruments at amortised cost have been valued at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)

As at	Note	31.12.2018 Carrying value Rs.	31.12.2018 Fair value Rs.
Financial assets at FVPL	26.1	58,170,496	58,170,496
Debt instruments at amortised cost	26.2	6,547,843,993	6,578,695,344
Debt instruments at FVOCI	26.3	52,249,700	52,249,700
		6,658,264,189	6,689,115,540

Classification of financial assets and liabilities as per LKAS 39

Fair value through profit or loss investments and available-for-sale investments have been valued at fair value. Loans and receivable investments have been valued at amortised cost.

As at	Note	31.12.2017 Carrying value Rs.	31.12.2017 Fair value Rs.
Fair value through profit or loss	26.1	135,561,249	135,561,249
Loans and receivables	26.2	5,140,019,075	5,058,667,506
Available-for-sale	26.3	861,014,122	861,014,122
		6,136,594,446	6,055,242,877

26.1 Fair value through profit or loss

Accounting Policy

The Company classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised under 'Fair value gains / (losses)' in the statement of profit or loss. Dividend income is recorded in 'Interest and dividend income' when the right to payment has been established. Included in this classification is listed equities. The same treatment was adopted by the Company under LKAS 39 before 1 January 2018.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Equity securities at FVPL	58,170,496	135,561,249
	58,170,496	135,561,249

Details of investments in listed equity securities are given below.

As at Sector and Company	31.12.2018 No. of shares	Cost	Fair value	Fair value gain/(loss)	31.12.2017 No. of shares	Cost	Fair value	fair value gain/(loss)
Bank, finance and insurance								
Commercial Bank of Ceylon PLC (Non-voting)	82,620	6,965,551	7,848,900	883,349	315,727	31,451,719	40,373,504	40,373,504
National Development Bank PLC	-	-	-	-	63,176	9,005,508	8,617,206	8,617,206
Sector total	82,620	6,965,551	7,848,900	883,349	378,903	40,457,227	48,990,710	48,990,710
Diversified holdings								
John Keells Holdings PLC	250,000	39,329,952	39,925,000	595,048	338,072	53,185,422	50,203,692	50,203,692
Melstacorp PLC	50,000	1,692,663	2,515,000	822,337	100,000	3,385,326	5,950,000	5,950,000
Sunshine Holdings PLC	50,921	2,825,250	2,739,550	(85,700)	50,500	2,800,000	2,878,500	2,878,500
Access Engineering PLC	-	-	-	-	137,620	3,531,834	3,234,070	3,234,070
Sector total	350,921	43,847,865	45,179,550	1,331,685	626,192	62,902,582	62,266,262	62,266,262
Chemicals and pharmaceuticals								
CIC Holdings PLC (Non-voting)	22,622	1,752,529	678,660	(1,073,869)	87,000	6,739,900	4,123,800	4,123,800
Sector total	22,622	1,752,529	678,660	(1,073,869)	87,000	6,739,900	4,123,800	4,123,800
Motors								
United Motors Lanka PLC	-	-	-	-	50,000	5,000,000	3,900,000	3,900,000
Sector total	-	-	-	-	50,000	5,000,000	3,900,000	3,900,000
Manufacturing								
Kelani Cables PLC	20,000	2,522,102	1,516,000	(1,006,102)	20,000	2,522,102	1,808,000	1,808,000
Teejay Lanka PLC	-	-	-	-	174,983	7,201,275	5,949,422	5,949,422
Royal Ceramics Lanka PLC	19,422	2,427,750	1,448,881	(978,869)	30,000	3,750,000	3,435,000	3,435,000
Tokyo Cement Company (Lanka) PLC	50,000	3,605,000	1,260,000	(2,345,000)	50,000	3,605,000	3,300,000	3,300,000
Sector total	89,422	8,554,852	4,224,881	(4,329,970)	274,983	17,078,377	14,492,422	14,492,422
Beverage, food and tobacco								
Distilleries Company of Sri Lanka PLC	14,814	109,772	238,505	128,734	-	-	-	-
Sector total	14,814	109,772	238,505	128,734	-	-	-	-
Land and property								
Overseas Reality (Ceylon) PLC	-	-	-	-	101,594	2,257,264	1,788,055	1,788,055
	-	-	-	-	101,594	2,257,264	1,788,055	1,788,055
Total	560,399	61,230,568	58,170,496	(3,060,072)	1,518,672	134,435,350	135,561,249	135,561,249

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)
26.2 Debt instruments at amortised cost

Accounting policy
Recognition of debt instruments at amortised cost
From 1 January 2018,

The Company measures insurance receivables, reinsurance receivables and financial investments at amortised cost only if both of the following conditions are met:

1 The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
2 The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below :

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI (solely payments of principal and interest) test
As a second step of its classification process, the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is to be measured at FVPL.

Before 1 January 2018

Loans and receivables are 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. All transaction costs directly attributable to the acquisition are also included in the cost of the investments. After initial measurement, loans and receivables are measured at amortised cost using EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. EIR amortisation is included in the statement of profit or loss arising from impairment are recognised as an expense in the statement of profit or loss.

Gains and losses are recognised in the statement of profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process. Loans and receivables comprise investments in fixed deposits, debentures, reverse repurchase agreements, staff loans, rent deposits and savings accounts.

Impairment

From 1 January 2018

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date.

Before 1 January 2018

The Board of Directors assess potential impairment loss and decides on the impairment provision. However, based on the assessment as at 31.12.2017, no impairment provision was required to be made in the financial statements.

As at	Note	Carrying value 31.12.2018 Rs.	Carrying value 31.12.2017 Rs.	Fair Value 31.12.2018 Rs.	Fair Value 31.12.2017 Rs.
Repurchase agreements	26.2.1	203,375,306	579,758,563	203,375,306	579,758,563
Staff loans	26.2.2	40,984,132	24,034,934	47,495,227	22,159,078
Rent deposits		51,885,986	45,199,893	51,885,986	45,199,893
Fixed deposits	26.2.3	3,285,720,783	2,709,568,064	3,432,269,637	2,789,562,274
Savings accounts		55,857,162	24,305,445	55,857,162	24,305,445
Treasury bills	26.2.4	977,448,250	806,059,822	976,094,609	806,059,822
Listed debentures	26.2.5	1,932,572,374	1,757,152,176	1,811,717,416	1,597,682,253
		6,547,843,993	5,946,078,897	6,578,695,344	5,864,727,328

26.2.1 Repurchase agreements

The Company has invested in reverse repurchase agreements (REPO) with People's Bank and Commercial Bank which are fully secured against the assigned government securities with ISIN numbers. The REPO rates for the outstanding balances were in the range of 6.25% - 8.10% depending on the maturity period and held to meet liquidity requirements. No expected credit losses (ECL) were recognised for government securities since those are considered as risk free investments.

26.2.2 Staff loans

The Company grants vehicle loans and supporting loans for the employees of the Company. Terms of the staff loans and interest rate prevailing for the staff loans are as follows.

Loan category	Interest rate	Term
Vehicle loans	6%	6 years (maximum)
Supporting loans	0%	3 years (maximum)

However, the carrying value of the staff loans has been computed based on the market interest rates which prevailed at the time of granting the loan and the fair value of the same has been computed based on the interest rates prevailed at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)

Impairment of staff loans

No expected credit losses (ECL) were recognised for staff loans since the Company has the ability of deducting from the salary.

26.2.3 Loans to Directors

No loans have been granted to the Directors of the Company.

26.2.4 Fixed deposits

The Company has invested in fixed deposits on licensed commercial banks and registered finance companies during the period for a maximum term of one year. The interest rates for fixed deposits were in the range of 9.0% - 13.5% depending on the tenures and the risk of institutions.

As at	Note	Carrying value 31.12.2018 Rs.	31.12.2017 Rs.
Licensed commercial banks	26.2.4.1	2,283,745,945	2,009,167,131
Registered finance companies	26.2.4.2	1,002,262,355	700,400,933
		3,286,008,300	2,709,568,064
Less : Allowance for expected credit losses		287,517	-
		3,285,720,783	2,709,568,064

Total allowance for expected credit loss stemmed from 12 months ECL, since all investments under this category are investment grade instruments.

26.2.4.1 Licensed commercial banks

As at	Carrying value 31.12.2018 Rs.	31.12.2017 Rs.
People's Bank	473,079,051	82,439,636
Other banks	1,810,666,894	1,926,727,495
	2,283,745,945	2,009,167,131

26.2.4.2 Registered finance companies

As at	Carrying value 31.12.2018 Rs.	31.12.2017 Rs.
People's Leasing & finance PLC	465,611,497	288,262,262
Other banks	536,650,858	412,138,671
	1,002,262,355	700,400,933

26.2.5 Treasury bills

The Company has invested in treasury bills through People's Bank and Commercial Bank primary dealers. The treasury bill rates for the outstanding balances were in the range of 8.70% - 10.95%. No expected credit losses (ECL) were recognised for government securities since those are considered as risk free investments.

26.2.6 Listed debentures

As at	Carrying value 31.12.2018 Rs.	31.12.2017 Rs.
Institution		
People's Leasing & Finance PLC		
16.75% 500,000 debentures redeemable on 26.03.2018	-	54,235,499
17.00% 500,000 debentures redeemable on 26.03.2018	-	58,560,215
12.8% 1,257,800 debentures redeemable on 18.04.2023	136,865,937	-
Merchant Bank of Sri Lanka & Finance PLC		
17.5% 938,800 debentures redeemable on 27.03.2018	-	110,412,893
Sampath Bank PLC		
13.00% 298,000 debentures redeemable on 04.12.2018	-	31,756,428
13.40% 298,000 debentures redeemable on 04.12.2018	-	33,801,590
8.25% 1,250,000 debentures redeemable on 14.12.2019	135,325,991	135,324,961
9.90% 500,000 debentures redeemable on 18.12.2020	50,591,072	50,590,739
12.50% 1,000,000 debentures redeemable on 20.03.2023	103,481,654	-
National Development Bank PLC		
13.00% 75,700 debentures redeemable on 19.12.2018	-	8,066,739
13.40% 75,700 debentures redeemable on 19.12.2018	-	8,585,456
Zero coupon 282,800 debentures redeemable on 24.06.2020	23,668,188	21,914,834
DFCC Bank PLC		
9.40% 332,100 debentures redeemable on 10.06.2020	35,009,958	35,006,179
10.625% 1,000,000 debentures redeemable on 18.03.2019	108,331,501	108,330,781
12.75% 1,000,000 debentures redeemable on 09.11.2023	101,812,087	101,846,914
13.00% 844,500 debentures redeemable on 29.03.2025	92,651,370	-
Seylan Bank PLC		
8.00% 1,000,000 debentures redeemable on 22.12.2018	-	104,216,077
12.85% 750,000 debentures redeemable on 29.03.2023	77,445,294	-
MTD Walkers PLC		
9.75% 500,000 debentures redeemable on 30.09.2018	-	51,229,051
11.75% 254,624 debentures redeemable on 30.09.2019	26,205,866	-
Commercial Credit & Finance PLC		
10.40% 1,000,000 debentures redeemable on 10.12.2020	100,614,227	100,614,229
Sanasa Development Bank PLC		
10.30% 500,000 debentures redeemable on 31.12.2020	52,621,828	52,621,836

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)

As at	Carrying value 31.12.2018 Rs.	Carrying value 31.12.2017 Rs.
Commercial Bank PLC		
10.75% 2,000,000 debentures redeemable on 08.03.2021	206,648,961	206,648,963
12.00% 421,900 debentures redeemable on 27.10.2021	43,075,258	43,075,258
12.00% 881,700 debentures redeemable on 22.07.2023	92,820,768	-
Hatton National Bank PLC		
11.25% 2,000,000 debentures redeemable on 01.11.2023	216,981,693	216,916,177
13.00% 193,300 debentures redeemable on 01.11.2023	19,729,207	19,729,253
Nations Trust Bank PLC		
12.65% 2,000,000 debentures redeemable on 09.11.2023	203,667,084	203,668,104
Hayleys PLC		
12.50% 1,000,000 debentures redeemable on 31.07.2023	105,211,605	-
	1,932,759,549	1,646,739,282
Less : Allowance for expected credit losses	187,176	-
	1,932,572,374	1,757,152,176

Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

26.3 Debt instruments at FVOCI

After 1 January 2018

The Company applies the new category under SLFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:

1 The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

2 The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise assets that had previously been classified as financial investments, available-for-sale under LKAS 39. FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income is recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 5.4.5. The ECL calculation for debt instruments at FVOCI is explained in Note 5.4.5. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Before 1 January 2018

Available-for-sale

After the initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in the statement of other comprehensive income in the available-for-sale reserve. Interest earned whilst holding available-for sale investments is reported as 'interest and dividend income' using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the statement of profit or loss as 'interest and dividend income' when the right of the payment has been established. When the asset is de-recognised, cumulative gain or loss is in the statement of profit or loss and other comprehensive income is transferred to the statement of profit or loss. If the asset is determined to be impaired, the cumulative loss is recognised in the statement of profit or loss and removed from the available-for-sale reserve.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity investments 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, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the statement of profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount 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 statement of profit or loss.

Classification of financial assets and liabilities as per SLFRS 9 – Financial instruments

Debt instrument at FVOCI

As at	31.12.2018	
	Carrying value Rs.	Fair Value Rs.
Treasury bond	52,249,700	52,249,700
	52,249,700	52,249,700

No expected credit losses (ECL) were recognised for government securities since those are considered as risk free investments. Classification of financial assets and liabilities as per LKAS 39.

Available-for-sale

As at	31.12.2017	
	Carrying value Rs.	Fair Value Rs.
Treasury bond	54,954,300	54,954,300
Treasury bills	806,059,822	806,059,822
	861,014,122	861,014,122

As at 31.12.2017, there were no available-for-sale financial investments that were overdue and impaired.

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCIAL INVESTMENTS (CONTINUED)

26.4 Movement in financial investments

	Classification of financial assets and liabilities as per LKAS 39 – Financial Instruments			Classification of financial assets and liabilities as per SLFRS 9 – Financial Instruments			
	Fair value through profit or loss Rs.	Loans and receivables Rs.	Available-for-sale Rs.	Equity instrument at FVPL Rs.	Debt instruments at amortised cost Rs.	Debt instruments at FVOCI Rs.	Total Rs.
As at 1 January 2017	327,269,438	3,695,529,206	1,447,082,468	-	-	-	5,469,881,112
Purchases	127,808,658	22,490,018,832	1,338,283,949	-	-	-	23,956,111,439
Maturities/sales	(279,054,376)	(21,045,528,963)	(1,926,210,109)	-	-	-	(23,250,793,448)
Fair value losses recorded in statement of profit or loss	(40,462,471)	-	-	-	-	-	(40,462,471)
Fair value losses recorded in statement of comprehensive income	-	-	1,857,814	-	-	-	1,857,814
As at 31 December 2018	135,561,249	5,140,019,075	861,014,122	-	-	-	6,136,594,446
Reclassification adjustment as per SLFRS 9	(135,561,249)	(5,140,019,075)	(861,014,122)	135,561,249	5,946,078,897	54,954,300	6,136,594,446
Re-measurement adjustment due to reclassification	-	-	-	-	(2,669,940)	-	(2,669,940)
Adjusted balance as at 1 January 2018				135,561,249	5,943,408,957	54,954,300	6,133,924,506
Purchases	-	-	-	-	27,298,775,937	2,784,366	27,301,560,303
Maturities/sales	-	-	-	(73,204,783)	(26,694,292,970)	(2,800,000)	(26,770,297,753)
Fair value losses recorded in statement of profit or loss	-	-	-	(4,185,970)	-	-	(4,185,970)
Fair value gains recorded in statement of comprehensive income	-	-	-	-	-	(2,688,967)	(2,688,967)
Allowance for expected credit losses	-	-	-	-	(47,931)	-	(47,931)
As at 31 December 2018	-	-	-	58,170,496	6,547,843,993	52,249,700	6,658,264,189

26.5 Determination of fair value

Methodologies and assumptions used to determine fair value of the financial investments are disclosed in Note 44 to the financial statements.

26.6 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 45 to the financial statements.

26.7 Financial investments pledged as security

As at 31 December 2018, the following financial investments were pledged as securities by the Company.

(i) The Company has obtained a bank overdraft facility from People's Bank by pledging a fixed deposit amounting to Rs. 10,000,000.

(ii) The Company has obtained a bank guarantee facility of Rs. 4,000,000 from People's Bank by pledging a fixed deposit amounting to Rs. 4,000,000.

27. REINSURANCE RECEIVABLES

Accounting policy

The Company cedes insurance risk to reinsurers in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

After 1 January 2018

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short-term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, the amortised cost will be equal to carrying value.

Before 1 January 2018

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the re-insurer. The impairment loss is recorded in the statement of profit or loss.

Assessment of impairment of reinsurance receivables

After 1st January 2018

The Company recognises loss allowances for ECL on reinsurance receivables measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date. However, total allowance for expected credit loss stemmed from 12 months ECL as at 31.12.2018.

Before 1st January 2018

Based on the Board of Directors assessment, no impairment loss was recorded for the year ended 31.12.2017.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Reinsurance receivables on outstanding claims as at 1 January	249,714,521	104,504,736
Less: Re-measurement adjustment on SLFRS 9 relating to impairment	(23,309)	-
Adjusted balance as at January	249,691,212	104,504,736
Change during the year	(96,563,862)	145,209,785
Less: Provision for impairment	(8,715)	-
Reinsurance receivables on outstanding claims	153,118,635	249,714,521

NOTES TO THE FINANCIAL STATEMENTS

27. REINSURANCE RECEIVABLES (CONTINUED)

As at	31.12.2018 Rs.	31.12.2017 Rs.
Payee-wise		
National Insurance Trust Fund	36,677,516	174,800,165
Foreign reinsurers	116,441,118	74,914,356
	153,118,634	249,714,521

27.1 Reinsurance receivables on outstanding claims
This includes reinsurance reserve of claims that has not been paid yet.

27.2 Collateral details
The Company does not hold collateral as security against potential default by reinsurance counter parties.

27.3 Fair value of reinsurance receivables
The carrying value of reinsurance receivables approximates the fair value at the reporting date.

27.4 Risk management
Please refer Note 45 for risk management measures taken relating to reinsurance.

28. INSURANCE RECEIVABLES

Accounting policy

Insurance receivables

After 1 January 2018

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short-term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short-term in nature. Since these are short-term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), non-performing (stage 3) the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

Before 1 January 2018

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to the initial recognition, insurance receivables are measured at amortised cost. 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 statement of profit or loss.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

Assessment of impairment of insurance receivables

After 1 January 2018

The company assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories provided below.

Before 1 January 2018

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 December 2017. Based on the assessment, it was concluded that there is no requirement for an additional impairment loss provision other than amounts provided.

As at	Note	31.12.2018 Rs.	31.12.2017 Rs.
Insurance receivables		996,811,754	853,992,000
Less: Allowance for expected credit losses/impairment		(33,535,735)	(15,072,959)
Insurance receivables net of impairment		963,276,019	838,919,041

28.1 Impairment movement

	2018 Rs.	2017 Rs.
Opening balance	15,072,959	10,016,618
Re-measurement adjustment on adopting SLFRS 9	4,293,763	-
Adjusted opening balance	19,366,722	10,016,618
Allowance for expected credit losses/impairment	14,169,013	5,056,341
Closing balance	33,535,735	15,072,959

The carrying value of insurance receivables approximates the fair value at the reporting date.

28.2 Analysis of impairment provision on insurance receivables

Expected credit loss as per SLFRS 9

As at	31.12.2018	
	Exposure Rs.	ECL allowance for impairment Rs.
Performing (Stage 1)	529,781,928	342,652
Under-performing (Stage 2)	411,922,626	2,389,213
Non-performing (Stage 3)	55,107,200	30,803,869
	996,811,754	33,535,735

Impairment provision on incurred credit loss method as per LKAS 39.

As at	31.12.2017	
	Exposure Rs.	Provision for impairment Rs.
0 - 30 days	462,378,011	391,224
31 - 60 days	295,681,986	894,438
61 - 90 days	60,233,229	1,887,345
Over 90 days	35,698,774	11,899,952
	853,992,000	15,072,959

NOTES TO THE FINANCIAL STATEMENTS

28. INSURANCE RECEIVABLES (CONTINUED)

28.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

28.4 Fair value of insurance receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

28.5 Risk management

Please refer Note 45 for risk management measures taken relating to insurance receivables.

29. DEFERRED EXPENSES

Accounting policy

Acquisition expenses

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) is amortised over the period on the basis unearned premium is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC is de-recognised when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

	2018 Rs.	2017 Rs.
Reserve for deferred acquisition expenses		
As at 1 January	253,429,922	234,339,280
Increase in deferred acquisition expenses	31,733,612	19,090,642
As at 31 December	285,163,534	253,429,922
Reserve for deferred reinsurance commission		
As at 1 January	15,173,136	13,759,260
Increase in deferred reinsurance commission	5,828,212	1,413,876
As at 31 December	21,001,348	15,173,136
	264,162,186	238,256,786

30. OTHER ASSETS

Accounting policy

Recognition of other assets

Other assets which consist of non-financial assets are recognised at cost less any impairment losses.

Tax recoverable

Tax recoverable of the Company consists of withholding tax (WHT) receivable and economic service charge (ESC) receivables.

ESC receivables

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set-off against the income tax payable as per the relevant provisions in the Act.

However, with the amendment made to the above mentioned Act, if a company in relation to any relevant quarter commencing on or after 1 April 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act No. 10 of 2006 is more than zero, the relevant turnover for such quarter is considered as zero.

However, there were no any WHT receivable and ESC receivable balance remained as at 31 December 2018 due to set-off against income tax payables (2017 - Nil).

Recognition of inventories

Inventories include all consumable items which are stated at lower of cost and net realisable value.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Non-financial assets		
Advances, deposits and prepayments	62,150,096	62,781,302
Inventory	5,117,031	4,825,988
Other receivables	2,685,521	1,941,768
	69,952,648	69,549,058

31. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Cash in hand	166,826	192,370
Balances at bank	221,231,439	116,467,272
	221,398,265	116,659,642
Allowance for expected credit losses	(7,222)	-
	221,391,043	116,659,642

Total allowance for expected credit loss is applicable to balances at bank and it stemmed from 12 months ECL since all investments under this category are investment grade instruments. As at 31.12.2017, no impairment provision was recognised. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31. CASH AND CASH EQUIVALENTS (CONTINUED)

31.1 Bank overdrafts, which form an integral part of cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. In the statement of financial position, overdrafts are included under liabilities. Cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at	Note	31.12.2018 Rs.	31.12.2017 Rs.
Cash in hand and balances at Bank		221,391,043	116,659,642
Saving accounts		55,857,162	24,305,445
Cash and cash equivalents		277,248,205	140,965,087
Bank overdraft	42	(86,054,255)	(68,837,192)
Net cash and cash equivalents		191,193,950	72,127,895

32. 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.

	2018		2017	
	No. of shares	Rs.	No. of shares	Rs.
Balance as at 1 January	200,000,000	1,350,000,000	200,000,000	1,350,000,000
Balance as at 31 December	200,000,000	1,350,000,000	200,000,000	1,350,000,000

32.1 Rights of ordinary shareholders

All issued shares are fully paid and shares of the Company are listed on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Company.

33. RETAINED EARNINGS

	2018 Rs.	2017 Rs.
Balance as at 1 January	1,710,724,129	1,287,638,683
Re-measurement adjustment in relation to adoption of SLFRS 9	(4,835,678)	-
Adjusted balance as at 1 January	1,705,888,451	1,287,638,683
Profit for the year	729,062,307	773,085,446
Dividends paid	(400,000,000)	(350,000,000)
Balance as at 31 December	2,034,950,758	1,710,724,129

34. FAIR VALUE RESERVE

Accounting policy

After 1 January 2018

Fair value reserve comprises the cumulative net change in the fair value of debt instruments at FVOCI and is carried forward until the respective assets are de-recognised or impaired.

Before 1 January 2018

Available-for-sale reserves comprises of the cumulative net change in the fair value of available-for-sale financial assets and is carried forward until the respective assets are de-recognised or impaired.

	2018 Rs.	2017 Rs.
Balance as at 1 January	819,647	(5,624,721)
Reclassification adjustment in relation to adoption of SLFRS 9	(2,595,389)	-
Adjusted balance as at 1 January	(1,775,742)	(5,624,721)
Other comprehensive income for the year	(1,737,885)	6,444,368
Balance as at 31 December	(3,513,627)	819,647

35. OTHER RESERVES

Other reserves comprise the actuarial gains/(losses) arising from valuation of gratuity liability as required by LKAS 19 - Employee Benefits.

	2018 Rs.	2017 Rs.
Balance as at 1 January	(4,303,950)	(2,557,028)
Other comprehensive income for the year	(1,985,913)	(1,746,922)
Balance as at 31 December	(6,289,863)	(4,303,950)

36. INSURANCE CONTRACT LIABILITIES

Accounting policy

Provision for net unearned premium

Provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Company performs a liability adequacy test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

As at	Note	31.12.2018 Rs.	31.12.2017 Rs.
Provision for net unearned premium	36.2	2,873,860,649	2,473,712,190
Provision for gross outstanding claims	36.3	939,962,497	948,670,217
Provision for gross incurred but not reported (IBNR) claims	36.4	553,742,379	651,172,114
		4,367,565,525	4,073,554,521

36.1 Insurance contract liabilities

As at	Note	31.12.2018 Gross Liabilities Rs.	31.12.2018 Reinsurance Rs.	31.12.2018 Net Liabilities Rs.	31.12.2017 Gross Liabilities Rs.	31.12.2017 Reinsurance Rs.	31.12.2017 Net Liabilities Rs.
Provision for net unearned premium	36.2	2,976,675,008	(102,814,360)	2,873,860,649	2,546,177,201	(72,465,011)	2,473,712,190
Provision for gross outstanding claims	36.3	939,962,497	(78,262,180)	861,700,317	948,670,217	(83,970,598)	864,699,619
Provision for gross IBNR claims	36.4	553,742,379	(74,920,503)	478,821,876	651,172,114	(165,743,923)	485,428,191
		4,470,379,884	(255,997,042)	4,214,382,842	4,146,019,532	(322,179,532)	3,823,840,000

36.2 Provision for net unearned premium

	2018 Gross Liabilities Rs.	2018 Reinsurance Rs.	2018 Net Liabilities Rs.	2017 Gross Liabilities Rs.	2017 Reinsurance Rs.	2017 Net Liabilities Rs.
As at 1 January	2,546,177,201	(72,465,011)	2,473,712,190	2,290,665,375	(73,945,270)	2,216,720,105
Premium written during the year	5,591,815,141	(482,181,063)	5,109,634,078	4,781,919,015	(427,744,495)	4,354,174,520
Premium earned during the year	(5,161,317,334)	451,831,714	(4,709,485,620)	(4,526,407,189)	429,224,754	(4,097,182,435)
As at 31 December	2,976,675,008	(102,814,360)	2,873,860,649	2,546,177,201	(72,465,011)	2,473,712,190

36.3 Provision for gross outstanding claims

	2018 Gross Liabilities Rs.	2018 Reinsurance Rs.	2018 Net Liabilities Rs.	2017 Gross Liabilities Rs.	2017 Reinsurance Rs.	2017 Net Liabilities Rs.
As at 1 January	948,670,217	(83,970,598)	864,699,619	895,970,538	(72,829,188)	823,141,350
Re-measurement adjustment on SLFRS 9 relating to impairment	-	23,309	23,309	-	-	-
Claims incurred during the year	3,289,746,827	(45,978,119)	3,243,768,708	2,864,420,661	(91,426,211)	2,772,994,450
Claims paid during the year	(3,298,454,547)	51,654,513	(3,246,800,034)	(2,811,720,982)	80,284,801	(2,731,436,181)
Impairment impact during the year	-	8,715	8,715	-	-	-
As at 31 December	939,962,497	(78,262,180)	861,700,317	948,670,217	(83,970,598)	864,699,619

36.4 Provision for gross IBNR claims

	2018 Gross Liabilities Rs.	2018 Reinsurance Rs.	2018 Net Liabilities Rs.	2017 Gross Liabilities Rs.	2017 Reinsurance Rs.	2017 Net Liabilities Rs.
As at 1 January	651,172,114	(165,743,923)	485,428,191	445,103,739	(31,675,548)	413,428,191
Provision made during the year	(97,429,735)	90,823,420	(6,606,315)	206,068,375	(134,068,375)	72,000,000
As at 31 December	553,742,379	(74,920,503)	478,821,876	651,172,114	(165,743,923)	485,428,191

NOTES TO THE FINANCIAL STATEMENTS

36. INSURANCE CONTRACT LIABILITIES (CONTINUED)

36.5 Liability adequacy test

A liability adequacy test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2018 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Company was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2018 (2017 - Nil).

36.6 Valuation of IBNR and IBNER

The incurred but not reported claims (IBNR) reserve has been actuarially valued by NMG Financial Services Consulting Pte Limited as at 31 December 2018.

This valuation exercise was carried out to determine the required claim liability reserve (in particular the IBNR reserve) in respect of Company's general Insurance operations, net of reinsurance.

The central estimate of the net claim liability has been determined based upon the net analysis performed for People's Insurance as at 31 December 2018. This is a full review of the loss development factors, such that the value of the insurance liabilities is reflective of People's Insurance's general insurance portfolio at 31 December 2018.

The volatility of the central estimate of net claim liability is then projected to secure an overall level of sufficiency of not less than 75% confidence. in assessing the claim liability at a 75% confidence level, the provision of risk margin for adverse deviation (PRAD) loading provided by the Insurance Regulatory Commission of Sri Lanka (IRCSL) is adopted. The 75th percentile is calculated for each line of business independently using the risk margins highlighted in Table 5 of the Regulation of Insurance Industry Act, No. 43 of 2000, revised on 15 December 2015. During the analysis, classes of business in the Company portfolio were closely matched with the IRCSL prescribed business categories.

36.7 Changes in assumptions

There were no material estimation changes from the previous valuation done for the balance as at 31 December 2018.

36.8 Reconciliation between insurance provision and technical reserves

As at	31.12.2018 Rs.	31.12.2017 Rs.
Insurance contract liabilities	4,367,565,525	4,073,554,521
Reinsurance on case reserves	(78,262,180)	(83,970,598)
Reinsurance on IBNR provision	(74,920,503)	(165,743,923)
Deferred expenses	(264,162,186)	(238,256,786)
Technical reserves	3,950,220,656	3,585,583,214

GRI Disclosure 201-3

37. EMPLOYEE DEFINED BENEFIT OBLIGATIONS

Accounting Policy

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The value of defined benefit obligation is calculated by a qualified actuary as at the reporting date, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - Employee Benefits. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

The re-measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined are included in Note 37.2.4 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

The provision of the Company is not externally funded.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

37.1 Defined benefit plans - Provision for employee benefits

As at 31 December	Note	2018 Rs.	2017 Rs.
Present value of unfunded obligation	37.2	27,490,317	17,881,854

37.2 Movement in the present value of the employee benefits

	Note	2018 Rs.	2017 Rs.
As at 1 January		17,881,854	12,920,220
Expenses recognised in statement of profit or loss	37.2.1	8,077,423	5,396,702
Payments during the year		(694,737)	(1,804,195)
Actuarial loss recognised in statement of comprehensive income	37.2.2	2,225,774	1,369,127
As at 31 December		27,490,317	17,881,854

37.2.1 Expenses recognised in statement of profit or loss

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Interest cost	1,788,185	3,846,276
Current service cost	6,289,238	1,550,426
	8,077,423	5,396,702

GRI Disclosure 201-3

37. EMPLOYEE DEFINED BENEFIT OBLIGATIONS (CONTINUED)

37.2.2 Expenses recognised in statement of comprehensive income

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Actuarial loss	2,225,774	1,369,127

37.2.3 Valuation of employee benefit obligations

As at 31 December 2018, gratuity liability was actuarially valued under the Projected Unit Credit method by Smiles Global (Private) Limited, a firm with actuarial expertise as required by LKAS 19 - Employee Benefits.

37.2.4 Principal actuarial assumptions used

	2018	2017
Acturial information		
(a) Discount rate	12%	10%
(b) Salary increase	10%	10%
(c) Incidence of withdrawal	16%	13%
(e) Mortality rates	A1967/70	A1967/70
(g) Disability rates	Standard RI rates	Standard RI rates
Employee information		
(a) Average age	28	27
(b) Average service period (years)	2.30	2.69
(c) Expected future working life time (years)	5.99	7.27
(d) Number of employees	554	385

37.3 Sensitivity analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

As at	31.12.2018		31.12.2017	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate 1%	(1,071,109)	1,178,641	(1,009,762)	1,138,592
Future salary growth 1%	1,300,712	(1,202,529)	1,194,607	(1,078,176)

38. OTHER FINANCIAL LIABILITIES

Accounting Policy

Recognition - financial liabilities

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in the statement of profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

De-recognition of other financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

As at		31.12.2018		31.12.2017	
		Carrying value	Fair value	Carrying value	Fair value
	Note	Rs.	Rs.	Rs.	Rs.
Other creditors including accrued expenses	38.1	211,425,413	211,425,413	234,078,119	234,078,119
Commission payable		187,522,404	187,522,404	159,669,051	159,669,051
Amounts due to related parties	38.2	1,779,440	1,779,440	15,213,184	15,213,184
		400,727,257	400,727,257	408,960,354	408,960,354

38.1 Other creditors including accrued expenses

As at	31.12.2018 Rs.	31.12.2017 Rs.
Other creditors	156,751,121	131,519,019
Accrued expenses	54,674,292	30,889,239
	211,425,413	234,078,119

38.2 Amounts due to related parties

As at	31.12.2018 Rs.	31.12.2017 Rs.
People's Leasing Fleet Management Limited	388,425	14,832,500
People's Leasing & Finance PLC	1,391,015	380,684
	1,779,440	15,213,184

NOTES TO THE FINANCIAL STATEMENTS

39. OTHER LIABILITIES

Accounting policy

Other liabilities include government levies payable other than income tax payable and these liabilities are not financial liabilities as per LKAS 39 - Financial instruments: Recognition and Measurement. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Value Added Tax (VAT) payable	26,650,477	23,950,813
Cess payable	5,241,292	4,721,271
Nation Building Tax (NBT) payable	9,091,212	8,372,908
Other government levies payable	8,400,163	7,450,110
	49,383,144	44,495,102

40. REINSURANCE PAYABLES

Accounting policy

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at	31.12.2018 Rs.	31.12.2017 Rs.
Payee-wise		
Domestic reinsurer - National Insurance Trust Fund (NITF)	39,543,559	22,279,031
Foreign reinsurers	22,264,076	13,436,805
	61,807,635	35,715,836

The carrying amount disclosed above approximates the fair value at the reporting date.

All amounts payable on reinsurance business are payable within one year.

41. INCOME TAX PAYABLE

Accounting policy

Current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

	31.12.2018 Rs.	31.12.2017 Rs.
Balance as at 1 January	38,429,964	21,960,225
Provision for the year	119,604,204	92,666,233
Under/(over) provision of taxes in respect of prior years	538,914	(265,517)
Self-assessment payments	(47,522,289)	(24,226,000)
Tax credits	(61,658,345)	(51,704,977)
Balance as at 31 December	49,392,448	38,429,964

42. BANK OVERDRAFT

As at	31.12.2018 Rs.	31.12.2017 Rs.
Bank overdraft	86,054,255	68,837,192

The bank overdraft facility amounting to Rs. 9,000,000 is subject to variable overdraft interest rate of People's Bank. The overdraft facility is secured by a fixed deposit of Rs. 10,000,000 and unused overdraft facility amounted to Rs. 9,000,000 as at the reporting date (2017 - Rs. 9,000,000).

43. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at	31.12.2018			31.12.2017		
	Carrying amount Rs.	Less than 12 months Rs.	More than 12 months Rs.	Carrying amount Rs.	Less than 12 months Rs.	More than 12 months Rs.
Assets						
Intangible assets	2,388,131	-	2,388,131	11,000,000	-	11,000,000
Property, plant and equipment	82,008,927	-	82,008,927	84,392,671	-	84,392,671
Deferred tax asset	3,006,071	-	3,006,071	28,484	-	28,484
Financial investments	6,658,264,189	4,826,979,427	1,831,284,763	6,136,594,446	3,972,910,047	2,163,684,399
Reinsurance receivables	153,118,635	153,118,635	-	249,714,521	249,714,521	-
Insurance receivables	963,276,019	963,276,019	-	838,919,041	838,919,041	-
Deferred expenses	264,162,186	264,162,186	-	238,256,786	238,256,786	-
Other assets	69,952,648	69,952,648	-	69,549,058	69,549,058	-
Cash and cash equivalents	221,391,043	221,391,043	-	116,659,642	116,659,642	-
Total assets	8,417,567,849	6,498,879,958	1,918,687,892	7,745,114,649	5,486,009,095	2,259,105,554
Liabilities						
Insurance contract liabilities	4,367,565,525	4,303,049,787	64,515,738	4,073,554,521	4,016,554,888	56,999,633
Employee defined benefit obligations	27,490,317	-	27,490,317	17,881,851	-	17,881,854
Other financial liabilities	400,727,257	400,727,257	-	408,960,354	408,960,354	-
Other liabilities	49,383,144	49,383,144	-	44,495,102	44,495,102	-
Reinsurance payables	61,807,635	61,807,635	-	35,715,836	35,715,836	-
Income tax payables	49,392,448	49,392,448	-	38,429,964	38,429,964	-
Bank overdraft	86,054,255	86,054,255	-	68,837,192	68,837,192	-
Total liabilities	5,042,420,581	4,950,414,526	92,006,055	4,687,874,823	4,612,993,336	74,881,487

NOTES TO THE FINANCIAL STATEMENTS

44. ACCOUNTING CLASIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability or;
- In the absence of the principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts, fair value is determined by reference to published bid-values. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or re-packaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in the statement of profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into accounting pricing a transaction.

Financial assets and liabilities based on the accounting classification with their carrying values and fair values are tabulated below.

Classification under SLFRS 9

As at	Note	31.12.2018 Equity instruments through profit or loss Rs.	Debt instruments at amortised cost Rs.	Debt instruments through FVOCI Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets						
Financial investments	26					
- Measured at fair value		58,170,496	-	52,249,700	110,420,196	110,420,196
- Measured at amortised cost		-	6,547,843,993	-	6,547,843,993	6,547,695,344
Reinsurance receivables	27	-	153,118,635	-	53,118,635	53,118,635
Insurance receivables	28	-	963,276,019	-	963,276,019	963,276,019
Cash and cash equivalents	31	-	191,193,950	-	191,193,950	191,193,950
Total		58,170,496	7,855,432,597	52,249,700	7,965,852,793	7,996,704,144
Financial liabilities						
Other financial liabilities						
(excluding government levies)	38	-	400,727,257	-	400,727,257	400,727,257
Reinsurance payables	40	-	61,807,635	-	61,807,635	61,807,635
Bank overdraft	42	-	86,054,255	-	86,054,255	86,054,255
		-	472,534,892	-	548,589,147	548,589,147

Classification under LKAS 39

As at	Note	31.12.2017 Fair value through profit or loss Rs.	Debt Available-for-sale Rs.	Loans and receivables Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets						
Financial investments	26					
- Measured at fair value		135,561,249	861,014,122	-	996,575,371	996,575,371
- Measured at amortised cost		-	-	5,140,019,075	5,140,019,075	5,058,667,506
Reinsurance receivables	27	-	-	249,714,521	249,714,521	249,714,521
Insurance receivables	28	-	-	838,919,041	838,919,041	838,919,041
Cash and cash equivalents	31	-	-	116,659,642	116,659,642	116,569,642
Total		135,561,249	861,014,122	6,345,312,279	7,341,887,650	7,260,536,081
Financial liabilities						
Other financial liabilities						
(excluding government levies)	38	-	-	408,960,354	408,960,354	408,960,354
Reinsurance payables	40	-	-	35,715,836	35,715,836	35,715,836
Bank overdraft	42	-	-	68,837,192	68,837,192	68,837,192
		-	-	513,513,382	513,513,382	513,513,382

NOTES TO THE FINANCIAL STATEMENTS

44. ACCOUNTING CLASIFICATION AND FAIR VALUE (CONTINUED)

44.1 Determination of fair value and fair value hierarchy

Valuation of fair value of financial instruments

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- **Level 1:** Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

44.2 Fair value measurement

The following table analyses financial assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Classification under SLFRS 9 - Financial Instruments

As at 31 December	2018			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Assets measured at fair value;				
Equity instruments at fair value through profit or loss				
Listed equity securities	58,170,496	-	-	58,170,496
Debt instruments at FVOCI				
Treasury bonds	-	52,249,700	-	52,249,700
Assets measured at amortised cost and fair values are disclosed*;				
Debt instruments at amortised cost				
Repurchase agreements	-	203,375,306	-	203,375,306
Staff loans	-	40,984,132	-	40,984,132
Rent deposits	-	51,885,986	-	51,885,986
Fixed deposits	-	3,285,720,783	-	3,285,720,783
Savings accounts	-	55,857,162	-	55,857,162
Treasury bills	-	972,448,250	-	972,448,250
Listed debentures	-	1,932,572,372	-	1,932,572,372
Total financial assets	-	6,600,093,693	-	6,658,264,189

Classification under LKAS 39

As at 31 December	2017			
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Assets measured at fair value;				
Equity instruments at fair value through profit or loss				
Listed equity securities	135,561,249	-	-	135,561,249
Available-for-sale				
Treasury bills	-	806,059,822	-	806,059,822
Treasury bonds	-	54,954,300	-	54,954,300
Assets measured at amortised cost and fair values are disclosed*;				
Loans and receivables				
Repurchase agreements	-	579,758,563	-	579,758,563
Staff loans	-	22,159,078	-	22,159,078
Rent deposits	-	45,199,893	-	45,199,893
Fixed deposits	-	2,789,562,274	-	2,789,562,274
Savings accounts	-	24,305,445	-	24,305,445
Listed debentures	1,597,682,253	-	-	1,597,682,253
Total financial assets	1,733,243,502	4,321,999,375	-	6,055,242,877

* Fair values are determined based on the assumptions given in Note 44.1.

44.3 Financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets/liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value due to their short-term nature. This assumption is also applied to savings accounts without a specific maturity.

Assets	Liabilities
Cash in hand and balances at bank	Bank overdraft
Repurchase agreements	Outstanding commission payable
Fixed deposits with less than three months remaining maturity	Amounts due to related parties
Savings accounts	Other creditors including accrued expenses
Insurance receivables	Reinsurance payables
Reinsurance receivables	

Fixed deposits with more than three months remaining maturity

The fair values are estimated based on discounted cash flows using rates currently available for similar instruments on similar term, credit risk and remaining maturities.

Debentures

The fair values of debentures are determined based on the last traded market price of the instrument published at the Colombo Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

44. ACCOUNTING CLASIFICATION AND FAIR VALUE (CONTINUED)

Staff loans

Fair values are computed based on the interest rate that prevailed at reporting date.

45. RISK MANAGEMENT FRAMEWORK

The Company has implemented a proper system of risk and financial management framework to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

Governance framework

The Board of Directors has the overall responsibility and the oversight of the risk management framework of the Company. The Board has delegated its authorities and responsibilities to the management to establish the Company's risk management policy and to manage overall risk framework of the Company. The management has formalised the risk management process to identify, analysis and assessed the risk faced by the Company to set appropriate actions to manage the risk by ways of avoiding, mitigating, transferring or accepting. Further, risk management policies and systems are reviewed regularly to reflect changes in market condition, products and services offered.

In addition to the management control on risk management framework in the Company, the Board is overviews the overall risk management process through the Board Audit Committee and the internal audit department. The Board Audit Committee comprises three Directors from the Board and reports to the Board on compliance, internal control and the risk management process to ensure the adequacy of such controls in relation to the risks faced by the Company. Internal audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board as appropriate.

At the group level, Enterprises Risk Management Committee operates to strengthen the Group's risk management process. Members from the management are invited to the Group Risk Management Committee and the Company's risk management framework and the risks are monitored by this Group Committee.

Further, the management has enforced a culture where risks are being predicted, identified and reported in every level of the Company by continuous training, work ethics and standards.

Capital management framework

The Company's capital management framework forms the basis for activity managing capital within the Company and seeks to optimise the structure and source of capital to ensure that it consistently maximises returns to the shareholders and policyholders while complying with the regulatory requirements.

The Company has established the following capital management objectives, policies and approaches in managing the risks that affect its capital position.

- To maintain the robust level of stability of the Company thereby providing a degree of security to policyholders.
- To allocate capital efficiency and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirement of the policyholders, regulators and stakeholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The regulations imposed, not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy under the risk based capital regime) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Company has complied with all these regulatory requirements during the financial year under review.

The Company's approach in managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing shortfalls between reported and required capital levels on a regular basis taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management process is that it is aligned to performance objectives and ensures that the Company is focused on the creation of value for its shareholders.

The primary source of capital used by the Company is equity which includes stated capital and the retained earnings.

The capital requirements are measured on the risk based capital regime which is calculated in a periodic basis and assessed against the available capital and determine by the capital adequacy ratio. The process is ultimately subject to the approval of the Board.
The Company has made no significant changes from previous years to its policies and processes of its capital structure.

Available capital resources based on risk based capital:

As at	31.12.2018 Rs.	31.12.2017 Rs.
Total shareholders' funds as per financial statements	3,375,147,268	3,057,239,826
Adjustments based on regulatory requirements	8,220,918	(15,634,373)
Deductions based on regulatory requirements	(230,261,851)	(215,901,386)
Total available capital	3,153,106,335	2,825,704,067

Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs to provide policyholders' benefits. 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 Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company has implemented the risk based capital (RBC) framework on solvency margin as required by the IRCSL. The Company was able to maintain the total available capital (TAC) and risk based capital adequacy ratio (CAR) at 256% and 319% in 2017 respectively.

In addition to the IRCSL monitoring, the Company is also subject to control by various regulators such as the Colombo Stock Exchange (CSE), Security and Exchange Commission of Sri Lanka (SEC), Central Bank of Sri Lanka (CBSL), Department of Inland Revenue (DIR) and Company Registrar.

Risk Framework of People's Insurance PLC

45.1 Financial risks

This is the risk that could bring financial losses to the Company, which generally arises due to instability and loss in the financial market. The Company is exposed to the financial risks as a result of investing in financial instruments. The main financial risks expose to the Company and the risk responds that undertake to mitigate such risks are given below.

45.1.1 Credit risk

Credit risk is the risk that associates with a loss or potential loss from customer or counter-party failing to meet its contractual obligation in accordance with agreed terms. Analysis of Company's credit risk exposure is provided on pages 230 to 234

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

45.1.1.1 Insurance receivables

Risk of customers failing to settle their outstanding dues.

Risk response

- Regular and rigorous follow ups for premium outstanding.
- Periodic policy cancellation for not settling within the given credit period.
- Check the status of outstanding premium before settling claims.
- Periodic review of the premium receivables to provide adequate impairment provisions.
- Refer insurance receivables based on credit rating and credit risk exposure are shown below.

45.1.1.2 Reinsurance receivables

Risk of not receiving reinsurance receivables.

Risk response

- Reinsurers have been selected based on credit worthiness and periodic review of their ratings are carried out.
- Outstanding balances are reviewed on a monthly basis and ensuring that all dues are collected or set off against payables.

A list of reinsurers with the ratings and issuing agency is provided below.

Reinsurer	Country of Origin	Issuing Agency	Ratings
Asia Capital Reinsurance Group Pte Ltd.	Singapore	A. M. Best	A-
Asian Reinsurance Corporation	Thailand	A. M. Best	B+
General Insurance Corporation of India	India	A. M. Best	A-
Labuan Reinsurance (L) Ltd.	Malaysia	A. M. Best	A-
Malaysian Reinsurance Berhad	Malaysia	A. M. Best	A-
National Insurance Trust Fund	Sri Lanka	Fitch	AA-Trust
Swiss Reinsurance Company Ltd.	Switzerland	A. M. Best	A+
Trust International Insurance and Reinsurance Company B. S. C.	Bahrain	A. M. Best	A-
XL Insurance Co. Ltd.	Singapore	A. M. Best	A

45.1.1.3 Financial investments

Risk of borrowers failing to repay or meet contractual obligation.

Risk response

- Assess the credit worthiness of the financial institute/instruments using credit ratings before investing.
- Assess on tolerable levels, concentration risk and portfolio monitoring in line with the Company's risk appetite level documented in the Investment operations Manual.
- Obtain adequate collateral to secure the investment. Regularly review its market value to ensure the adequacy of such collateral and request additional collateral in accordance with the underlying agreement. Reasonable margin of safely is maintained in collateral value as tabulated below.

Collateral adequacy	2018 Rs.	2017 Rs.
Carrying value of investments in repurchases agreements	203,375,306	579,758,663
Fair value of collateral	226,244,035	652,234,570
Excess value of collateral	22,867,729	72,476,007

45.1.1.4 Credit quality analysis

The table below sets out information about the credit quality of financial assets held by the Company net of allowances for impairment/ expected credit losses against those assets.

45.1.1.4.1 Expected credit losses (Applicable from 1 January 2018)

With the adoption of SLFRS 9 - Financial Instruments, the Company managers credit quality using a three stage approach which is in line with the new standard requirements.

Stage one (performing) : 12-month expected credit losses
Stage two (under-performing) : Life-time expected credit losses - Not credit impaired
Stage three (non-performing): Life-time expected credit losses - Credit impaired

Table below shows the classification of assets and liabilities based on the above mentioned three stage model.

	12-month ECL Rs.	Life-time ECL - Not Credit Impaired Rs.	Life-time ECL - Credit Impaired Rs.	Unclassified Rs.	Total Rs.
As at 31 December 2018					
Cash and cash equivalents	-	-	-	58,170,496	58,170,496
Financial assets measured at FVPL	6,547,843,993	-	-	-	6,547,843,993
Loans and receivables	-	-	-	52,249,700	52,249,700
Deposits with licensed commercial banks	153,118,635	-	-	-	153,118,635
Insurance receivables	517,769,388	445,506,632	-	-	963,276,019
Other investment securities	-	-	-	421,517,963	421,517,963
Other non-financial assets	221,391,043	-	-		221,391,043
Total assets	7,440,123,059	445,506,632	-	531,938,159	8,417,567,849
As at 31 December 2017					
Cash and cash equivalents	-	-	-	135,561,249	135,561,249
Financial assets measured at FVPL	5,943,843,739	-	-	-	5,943,843,739
Loans and receivables	-	54,954,300	-	-	54,954,300
Deposits with licensed commercial banks	249,714,521	-	-	-	249,714,521
Premium receivables	462,072,620	376,846,420	-	-	838,919,041
Other investment securities	-	-	-	405,462,157	405,462,157
Other non-financial assets	116,659,642	-	-	-	116,659,642
Total assets	6,772,290,523	431,800,720	-	541,023,406	7,745,114,649

* Comparatives is also presented using three stage approach for comparison purposes.

45.1.1.4.2 Definition of past due (Applicable before 1 January 2018)

As per LKAS 39 - Financial Instruments: Recognition and Measurement, the Company managers credit quality based on the management assessments of the impairment indications as at the reporting date. Based on the assessment, the Board decided there was no requirement to provide for impairment other than the Insurance receivables. The Company followed incurred loss method to assess the credit quality and the impairment allowance based on the internal credit grading using days past due. The table below shows past due assets. The Company considers that any amount uncollected one month or more beyond their contractual due date as past due.

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

The table below provides information regarding the credit risk exposure of the Company's financial instruments by classifying them according to the credit ratings of counter parties obtained from Fitch Ratings Lanka, RAM Ratings, Standard & Poor's and A. M. Best.

As at 31 December 2017	Neither Past due-nor Impaired					Past-due but	Total
	Risk Free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	not Impaired	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Available-for-sale financial assets							
Investments in government securities	861,014,122	-	-	-	-	-	861,014,122
Loans and receivables							
Repurchase agreements	579,758,563	-	-	-	-	-	579,758,563
Debentures	-	683,110,524	1,022,812,601	51,229,051	-	-	1,757,152,176
Fixed deposits	-	1,615,913,501	1,093,654,563	-	-	-	2,709,568,064
Savings accounts	-	24,305,445	-	-	-	-	24,305,445
Staff loans and rent deposits	-	-	-	-	69,234,827	-	69,234,827
Insurance receivables	-	646,068,337	-	-	172,224,889	35,698,774	853,992,000
Reinsurance receivables	-	68,181,790	181,532,731	-	-	-	249,714,521
Cash and bank balance	-	115,478,951	988,321	-	192,370	-	116,659,642
Total	1,440,772,685	3,153,058,548	2,298,988,216	51,229,051	241,652,086	35,698,774	7,221,399,360

45.1.1.5 Amount arising from expected credit losses (Applicable from 1 January 2018)

This note highlights inputs, assumptions and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – Financial Instruments.

45.1.1.5.1 Significant increase in credit risk

When determining whether the risk of default on a financial assets have increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

45.1.1.5.2 Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of financial assets.

Each exposure is assessed at initial recognition based on available information about the financial assets. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade based on 3 stage model. The monitoring typically involves change in investment credit ratings of counter parties and instruments and number of days over due in terms of insurance and reinsurance receivables.

45.1.1.5.3 Generating the term structure of probability of default (PD)

Date past due has taken as the primary input into the determination of the term structure of PD for insurance receivables. The Company collects performance and default information about its credit risk exposures analysed by customer segments. For investment portfolio, information gathered from external credit agencies is used (debt instruments).

The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors.

Using a variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables (GDP growth and effect) as well as a representative range (best case and worst case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

45.1.1.5.4 Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using a variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (best case and worst case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

45.1.1.5.5 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of default (PD)

PD estimates are estimates at a certain date, which are calculated based on statistical models, and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, product category and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

45.1.1.5.6 Loss allowance

The following tables shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included on page 231. Comparative amounts for 2017 represent restated credit loss allowances measured on the basis of SLFRS 9 – Financial Instruments.

Movement in allowance for expected credit losses (stage transition)

	2018			
	Stage 1: 12-month ECL Rs.	Step 2: Life-time ECL - Non-credit Impaired Rs.	Step 3: Life-time ECL - Credit Impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year (as per SLFRS 9)	6,772,290,523	431,800,720	-	7,204,091,243
Change during the year	667,832,536	13,705,911	-	681,538,447
Balance as at the end of the year	7,440,123,059	445,506,632	-	7,885,629,690

45.1.1.6 Credit rating of financial instruments

Table below sets out the credit quality of financial investments based on the institutes'/instruments' credit rating.

	2018					
	Risk Free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	Total Rs.
Financial investments						
Debt instruments at FVOCI						
Treasury bonds	52,249,700	-	-	-	-	52,249,700
Debt instruments at amortised cost						
Repurchase agreement	203,375,306	-	-	-	-	203,375,306
Staff loans	-	-	-		40,984,132	40,984,132
Rent deposits	-	-	-	-	51,885,986	51,885,986
Fixed deposits	-	1,508,376,413	1,777,344,370	-	-	3,285,720,783
Savings accounts	-	51,734,899	4,122,263	-	-	55,857,162
Treasury bills	977,448,250	-	-	-	-	977,448,250
Listed debentures	-	794,740,018	1,034,221,883	103,610,473	-	1,932,572,374
Reinsurance receivables	-	36,677,516	114,882,423	1,558,695	-	153,118,634
Insurance receivables	-	-	-	-	963,276,019	963,276,019
Cash and cash equivalents	-	198,827,922	22,396,295	-	166,826	221,391,043
Total	1,233,073,256	2,590,356,768	2,952,967,234	105,169,168	1,056,312,963	7,937,879,389

45.2 Liquidity risk

Generally, liquidity risk is the risk that a Company may not be able to meet short-term financial demands. This occurs when financial resources are insufficient to meet the Company's obligation when they fall due and the timing difference between gross claim cash out flows and expected reinsurance recoveries.

Risk response

- Regular cash flow projections and ensure sufficient funds are available to meet claims and operational payments.
- Maintain a portfolio of readily marketable securities to strengthen the liquidity position.
- Maintain diversified durations of investments and regular review of maturity periods based on the cash flow requirements.
- Arrangements with the reinsurers to immediate draw of funds to meet claim payments which exceed pre-determined level.
- Availability of a stand-by overdraft facility to use in the event of an emergency.
- Determining the maturity profiles of insurance contract liabilities and reinsurance assets based on the estimated timing of net cash flows from recognised insurance liabilities.
- Planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.

45.2.1 Maturity profile

The Company maintains a portfolio of high marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flows. The Company also has committed lines of credit that it can access when meeting liquidity needs.

Following table summarises the maturity profile of the financial assists, financial liabilities and insurance contract liabilities. Unearned premiums have been excluded from the analysis as they are not considered as contractual obligations.

Contractual maturities of undiscounted cash flows of financial liabilities are provided below.

As at 31 December 2018	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	Over 2 years Rs.	No stated maturity Rs.	Total Rs.
Financial Assets						
Financial assets at FVPL	-	-	-	-	58,170,496	58,170,496
Debt instruments at FVOCI	-	-	-	52,249,700	-	52,249,700
Debt instruments at amortised cost	-	-	-	-	-	-
Repurchase agreements	203,375,306	-	-	-	-	203,375,306
Fixed deposits	1,500,870,417	1,826,970,420	-	-		3,327,840,836
Staff loans and rent deposits	6,513,246	5,696,097	7,497,040	73,163,735	-	92,870,118
Savings accounts	-	-	-	-	55,857,162	55,857,162
Treasury bills	920,653,800	78,909,642	-	-	-	999,563,442
Listed debentures	85,908,008	272,998,865	405,214,510	1,615,255,725	-	2,379,377,108
Insurance receivables	963,276,019	-	-	-	-	963,276,019
Reinsurance receivables	153,118,634	-	-	-	-	153,118,634
Cash and cash equivalents	221,391,043	-	-	-	-	221,391,043
Total	4,055,106,473	2,184,575,024	412,711,550	1,740,669,160	114,027,658	8,507,089,866
Financial liabilities						
Insurance contract liabilities	3,542,337,304	760,712,483	16,458,786	47,056,952	-	4,367,565,525
Reinsurance payables	61,807,635	-	-	-	-	61,807,635
Other financial liabilities	400,727,257	-	-	-	-	400,727,257
Bank overdraft	86,054,255	-	-	-	-	86,054,255
Total	4,090,926,451	760,712,483	16,458,786	47,056,952	-	4,916,154,672

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Classification of financial assets and liabilities as per LKAS 39 – Financial Instruments

As at 31 December 2017	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	Over 2 years Rs.	No stated maturity Rs.	Total Rs.
Financial assets						
Fair value through profit or loss						
Listed equity securities	-	-	-	-	135,561,249	135,561,249
Available-for-sale financial assests						
Investments in government securities	672,083,661	133,976,161	-	54,954,300	-	861,014,122
Loans and receivables						
Repurchase agreements	579,758,563	-	-	-	-	579,758,563
Debentures	223,208,607	237,655,341	243,655,742	1,052,632,485	-	1,757,152,175
Fixed deposits	2,135,102,738	574,465,326	-		-	2,709,568,064
Savings accounts	-	-	-	24,305,445	24,305,445	
Staff loans and rent deposits	6,469,802	5,029,957	7,318,089	94,116,399		112,934,247
Insurance receivables	853,992,000	-	-			853,992,000
Reinsurance receivables	249,714,521	-	-			249,714,521
Cash and bank balance	116,467,272	-	-			116,467,272
Total	4,836,797,164	951,126,785	250,973,831	1,201,703,184	159,866,694	7,400,467,658
Financial liabilities						
Insurance contract liabilities	2,388,675,191	1,610,876,571	5,317,564	68,685,195	-	4,073,554,521
Reinsurance payables	35,715,836	-	-	-	-	35,715,836
Other financial liabilities	408,960,354	-	-	-	-	408,960,354
Bank overdraft	68,837,192	-	-	-	-	68,837,192
Total	2,902,188,573	1,610,876,571	5,317,564	68,685,195	-	4,587,067,903

45.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market variables. Market risk comprises of three types risks: market interest rates (interest rate risk), foreign exchange rate (currency risk) and market prices (price risk). The Company has imposed following policies and procedures to manage the market risks.

Market risk mitigating strategies

- Overall market risk impact is closely monitored by the management, Investment Committee and the Integrated Risk Committee at group level on a regulary basis.
- Investment portfolio and the fluctuation of macro-economic indicators are reviewed by the top management regulary.
- Set limits for investments and portfolio allocations in the Investment Operation Manual to ensure that risk exposure is at the desired risk tolerance limit of the Company.

45.4 Interest rate risk

Interest rate risk is the risk of fluctuation of value of the future cash flows of financial instrument due to changes in market interest rates. Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

Interest rate risk mitigating strategies

- The management follows the guidelines set out in the investment policy and investment operations manual which are regularly reviewed by the Investment Committee.
- Preferred investment horizon for the investment portfolio is limited to a maximum of ten years from the time of the investment.
- Forecasting and monitoring future cash flows when formulating investment strategies.
- Relative amount of each portfolio is determined by the Company's liquidity position, availability of market value and individual securities' risk/return profiles.

The Company has no significant concentration of interest rate risk.

Following table describes the Company's sensitivity to interest rate risks. The sensitivity of reported fair value of financial instruments is monitored by assessing the projected changes in the fair value of financial instrument held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points and +/- 200 basis points.

Change in Variables	2018		2017	
	Impact on PBT* Rs.	Impact on Equity Rs.	Impact on PBT* Rs.	Impact on Equity Rs.
+ 100 base Points	(1,422,800)	(1,422,800)	(5,955,833)	(5,955,833)
- 100 base Points	1,422,800	1,422,800	5,955,833	5,955,833
+ 200 base Points	(2,845,600)	(2,845,600)	(11,911,666)	(11,911,666)
- 200 base Points	2,845,600	2,845,600	11,911,666	11,911,666

* **PBT** - Profit before tax

Following table summarises the exposure to the interest rate risks by the Company.

As at 31 December 2018	Variable Interest Rs.	Fixed Interest Rs.	Non-interest bearing Rs.	Total Rs.
Financial assets				
Financial assets at FVPL	-	-	58,170,496	58,170,496
Debt instruments at FVOCI	-	52,249,700	-	52,249,700
Debt instruments at amortised cost	-	-	-	-
Repurchase agreements	-	203,375,306	-	203,375,306
Staff loans	-	35,161,906	5,822,226	40,984,132
Rent deposits	-	-	51,885,986	51,885,986
Fixed deposits	-	3,285,720,783	-	3,285,720,783
Savings accounts	-	55,857,162	-	55,857,162
Treasury bills	-	977,448,250	-	977,448,250
Listed debentures	-	1,932,572,374	-	1,932,572,374
Total	-	6,542,385,481	115,878,708	6,658,264,189

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

As at 31 December 2018	Variable Interest Rs.	Fixed Interest Rs.	Non-interest bearing Rs.	Total Rs.
Financial assets				
Loans and receivables	-	5,094,819,182	45,199,893	5,140,019,075
Available-for-sale		86,014,122	-	86,014,122
Fair value through profit or loss	-		135,561,249	135,561,249
Total	-	5,180,833,304	180,761,142	5,361,594,446
Financial liabilities				
Insurance contract liabilities	-	-	4,073,554,521	4,073,554,521
Other financial liabilities	-	-	408,960,354	408,960,354
Other liabilities	-	-	44,495,102	44,495,102
Reinsurance repayables	-	-	35,715,836	35,715,836
Bank overdraft	-	-	68,837,192	68,837,192
Total	-	-	4,631,563,005	4,631,563,005

45.5 Currency risk

Interest rate risk is the risk of fluctuation of value of the future cash flows of financial instruments due to changes in foreign exchange rates.

The Company's principal transactions are carried out in Sri Lankan Rupees (Rs.) and hence, its exposure to foreign exchange risk arises primarily with respect to US Dollar denominated assets maintained in order to honour liabilities of foreign currency denominated reinsurance policies.

However, no material foreign currency denominated liability was reported during the financial year ended 31 December 2018.

As at	31.12.2018		31.12.2017	
	Amount in USD	Amount in Rs.	Amount in USD	Amount in Rs.
Fixed deposits	160,086	29,004,435	452,541	70,166,765
Savings accounts	180,440	32,692,201	130,762	20,274,626
Total	180,440	32,692,201	583,303	90,441,391

As at	31.12.2018		31.12.2017	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
5% strengthening of rupee	3,084,776	3,084,776	4,521,070	4,521,070
5% weakening of rupee	(3,084,776)	(3,084,776)	(4,521,070)	(4,521,070)

45.6 Equity price risk

Equity price risk arises due to fair value or future cash flows of a financial instruments fluctuates because of changes in equity prices other than those arising from interest rate or foreign exchange rate risk.

The Company's investment policy and investment operation manual guides the management on setting and monitoring objectives and constrains on investments, diversification plans as well as limits on each investment under each investment instrument. This policy is regularly reviewed to ensure that it suits with the prevailing market and risk environment. Further, the Company manages its equity price risk by investing in relatively less volatile sectors and in spreading the risk in different sectors.

The Company has no significant concentration of equity price risk.

Following tables show the Company's equity portfolio diversification and sensitivity analysis performed for reasonably possible movements in All Share Price Index (ASPI) with all other variables held constant, showing the impact on profit before tax.

Equity portfolio diversification

As at	31.12.2018		31.12.2017	
	Rs.	%	Rs.	%
Sector				
Bank, finance and insurance	7,848,900	13.49	48,990,710	36.14
Diversified holdings	45,179,550	77.67	62,266,262	45.93
Chemicals and pharmaceuticals	678,660	1.17	4,123,800	3.04
Motors	-	-	3,900,000	2.88
Manufacturing	4,224,881	7.26	14,492,422	10.69
Beverage, food and tobacco	238,505	0.41	-	-
Land and property	-	-	1,788,055	1.32
Total	58,170,496	100.00	135,561,249	100.00

Percentage change in benchmark index (ASPI)

As at	31.12.2018		31.12.2017	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
Sector				
10% increase in equity market price	5,817,050	5,817,050	13,556,125	13,556,125
10% decrease in equity market price	(5,817,050)	(5,817,050)	(13,556,125)	(13,556,125)
20% increase in equity market price	11,634,099	11,634,099	27,112,250	27,112,250
20% decrease in equity market price	(11,634,099)	(11,634,099)	(27,112,250)	(27,112,250)

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Concentration of other financial investments

The Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVPL, debt instruments at amortised cost in FVOCI.

As at	31.12.2018		31.12.2017	
	Rs.	%	Rs.	%
Treasury bonds	52,249,700	1%	54,954,300	1%
Treasury bills	977,448,250	15%	976,094,609	14%
Repurchase agreements	203,375,306	3%	579,758,563	8%
Quoted equity instruments	58,170,496	1%	135,561,249	2%
Quoted corporate debentures	1,932,572,374	30%	1,811,717,416	26%
Fixed deposits	3,285,720,783	50%	3,432,269,637	49%
Total	6,509,536,909	100%	6,990,355,775	100%

45.7 General Insurance Business Risk

The Company principally issues the following types of non-life (general) insurance contracts; which usually cover its risks for twelve months duration.

- Motor
- Fire
- Marine
- Miscellaneous

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

Insurance risk mitigating strategies

- Diversification across a large portfolio of insurance contracts and geographical areas, this variability of the risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits.
- Strict claim review policies are in place to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company.
- The Company has also implemented a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business.
- An inflation risk is mitigated estimating insurance contract liabilities.
- The Company has also limited its exposure by imposing maximum claim amount on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damages).

The main insurance risks that are exposed by the Company as a general (Non-life) insurance Company and risk management strategies of the Company are provided below.

General insurance risks	Risk mitigation strategies
Product design risk Risk of non-insurance product designs of the portfolio being outdated due to changes in the climate leading to natural disasters, behavioural trends of people due to changing life styles and steady escalation of costs in respect of vehicle spare parts.	Constant alert on internal and external factors that may impede planned objectives. Periodic review of existing product features and the development strategies in line with environmental changes. Diversification of insurance contracts across a large geographical area.
Underwriting risks Underwriting risk refers to the risk of loss making on underwriting activities, this underwriting risk may either arise from inaccurate assessment of the risks when underwriting the policy or from factors that are beyond the control of underwriters.	Continuous development of underwriting staff through training, skill development and persuade in professional examinations. Review underwriting results critically to identify the loss making clients and ensure such client are strategically moved out of the portfolio. Regular review of profitability, pricing, terms and conditions of product portfolio to identify required changes. Financial authority sets limit of approvals to be alert on underwriting amount and risks.
Reinsurance risks Reinsurance risks refers to the inability of the ceding company or the primary insurer to obtain insurance from reinsurance at the right time and at an appropriate cost. The inability may emanate from variety of reasons like unfavourable market condition, etc.	Annual review of reinsurance arrangements and strategies to ensure adequacy of such covers. Global trusted stable portfolio of reinsurance companies which are rated high by various bodies such as Standard & Poor's, A.M. Best, etc. Periodic review of credit rating and ensure all the reinsurer maintain the rating throughout the year. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set-off against payable on time.
Claim risks The risk of actual claims or the timing thereof, may differ from expectation.	Claim intimations are done through the call centre which works on 24X7 basis. Sum of insured assessed by qualified panel and customer advice on inadequacy of sum of insured or excesses. Claims are assessed immediately upon intimate and reserved accordingly. A qualified independent actuary carries out independent valuation of the reserves on a quarterly basis to assess adequacy of reserves. Significant outstanding claims are subject to periodic review by the Management and the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

The table below sets out the concentration of insurance claim liabilities by type of the contract

As at	31.12.2018			31.12.2017		
	Gross liability Rs.	Reinsurance receivables Rs.	Net liabilities Rs.	Gross liability Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
Motor	111,678,552	24,207,322	87,471,230	1,237,614,417	124,898,143	1,112,716,274
Marine	1,677,688	1,335,753	341,935	2,944,147	2,460,037	484,110
Fire	1,204,323,178	110,826,090	1,093,497,088	165,276,742	98,344,921	66,931,821
Miscellaneous	176,024,761	16,749,469	159,275,292	194,007,028	24,011,419	169,995,609
Total	1,493,704,179	153,118,634	1,340,585,545	1,599,842,334	249,714,520	1,350,127,814

Claim development table

The following tables show the estimate of cumulative incurred claims for each year, together with cumulative payment to date.

Gross non-life insurance outstanding claims provision for 2018

(All figures are in Rupees thousands unless otherwise stated)

	Current estimate of cumulative claims incurred									
Accident period	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2018	(120)	11,385	51	(8,584)	4,918	(9,647)	21,099	73,912	3,165,480	
2017	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805		
2016	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203			
2015	1,703	6,377	(5,165)	35,874	31,044	2,182,704				
2014	1,465	1,577	28,391	(15,126)	2,040,473					
2013	3,148	50,297	(167,837)	2,042,094						
2012	4,224	(58,704)	2,042,934							
2011	2,762	1,396,938								
2010	213,653									
Current estimate of cumulative claims incurred	225,046	1,412,495	1,880,760	2,054,001	2,087,537	2,244,395	2,689,557	2,866,717	3,165,480	18,625,989

	Cumulative payments to date									
Accident period	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2018	-	(16,329)	(5,532)	(14,079)	(15,396)	(26,780)	(26,927)	(515,478)	(2,646,682)	
2017	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)		
2016	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)			
2015	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)				
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)					
2013	(3,495)	(57,574)	(252,384)	(1,621,312)						
2012	(5,154)	(311,763)	(1,465,582)							
2011	(72,227)	(893,615)								
2018	(134,902)									
Cumulative payments to date	(222,344)	(1,332,049)	(1,833,484)	(2,017,315)	(2,034,557)	(2,190,741)	(2,625,794)	(2,783,062)	(2,646,682)	(17,686,026)
Total gross claims outstanding	2,703	80,446	47,277	36,687	52,979	53,655	63,763	83,655	518,798	939,963

Net non-life insurance outstanding claims provision for 2018

(All figures are in Rupees thousands unless otherwise stated)

	Current estimate of cumulative claims incurred									
Accident period	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2018	(120)	11,400	51	(11,575)	5,037	(3,500)	24,501	77,270	3,106,289	
2017	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279		
2016	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666			
2015	1,599	6,454	(3,982)	34,203	16,076	2,100,737				
2014	1,465	2,382	28,151	(15,127)	2,023,094					
2013	3,157	51,344	(158,485)	2,034,121						
2012	4,239	(15,515)	1,976,422							
2011	4,621	1,224,086								
2010	209,132									
Current estimated of cumulative claims incurred	222,304	1,289,024	1,824,600	2,045,400	2,056,813	2,172,245	2,611,883	2,769,550	3,106,289	18,098,109

	Cumulative payments to date									
Accident period	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
2018	-	(16,329)	(5,532)	(11,079)	(15,396)	(26,799)	(25,385)	(492,761)	(2,619,040)	
2017	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)		
2016	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)			
2015	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)				
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)					
2013	(3,495)	(32,280)	(226,969)	(1,593,260)						
2012	(5,123)	(248,760)	(1,424,239)							
2011	(71,904)	(881,711)								
2010	(131,282)									
Cumulative payments to date	(218,266)	(1,230,032)	(1,744,091)	(1,985,370)	(1,986,836)	(2,201,876)	(2,548,267)	(2,702,598)	(2,619,040)	(17,236,376)
Total net claims outstanding	4,039	58,992	80,510	60,030	69,977	(29,631)	63,616	66,952	487,249	861,733

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation.

Table 1: Impact on claim liability to changes in key variables

Variable	Change in variable	75% claim liabilities Rs.	Change in 75% claim liabilities Rs.
Original		1,322,554,222	
Claim handling expenses (CHE)	+10%	1,327,519,572	4,964,352
Claim handling expenses (CHE)	-10%	1,317,590,869	(4,964,352)
Loss development factors (LDF)	+10%	1,382,394,506	59,839,286
Loss development factors (LDF)	-10%	1,259,912,115	(62,642,105)
Provision for adverse deviation (PRAD)	Double	1,452,875,696	130,320,470
Provision for adverse deviation (PRAD)	Halve	1,257,394,982	(65,160,238)

NOTES TO THE FINANCIAL STATEMENTS

45. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Table 2: Impact on premium liability to changes in key variables

Variable	Change in variable	URR at 75% confidence level Rs.	Premium liabilities (PL) Rs.	Change in premium liabilities
Original		2,433,780,646	2,873,861,646	
Claim handling expenses (CHE)	+10%	2,447,658,081	2,873,861,646	-
Claim handling expenses (CHE)	-10%	2,419,903,306	2,873,861,646	-
Provision for adverse deviation (PRAD)	Double	2,739,036,478	2,873,861,646	-
Provision for adverse deviation (PRAD)	Halve	2,242,996,828	2,873,861,646	-

46. RELATED PARTY TRANSACTIONS

Accounting policy

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

46.1 Transactions and outstanding balances with the ultimate parent - People's Bank

Transactions

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Insurance premium in respect of their own policies	220,019,726	207,376,622
Insurance premium in respect of customers introduced	97,066,364	106,731,966
Service charge expense	13,918,876	13,648,167
Claims expense	60,854,415	48,674,994
Investment in repurchase agreements (including re-investments made during the year)	19,768,999,900	20,116,141,498
Settlement of repurchase agreements (including settlement for re-investments)	20,118,326,014	19,681,090,614
Investment income from overnight repurchase agreements	6,063,212	7,640,158
Treasury bills matured	2,237,536,300	3,779,141,967
Treasury bills purchased	2,957,553,210	2,998,349,433
Interest income from fixed deposits	32,366,394	4,165,395
Interest income from savings accounts	332,139	269,846
Building rent expense	900,000	900,000

Outstanding balances

As at	31.12.2018 Rs.	31.12.2017 Rs.
Insurance premium receivable in respect of their own policies	122,202	12,720
Insurance premium receivable in respect of customers introduced	29,563,941	26,006,828
Service charge expense payable	3,398,871	4,290,130
Claims outstanding	177,801,253	173,314,776
Fixed deposits	473,079,051	82,439,636
Special foreign currency savings accounts	32,692,201	20,274,626
Building rent expenses payable	900,000	225,000
Cash at bank	144,416,124	115,478,950
Bank overdraft	147,913,637	68,837,192

46.2 Transactions and outstanding balances with the immediate parent - People's Leasing & Finance PLC

Transactions

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Insurance premium in respect of their own policies	125,525,438	132,164,492
Insurance premium in respect of customers introduced	3,680,031,773	3,367,947,044
Service charges	506,725,248	466,064,247
Claims expense	32,000	-
Interest income from savings accounts	1,237,208	1,467,985
Interest income from fixed deposits	46,907,137	29,429,235
Debenture interest	14,941,936	16,853,277
Support service expense[Note]	9,940,712	10,278,185
Computer maintenance expense	41,487,092	37,579,477
Building rent expenses	12,530,996	10,620,623
Vehicle yard expenses	2,785,898	2,147,891
Accommodation income from Negombo branch	153,061	153,061

46.2 Transactions and outstanding balances with the immediate parent - Peoples' Leasing & Finance PLC

Outstanding balances

As at	31.12.2018 Rs.	31.12.2017 Rs.
Insurance premium receivable in respect of their own policies	922,373	744,262
Insurance premium receivable in respect of customers introduced	689,171,777	643,225,032
Service charges payable	195,279,894	192,360,349
Claims outstanding	5,631,914	8,743,044
Support service charges payable	-	2,181,288
Debentures	136,865,937	112,795,714
Savings accounts	10,180,841	4,030,818
Fixed deposits	465,611,497	288,262,262
Building rent expenses payable	689,946	1,378,670
Inter-company current account payable	6,584,921	14,832,500
Vehicle yard expense payable	228,263	175,236
Accommodation income receivable from Negombo branch	12,755	12,755
	1,511,180,119	1,268,741,929

Note: Support service expenses mainly include amounts payable in respect of information and communication technology and management services provided to the Company.

NOTES TO THE FINANCIAL STATEMENTS

46. RELATED PARTY TRANSACTIONS (CONTINUED)

46.3 Transactions and outstanding balances with the key management personnel

According to the LKAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

People's Insurance PLC considers its Board of Directors and their immediate family members as key management personnel of the Company.

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
a) Key management personnel compensation		
Transactions		
Short-term employment benefits	21,230,975	11,057,500
b) Other transactions with key management personnel		
Transactions		
Insurance premium	-	6,895
Claim expenses	677,700	22,394

46.4 Transactions and outstanding balances with other related companies

People's Leasing Fleet Management Limited

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Transactions		
Insurance premium in respect of their own policies	10,823,610	10,426,234
Vehicle hiring expenses	4,672,764	3,375,512
Assessor payments	14,727,513	13,180,846

As at	31.12.2018 Rs.	31.12.2017 Rs.
Outstanding balances		
Insurance premium receivable	580,076	1,054,226
Inter-company current account balance	388,424	380,684
	968,500	1,434,910

People's Leasing Property Development Limited

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Transactions		
Insurance premium in respect of their own policies	2,132,809	1,753,798

People's Micro-commerce Limited

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Transactions		
Insurance premium in respect of their own policies	6,684,526	6,605,798
Insurance premium in respect of customers introduced	141,603,726	106,130,453
Service charges	19,080,894	13,917,635
Rent income receivable from Galle branch	1,018,585	957,785

As at	31.12.2018 Rs.	31.12.2017 Rs.
Outstanding balances		
Insurance premium receivable in respect of their own policies	303,155	184,819
Insurance premium receivable in respect of customers introduced	24,075,716	23,258,297
Service charges payable	4,656,341	4,054,933
Rent income from Galle branch	94,778	89,313
	29,129,990	27,587,363

People's Merchant Finance PLC

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Transactions		
Insurance premium in respect of their own policies	397,900	5,733,503
Insurance premium in respect of customers introduced	4,530,803	4,025,961
Service charges	558,067	602,365

As at	31.12.2018 Rs.	31.12.2017 Rs.
Outstanding balances		
Insurance premium receivable in respect of their own policies	234,012	1,147,289
Insurance premium receivable in respect of customers introduced	1,094,670	1,475,535
Service charges payable	122,031	124,691
	1,450,713	2,747,515

People's Leasing Havelock Properties Limited

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Transactions		
Insurance premium in respect of their own policies	2,002,754	2,534,801
Building rent expenses	85,806,120	44,712,887

NOTES TO THE FINANCIAL STATEMENTS

46. RELATED PARTY TRANSACTIONS (CONTINUED)

As at	31.12.2018 Rs.	31.12.2017 Rs.
Outstanding balances		
Rent paid in Advance	87,000,000	87,000,000
	87,000,000	87,000,000

46.5 Transactions with other related parties

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

Name of the company	Control, joint control or significant influence by key management personnel	Nature of transaction	2018 Rs.	2017 Rs.
MTD Walkers PLC	Mr. Jehan P. Amarathunga	Interest income from debentures	4,402,739	4,892,724
		Carrying amount of investments in debenture	26,205,866	51,229,051
Sanasa Development Bank PLC	Mr. Lakshman Abeysekera	Interest income from debentures	5,149,993	5,142,900
		Carrying amount of debenture investments	52,621,828	52,621,836

46.6 Transactions with the Government of Sri Lanka and its related entities

Transactions with the Government of Sri Lanka/entities controlled, jointly controlled, significantly influenced by the Government of Sri Lanka.

The Government of Sri Lanka has the right to directly control the ultimate parent company People's Bank at 31 December 2018 and thereby holds an indirect control over the Company. Accordingly, the Company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties according to LKAS 24 - Related Party Disclosures.

	Nature of transaction	31.12.2018 Rs.	31.12.2017 Rs.
Government of Sri Lanka	Investment balance	1,233,073,257	1,440,772,686
	Investment income	99,928,488	130,232,011
Other Government related banks	Investment balance	473,079,051	82,439,636
	Investment income	32,366,394	4,165,395

For the year ended	31.12.2018 Rs.	31.12.2017 Rs.
Premium income from the Government and other Government related entities	51,102,926	1,404,512
Claims paid to the Government and other Government related entities	33,940	-
Reinsurance premium (net of commission)	277,847,022	239,291,395
Taxes paid	883,355,820	716,916,839
Regulatory charges	25,533,855	22,051,836
Utility expenses	17,289,790	16,854,571

47. ASSETS PLEDGED

The following assets have been pledged as a security for liabilities.

Nature of asset	Nature of facility	2018 Rs.	2017 Rs.	Classification
Fixed deposit at People's bank	Bank overdraft facility	10,000,000	10,000,000	Debt instruments at amortised cost
Fixed deposit at People's bank	Bank guarantee	2,000,000	2,000,000	Debt instruments at amortised cost

48. EVENTS AFTER THE REPORTING DATE

Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events are considered and where appropriate, adjustments or disclosures are made in the respective notes to the financial statements.

48.1 Dividends

- The Board of Directors of the Company has proposed a final dividend of Rs. 1.10 per share for the financial year ended 31 December 2018 to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2018.

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than disclosed above.

49. CAPITAL COMMITMENTS AND CONTINGENCIES

Accounting policy

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

49.1 Capital commitments

There were no significant capital commitments as at the reporting date (2017 Rs. 1,268,577).

49.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

50. COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

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SUPPLEMENTARY INFORMATION

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE 2017 (THE CODE) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA)

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, the Company voluntarily adheres to the Code issued in 2008 and last revised and updated in 2017. The Company's adherence to the updated Code is tabulated below.

Reference to the Code	Principle	Status and manner of compliance
SECTION 1 – THE COMPANY		
A. DIRECTORS		
Principle A.1 - The Board **The Company to be headed by an effective Board that directs, leads and controls it.** As at 31.12.2018, the Board comprised seven experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on pages 10 to 11. Their mix of skills and business experience is a major contribution to the proper functioning of the Board and its committees. Board provides leadership and strategic guidance to safeguard stakeholder value creation within a framework of prudent and effective controls and has ultimate accountability and responsibility for the performance and affairs of the Company.		
A.1.1	**Regular Board Meetings**	Unless the business exigencies demand the convening of additional special meetings, the Board of Directors meet at least on a monthly basis to discharge their responsibilities. The frequency of Board meetings and the structure and process of submitting the information to the Board at these meetings have been agreed. The details of meetings of the Board and attendance of the members thereat are given on page 59. During 2018, a total of 13 Board meetings were held and the Board devoted a substantial time in evaluating the information provided to it at these meetings, including the information required to be reported under this Section A.1.1 thereby ensuring that appropriate and prompt action was taken to align the strategies and operations of the Company with the interests and expectations of all stakeholders.
A.1.2	**Responsibilities of the Board** The Board being the highest decision-making body in the Company, is charged with the responsibility for overseeing the Company's operations and providing effective governance over its key affairs, setting the Company's vision and mission, approving of business strategies and objectives, evaluation of performance and assessment of major risks facing the Company and ensuring compliance with related laws and regulations as well as the Company's Articles of Association.	
	(i) Ensure formulation and implementation of a sound business strategy	The Board sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the Management the detailed planning and implementation thereof within appropriate risk parameters. The corporate plan and the budgets prepared by the Management are approved and regularly reviewed by the Board and achievement of the objectives set out therein is closely monitored through monthly Board meetings and the Board sub-committees.

Reference to the Code	Principle	Status and manner of compliance
	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy	The CEO and the Senior Management team possess extensive knowledge and skills with widespread experience in the industry in which the Company operates. The profiles of the CEO and the Corporate Management are presented on pages 13 to 14. The Board actively oversees the recruitment of the Senior Management to ensure that it continues to have the right balance and capability of skills, experience and knowledge to accomplish their responsibilities.
	(iii) Adopt effective CEO and senior management succession strategy	In terms of the policy decisions made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally and the structure of the Company facilitates subordinates to replace senior management positions where necessary. Human resources development is a key focus area of the Board and the Company makes a significant investment therein to ensure that employees acquire the necessary expertise and skills to develop their careers.
	(iv) Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management	The Company has adopted a set of internal control policies approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Company's assets and to ensure the reliability and integrity of information. With the assistance of the Board Audit Committee, the Board regularly reviews and monitors the risks and control framework for its relevance and effectiveness. "Director's Statement on Internal Control" on page 153 provides further details on the above.
	(v) Compliance with laws, regulations and ethical standards	The Company is in compliance with all laws and regulations applicable to it and ensures the highest levels of ethical standards. The Company has a strong organisational culture of entrenched values, which forms the cornerstone of its behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced.
	(vi) Ensure that all stakeholder interests are considered in corporate decisions	All charters and policies of the Company have been developed to ensure that responsibilities to shareholders and other stakeholders are timely and appropriately discharged. Particular emphasis is given by the Board to the framework of these charters and policies in the decision making process.
	(vii) Recognise sustainable business development in corporate strategy, decisions and activities	Sustainable business development is an integral part of the Company's corporate strategy, decisions and activities. Accordingly, due emphasis is given to the stakeholders of the Company and the community and the environment within which the Company operates when business strategies are formulated, decisions are made and business activities are carried out.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	The Board Audit Committee reviews accounting policies annually to ensure that they are in line with the business model of the Company and developments of international and local accounting standards and industry best practice. The Board ensures that the approved accounting standards and financial regulations are complied with when financial statements are prepared. An affirmation that the Company's financial statements are in line with the applicable standards and regulations is contained in the Statement of Directors' Responsibility for financial report on Internal Controls over Financial Statements on page 153 and the Independent Auditor's Report on page 157.
	(ix) Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation	During the year, every endeavour was made by the Board to fulfill its obligations towards all stakeholders and the same is reflected in the performance of the Company. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Company.
A.1.3	**Compliance with laws and access to independent professional advice**	There is significant emphasis across the Company to ensure compliance with applicable laws and regulations. The Board collectively as well as individually complied with the laws of the country that are applicable to the Company. The Directors are permitted to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company. However, no such advice was sought during the year 2018.
A.1.4	**Access to advice and services of the Company Secretary**	The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed. All Directors have access to the services of the Company Secretary who possesses the required qualifications as set out in the Companies Act No. 7 of 2007. The appointment and removal of the Company Secretary is a matter to be considered by the Board as a whole.
A.1.5	**Independent judgment of Directors**	All Directors bring their independent judgment to matters discussed at Board meetings. Details of Directors' deliberation are contained in the minutes maintained by the Company Secretary.

Reference to the Code	Principle	Status and manner of compliance
A.1.6	**Dedication of adequate time and effort by the Board and Board Committees**	Dates of regular Board meetings and regular Board Sub-committee meetings are scheduled well in advance as far as possible and the relevant papers are circulated ensuring that the Directors are given adequate time to review the same and seek additional information or clarifications, if required. The Board is aware of the other commitments of its' Directors and is satisfied that all Directors allocate sufficient time so as to be able to discharge their responsibilities effectively. The number of Board and Board Committee meetings held during 2018 and the attendance of each Director thereat is presented on page 59 whilst the manner in which the Board dedicated its' time to the affairs of the Company is set out on page 55 of this Report.
A.1.7	**Director's right to call for resolutions**	The Directors are permitted to call for a resolution to be presented to the Board whenever they deem it is in the interest of the Company. However, no such instance occurred during the period under review.
A.1.8	**Training for new and existing Directors**	On their first appointment to the Board, Directors are apprised comprehensively on the general aspects of directorship and matters specific to the industry. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Company and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and, as appropriate, to the full Board. The Board recognises the importance of continuous training and expansion of the knowledge and skills to effectively perform their duties as Directors. The Board regularly reviews and agrees on their training and development needs. Accordingly, during the year 2018 a detailed and exclusive session on corporate governance, risk management and internal controls and their importance and applicability to the proper discharge of the Board's functions was conducted for the members of the Board by an external expert.
Principle A.2 - Chairman and the Chief Executive Officer (CEO) The roles of the Chairman and the Chief Executive Officer of the Company are to be distinct and separate, ensuring the balance of power and authority		
A.2.1	**Divisions of responsibilities between the Chairman and CEO**	The roles of the Chairman and the CEO are clearly defined and are separated in line with best practices in order to maintain a balance of power and authority.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
Principle A.3 - Chairman's Role The Chairman is responsible for providing leadership to the Board and preserving order and facilitating the effective discharge of duties of the Board.		
A.3.1	Role of the Chairman in conducting Board proceedings in a proper manner	The Chairman is a Non-executive Director and is responsible for preserving good corporate governance and running the Board in an orderly and effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of Directors thereby maintaining a balance of power among Directors. The Chairman ensures that the agenda for each meeting was developed in consultation with the CEO and the Company Secretary and that all Board proceedings were conducted in a proper manner.
Principle A.4 - Financial Acumen The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.		
A.4	**Availability of sufficient financial acumen and knowledge**	Two Directors of the Board, including the Chairman are Fellow Members of CA Sri Lanka ensuring sufficient financial acumen within the Board on matters of finance. In addition, all members of the Board possess experience in various aspects of financial management. Pages 55 to 53 sets out a summary of the knowledge and skills of the members of the Board whilst the profiles of individual Directors are set out on pages 10 to 11.
Principle A.5 - Board Balance Board to have a balance of Executive and Non-executive Directors such that no individual or small group of individuals can dominate the Board's decision-making.		
A.5.1	**Presence of Non-executive Directors**	The Board comprises only Non-executive Directors who bring a wealth of knowledge and experience covering a wide spectrum of topics and their views carry a significant weight in the Board's decisions.
A.5.2	**Presence of Independent Non-executive Directors**	Four out of the Seven Non-executive Directors are independent thus complying with the requirement of this Section A.5.2 that two or one-third of the Non-executive Directors should be independent.
A.5.3	**Independence of Non-executive Directors**	All of the four Independent Non-executive Directors met the criteria for independence as set out in the applicable rules and regulations and are deemed to be independent of management and free of business or other relationship that could materially interfere with the exercise of their unfettered and independent judgment.
A.5.4	**Annual declarations by Non-executive Directors of their independence or Non-independence**	During the year under review, self-declarations were submitted by each Non-executive Director declaring his status of independence in terms of the applicable rules and regulations.

Reference to the Code	Principle	Status and manner of compliance
A.5.5	**Determination of the independence or non-independence of Non-executive Directors**	Based on the self-declarations submitted by the Directors of their independence, the Board determined that the following Directors who were in office during 2018 were independent, Mr. Lakshman Abeysekara Mr. W. M. Abeyrathna Bandara Mr. S. P. K. Gunarathne Mr. N. P. Karunarathne
A.5.6	**Alternate Directors to meet the criteria for independency/ executive status of the appointer**	No alternate Directors were appointed during the year 2018.
A.5.7 & A.5.8	**Appointment of Senior Independent Director**	The Company has designated Mr. Lashman Abeysekera as the Senior Independent Director. Page 54 contains details of the role of the Senior Independent Director.
A.5.9	**Chairman to hold meetings with the Non-executive Directors without the presence of Executive Directors**	The Board comprises only Non-executive Directors and therefore the necessity to hold meetings only with the Non-executive Directors has not arisen.
A.5.10	**Recording in Board Minutes Directors' concerns that cannot be unanimously resolved**	The Directors' concerns pertaining to unresolved matters are discussed and recorded by the Company Secretary in the Board Minutes in sufficient detail. Further discussions on these matters are pursued at the next Board meeting with a view to resolving them. However, no such issues arose during the year under review.
Principle A.6 - Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1	**Management's obligation to provide the Board with appropriate and timely information**	The Management ensures that the Board is provided with accurate, relevant and comprehensive information, including both quantitative and qualitative information before the Board meeting every month, with adequate time for them to review the same and prepare for discussions. The Board makes inquiries for additional information from the Management where necessary. Further, the Chairman ensures that all Directors are adequately briefed on issues arising at Board meetings.
A.6.2	**Board papers and agenda to be circulated seven days prior to meetings**	The agenda and Board papers are circulated a week prior to Board meetings thus providing the Directors with adequate time to study the papers and prepare themselves for constructive discussions at Board meetings. Directors who are unable to attend a meeting is apprised of the proceedings of such meeting through formally documented minutes, which are also discussed at the next meeting and minutes of a meeting are ordinarily provided to Directors at least within two weeks after the meeting date.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
Principle A.7 - Appointments to the Board There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1	Availability of a formal and transparent procedure for new appointments through an established Nomination Committee	The Remuneration and Nomination Committee makes recommendations to the Board on all new appointments of Directors. The composition of the Committee is given on page 58.
A.7.2	Annual assessment of the Board-composition by the Nomination Committee	During the annual self-evaluation process, the Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken into consideration in the appointment of new Directors.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors	All appointments of new Directors are informed to the shareholders, with sufficient details, via immediate notification to the Colombo Stock Exchange and subsequently through the Company's Annual Report. Approval for appointment of new Directors is obtained from the IRCSL in terms of the applicable regulations.
Principle A.8 - Re-election All Directors should submit themselves for re-election at regular intervals.		
A.8.1	Non-executive Directors are appointed for specified terms subject to re-election	Although the Non-executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms the Articles of Association of the Company and to the provisions of the Companies Act relating to the removal of a Director.
A.8.2	All Directors including Chairman to be subject to re-election at first opportunity after appointment and re-election at least every three years thereafter	In terms of the Articles of Association of the Company, all Directors, including the Chairman, are subject to re-election by shareholders at the first opportunity after their appointment and to retirement by rotation thereafter at intervals of no more than three years. In accordance with this provision, Mr. N. Vasantha Kumar, Mr. Lakshman Abeysekera and Mr. N. P. Karunarathne retires and have offered themselves for re-election by the Shareholders at the next AGM.
Principle A.9 - Appraisal of Board Performance Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1	Annual appraisal of Board performance	The Board annually assesses its own performance to ensure that it is discharging its responsibilities satisfactorily. This process requires each Director to fill a performance evaluation questionnaire in line with the provisions of the Code. The assessment focused, inter-alia, on the Board's contribution to the development, monitoring and implementation of the strategy; ensuring robust and effective risk management; quality of the relationships with the management, employees and shareholders; and ensuring proper functioning of Board Sub-committees.

Reference to the Code	Principle	Status and manner of compliance
A.9.2	**Annual appraisal of the Board Committees**	The self-evaluation that is carried out by the Board includes an evaluation of the performance of the Board as a whole as well as of its committees.
A.9.3	**Review of Directors' contribution to and engagement with the Company at the time of their re-election**	The Remuneration and Nomination Committee which is responsible for making recommendations to the Board on all appointments of Directors, takes into account the overall contribution, participation and engagement of the individual Directors when considering their re-appointments.
A.9.4	**Disclosure of the method of appraisal of the Board and Board Sub Committee performance**	The process of self-evaluation of the Board is carried out under guidance of the Chairman and is supported by the Company Secretary. Views of all Directors are canvassed in respect of the performance of the Board as a whole as well as of its committees by requiring the individual Directors to complete a confidential questionnaire.
Principle A.10 - Disclosure of Information in respect of Directors Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	**Annual Report to disclose specified information regarding Directors**	Name, qualifications, expertise and brief profiles are given on pages 10 to 11. Details of whether a Director is Executive or Non-executive and Independent or Non-independent are given on pages 10 to 11. Related party transactions and material business interests are given on page 246. Membership of Board Sub-committees and attendance at Board Meetings and Board Sub Committee meetings are given on page 59.
Principle A.11 - Appraisal of Chief Executive Officer (CEO) The Board should be required, at least annually to assess the performance of the CEO		
A.11.1	**Set reasonable financial and non-financial targets to be met by the CEO**	At the commencement of every financial period, the Board in consultation with the CEO, sets financial and non-financial targets that should be achieved by the CEO in line with the short, medium and long term objectives of the Company. The main corporate goals and objectives emanating from the Company's Corporate Plan and the Budget are incorporated as personal goals of the CEO.
A.11.2	**Evaluate performance of the CEO (Managing Director) in with reference to targets**	Assessment of the performance of the CEO by the Board is an on-going process. The performance of the CEO is evaluated by the Board quarterly and at the end of each financial year to ascertain if the financial and non-financial targets set at the beginning of the financial year have been achieved and if not, whether the reasons and circumstances justifies the failure to achieve same.

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Reference to the Code	Principle	Status and manner of compliance
B. DIRECTORS' REMUNERATION		
Principle B.1 - Remuneration Procedure The Company should establish a formal and transparent procedure for developing policy on both Executive and Non-executive Directors remuneration.		
B.1.1	**Appointment of a Remuneration Committee**	The Board has established a Remuneration and Nomination Committee with written terms of reference and the Committee is responsible for overseeing of remuneration related policies and practices of the Company. The Committee makes recommendations to the Board within agreed terms of reference, on the Company's framework of remunerating the Directors.
B.1.2	**Remuneration Committee to comprise exclusively of Non-executive Directors**	The Remuneration and Nomination Committee comprises three Non-executive Directors two of whom are Independent Directors.
B.1.3	**Requirement to list the Chairman and members of the Remuneration Committee in the Annual Report**	The composition of the Remuneration and Nomination Committee is given on page 58.
B.1.4	**Determination of remuneration of Non-executive Directors**	Within the limits set out in the Articles of Association, the Board collectively decides the Remuneration of the Non-executive Directors, including the members of the Remuneration and Nomination Committee. The Non-executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-executive Directors are neither performance related nor pensionable. Page 187 provides for details of the remuneration paid to the Directors during the year under review.
B.1.5	**Access to professional advice**	The terms of reference of the Remuneration and Nomination Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.
Principle B.2 - The level and make up of Remuneration The remuneration of Executive and Non-executive Directors should be sufficient to attract and retain the services of Directors.		
B.2.1 & B.2.2	**Remuneration for Executive Directors should attract, retain and motivate**	There were no Executive Directors on the Board of the Company during the year under review. Nevertheless, the Board is aware that the remuneration of Executive and Non-executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.

Reference to the Code	Principle	Status and manner of compliance
B.2.3	**Positioning company remuneration levels relative to other companies**	The Remuneration and Nomination Committee is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.
B.2.4	**Positioning company remuneration levels relative to the Group**	The Remuneration and Nomination Committee is sensitive to remuneration and employment conditions of other companies within the PLC Group.
B.2.5	**Performance related elements of remuneration for Executive Directors**	There were no Executive Directors on the Board of the Company during the year under review.
B.2.6	**Executive share options**	The Company does not have any executive share option schemes at present.
B.2.7	**Designing schemes of performance related remuneration**	The Remuneration and Nomination Committee follows the provisions set out in Schedule E to the Code in designing schemes of performance related remuneration.
B.2.8 & B.2.9	**Compensation for early termination of employment of Directors**	There were no Executive Directors on the Board of the Company during the year under review.
B.2.10	**Levels of remuneration for Non-Executive Directors**	Non-executive Directors are remunerated in line with market practices also taking into account the commitment and responsibilities of their role. However, they are not entitled to receive any performance based remuneration share options.
Principle B.3 - Disclosure of Remuneration The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole		
B.3.1	**Composition of the Remuneration Committee, remuneration policy and disclosure of aggregate remuneration paid to Directors**	The composition of the Remuneration and Nomination Committee is given on page 58. The aggregate remuneration paid to Non-executive Directors are given in Note 19 to the financial statements on page 187. The remuneration policy of the Company is given on page 74.
C. RELATIONS WITH SHAREHOLDERS		
Principle C.1- Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings The Board should use the AGM to communicate with shareholders.		
C.1.1	**Notice of meeting**	The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes. The Annual Report for the year 2017 was submitted to the Colombo Stock Exchange on 7th March 2018 and was dispatched to all shareholders on the same day. The AGM was held on 29th March 2018.

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Reference to the Code	Principle	Status and manner of compliance
C.1.2	**Separate resolutions for each substantially separate issue and adoption of annual report and accounts**	The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately. The adoption of the Annual Report of the Board of Directors, the financial statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.
C.1.3	**Count proxy votes lodged**	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution. The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.
C.1.4	**Availability of Board Sub-committee Chairperson at AGM**	The Chairman of the Board ensures that the Chairmen of Board Sub-committees are present at the AGM to answer any query by shareholders. The Chairmen of the Board Sub-committees were present at the previous years' AGM held on 29th March 2018 and no queries were raised by the shareholders to them.
C.1.5	**Summary of procedures governing voting at the AGM**	A summary of the procedures governing voting at the AGM is provided in the Proxy Form, which is circulated to shareholders 15 working days prior to the AGM.
Principle C.2 - Communication with shareholders The Board should implement effective communication with shareholders.		
C.2.1	**Channel to reach all shareholders of the Company**	The Company reaches its shareholders through its website and the CSE in order to disseminate timely information.
C.2.2	**Policy and methodology for communication with shareholders**	The Company implements communication through effective channels to reach all shareholders of the Company to build up strong relationships and to disseminate timely information.
C.2.3	**Implementation of the policy and methodology for communication with shareholders**	Shareholders are provided with quarterly financial statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders and are published through the CSE.
C.2.4	**Contact person in relation to shareholder matters**	The Company Secretary and CEO are the main contact persons with regard to any public disclosures. Further, the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.

Reference to the Code	Principle	Status and manner of compliance
C.2.5	**Process to make all Directors aware of major issues and concerns of shareholders**	The Company Secretary maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution. All major issues and concerns of shareholders are referred to the Board. Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them as above, the Company Secretary reverts to the respective shareholder with an appropriate response.
C.2.6	**Identification of a person to be contacted on shareholder matters**	Shareholders can contact the Company Secretary, whose details are given below, on matters relating them, Ms. Lakmini Kottegoda, The Company Secretary, People's Insurance PLC, No. 7, Havelock Road, Colombo 5, Sri Lanka. Tel: 011-2631103 Fax: 011-2631190 The Senior Independent Director is available to discuss with shareholders any major issues that cannot be resolved through normal channels.
C.2.7	**Process of responding to shareholder matters**	The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. The Company Secretary maintains a dialogue with the shareholders to answer and to attend to all the correspondences.
Principle C.3 - Major and Material Transactions Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company and Group if entered into.		
C.3.1	**Need to disclose major and material transactions**	During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by the Code that required disclosure to the shareholders.
C.3.2	**Compliance with disclosure and shareholder approval requirements under applicable rules and regulations**	The Company will ensure compliance with all disclosure and shareholder approval requirements necessitated by various rules and regulations applicable to it if and when a major or material transaction is proposed to be entered into by the Company.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
D. ACCOUNTABILITY AND AUDIT		
Principle D.1 - Financial Reporting The Board is required to present a balanced and understandable assessment of the Company's financial position, performance and prospects.		
D.1.1 & D.1.2	**Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements**	The Board is aware that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be furnished by statutory requirements. Accordingly, the Company has complied with the requirements of the Companies Act No. 7 of 2007 in the preparation and presentation of its annual and interim financial statements in conformity with the Sri Lanka Accounting Standards. During 2018, the interim accounts and annual financial statements were published on a timely basis and regulatory reports were filed by the due dates. Price sensitive information was also disclosed to the Colombo Stock Exchange on a timely basis during the year.
D.1.3	**Declarations by CEO and CFO**	Prior to approving the financial statements covering a particular financial period, the Board obtains the declaration of the CEO and the CFO on their responsibility in respect of financial reporting. CEO's and CFO's Responsibility Statement is given on page 155.
D.1.4	**Declarations by Directors in the Directors' Report**	The declarations by the Directors as required by this section D.1.4 of the Code are included in the Annual Report of the Board of Directors on the Affairs of the Company on page 68.
D.1.5	**Responsibilities of the Board for the preparation and presentation of financial statements and statement by the Auditors about their reporting responsibilities**	Statement on Directors' Responsibility for Financial Reporting is set out on pages 153 to 154. Auditors' responsibility over Financial Statements is covered in the Independent Auditor's Report on pages 157 to 159.
D.1.6	**Inclusion of a Management Discussion and Analysis in the Annual Report**	Performance against strategy is set out on pages 89 to 149.
D.1.7	**Notify shareholders in case net assets of the Company fall below 50%**	This situation has not arisen during the year 2018 and the likelihood of such a situation is remote. However, should such a situation arise, an EGM would be convened to keep the shareholders informed thereof.

Reference to the Code	Principle	Status and manner of compliance
D.1.8	**Disclosure of related party transactions in the Annual Report**	The Company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions, review, approval or ratification of transactions and disclosures in financial statements. The Code of Business Conduct and Ethics (the Code) requires each member of the Board to determine whether he/she has a potential or actual conflict of interests arising from personal relationships, external associations and interest in material matters which may have a bearing on his/her independent judgment. The Code also requires Directors who have such a potential or actual conflict of interests to immediately disclose it to the Board of Directors as soon as he/she becomes aware of it and records thereof are maintained by the Company Secretary in the Interest Register. The Related Party Transactions Review Committee further strengthens the effective management and oversee related party transactions. Details of the Related Party Transactions Review Committee are disclosed in the Related Party Transactions Review Committee Report on page 74. Details on related party transactions during 2018 are disclosed under Note 46 on pages 224 to 248 in the financial statements.
Principle D.2 - Internal Controls The Company should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.		
D.2.1	**Annual review of internal controls**	The Company's internal controls are designed to support the identification, evaluation and management of risks affecting its overall operations. These cover financial, operational, compliance and information technology controls, as well as risk management policies and mechanisms. Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Audit Committee assists the Board in this regard.
D.2.2	**Directors' assessment of the risks facing the Company**	Details of the risks facing the Company and the measures taken to mitigate same are explained in the Enterprise Risk Management Report on pages 81 to 86.
D.2.3	**Need for an internal audit function**	The Company has its own internal audit function and also employs independent professional accounting firms to complement the work done by them as and when necessary. Details of the internal audit function are set out in the Board Audit Committee Report on pages 71 to 72.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
D.2.4	**Audit Committee to review the process and effectiveness of risk management and internal controls**	The Board Audit Committee carries out reviews of the process and the effectiveness of risk management and internal controls and document to the Board and the Board takes responsibility for the disclosure on the Company's system of internal controls. The functions of the Board Audit Committee are presented on page 71.
D.2.5	**Responsibilities of Directors in maintaining a sound system of internal control and content of Statement of Internal Control**	Information on Directors' responsibility for maintaining a sound system of internal control is disclosed in the Directors Statement on Internal Controls on pages 69 to 70.
Principle D.3 - Audit Committee Board should establish formal and transparent arrangements for selecting and applying accounting policies, financial reporting and internal control principles.		
D.3.1	**Composition of the Audit Committee**	The Board Audit Committee comprises three Directors, all of whom are Non-executive. Two Directors of the Committee, including the Chairman are Independent Non-Executive Directors. The CEO and the CFO attend meetings by invitation whilst the Manager Internal Audit acts as the Secretary to the Committee. The input of the Statutory Auditors is obtained, where necessary. The Board Audit Committee supports the Company to achieve a balance between conformance and performance. The composition of the Board Audit Committee is disclosed on page 58.
D.3.2	**Terms of Reference of the Audit Committee**	The Audit Committee operates within clearly defined terms of reference approved by the Board. The duties and responsibilities of the Committee as set out in the said terms of reference are in line with the Code. The terms of reference of the Board Audit Committee is detailed in the Board Audit Committee Report on pages 71 to 72.
D.3.3	**Disclosures relating to the Audit Committee**	The report of the Board Audit Committee covering the information referred to in this Section D.3.3. is given on pages 71 to 72.
Principle D.4 - Related Party Transactions Review Committee Board should establish a procedure to ensure the proper management of related party transactions.		
D.4.1	**Definition of related parties and related party transactions**	The Company follows the definition set out in LKAS 24 in determining the related parties and related party transactions.

Reference to the Code	Principle	Status and manner of compliance
D.4.2	**Related Party Transactions Review Committee**	The Company has set up a Related Party Transactions Review Committee to oversee the related party transactions of the Company.
D.4.3	**Terms of reference of the Related Party Transactions Review Committee**	The Related Party Transactions Review Committee operates within clearly defined terms of reference approved by the Board. The duties and responsibilities of the Committee as set out in the said terms of reference, are in line with the Code. The report of the Related Party Transactions Review Committee is given on pages 73 to 75.
Principle D.5 - Code of Business Conduct and Ethics Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel (KMPs) and must promptly disclose any waivers of the Code for Directors or others.		
D.5.1	**Disclosures on the presence of a Code of Business Conduct and Ethics**	The corporate governance report from page 50 to 63 and the compliance tracker from page 252 to 270 serve this purpose.
D.5.2	**Identification and reporting of price sensitive information**	The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities.
D.5.3	**Policy governing dealing in shares**	The Code of Business Conduct and Ethics entails as part of it a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company.
D.5.4	**Chairman's affirmation on compliance with the Code of Business Conduct and Ethics**	The required affirmation is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 67.
Principle D.6 - Corporate Governance Disclosures The Directors should disclose the extent to which the Company adheres to established principles and practices of good corporate governance.		
D.6.1	**Inclusion of a Corporate Governance Report in the Annual Report**	This report from page 252 to 270 and the report on corporate governances on pages 50 to 63 serve this purpose.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

Reference to the Code	Principle	Status and manner of compliance
SECTION 2 – SHAREHOLDERS		
E. INSTITUTIONAL INVESTORS		
Principle E.1 - Shareholder Voting Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.		
E.1.1	Regular and structured dialogue with shareholders	The Annual General Meeting (AGM) is used as a forum to have a structured and objective dialogue with shareholders on matters that are relevant to the general membership. From the Company's perspective, the AGM provides a forum for the Board to inform the shareholders what the Company does and how it has performed during the year. For investors, it provides a forum to learn more about the business and ask questions of the Directors and to use their votes responsibly. Additionally, the Company has an ongoing programme of dialogue and meetings with institutional shareholders, where a wide range of relevant issues are discussed.
Principle E.2 - Evaluation of Governance Disclosures When evaluating the Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.		
E.2.	Encourage institutional investors to give due weight to relevant governance arrangements	Sufficient attention has been given to the interests of institutional investors and they are at liberty to give due weight when exercising their voting rights on resolutions relating to the Board structure and the composition.
F. OTHER INVESTORS		
Principle F.1 - Investing/divesting Decisions		
F.1	Encourage individual shareholders to seek independent advice in investing or divesting decisions	Individual shareholders are at liberty to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions.
Principle F.2 - Shareholder Voting		
F.2	Encourage individual shareholders to participate in General Meetings and exercise voting rights	Individual shareholders are encouraged to participate at General Meetings and cast their votes. To achieve this purpose, the notices of meetings are dispatched to all shareholders within the prescribed time periods.

Reference to the Code	Principle	Status and manner of compliance
G. INTERNET OF THINGS AND CYBER SECURITY		
Principle G.1 - Internet of Things		
G.1	**Process to identify connections to the Company's network and cyber security risks**	PLC Group's IT policies by which the Company is governed, comprehensively cover IT discipline, use of licensed software, closer monitoring of the usage of the internet, email and mail server and the use of antivirus and firewall servers and software.
Principle G.2 - Chief Information Security Officer		
G.2	**Appointment of Chief Information Security Officer and cyber security risk management policy**	The functions of the Chief Information Security Officer are delegated to the Head of IT of PLC Group. The details relating to the policy on cyber security risk management can be found in the enterprises Risk Management report from page 85.
Principle G.3 - Cyber security Risk Management		
G.3	**Board discussions on cyber security risk management**	Risks relating to all IT matters including that arising from cyber security are discussed and assessed in detail by the Board Audit Committee.
Principle G.4 - Independent Reviews and Assurance		
G.4	**Independent reviews and assurances to be carried out to ensure effectiveness of cyber security risk management**	Board Audit Committee engages the services of independent/outsourced information technology auditors whenever they deem that expert advice is required. Review of information security has been carried out by Messrs. Ernst & Young at the year-end audit as well.
Principle G.5 - Identification of Cyber security Risks		
G.5	**Disclosure in the Annual Report of the process of identifying cyber security risks**	The manner in which cyber security risks are identified and mitigated are disclosed in the Enterprise Risk Management report from page 85 of this report.
H. SUSTAINABILITY REPORTING		
Principle H.1 - Environment, Society and Governance (ESG) The Company's Annual Report should contain sufficient information on ESG risks and opportunities.		
H.1.1	**Reporting on ESG relevance to business model and risks and opportunities**	ESG principles are embedded in the Company's business operations and considered in formulating its business and operational strategy and reported with a holistic view. Information required by this section of the Code is given in the following sections: Performance against strategy on page 89. Corporate Governance and Risk Management on page 62.
Principle H.1.2 - Environmental Factors		
H.1.2.1	**Reporting on environmental governance**	Details on environmental governance measures are given on pages 144 to 147 of this report.

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Reference to the Code	Principle	Status and manner of compliance
Principle H.1.3 - Social Factors		
H.1.3.1	**Reporting on social governance**	Details on social governance practices of the Company are given on pages 125 to 137 of this report.
Principle H.1.4 - Governance		
H.1.4.1	**Reporting on governance structures**	Details on governance structures of the Company are given on page 51 of this report.
Principle H.1.5 - Governance		
H.1.5.1	**Board's role on ESG factors**	Details Board's role on ESG factors are given on pages 59 to 62 of this report.

ANNEX II - LISTING RULES OF THE COLOMBO STOCK EXCHANGE

REPORT ON COMPLIANCE WITH THE REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 AND REQUIREMENTS ON CORPORATE GOVERNANCE IN RULE 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

The table below provides reference to the relevant sections in the Annual Report where the aforementioned reports and disclosures required can be found and the information on the level of compliance by the Company with the corporate governance rules.

COMPLIANCE WITH REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 OF THE LISTING RULES

Rule Reference	Information Required to be Disclosed	Annual Report Section Reference	Page
7.6(i)	Names of persons who during the financial year were Directors of the Company	Please refer Annual Report of the Board of Directors on the Affairs of the Company	66
7.6(ii)	Principal activities of the Company and any changes therein	Please refer Annual Report of the Board of Directors on the Affairs of the Company	64
		Note 1 in Notes to the Financial Statements	166
7.6(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Please refer Shareholder Information for the 20 largest holders of voting shares. The Company has not issued any non-voting shares	282
7.6(iv)	The public holding percentage	Please refer Shareholder Information	283
7.6(v)	Directors' and Chief Executive Officer's holding in shares of the Company at the beginning and end of the financial year	Please refer Annual Report of the Board of Directors on the Affairs of the Company	66
		Shareholder Information	283
7.6(vi)	Information pertaining to material foreseeable risk factors of the Company	Please refer Enterprise Risk Management Report	79 - 86
7.6(vii)	Details of material issues pertaining to employees and industrial relations	During the year 2018, there we no material issues pertaining to employees and industrial relations of the Company	
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties of the Company	The Company does not possess any land holding and investment properties	
7.6(ix)	Number of shares representing the stated capital	Please refer Note 32 in Notes to the Financial Statements on Stated Capital	214
7.6(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Please refer Shareholder Information	283 - 284

ANNEX II - LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Reference	Information Required to be Disclosed	Annual Report Section Reference	Page
7.6(xi)	Ratios and market price information on:		
	EQUITY 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)	Please refer Shareholder Information	284 - 285
	DEBT 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Changes in credit rating	The Company does not have any listed debts	
7.6(xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	Please refer Note 24 in Notes to the Financial Statements on Property, Plant & Equipment	194 - 195
7.6(xiii)	Details of funds raised through a public issue, rights issue and a private placement	Please refer Annual Report of the Board of Directors on the Affairs of the Company	286
7.6(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	The Company does not have any Employee Share Ownership or Stock Option Schemes at present	
7.6(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5c. and 7.10.6c. of Section 7 of the Listing Rules	This section provides the disclosures referred to in Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	271 - 275
7.6(xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower	The Company did not have any related party transaction exceeding this threshold during the year 2018.	67

COMPLIANCE WITH REQUIREMENTS ON CORPORATE GOVERNANCE REQUIREMENTS IN RULE 7.10 OF THE LISTING RULES

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	Compliant	The Board of Directors of the Company comprises only Non-executive Directors.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Compliant	All of the Directors who were in office as at the conclusion of the immediately preceding Annual General Meeting were also Non-executive Directors.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Compliant	No change in the ratio of Non-Executive Directors took place during the year 2018.
7.10.2 (a)	Two or one third of Non-executive Directors, whichever is higher, should be independent	Compliant	Of the seven Non-executive Directors of the Company as at 31st December 2018, four were Independent Non-executive Directors.
7.10.2 (b)	Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	Compliant	All Non-Executive Directors submitted the requisite declarations during the year under review.
7.10.3 (a)	Names of independent Directors should be disclosed in the Annual Report	Compliant	Please refer profiles of the Directors on pages 10 to 11.
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	Compliant	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise	Compliant	Please refer pages 10 to 11 for the profiles of the members of the Board of Directors.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Compliant	No new Directors were appointed to the Board during the year under review.
7.10.4 (a-h)	Requirements for meeting criteria to be independent	Compliant	All of the Independent Directors of the Company met the criteria for independency specified in this rule.
7.10.5	A listed company shall have a Remuneration Committee	Compliant	The Company has a Remuneration and Nomination Committee the details of which are provided on pages 74 to 75.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non-executive Directors or a majority of Independent Non-executive Directors, whichever is higher	Compliant	During the year 2018, Remuneration and Nomination Committee comprised at least two Independent Directors. Please refer Remuneration and Nomination Committee Report on pages 74 to 75 for the composition thereof.

ANNEX II - LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
	One Non-executive Director shall be appointed as Chairman of the committee by the Board	Compliant	Mr. Jehan Amaratunga, Non-executive, Non-independent Director functioned as the Chairman of the Remuneration and Nomination Committee. Please refer Remuneration and Nomination Committee Report on pages 74 to 75 for further details on the above.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Compliant	The functions of the Remuneration and Nomination Committee are set out in the Committee's Report on pages 74 to 75.
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee	Compliant	Please refer page 74 for the composition of the Remuneration and Nomination Committee.
	A statement of remuneration policy	Compliant	Remuneration Policy of the Company is set out in the Remuneration and Nomination Committee Report on pages 74 to 75.
	Aggregate remuneration paid to Executive and Non-executive Directors	Compliant	The aggregate remuneration paid to Executive and Non-executive Directors is disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 66.
7.10.6	A listed company shall have an Audit Committee	Compliant	The Company has an Audit Committee the details of which are provided on pages 71 to 72.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent, Non-executive Directors, or a majority of Independent Non-executive Directors, whichever is higher	Compliant	The Audit Committee comprises a majority of Independent Non-executive Directors. Audit Committee Report on page 71 provides the details of the composition thereof.
	One Non-executive Director shall be appointed as Chairman of the Audit Committee by the Board	Compliant	Mr. Lakshman Abeysekera, a Non-executive Independent Director of the Company functioned as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Compliant	Both the Chief Executive Officer and the Chief Financial Officer attend the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Compliant	The Chairman of the Committee, Mr. Lakshman Abeysekera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Association of Accounting Technicians of Sri Lanka (AAT).

Rule Reference	Requirement	Compliance Status	Details of Company's Action for compliance
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules	Compliant	The Board Audit Committee Report on pages 71 to 72 provides a brief description of its functions.
7.10.6 (c)	The Annual Report shall set out; The names of the Directors who comprise the Audit Committee	Compliant	Please refer page 58 for the composition of the Audit Committee.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	Compliant	Please refer the Board Audit Committee Report on pages 71 to 72 for the required disclosure.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	Compliant	Please refer pages 71 to 72 for the Audit Committee Report.

GRI Disclosure 102-56

ANNEX III - INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING

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Building a better working world

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Independent Assurance Report to People's Insurance PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report - 2018

INTRODUCTION AND SCOPE OF THE ENGAGEMENT

The management of People's Insurance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report - 2018 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 148 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

MANAGEMENT OF THE COMPANY'S RESPONSIBILITY FOR THE REPORT

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

ERNST & YOUNG'S RESPONSIBILITY

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 08 November 2018. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the CASL.

KEY ASSURANCE PROCEDURES

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2018.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: In accordance' – Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

LIMITATIONS AND CONSIDERATIONS

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

CONCLUSION

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 148 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2018.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards - 'In accordance' - Core.

Ernst + Young

Ernst & Young
Chartered Accountants

20 February 2019
Colombo

ANNEX IV – GREENHOUSE GAS VERIFICATION STATEMENT

Greenhouse Gas Verification Statement
ISO 14064-1:2006

Sri Lanka Climate Fund

Ministry of Mahaweli Development and Environment

SLAB ACCREDITED
ISO 14065
GHG 001-01

Certifies that the GHG Inventory developed based on Historical data submitted by

People's Insurance PLC

is at Reasonable Level of assurance* according to the requirements of
ISO 14064-1:2006 as shown in the inventory given below.

Certificate No	: SLCF/CFP/0046
Date of Certification	: 07/02/2019
Period of Assessment	: 01.01.2018 – 31.12.2018
Selected boundary	: Operationally controlled business operations of People's Insurance PLC's Head office (located at No.07, Havelock Road, Colombo 05), two regional offices (Galle and Negombo), and 99 window offices (Located at People's Leasing & Finance PLC)

Greenhouse Gas Inventory – 2018

Scope 1 – Direct GHG Emissions : **29** tonnes of CO_2 equivalent
(Onsite diesel generators, Company owned vehicles, Company hired vehicles-allowance paid by the company, Company hired vehicles- fuel paid by the company)

Scope 2 – Indirect GHG Emissions from Electricity : **284** tonnes of CO_2 equivalent
(Purchased grid connected electricity)

Scope 3 – Other Indirect GHG Emissions : **159** tonnes of CO_2 equivalent
(Rent vehicles, Municipal Water, Electricity transmission and distribution loss, Employee commuting not paid by the company, Waste disposal and Business air travel)

TOTAL GHG Emissions : 472 tonnes of CO_2 equivalent

GHG INVENTORY VERIFICATION
ISO 14064-1
SRI LANKA CLIMATE FUND

....
Chief Executive Officer
Sri Lanka Climate Fund

Period of Validity: 07/02/2019 - 31/12/2019
Exclusions: Transportation of water bottles and materials purchased by locally, waste, transportation, waste disposal in regional branches & window offices and food waste disposal in the head office, regional branches & window offices
*Reasonable level of assurance- Materiality threshold is below 5%

GRI Disclosure 102-55

ANNEX VI – GRI CONTENT INDEX – 'IN ACCORDANCE' - CORE

GRI Standard	Disclosure	Page Number(s)	Remarks
Universal Standards			
General Disclosures			
GRI 102: General Disclosures	102-1 Name of the organisation	300	
	102-2 Activities, brands, products, and services	98 - 99	
	102-3 Location of Headquarters	300	
	102-4 Location of operations	300	
	102-5 Ownership and legal form	300	
	102-6 Markets served	294 - 299	
	102-7 Scale of the organisation	19 - 21	
	102-8 Information on employees and other workers	116 - 118	
	102-9 Supply chain	133	
	102-10 Significant changes to the organisation and its supply chain	133	There were no significant changes to the organisation or to the Company's supply Chain during the year.
	102-11 Precautionary principle or approach		Being an insurance service provider, our products do not have a direct impact on the environment and therefore, we do not assess the environment impact before launching products.
	102-12 External initiatives	5	
	102-13 Membership of organisations	8 - 9	
	102-14 Statement from senior decision-maker	25 - 27	
	102-16 Values, principles, standards and norms of behaviour	8 51	
	102-18 Governance structure	51 59 - 60	
	102-40 List of stakeholder groups	33	
	102-41 Collective bargaining agreements	122	
	102-42 Identifying and selecting stakeholders	33	
	102-43 Approach to stakeholder management	33 - 35	
	102-44 Key topics and concerns raised	33 - 35	
	102-45 Entities included in the consolidated financial statements	5	
	102-46 Defining report content and report boundaries	5 37 - 39	
	102-47 List of material topics	36 - 39	

GRI Disclosure 102-55

ANNEX VI – GRI CONTENT INDEX – 'IN ACCORDANCE' - CORE

GRI Standard	Disclosure	Page Number(s)	Remarks
	102-48 Restatements of information	6	
	102-49 Changes in reporting	36	
	102-50 Reporting period	5	
	102-51 Date of most recent report	5	
	102-52 Reporting cycle	5	
	102-53 Contact point for questions regarding the report	7	
	102-54 Claims of reporting in accordance with the GRI standards	5	
	102-55 GRI content index	279 - 281	
	102-56 External assurance	62 276 - 277	
Economic Standards			
103-1 Explanation of the material topic and its boundary		37	
103-2 The management approach and its components		106 131, 132,137,148	
103-3 Evaluation of the management approach		106 131,132,137,148	
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	148	
	201-3 Defined benefit plan obligations and other retirement plans	219 - 221	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	133	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	137	No incidents of corruption reported during the year under review.
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	128	
Environmental Standards			
103-1 Explanation of the material topic and its boundary		38	
103-2 The management approach and its components		145 - 146	
103-3 Evaluation of the management approach		145 - 146	
GRI 302: Energy	302-1 Energy consumption within the organisation	146	
	302-3 Energy intensity	146	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG Emissions	147	
	305-2 Energy indirect (Scope 2) GHG Emissions	147	
	305-3 Other indirect (Scope 3) GHG Emissions	147	
	305-4 GHG Emissions Intensity	147	
	305-6 Emissions of ozone depleting substances (ODS)	147	
	305-7 Nitrogen oxide (NOx), sulphur oxide (SOx) and other significant air emissions	147	

GRI Disclosure 102-55

GRI Standard	Disclosure	Page Number(s)	Remarks
GRI 306: Effluents & waste	306-2 Waste by type and disposal methods	146	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	147	
Social Standards			
103-1 Explanation of the material topic and its boundary		38 - 39	
103-2 The management approach and its components		116, 120, 122, 128, 129	
103-3 Evaluation of the management approach		116, 120, 122, 128, 129	
GRI 401: Employment	401-1 New employee hires and employee turnover	118 - 119 123 - 124	
	401-2 Benefits provide to full-time employees that are not provided to temporary or part-time employees	119	
GRI 402: Labour/ Management Relations	402-1 Minimum notice periods regarding operational changes	122	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	120 - 121	
	404-2 Programs for upgrading employee skills and transition assistance programs	120 - 121	
	404-3 Percentage of employees receiving regular performance and career development reviews	122	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	53 - 54 116 - 117	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	116	
GRI 417: Marketing & Labelling	417-1 Requirements for product and service information and labeling	128	
	417-2 Incidents of non-compliance concerning product and service information and labeling	128	
	417-3 Incidents of non-compliance concerning marketing communications	129	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breach of customer privacy and losses of customer data	129	
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	137	

SHAREHOLDER INFORMATION

COMPANY OVERVIEW

People's Insurance PLC was incorporated as a public limited liability company on 22nd July 2009 under the Companies Act No. 7 of 2007 and was registered as a non-life insurance provider under the Regulation of Insurance Industry Act No. 43 of 2000.

The Company commenced commercial operations in January 2010, with its main focus on motor insurance, although many other non-life insurance products were also offered to its clients.

The information required by section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) in its annual report and accounts is disclosed below.

NAMES OF DIRECTORS

The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 66.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company during the year are given in the Annual Report of the Board of Directors on page 64 and Note 1 to the Financial Statements on page 166.

TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 31st December 2018 and 31st December 2017 are given in the following table.

Name of the Shareholder	31st December 2018		31st December 2017	
	Shareholding	% on Total No. of Shares	Shareholding	% on Total No. of Shares
People's Leasing & Finance PLC	150,000,000	75.00	150,000,000	75.00
Mr. Kulappu Arachchige Don Anurada Perera	7,363,784	3.68	5,293,721	2.65
J.B. Cocoshell (Pvt) Ltd.	4,766,838	2.38	3,866,876	1.93
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,934,413	1.47	2,934,413	1.47
Rubber Investment Trust Limited A/C # 01	2,489,400	1.24	2,689,400	1.34
Seylan Bank PLC/ Pinnaduwage Aravinda De Silva	2,476,242	1.24	2,476,242	1.24
Askold (Private) Limited	2,422,600	1.21	2,422,600	1.21
Ceylon Investment PLC A/C # 02	1,765,200	0.88	1,765,200	0.88
Ceylon Guardian Investment Trust PLC A/C # 02	1,717,194	0.86	1,765,200	0.88
Mrs. Indrani Kusumalatha De Silva	1,500,800	0.75	1,500,800	0.75
Jafferjee Brothers (Exports) Limited	1,159,300	0.58	1,159,300	0.58
Mr. Murtaza Ali Jafferjee	1,025,467	0.51	769,100	0.38
Bank of Ceylon A/C NDB Wealth Growth Fund	775,000	0.39	775,000	0.39
Miss. Anushka Wijenayake	774,329	0.39	-	-
Dr. (Mrs.) Vasantha Bandaranayake	737,426	0.37	737,426	0.37
Seylan Bank PLC/ Channa Nalin Rajahmoney	675,000	0.34	675,000	0.34
Elgin investments Limited	650,000	0.33	-	-
Hallsville Trading Group Inc.	626,500	0.31	626,500	0.31
E.W. Balasuriya & Co. (Pvt) Ltd.	626,500	0.31	626,500	0.31
ACL Plastics Ltd.	585,500	0.29	-	-
	185,071,493	92.53	180,083,278	90.03
Others	14,928,507	7.47	19,916,722	9.97
	200,000,000	100.00	200,000,000	100.00

PUBLIC SHAREHOLDING

The details of the public shareholding is given below.

As at	31st December 2018		31st December 2017	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Number of shareholders	1,629	99.93	1,475	99.93
Number of shares	50,000,000	25.00	50,000,000	25.00

DIRECTORS' SHAREHOLDING

The details of the Directors' shareholding as at the end of the year are provided bellow.

Name of Director	Number of Shares	
	As at 31st December 2018	As at 31st December 2017
Jehan P. Amaratunga	-	-
N. Vasantha Kumar	-	-
Lakshman Abeysekera	-	-
W. M. Abeyrathna Bandara	-	-
N. P. Karunarathne	-	-
S. P. K. Gunarathne	-	-
A. S. Ibrahim	-	-

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

Name	Number of Shares	
	As at 31st December 2018	As at 31st December 2017
D. D. C. Abeysekera	-	-

MATERIAL FORESEEABLE RISK FACTORS OF THE COMPANY

Information pertaining to material foreseeable risk factors is given on the Enterprise Risk Management report on pages 79 to 86.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which require disclosure as per Rule No. 7.6 (vii) of the Listing Rules of the CSE.

COMPANY 'S LAND HOLDINGS AND INVESTMENT PROPERTIES

The Company does not hold any land or investment properties as of the reporting date.

STATED CAPITAL

The number of shares representing the Company's stated capital is given below.

As at	31st December 2018	31st December 2017
Stated capital (Rs.)	1,350,000,000	1,350,000,000
No. of shares	200,000,000	200,000,000
Class of shares	Ordinary shares	Ordinary shares
Voting rights	One vote per ordinary share	One vote per ordinary share

SHAREHOLDER INFORMATION

SHAREHOLDINGS

a) Distribution and Composition of Shareholding

There were 1,630 registered shareholders as at 31 December 2018. The distribution and composition of shareholders are given as follows;

Shareholding	Resident			Non-resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares
1 – 1,000 Shares	851	320,952	0.16	4	2,094	-	855	323,046	0.16
1,001 – 10,000 Shares	522	2,601,995	1.30	7	35,125	0.02	529	2,637,120	1.32
10,001 – 100,000 Shares	191	5,523,016	2.76	6	144,400	0.07	197	5,667,416	2.83
100,001 – 1,000,000 Shares	33	9,534,591	4.77	4	2,216,589	1.11	37	11,751,180	5.88
Over 1,000,000 Shares	12	179,621,238	89.81	-	-	-	12	179,621,238	89.81
Total	1,609	197,601,792	98.80	21	2,398,208	1.20	1,630	200,000,000	100.00

b) Analysis of Shareholders

i. Resident/Non-resident

As at	31st December 2018		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Resident	1,609	197,601,792	98.80
Non-Resident	21	2,398,208	1.20
Total	1,630	200,000,000	100.00

ii. Individual/Institutional

As at	31st December 2018		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Individual	1,533	22,659,124	11.33
Institutional	97	177,340,876	88.67
Total	1,630	200,000,000	100.00

INVESTOR RATIOS

Year	Earnings Per Share (EPS) Rs.	Dividend Per Share (DPS) Interim Rs.	Dividend Per Share (DPS) Final Rs.	Dividend Pay-out Ratio %	Net Assets Per Share (NAPS) Rs.
2011	0.48	-	0.20	12	10.67
2012	1.56	-	1.00	25	14.38
2013	2.47	1.50	0.75	36	18.08
2014	3.00	1.50	2.00	47	23.50
2015	3.09	2.00	0.60	52	15.01
2016	3.29	1.50	0.25	53	13.14
2017	3.87	1.75	0.25	52	15.35
2018	3.65	0.75	1.10	51	16.88

SHARE PERFORMANCE

Details relating to the share performance are given below.

	2018			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Number of transactions	788	586	874	740
Number of shares traded	4,777,180	2,107,529	1,479,867	814,053
Value of shares traded (Rs.)	109,880,250.70	48,715,733.50	30,969,640.80	16,010,645.10
Market price per share				
- Highest (Rs.)	23.90	24.00	22.40	21.00
- Lowest (Rs.)	21.20	21.40	19.00	18.70
- Last traded price (Rs.)	21.50	22.00	19.50	19.10
P/E Ratio	5.09	6.29	5.80	5.23

VALUATION OF PROPERTY PLANT AND EQUIPMENT

There were no significant changes in the Company's property, plant and equipment (PPE) and the Company did not own lands as assets. Details relating to the changes in the Company's PPE are given in Note 24 to the financial statements on pages 194 to 195.

EMPLOYEE SHARE OPTION SCHEME

There is no employee share ownership scheme in the Company.

DISCLOSURES PERTAINING TO THE CORPORATE GOVERNANCE

Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5 (c), and 7.10.6 (c) of section 7 of the rules are given in the on pages 271 to 275.

RELATED PARTY TRANSACTIONS

There were no non-recurring individual transactions exceeding the limit of 10% of the equity or 5% of the total assets during the year with any related party of the Company. The disclosure on aggregate related party transactions exceeding 10% of the gross revenue/income is given below. Further, all related party transactions at aggregate level have been disclosed in Note 46 to the financial statements.

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of the Related Party Transactions entered into during the financial year (Rs.)	Aggregate value of Related Party Transactions as a % of Gross Written Premium	Terms and Conditions of the Related Party Transactions
People's Leasing & Finance PLC	Parent company	Insurance premium income in respect of their own policies and customers introduced	3,805,557,211	70%	Under the ordinary course of business on arms' length basis.

SHAREHOLDER INFORMATION

INITIAL PUBLIC OFFERING

Raise of funds

The Company offered 50 million ordinary shares at Rs. 15 per share to the public and raised Rs. 750 million from the Initial Public Offering (IPO) carried out in December 2015. New ordinary shares in respect of the IPO were issued in January 2016. The objectives of the IPO were as follows;

1. Meet the regulatory requirement of listing the Company on a licensed stock exchange by 7th February 2016 as per section 52(1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011.
2. Further strengthen the equity base of the Company and thereby the Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) regime implemented by the IRCSL effective from 2016.

The funds raised from the IPO were to be invested in financial securities keeping in line with asset allocation strategy of the Company.

Utilisation of funds

According to the objective number two specified above, the funds raised were invested in financial securities. A detailed analysis of the utilisation of funds is tabulated below.

Obj. No.	Objective as per Prospectus	Amount allocated as per Prospectus in Rs.	Proposed date of utilisation as per prospectus	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Classification if not fully utilised including where the funds are invested
2	please refer objective no. 2 above. The proposed asset allocation for the funds raised through IPO as per the prospectus is as follows;							
	Corporate debt	375,000,000	During the Financial year 2016	375,000,000	50%	375,000,000	100%	
	Fixed deposits	187,500,000		187,500,000	25%	187,500,000	100%	
	Government securities	112,500,000		112,500,000	15%	1,712,600,644	153%	Note
	Equity	75,000,000		75,000,000	10%	14,899,356	20%	
		750,000,000		750,000,000	100%	750,000,000		

Note: The amount invested in equity does not include the listed shares amounting to Rs. 54,547,479 which were purchased using the IPO funds and sold as at the reporting date. Unutilised funds have been temporary invested in Government securities.

QUARTERLY ANALYSIS 2018

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	1,275,629,836	1,306,940,192	1,385,053,574	1,465,044,773	5,432,668,375
Gross written premium	1,235,717,617	1,371,817,595	1,598,137,310	1,386,142,619	5,591,815,141
Net change in reserve for unearned insurance premium	(40,976,821)	(114,380,398)	(265,300,090)	(9,840,498)	(430,497,807)
Gross earned premium	1,194,740,796	1,257,437,197	1,332,837,220	1,376,302,121	5,161,317,334
Premium ceded to reinsurers	(71,045,455)	(214,232,768)	(120,054,042)	(76,848,798)	(482,181,063)
Net change in reserve for unearned reinsurance premium	(29,424,625)	103,864,605	3,067,012	(47,157,643)	30,349,349
Net earned premium	1,094,270,716	1,147,069,034	1,215,850,190	1,252,295,680	4,709,485,620
Claims and expenses					
Net claims	(742,777,113)	(821,905,656)	(855,461,976)	(817,081,695)	(3,237,226,440)
Underwriting and net acquisition costs	(104,102,506)	(113,621,405)	(120,876,382)	(123,195,520)	(461,795,813)
Other operating and administrative expenses	(190,513,948)	(205,221,221)	(225,227,212)	(265,667,820)	(886,630,201)
	(1,037,393,567)	(1,140,748,282)	(1,201,565,570)	(1,205,945,035)	(4,585,652,454)
Underwriting results	56,877,149	6,320,752	14,284,620	46,350,645	123,833,166
Other revenue					
Fee income	11,212,424	11,391,933	13,851,340	12,937,347	49,393,044
Interest and dividend income	167,287,001	158,814,934	165,758,185	172,436,807	664,296,927
Net fair value gains/(losses)	1,682,919	(11,963,177)	(12,482,253)	8,830,918	(13,931,593)
Other operating revenue	1,176,776	1,627,468	2,076,112	18,544,021	23,424,377
	181,359,120	159,871,158	169,203,384	212,749,093	723,182,755
Profit before tax	238,236,269	166,191,910	183,488,004	259,099,738	847,015,921
Income tax expense	(27,045,171)	(27,752,069)	(29,253,462)	(33,902,912)	(117,953,614)
Profit for the period	211,191,098	138,439,841	154,234,542	225,196,826	729,062,307

Share Performance	Rs.	Rs.	Rs.	Rs.
Net asset value per share as at end of the quarter	15.08	15.77	15.79	16.88
Highest price per share for the interim period	23.90	24.00	20.40	21.00
Lowest price per share for the interim period	21.20	21.40	19.00	18.70
Last traded price per share as at end of the quarter	21.50	22.00	19.50	19.10

QUARTERLY ANALYSIS 2017

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	1,147,589,062	1,190,029,708	1,202,926,131	1,250,868,913	4,791,413,814
Gross written premium	1,041,786,239	1,014,359,575	1,482,994,808	1,242,778,392	4,781,919,014
Net change in reserve for unearned insurance premium	38,469,075	98,949,580	(330,153,775)	(62,776,705)	(255,511,825)
Gross earned premium	1,080,255,314	1,113,309,155	1,152,841,033	1,180,001,687	4,526,407,189
Premium ceded to reinsurers	(62,758,369)	(118,824,323)	(183,701,203)	(62,460,600)	(427,744,495)
Net change in reserve for unearned reinsurance premium	(27,906,127)	(6,205,090)	69,701,068	(37,070,110)	(1,480,259)
Net earned premium	989,590,818	988,279,742	1,038,840,898	1,080,470,977	4,097,182,435
Claims and expenses					
Net claims	(677,389,445)	(709,020,791)	(756,093,153)	(698,446,799)	(2,840,950,188)
Underwriting and net acquisition costs	(95,645,079)	(99,980,058)	(104,038,005)	(107,359,336)	(407,022,478)
Other operating and administrative expenses	(133,674,429)	(138,502,208)	(171,829,812)	(232,743,216)	(676,749,665)
	(906,708,953)	(947,503,057)	(1,031,960,970)	(1,038,549,351)	(3,924,722,331)
Underwriting results	82,881,865	40,776,685	6,879,928	41,921,626	172,460,104
Other revenue					
Fee income	9,864,948	9,062,328	11,894,646	10,982,741	41,804,663
Interest and dividend income	156,156,662	148,709,815	156,166,584	164,616,242	625,649,303
Net fair value gains/(losses)	(9,746,161)	43,662,597	(5,212,449)	(4,057,395)	24,646,592
Other operating revenue	1,722,795	315,226	1,236,452	(1,143,652)	2,130,821
	157,998,244	201,749,966	164,085,233	170,397,936	694,231,379
Profit before tax	240,880,109	242,526,651	170,965,161	212,319,562	866,691,483
Income tax expense	(25,026,466)	(22,017,841)	(18,800,609)	(27,761,121)	(93,606,037)
Profit for the period	215,853,643	220,508,810	152,164,552	184,558,441	773,085,446

Share Performance	Rs.	Rs.	Rs.	Rs.
Net asset value per share as at end of the quarter	13.45	14.33	14.35	15.29
Highest price per share for the interim period	20.50	23.70	24.20	25.90
Lowest price per share for the interim period	17.30	18.30	20.80	21.70
Last traded price per share as at end of the quarter	18.30	21.50	23.20	23.00

FIVE YEAR SUMMARY

Statement of Income (Rs.)	2018	2017	2016	2015	2014
Revenue	5,432,668,375	4,791,413,814	4,250,108,228	3,617,209,197	3,411,464,345
Gross written premium	5,591,815,141	4,781,919,014	4,339,579,669	3,813,271,656	3,440,608,282
Net earned premium	4,709,485,620	4,097,182,435	3,723,232,913	3,267,940,026	2,990,467,164
Net claims	(3,237,226,440)	(2,840,950,188)	(2,628,295,063)	(2,257,436,973)	(2,162,703,667)
Underwriting and net acquisition costs	(461,795,813)	(407,022,478)	(380,484,389)	(337,631,756)	310,773,268)
Other operating and administrative expenses	(886,630,201)	(676,749,665)	(508,318,624)	(419,175,966)	(365,149,241)
Underwriting results	123,833,166	172,460,104	206,134,837	253,695,331	151,840,988
Other revenue	723,182,755	694,231,379	526,875,315	349,269,171	420,997,181
Profit before tax	847,015,921	866,691,483	733,010,152	602,964,502	572,838,169
Income tax expense	(117,953,614)	(93,606,037)	(75,012,884)	(138,797,208)	(122,711,070)
Profit for the year	729,062,307	773,085,446	657,997,268	464,167,294	450,127,099
Statement of Financial Position (Rs.)					
Assets					
Intangible assets	2,388,131	11,000,000	23,388,110	36,164,330	48,940,550
Property, plant and equipment	82,008,927	84,392,671	21,388,037	21,600,023	26,056,186
Deferred tax asset	3,006,071	28,484	1,871,693	-	-
Financial investments	6,658,264,189	6,136,594,446	5,469,881,112	4,931,438,835	3,644,915,439
Reinsurance and insurance receivables	1,116,394,654	1,088,633,562	828,695,737	686,355,800	661,014,992
Deferred expenses	264,162,186	238,256,786	220,580,020	200,827,593	180,766,259
Other assets	69,952,648	69,549,058	16,003,150	20,016,352	11,942,400
Cash and cash equivalents	221,391,043	116,659,642	138,335,984	745,691,980	184,614,106
Total assets	8,417,567,849	7,745,114,649	6,720,143,843	6,642,094,913	4,758,249,932
Equity and liabilities					
Equity					
Stated capital	1,350,000,000	1,350,000,000	1,350,000,000	1,350,000,000	600,000,000
Reserves	2,025,147,268	1,707,239,826	1,279,456,934	900,994,133	810,041,452
Total equity	3,375,147,268	3,057,239,826	2,629,456,934	2,250,994,133	1,410,041,452
Liabilities					
Insurance contract liabilities	4,367,565,525	4,073,554,521	3,557,794,382	3,166,616,516	2,901,132,152
Retirement benefit obligations	27,490,317	17,881,854	12,920,220	6,027,515	4,432,438
Financial and other liabilities	499,502,849	491,885,420	404,295,518	1,133,942,877	362,964,321
Reinsurance payable	61,807,635	35,715,836	41,432,353	36,820,195	62,262,569
Deferred tax liability	-	-	-	5,940,989	13,576,697
Bank overdraft	86,054,255	68,837,192	74,244,436	41,752,688	3,840,303
Total liabilities	5,042,420,581	4,687,874,823	4,090,686,909	4,391,100,780	3,348,208,480
Total equity and liabilities	8,417,567,849	7,745,114,649	6,720,143,843	6,642,094,913	4,758,249,932
Investor Information					
Return on net assets (%)	22.55	27.35	25.03	*20.62	31.92
Earnings per share (Rs.)	3.65	3.87	3.29	3.09	3.00
Dividend per share - interim (Rs.)	0.75	1.75	1.50	2.00	1.50
Dividend per share - final (Rs.)	1.10	0.25	0.25	0.60	2.00
Net assets per share (Rs.)	16.88	15.29	13.15	15.01	23.50
Last traded price per share as at end of the year (Rs.)	19.10	23.00	19.00	N/A	N/A
Other Information					
Number of employees	554	385	330	284	245
Number of shares	200,000,000	200,000,000	200,000,000	150,000,000	60,000,000

* Total equity used as the denominator in calculation of return on net assets includes capital raised through the IPO amounting to Rs. 750 million in December 2015.

* N/A - Not Applicable

GLOSSARY OF INSURANCE TERMS

A

ACCUMULATION
The total combined risks that could be involved in a single loss event (involving one or more insured perils).

ACQUISITION EXPENSES
Direct costs an insurer incurs to 'acquire' the premium such as commissions paid to a broker. These costs are required to be expensed in the same ratio as the premiums to which they relate are earned. The amount to be expensed in future periods recorded as deferred acquisition costs (an asset) in the statement of financial position.

ACTUARY
A specialist in the mathematics of insurance who calculates rates, reserves, dividends and other statistics.

ADMINISTRATIVE EXPENSES
Costs of an administrative nature including those arising from premium collection, portfolio administration and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

ADMISSIBLE ASSETS
Assets that may be included in determining an insurer's statutory solvency position. Such assets are specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

AGENT
An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

ALL RISKS
A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.

ANNUAL BASIS OF ACCOUNTING
A basis of accounting for non-life insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

B

BROKER
A firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

BURGLARY AND THEFT
Coverage for property taken or destroyed by breaking and entering the insured's premises, burglary or theft, forgery or counterfeiting, fraud, kidnap and ransom and off-premises exposure.

C

CAPITAL ADEQUACY RATIO
A risk based Capital Adequacy Ratio (CAR) measures the relative adequacy of an insurer's capital. The CAR value reports on the adequacy of the Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk based Capital Required (RCR).

CASUALTY INSURANCE
A form of liability insurance providing coverage for negligent acts and omissions such as workers compensation, errors and omissions, fidelity, crime, glass, boiler and various malpractices coverage.

CEDENT
A ceding insurer. A ceding insurer is an insurer that underwrites and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer.

CESSION
A particular risk exposure that is transferred under a reinsurance treaty.

CLAIM HANDLING EXPENSES (CHE)
Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

CLAIMS INCURRED
Claims incurred include paid claims and movements in outstanding claims.

CLAIMS NOTIFICATION CLAUSE
A clause in an insurance or reinsurance contract which sets out the procedure that the insured or reassured must follow in order to make a claim under the contract. Such clauses frequently provide for prompt notification of claims and events which may give to claims in the future.

CLAIMS OUTSTANDING
The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date, including Incurred But Not Reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

CO-INSURANCE
An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

COMBINED RATIO
The claims and expenses of an insurer for a given period divided by its net earned premium for the same period. It is normally expressed as a percentage with any figure in excess of 100%, signifying a technical underwriting loss.

COMMERCIAL PACKAGE POLICY
A broad package of property and liability coverage for commercial ventures other than those provided insurance through a business owner's policy.

COVER NOTE
A document issued by an insurer/broker, pending the issue of a policy which confirms the arrangement of cover for the named insured/ reassured. Motor insurance cover notes that are issued in Sri Lanka are usually of short duration.

D

DEDUCTIBLE
Loss retention of the reinsured in non-proportional reinsurance. Limit above which the reinsurer becomes liable for losses up to the amount of the agreed cover limit.

DEFERRED ACQUISITION COSTS
Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.

E

EARNED PREMIUM
The proportion of premium that relates to a used period of cover.

EXCESS
The amount or proportion of some or all losses arising under an insurance or reinsurance contract that is the insured or reassured must bear. If the loss is less than the amount of the excess then the insured/reassured must meet the cost of it (unless there is other insurance in place to cover the excess). Excesses may either be compulsory or voluntary. An insured who accepts an increased excess in the form of a voluntary excess will usually receive a reduction in premium.

EXCESS OF LOSS
A type of reinsurance that covers specified losses incurred by the reassured in excess of a stated amount (the excess) up to a higher amount. An excess of loss reinsurance is a form of non-proportional reinsurance.

EXCLUSION
A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy or it may be limited to specific sections of it. In certain circumstances, an exclusion may be limited or removed altogether following the payment of an additional premium.

EX-GRATIA PAYMENT
A payment made by underwriters 'as a favour' or 'out of kindness' without an admission of liability so as to maintain goodwill.

F

FACULTATIVE REINSURANCE
Reinsurance for a single risk or a defined package of risks. The ceding company (the primary issuer) is not compelled to submit these risks to the reinsurer, but neither is the reinsurer compelled to provide reinsurance protection.

G

GENERAL AVERAGE
A loss that arises from the reasonable sacrifice at a time of peril of any part of a ship or its cargo for the purpose of preserving the ship and the remainder of its cargo together with any expenditure made for the same purpose. An example of a general average loss would include jettisoning cargo to keep a ship afloat and an example of general average expenditure would include towing a stricken vessel into port. An average adjuster calculates the value of each saved interest to each interested party which is then obliged to contribute towards the general average loss or expenditure proportionately. Subject to the terms of the policy, insurance will generally only apply if the loss was incurred to avoid or in connection with the avoidance of an insured peril.

GROSS WRITTEN PREMIUM
Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

I

INCURRED BUT NOT REPORTED (IBNR) LOSSES
Estimated losses which an insurer or reinsurer, based on its knowledge or experience of underwriting similar contracts, believes have arisen or will arise under one or more contracts of insurance or reinsurance, but which have not been notified to an insurer or reinsurer at the time of their estimation.

INDEMNITY
The principle according to which a person who has suffered a loss is restored (so far as possible) to the same financial position that he was in immediately prior to the loss, subject in the case of insurance to any contractual limitation as to the amount payable (the loss may be greater than the policy limit). The application of this principle is called indemnification. Most contracts of insurance are contracts of indemnity. Life insurances and personal accident insurances are not contracts of indemnity as the payments due under those contracts for loss of life or bodily injury are not based on the principle of indemnity.

GLOSSARY OF INSURANCE TERMS

INSURANCE CONTRACT
A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

INSURANCE PROVISION
Usually relates to the proportion of net written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods, as well as the gross claims outstanding.

INSURANCE RISK
Uncertainty over the likelihood of an insured event occurring, the quantum of the claim or the time when claims payments will fall due.

L

LAYER
Section of cover in a non-proportional reinsurance programme in which total coverage is divided into number of consecutive layers. Individual layers may be placed with different reinsurers.

LIABILITY ADEQUACY TEST (LAT)
A test that needs to be performed by an insurer to determine whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts as per the Sri Lanka Accounting Standards.

LOSS ADJUSTER
A person who is appointed to investigate the circumstances of a claim under an insurance policy and to advise on the amount that is payable to the policyholder in order to settle that claim.

LOSS DEVELOPMENT FACTORS (LDF)
There is a general upward trend in claim totals after the initial reporting period called 'loss development'. A common method of adjusting losses for the growth in claims and Incurred But Not Reported (IBNR) losses is to apply loss development factors.

N

NET EXPENSE RATIO
Expenses associated with running an insurance business, such as commission, professional fees and other administrative costs, expressed as a percentage of net earned premiums.

P

PREMIUM
The payment a policyholder makes in return for insurance cover. Usually paid annually.

PREMIUM LIABILITY
The amount required to be held in respect of the unexpired period of exposure and considers the unearned premium reserves held and estimate of unexpired risk reserves.

PROVISION OF RISK MARGIN FOR ADVERSE DEVIATION (PRAD)
The provision of risk margin for adverse deviation that relates to the inherent uncertainty in the central estimate value of both the premium and claim liabilities at a 75% level of sufficiency.

R

REINSURANCE
A form of insurance bought by insurance companies to protect themselves from the risk of large losses. One insurer pays to place part of an insured risk or an entire book of business with one or more other insurance companies, known as the reinsurers.

REINSURANCE COMMISSION
Commission received or receivable in respect of premiums paid or payable to a reinsurer.

REINSURANCE INWARDS
The acceptance of risks under a contract of reinsurance.

REINSURANCE OUTWARDS
The placing of risks under a contract of reinsurance.

REINSURANCE PREMIUM
The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

REINSURANCE PROFIT COMMISSION
Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

RELATED PARTY
A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

RETENTION
The amount of any loss or combination of losses that would otherwise be payable under an insurance/reinsurance contract which the insured/reassured must bear itself before the insurer or reinsurer becomes liable to make any payment under that contract. An insured

or reassured may be able to insure its retention with another insurer/ reinsurer.

RISK BASED CAPITAL
Capital to be allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments.

S

SHORT-PERIOD CANCELLATION
When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro-rata basis.

SOLVENCY MARGIN
The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on general insurance business as defined in Solvency Margin (General Insurance) Rules, 2004 and subsequent amendments thereto made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

SUBROGATION
The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance, subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

SUM INSURED
The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

SURPLUS TREATY OR SURPLUS LINES TREATY
A type of reinsurance under which bands of cover known as lines are granted above a given retention which is referred to as the cedant's line. Each line is of equivalent size and the capacity of the treaty is expressed as a multiple of the cedant's line. The reinsurer receives an equivalent proportion of the full risk premium. A surplus treaty is a form of proportional reinsurance.

T

TECHNICAL RESERVE
This comprises the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

TOTAL AVAILABLE CAPITAL
Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

TREATY REINSURANCE
A reinsurance contract under which the reassured agrees to offer and the reinsurer agrees to accept all risks of certain size within a defined class.

U

UNDERINSURANCE
Insurance where the sum insured is less than the full value at risk and would not be adequate to meet a total loss.

UNDERWRITING
The process of selecting which risks an insurance company can cover and deciding the premiums and terms of acceptance.

UNDERWRITING PROFIT
The underwriting result generated by transacting non-life insurance business, without taking into account the investment income.

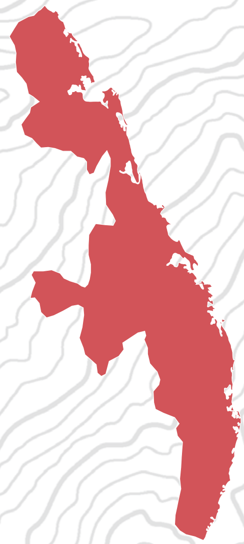
UNEARNED PREMIUM
The proportion of premium that relates to the unused period of cover.

UNEXPIRED RISK RESERVE (URR)
The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

GRI Disclosure 102-6

DISTRIBUTION NETWORK

Central Province	Window office	Regional office
Kandy		●
Dambulla	●	
Digana	●	
Gampola	●	
Hatton	●	
Katugasthota	●	
Matale	●	
Nawalapitiya	●	
Nuwara Eliya	●	
Pilimathalawa	●	



Eastern Province	Window office	Regional office
Ampara	●	
Batticaloa	●	
Kalmunai	●	
Kanthale	●	
Trincomalee	●	

North Western Province	Window office	Regional office
Kurunegala		●
Chilaw	●	
Giriulla	●	
Kuliyapitiya	●	
Melsiripura	●	
Narammala	●	
Nattandiya	●	
Puttalam	●	
Wariyapola	●	
Wennappuwa	●	

North Central Province	Window office	Regional office
Anuradhapura		●
Galenbindunuwewa	●	
Hingurakgoda	●	
Kekirawa	●	
Medawachchiya	●	
Polonnaruwa	●	
Thambuttegama	●	

Uva Province	Window office	Regional office
Badulla	●	
Bandarawela	●	
Mahiyanganaya	●	
Monaragala	●	
Welimada	●	
Wellawaya	●	

Northern Province	Window office	Regional office
Chunnakam	●	
Jaffna	●	
Kilinochchi	●	
Mannar	●	
Vavuniya	●	

● Regional offices ● Window offices at People's Leasing & Finance PLC branch network

GRI Disclosure 102-6

Western Province

Metropolitan
Negombo
Aluthgama
Awissawella
Battaramulla
Gampaha
Grandpass
Hanwella
Havelock
Homagama
Horana
Ja-ela
Kadawatha
Kaduwela
Kalutara
Kelaniya
Kirindiwela
Kollupitiya
Mathugama
Minuwangoda
Mirigama
Moratuwa
Mount Lavinia
Nittambuwa
Nugegoda
Panadura
Pettah
Piliyandala
City office
Union Place - Alsafa
Ward Place
Wattala

Sabaragamuwa Province

Balangoda
Embilipitiya
Godakawela
Kalawana
Kegalle
Mawanella
Pelmadulla
Ratnapura
Warakapola

Southern Province

Galle
Akuressa
Ambalangoda
Ambalanthota
Deniyaya
Elpitiya
Hambanthota
Kamburupitiya
Matara
Neluwa
Tangalle
Thissamaharama
Urubokka
Walasmulla

HEAD OFFICE

No. 07, Havelock Road,
Colombo 05.
Tel : 011-2206406
Fax : 011-2206436

REGIONAL OFFICES

Galle

No. 118, Matara Road,
Galle.
Tel : 091-2248671
Fax : 091-2235615

Negombo

No. 159, Colombo Road,
Negombo.
Tel : 031-2235517
Fax : 031-2235516

Kurunegala

No. 183B, Colombo Road,
Kurunegala.
Tel: 037-2222830
Fax: 037-2231505

Kandy

No. 483/B,
William Gopallawa Mawatha,
Kandy.
Tel: 081-2238051
Fax: 081-2238054

Anuradhapura

No. 387,
Harischandra Mawatha,
Anuradhapura.
Tel : 025-2226060
Fax : 025-2234966

Metropolitan

No. 67,
Sir Chittampalam A Gardiner
Mawatha,
Colombo 02.
Tel: 011-2481000
Fax: 011-2481123

GRI Disclosure 102-6

DISTRIBUTION NETWORK

Branch	Address	Telephone Numbers	Fax Numbers	Contact Person
Central Province				
Dambulla	No. 632, Anuradhapura Road, Dambulla.	066-2284855	066-2284158	Mr. Kasun Chathuranga
Digana	No. 118/E, Rajawella 2, Rajawella.	081-2376923	081-2376223	Mr. Viraj Thushara
Gampola	No. 131, Nuwara Eliya Road, Gampola.	081-2353030	081-2354154	Mr. Sandaruwan Herath
Hatton	No. 199/ B-1, Dimbulla Road, Hatton.	051-2224667	051-2225681	Mr. Kittnasamy Vijadhasan
Kandy	No. 177, D. S. Senanayaka Veediya, Kandy.	081-2205419	081-4471654	Mr. Lahiru Madusanka
Kandy 02	No. 483/B , Wiliyam Gopallawa Mawatha, Kandy.	081-2238051	081-2238054	Mrs. Windya Pinnawala
Kandy (Islamic)	No. 45, Katugasthota Road, Kandy.	081-2205651	081-2205044	Mr. Susantha Herath
Katugasthota	No. 431, Katugasthota Road, Kandy.	081-2205947	081-2205937	Mr. Palitha Bandara
Matale	No. 568, Trincomalee Street, Matale.	066-2226400	066-2226402	Mr. Sudesh Liyanage
Nawalapitiya	No. 65, Ambagamuwa Road, Nawalapitiya.	054-2224482	054-2224485	Mr. Isuru Heshan
Nuwara Eliya	No. 36, K. Ramanathan Complex, Park Road, Nuwara Eliya.	052-2224119	052-2224122	Mr. Sameera Janaruwan
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa.	081-2056338	081-2056339	Mr. Chamara Sampath
Eastern Province				
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2223395	063-2224850	Mr. Pradeep Madushan
Batticaloa	No. 26, New Kalmunai Road, Batticaloa.	065-2226537	065-2226754	Mrs. Tharaha Priyandren
Kalmunai	No. 82, Main Street, Kalmunai.	067-2225486	067-2225485	Mr. Mohamed Risky
Kanthale	No. 72/1, Agrabodhi Mawatha, Kanthale.	026-2234935	026-2234936	Mr. Gihan Madushanka
Trincomalee	No. 445/1, Dockyard Road, Trincomalee.	026-2225285	026-2225286	Mr. Nadeeth Prithikumara
North Central Province				
Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura.	025-2224902	025-2234966	Mr. Niluka Sampath
Galenbindunuwewa	No. 87/61, Galenbindunuwewa.	025-2258001	025-2258008	Mr. Dialn Chathuranga
Hingurakgoda	Yamuna Building, Airport Road, Hingurakgoda.	027-2055055	027-2055054	Mr. Nuwan Sanjeewa
Kekirawa	No. 12/A, Thalawa Road, Kekirawa.	025-2264820	025-2264566	Mr. Lakshitha Madusanka
Medawachchiya	No. 76/D, Jaffna Road, Medawachchiya.	025-2245209	025-2245414	Mr. Pramod Deshanjaya
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Chamika Bandara
Thambuttegama	No. 326, Queen Junction, Kurunagala Road, Thambuttegama.	025-2276180	025-2275511	Mr. Ashan Dinuka

GRI Disclosure 102-6

Branch	Address	Telephone Numbers	Fax Numbers	Contact Person
Northern Province				
Chunnakam	No. 15, K. K. S. Road, Chunnakam.	021-2241105	021-2242072	Mr. Sivapalan Sivakajan
Jaffna	No. 12, Stanly Road, Jaffna.	021-2228031	021-2229627	Mr. Thuraisingam Thusjendran
Kilinochchi	No. 253, Kandy Road, Kilinochchi.	021-2283869	021-2285308	Mr. Nadarajah Arun
Mannar	No. 109, Hospital Road, Sinnakadi, Mannar.	023-2251342	023-2251370	Mr. Jesuthasan Jenushan
Vavuniya	No. 42 & 46, 1st Cross Street, Vavuniya.	024-2225860	024-2225861	Mr. Balasanmugaraja Thuvarakan
North Western Province				
Chilaw	No. 10, Colombo Road, Chilaw.	032-2224844	032-2224103	Mr. Chamara Ranga
Giriulla	No. 199, Kurunegala Road , Giriulla.	037-2288316	037-2288805	Mr. M. T. Roshan
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya.	037-2281343	037-2281525	Mr. Sithija Sankalpa
Kurunegala	No. 183B, Colombo Road, Kurunegala.	037-2221582	037-2231505	Mr. Chandima Wanisekara
Melsiripura	No. 237, Dambulla Road, Melsiripura.	037-2250229	037-2250482	Mr. Amal Ranasinghe
Narammala	No. 105, Kuliyapitiya Road, Narammala.	037-2249651	037-2248670	Mr. Neranjan Kaushalya
Nattandiya	No. 26, Rathmalwatta, Nattandiya.	032-2251588	032-2251522	Mr. Hasitha Malshan
Puttalam	No. 97B, Kurunegala Road, Puttalam.	032-2266893	032-2266895	Mr. Mohamed Ikram
Wariyapola	No. 119, Kurunegala Road, Wariyapola.	037-2233426	037-2268311	Mr. Madawa Chathuranga
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa.	031-2245663	031-2245662	Mr. Gayan Kavinda
Sabaragamuwa Province				
Balangoda	No. 118A, Barns Rathwaththa Mawatha, Balangoda.	045-2289500	045-2289502	Mr. Chathuranga Umesh
Embilipitiya	No. 122, New Town Road, Embilipitiya.	047-2261387	047-2261972	Mr. Sumudu Madushanka
Godakawela	No. 52, Main Street, Godakawela.	045-2240607	045-2240604	Mr. Buddika Priyanath
Kalawana	No. 43, Mathugama Road, Kalawana.	045-2256001	045-2256003	Mr. Chamindu Chathuranga
Kegalle	No. 345, Main Street, Kegalle.	035-2230101	035-2230195	Mr. Gayashan Tharuka
Mawanella	No. 37, New Kandy Road, Mawanella.	035-2249364	035-2249366	Mr. Roshan Madusanka
Pelmadulla	No. 118/1, Rathnapura Road, Pelmadulla.	045-2276081	045-2276083	Mr. Pushpika Sampath
Ratnapura	No. 244, Moragahayata, Colombo Road, Rathnapura.	045-2224755	045-2230678	Mr. Sasika Dissanayake
Warakapola	No. 177, Kandy Road, Warakapola.	035-2268124	035-2268264	Mr. Gayan Wijesooriya
Southern Province				
Akuressa	No. 77, Matara Road, Akuressa.	041-2284711	041-2283925	Mr. Dinuja Dilshan
Ambalangoda	No. 105A, New Galle Road, Ambalangoda.	091-2255646	091-2255649	Mr. Oshan Bawantha

GRI Disclosure 102-6

DISTRIBUTION NETWORK

Branch	Address	Telephone Numbers	Fax Numbers	Contact Person
Ambalanthota	No. 32 1/1, Tissa Road, Ambalanthota.	047-2225265	047-2225266	Mr. Amila Isanka
Deniyaya	No. 150, Akuressa Road, Deniyaya.	041-2273341	041-2273713	Mr. Madhura Chathuranga
Elpitiya	No. 44, Ambalangoda Road, Elpitiya.	091-2290817	091-2291847	Mr. Vihan Devith
Hambanthota	No. 102K, Main Street , Hambanthota.	047-2221276	047-2221277	Mr. Anil Geeganage
Kamburupitiya	No. 217, Matara Road, Kamburupitiya.	041-2294620	041-2294622	Mr. Sachith Buddhika
Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara.	041-2220129	041-2225985	Mr. Susara Chinthaka
Neluwa	No. 08, 1st Floor, Manuka Building, Dellawa Road, Neluwa.	091-3094691	091-4943766	Mr. Lahiru Kavinda
Tangalle	No. 5/5A, Annapitiya Road, Tangalle.	047-2242501	047-2242503	Mr. Ashan Dinuka
Thissamaharama	No. 171, Main Street, Tissamaharamaya.	047-2239671	047-2239673	Mr. Nimesh Indika
Urubokka	No. 466D, Main Street, Urubokka.	041-2272175	041-2272176	Mr. Dinesh Madushanka
Walasmulla	No. 74, Beliaththa Road, Walasmulla.	047-2245651	047-2245654	Mr. Pathum Madushanka
Uva Province				
Badulla	No. 33/9, Modern Complex, Cocowatta Road, Badulla.	055-2223903	055-2223777	Mr. Aruna Kumara
Bandarawela	No. 35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Lahiru Prasad
Mahiyanganaya	No. 03, Sri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257738	055-2257737	Mr. Thushara Namal
Monaragala	No. 32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Oshan Ishara
Welimada	No. 11A, Boralanda Road, Welimada.	057-2244994	057-2244995	Mr. Chanaka Samantha
Wellawaya	No. 128, Monaragala Road, Wellawaya.	055-2274035	055-2274025	Mr. Manahara Prasad
Western Province				
Aluthgama	No. 415, Galle Road, Aluthgama.	034-2271630	034-2271633	Mr. Rajith Priyankara
Awissawella	No. 15, Kudagama Road, Awissawella.	036-2233791	036-2233793	Mr. Lahiru Suranjith
Battaramulla	No. 261, Main Street, Battaramulla.	011-2886818	011-2886824	Mr. Mithila Dhananjaya
Gampaha	No. 65, Yakkala Road, Gampaha.	033-2233892	033-2232733	Mr. Harshan Fernando
Grandpass	No. 507, Sirimavo Bandaranayake Mawatha, Colombo 14.	011-2340013	011-2340025	Mr. Anukthara Udayanga
Hanwella	No. 132/3, Colombo Road, Hanwella.	036-2251330	036-2251333	Mr. Gayan Madushanka
Havelock	No. 07, Havelock Road, Colombo 05.	011-2592432	011-2592445	Mr. Achala Shakthi
Homagama	No. 121/3, Highlevel Road, Homagama.	011-2098141	011-2098144	Mr. Dimuthu Sandaruwan
Horana	No. 101, Ratnapura Road, Horana.	034-2267701	034-2267706	Mr. Sahanjaya Gunathilaka

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Branch	Address	Telephone Numbers	Fax Numbers	Contact Person
Ja-ela	No. 112/A, Negombo Road, Ja-ela.	011-2228078	011-2228076	Mr. Chanuka Deemantha
Kadawatha	No. 657A, Kandy Road, Bandarawatta, Kadawatha.	011-2926909	011-2926911	Mr. Sahan Samankula
Kaduwela	No. 349/A/1, New Kandy Road, Kothalawala, Kaduwela.	011-2548578	011-2548590	Mr. Rinosh Dilshan
Kalutara	No. 314/1/1, Main Street, Kalutara South, Kalutara.	034-2235336	034-2235800	Mr. Gayan Kalhara
Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya.	011-2914112	011-2908484	Mr. Yohan Uditha
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela.	033-2247581	033-2247580	Mr. Charundya Senadheera
Kollupitiya	No. 385, Galle Road, Colombo 03.	011-2376476	011-2376477	Mr. Sasmitha Basnayaka
Mathugama	No. 98/3, Agalawaththa Road, Mathugama.	034-2249230	034-2248882	Mr. Vihandu Deemantha
Metropolitan	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02.	011-2481000	011-2481123	Mr. Sahan Nidarshana
Minuwangoda	No. 26H, Colombo Road, Minuwangoda.	011-2298641	011-2298655	Mr. Chathuranga Lahiru
Mirigama	No. 69/A, Giriulla Road, Mirigama.	033-2275528	033-2275521	Mr. Chanaka Pradeep
Moratuwa	No. 553, Galle Road, Rawathawaththa, Moratuwa.	011-2648474	011-2648472	Mr. Tharanga Madumal
Mount Lavinia	No. 271, Galle Road, Mount Lavinia.	011-2720720	011-2725904	Mr. Chanaka Prasad
Negombo	No. 29/1, Colombo Road, Negombo.	031-2227775	031-2224882	Mr. Dinesh Fernando
Nittambuwa	No. 83, Batadole Walauwa Junction, Kandy Road, Nittambuwa.	033-2298110	033-2298112	Mr. Janith Dissanayake
Nugegoda	No. 290, Highlevel Road, Nugegoda.	011-2813997	011-2813991	Mr. Sachithra Ferdinando
Panadura	No. 482, Arther V. Dias Mawatha, Panadura.	038-2237331	038-2237332	Mr. Manju Lakruwan
Pettah	No. 319, Main Street, Colombo 11.	011-2437708	011-2473549	Mr. Vinoth Chandralingam
Piliyandala	No. 71, Moratuwa Road, Piliyandala.	011-2609835	011-2609838	Mr. Charith Yasantha
City office	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02.	011-2481000	011-2481128	Mr. Gavrika Nuwan
Union Place - Alsafa	No. 167, Union Place, Colombo 02.	011-2377877	011-2304463	Mr. Mohomad Sharaff
Ward Place	No. 24/A, Ward Place, Colombo 07.	011-2678692	011-2678696	Mr. Danushka Harshana
Wattala	No. 540A, Negombo Road, Wattala.	011-2948441	011-2947411	Mr. Janith Randika

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CORPORATE INFORMATION

NAME OF COMPANY
People's Insurance PLC
(Subsidiary of People's Leasing & Finance PLC)

LEGAL FORM
Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)

DATE OF INCORPORATION
22nd July 2009

COMPANY REGISTRATION NUMBER
PB 3754 PQ

STOCK EXCHANGE LISTING
Ordinary shares of the company are listed on the Main Board of the Colombo Stock Exchange

TAX PAYER IDENTIFICATION NUMBER (TIN)
134037547

ACCOUNTING YEAR-END
31st December

REGISTERED OFFICE
People's Insurance PLC
No. 07,
Havelock Road,
Colombo 05.

HEAD OFFICE (REGISTERED OFFICE) AND PRINCIPLE PLACE OF BUSINESS
No. 07,
Havelock Road,
Colombo 05.
Telephone : +94 11 2206406
Fax : +94 11 2206436

BOARD OF DIRECTORS
Mr. Jehan P. Amaratunga – Chairman
Mr. N. Vasantha Kumar
Mr. Lakshman Abeysekera
Mr. W. M. Abeyrathna Bandara
Mr. N. P. Karunarathne
Mr. S. P. K. Gunarathne
Mr. A. S. Ibrahim

COMPANY SECRETARY
Ms. Lakmini Kottegoda

REGISTRARS
SSP Corporate Services (Pvt) Ltd
No. 101,
Inner Flower Road,
Colombo 03.

AUDITORS
Auditor General
Auditor General's Department,
No. 306/72, Polduwa Road,
Battaramulla.

Messrs. Ernst & Young
Chartered Accountants,
No. 201,
De Seram Place,
Colombo 10.

CONSULTANT ACTUARIES
NMG Financial Services Consulting Pte Limited
30, Hill Street,
#03-02A,
Singapore.

BANKERS
People's Bank
National Savings Bank
Nations Trust Bank PLC
Regional Development Bank
Sampath Bank PLC
Seylan Bank PLC

REINSURANCE PANEL
Asia Capital Reinsurance Group Pte Ltd.
Asian Reinsurance Corporation
General Insurance Corporation of India
Labuan Reinsurance (L) Ltd.
Malaysian Reinsurance Berhad
National Insurance Trust Fund
Swiss Reinsurance Company Ltd.
Trust International Insurance & Reinsurance Company B. S. C.
XL Insurance Co Ltd.

INSURER FINANCIAL STRENGTH RATING
'A+ (lka)' by Fitch Ratings

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the tenth (10th) Annual General Meeting of People's Insurance PLC will be held on 29th March 2019 at 3.30 p.m. at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st December 2018 together with the report of the Auditors thereon.
2. To declare a final dividend of Rupees.1.10 (Rs.1.10) per Ordinary Share as recommended by the Board of Directors.
3. To re-elect as a Director Mr. Namasivayam Vasantha Kumar, who retires in terms of Article 27 (8) of the Articles of Association.
4. To re-elect as a Director Mr. Lakshman Abeysekera, who retires in terms of Article 27 (8) of the Articles of Association.
5. To re-elect as a Director Mr. Nivithigala Polgaswaththe Karunarathne, who retires in terms of Article 27 (8) of the Articles of Association.
6. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

Auditors of the Company
According to Section 55 of the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'auditee entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

By order of the Board,

Lakmini Kottegoda
Company Secretary

Colombo
26th February 2019

Note:
Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/ her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

NOTES

NOTES

FORM OF PROXY

I/we .... of

.... being a member/s of People's Insurance PLC

hereby appoint Mr./Mrs./Miss ....

(holder of N.I.C. No. ....) of .... failing him/her

1. J. P. Amaratunga failing him
2. N. V. Kumar failing him
3. L. Abeysekera failing him
4. W. M. A. Bandara failing him
5. N. P. Karunarathne failing him
6. S. P. K. Gunarathne failing him
7. A. S. Ibrahim failing him

as my/our proxy to represent me/us and vote on my/our behalf at the tenth (10th) Annual General Meeting of the Company to be held on 29th March 2019 at 3.30 p.m. at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No:

		For	Against
1	To receive and consider the Annual Report of the Board of Directors together with the financial statements of the Company for the year ended 31st December 2018 together with the report of the Auditors thereon.		
2	To declare a final dividend of Rupees.1.10 (Rs.1.10) per Ordinary Share as recommended by the Board of Directors.		
3	To re-elect as a Director Mr. Namasivayam Vasantha Kumar, who retires in terms of Article 27 (8) of the Articles of Association		
4	To re-elect as a Director Mr. Lakshman Abeysekera, who retires in terms of Article 27 (8) of the Articles of Association.		
5	To re-elect as a Director Mr. Nivithigala Polgaswaththe Karunarathne, who retires in terms of Article 27 (8) of the Articles of Association.		
6	To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.		

Auditors of the Company
According to Section 55 of the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'auditee entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company.

Signed this .... day of 2019

....

Signature Shareholder's N.I.C./ P. P./Co. Reg. No.

Notes:
1. Proxy need not be a member of the company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19(3) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
   a. In case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the complete proxy if it has not already been registered with the company.
   b. In case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
   c. In the case of joint-holder, be signed by the joint-holder whose name appears first in the Register of Members.
4. The completed form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited a No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholders, signing the Proxy.
6. An extract of Articles 15,18 and 22 of the Articles of Association of the Company which deal with meetings of shareholders is produced below for the information of the Shareholders,

“ 15. METHOD OF HOLDING MEETINGS

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

18. VOTING

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
   a) the chairperson; or
   b) not less than five (5) shareholders having the right to vote at the meeting; or
   c) a shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The chairperson of a shareholders’ meeting is not entitled to a casting vote.

22. VOTES OF JOINT HOLDERS

Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote.”

INVESTOR FEEDBACK FORM

We welcome your valuable feedback on this Integrated Annual Report.

To request information or submit a comment/query to the Company, please complete and return this page to,

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People's Insurance PLC,
No. 07, Havelock Road,
Colombo 05,
Sri Lanka.
Fax : 0112206418
E-mail : nilushan@plc.lk

Name : ....

....

Mailing address : ....

....

Contact numbers - Tel. : ....

- Fax : ....

E-mail address : ....

Name of company (If applicable) : ....

Designation (If applicable) : ....

Company address (If applicable) : ....

Comments/queries : ....

....

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