

REIMAGINE THE FUTURE

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AS WE TRAVERSED THROUGH AN EXTRAORDINARY BUSINESS TERRAIN WE GEARED OURSELVES TO THE NEW NORMAL BY SUCCESSFULLY ADAPTING TO NEW BUSINESS REALITIES BY SHAPING AND SCULPTING THE FUTURE TO EXPLORE A WORLD OF NEW POSSIBILITIES.

WE RELIED ON OUR COLLECTIVE SKILLS, KNOWLEDGE, AND VERSATILITY TO DEPLOY CREATIVE STRATEGIES TO DEVELOP SOLUTIONS DESIGNED TO MEET THE EVOLVING NEEDS OF THE INDUSTRY. AS WE REMAIN FOCUSED AND RESOLUTE WE CARVE OUR POSITION AS A TRANSFORMATIVE FORCE IN THE INSURANCE SECTOR BY REIMAGINING THE FUTURE.

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CHAIRMAN'S MESSAGE

"Against this backdrop, the Company remains committed to reinventing itself as a dynamic, resilient and future-fit organisation. Significant emphasis will be placed on our human capital as we seek to nurture a performance-driven culture within the organisation while continuing to invest in engagement and talent development."



CHIEF EXECUTIVE OFFICER'S REVIEW

"The Company's long-term aspirations are centered on strengthening its market position through leveraging its brand value and group synergies."

THE PEOPLE'S INSURANCE STORY

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Digital View



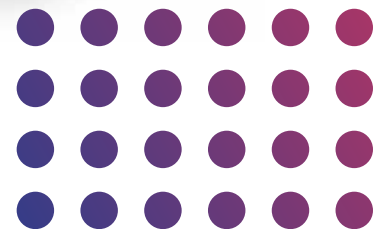
The Annual Report is available on our official website, www.peoplesinsurance.lk

ABOUT THIS REPORT

People's Insurance PLC

Annual Report 2021

Our 8th Integrated Annual Report, "Re-imagine the future" is designed to provide a comprehensive yet balanced assessment of how we leveraged our resources and relationships to create value to our diverse stakeholders during the year. The Report has been prepared in line with the Integrated Reporting <IR> Framework of the International Integrated Reporting Council and includes information on our operating landscape, strategy, risk management, corporate governance, performance and outlook.



Reporting Scope and Boundary

The Report covers the operations of People's Insurance PLC ("PI" or "the Company") for the period from 1st January to 31st December 2021. We adopt an annual reporting cycle and this Report builds on the Company's previous annual report for the financial year ending 31st December 2020. There are no material re-statements of information reported last year nor any significant changes to the Company's structure, size or supply chain. The boundary of reporting for the financial statements (page 111) is limited to the operations of the Company. The narrative from page 30 to 67 includes information pertaining to the Company's operating landscape, customers and supply chain.



Materiality : The Company has applied the principle of materiality in identifying and prioritising the information to be included in this Report. Our material topics represent the issues, opportunities and challenges that could materially impact the Company's ability to consistently deliver value to our stakeholders. Given the challenging macro-economic conditions and pandemic-led disruptions that prevailed during the year, the Company's materiality landscape changed considerably as is discussed from pages 42 to 45.

Frameworks and Assurance

We have adopted several mandatory and voluntary reporting frameworks in preparing this Report, as presented below. We also adopt a combined assurance model to assess and assure the information provided, which includes internal mechanisms and external assurance. The Auditor General have provided external assurance on our financial statements.

	FINANCIAL STATEMENTS	NARRATIVE REPORT	SUSTAINABILITY REPORTING	CORPORATE GOVERNANCE
Standards and Principles	<ul style="list-style-type: none"> ● Sri Lanka Financial Reporting Standards ● Companies Act No 7 of 2007 ● Listing Rules of the CSE 	<ul style="list-style-type: none"> ● Integrated Reporting Framework of the International Integrated Reporting Council ● "A Preparer's Guide to Integrated Corporate Reporting" issued by the Institute of Chartered Accountants of Sri Lanka 	<ul style="list-style-type: none"> ● GRI standards-In Accordance (Core) ● Sustainable Development Goals (SDG) Reporting 	<ul style="list-style-type: none"> ● Regulation of Insurance Industry Act No.43 of 2000 and amendments ● Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)
Internal assurance mechanism	Internal Audit Function Ongoing review of the reporting process and internal controls by the Audit Committee	Board of Directors ensure compliance with <IR> Framework and attest to the integrity and accuracy of the Report.	Information collated by respective departments and assured by the Sustainability Committee	Information collated and assured by the Compliance Department
External assurance mechanism	External assurance on financial statements provided by the Auditor General			

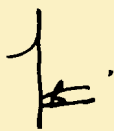
Forward looking Statements

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

Board Responsibility

The Board of Directors hereby confirm that the Company's Annual Report for 2021 addresses all relevant material matters and represents the Company's integrated performance in a fair and accurate manner. The Board also confirms that the Report has been prepared in line with the guidelines presented by the <IR> Framework. The Report is approved and authorised for publication.

Signed on behalf of the Board,



Isuru Balapatabendi
Chairman

27th May 2022
Colombo

Feedback

We welcome your suggestions and comments on further improving the readability and relevance of our Report. Please direct your feedback to;







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Digital View



www   
The Annual Report is available on our official website,
www.peoplesinsurance.lk

NAVIGATION ICONS

CAPITALS AS DEFINED THE <IR> FRAMEWORK	
 Financial Capital	 Manufactured Capital
 Human Capital	 Social and Relationship Capital
 Intellectual Capital	 Natural Capital

STRATEGIC PRIORITIES
 Business growth and profitability  Customer service excellence  Optimisation of resource utilisation  Preferred workplace  Compliance  Social and environmental commitment

OTHER REFERENCES
 Implications of COVID-19

THE YEAR AT A GLANCE



OPERATING ENVIRONMENT

- Prolonged impact of the continued restrictions on motor vehicle imports
- Regulatory developments
- Significant increase in cost of spare parts
- Low interest rate scenario for most part of the year



STRATEGIC PRIORITIES

- Focus on consolidating existing portfolio
- Ongoing emphasis on strengthening digitization
- Focus on expanding the non-motor segment particularly through People's Bank
- Optimising pricing strategies
- Nurturing a performance-driven culture



2021 in Review



PERFORMANCE

- 0.7%** reduction in Gross Written Premium
- 3%** reduction in Net Earned Premium
- 11%** increase in claims
- 52%** reduction in Underwriting Results
- 9%** reduction in Other Income
- 30%** reduction in pre-tax profit



OUTLOOK

- Strategize in weakening macro-economic conditions and impact on affordability
- Increase penetration in low-cost business model
- Capitalize on the group synergies
- Enhance training proposition through focus on technical skills and customer relationship management

PERFORMANCE HIGHLIGHTS

	Measurement unit	2021	2020	Change % y-o-y
FINANCIAL PERFORMANCE				
Revenue	Rs.mn	5,906	6,163	(4.17)
Gross written premium	Rs.mn	5,968	6,012	(0.73)
Net earned premium	Rs.mn	5,121	5,303	(3.43)
Net claims	Rs.mn	2,994	2,700	10.89
Underwriting and net acquisition costs	Rs.mn	527	560	(5.89)
Operating and administrative expenses	Rs.mn	1,204	1,236	(2.59)
Underwriting results	Rs.mn	384	808	(52.48)
Other revenue	Rs.mn	785	859	(8.61)
Pre-tax profit	Rs.mn	1,169	1,667	(29.87)
Income tax	Rs.mn	(189)	(472)	(59.96)
Profit for the year	Rs.mn	980	1,195	(17.99)
Net claims ratio	%	58.48	50.90	7.58
Net expense ratio	%	34.03	33.86	0.17
Net combined ratio	%	92.50	85.76	6.74
Return on equity	%	20.26	28.97	(8.21)
FINANCIAL POSITION AND STABILITY				
Total assets	Rs.mn	11,055	10,596	4.33
Financial investments	Rs.mn	9,039	8,574	5.42
Total liabilities	Rs.mn	6,062	5,977	1.42
Insurance contract liabilities	Rs.mn	4,832	4,623	4.52
Equity	Rs.mn	4,993	4,619	8.10
Credit rating (Fitch rating)	FITCH (Ika)	A+	A+	-
INVESTOR RATIOS				
Market value per share (Closing)	Rs.	34.30	28.20	21.63
No. of shares in issue	Mn	200	200	-
Market capitalisation	Rs.mn	6,860	5,640	21.63
Earnings per share	Rs.	4.90	5.98	(18.06)
Net asset value per share	Rs.	24.96	23.10	8.05
Dividend per share	Rs.	1.50	3	(50)
Price/Earnings ratio	Times	7.00	4.72	45.97
Dividend cover	Times	3.32	1.99	66.83
STATUTORY RATIOS				
Capital Adequacy Ratio (CAR)	%	317	304	13
Total Available Capital (TAC)	Rs.mn	4,549	4,163	9.27

NON-FINANCIAL HIGHLIGHTS

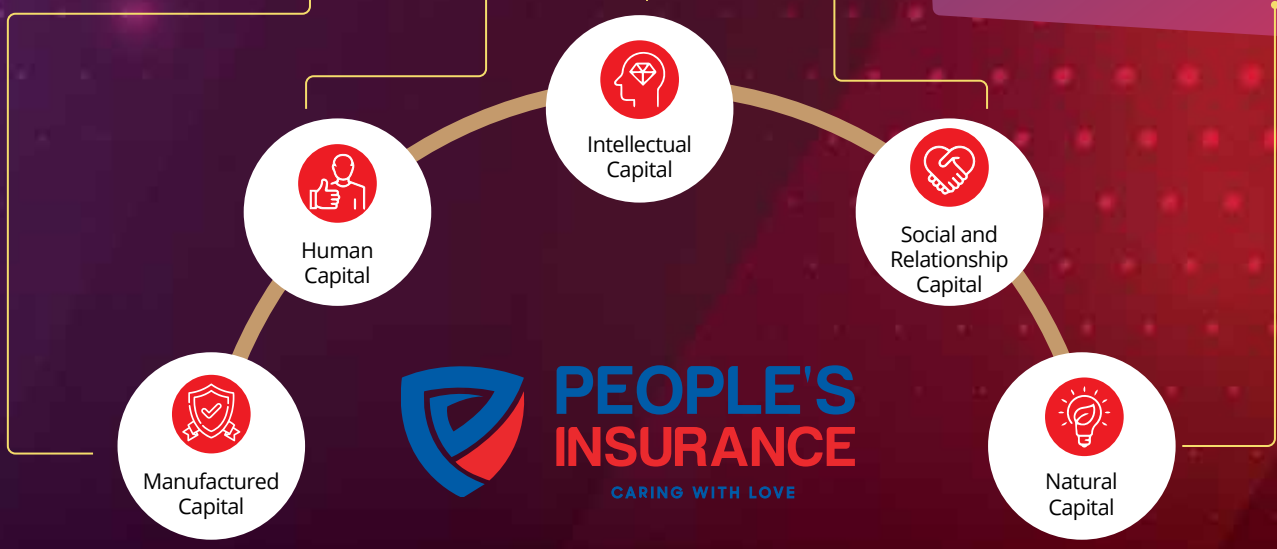
- Total employees **618**
- Employee expenses **Rs. 559 Mn**
- Remuneration per employee **Rs 0.9 Mn**
- Investment in training **Rs. 3.5 Mn**
- Total training hours **8,920**
- Female representation **20%**
- Number of promotions **100**

- Group synergies
- Investment in brand building **Rs. 42 Mn**
- Value of People's Brand

- Customer base **39,337**
- No. of policies **263,998**
- Customer satisfaction rate **83%**
- Products revamped **2**
- Commissions paid to **99** agents **Rs. 72 Mn**
- Payments to suppliers **Rs. 42 Mn**
- Investment in CSR **Rs. 50,000**

- Customer contact points **146**
- Window offices at PLC **105**
- Capital expenditure **Rs. 31 Mn**
- Investment in digital infrastructure **Rs. 12 Mn**

- Investment in CSR - **Rs. 50,000**
- ENVIRONMENT**
- Energy intensity- electricity consumption per employee - **854 Kwh**
 - Given the conditions that prevailed during the year, the company was restricted in engaging in CSR activities and unable to compute the carbon footprint.



RESPONSE TO THE COVID-19 PANDEMIC



Sri Lanka recorded a surge in infections with the emergence of the 2nd and 3rd waves of the pandemic in 2021, which saw the rapid spread of highly transmissible variants. That said, businesses demonstrated strong resilience and adaptability to operating in conditions of limited mobility, leveraging the learnings obtained during the 1st wave of the pandemic. Against this backdrop, PI ensured uninterrupted operations while taking comprehensive measures to safeguard the health and safety of its customers, employees and other stakeholders.

EMPLOYEES



- Facilitated work-from-home arrangements for 56 employees thereby supporting their physical and mental well-being, enhancing productivity, and contributing towards better work life balance
- Comprehensive health and safety guidelines implemented at all operating locations
- Training and engagement shifted to digital platforms

Rs. 7 Mn
Investment in health and safety

CUSTOMERS



- Accelerating digital adoption among customers through facilitating digital delivery and online payments
- Ensured uninterrupted operations during the 2nd and 3rd waves of the pandemic
- Drive customer centricity through innovations and digital services
- Revamping two products during the year
- Ongoing customer engagement through numerous virtual platforms

22%
Increase in non-motor business

SHAREHOLDERS



- Consistent monitoring of emerging developments in the operating landscape
- Proactive management of financial performance, liquidity, and stability
- Strategic focus on expanding non-motor business
- Strengthen leadership, governance and risk management frameworks

Rs. 980 Mn
Profit after Tax

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 opened the first regional office in Galle, extending our presence.

2013

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

2014

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

2015

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

2016

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

2017

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

2018

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

2019

Awarded the ISO 9001:2015 certificate. Entered in to an MOU with Union Assurance PLC to provide a comprehensive insurance solution to People's Bank's customers.

2020

Ensured uninterrupted business operation to all stakeholders with the introduction of automation and digitization during pandemic and recorded the history highest profit after tax of Rs. 1.2 Bn.

2021

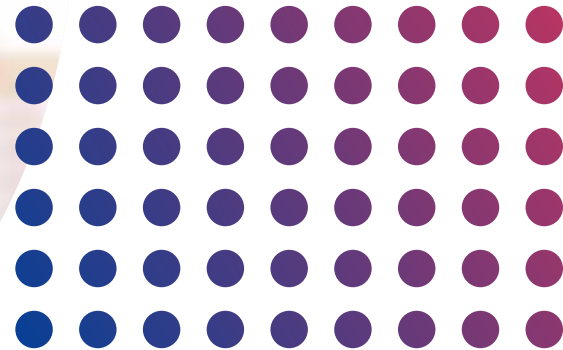
Partnered with Sri Lanka Tourism Development Authority (SLTDA) to provide mandatory COVID-19 insurance cover for inbound travelers of Sri Lanka to regain the economy during pandemic.

REIMAGINE THE POSSIBILITIES

Together with the strength of our team, we reinvented ourselves as a dynamic, resilient, and future-fit organisation. We will continue to progress by adapting to evolving business dynamics whilst shaping our digital journey and leveraging existing capabilities to transform the customer experience and build a lean and innovative organisation.

LEADERSHIP INSIGHTS

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Chairman's Message

“Against this backdrop, the Company remains committed to reinventing itself as a dynamic, resilient and future-fit organisation. Significant emphasis will be placed on our human capital as we seek to nurture a performance-driven culture within the organisation while continuing to invest in engagement and talent development.”

It is my pleasure to present to you the Annual Report and Audited Financial Statements of People's Insurance PLC for the financial year ended 31st December 2021. The Company demonstrated strong resilience and agility in an extraordinary volatile year, successfully refining its strategy and adapting its operating model to ensure continued value creation to its stakeholders. Resultantly, despite the many challenges that prevailed, the Company generated a profit-after-tax of Rs. 980 million in 2021 and is positioned for continued growth upon the anticipated recovery of the economy over the medium-to-long term.

Sri Lanka's Gross Domestic Product (GDP) growth recovered to 3.7% in 2021, compared to a contraction of 3.6% in the previous year, supported by a strong rebound in the first quarter of the year. Activity slowed in the second quarter following a surge in COVID-19 infections, before once again gaining momentum reflecting the country's successful vaccination drive and improved business sentiments. The economy showed signs of stress from the latter part of 2021. However, with challenges worsening in the first quarter of 2022, unprecedented pressure on the external front resulting from a drop in tourism earnings, remittance inflows and significant international debt payments led to the foreign currency reserves recording gradual depletion. The regulator allowed market forces to determine the exchange rate in the first quarter of 2022, resulting in the sudden and sharp depreciation of the Rupee by March 2022. Meanwhile, disruptions to supply chains and the depreciation of the Rupee led to escalating

inflationary pressures, particularly in the 2nd half of the year. Resultantly, headline and core inflation increased to 12.1% and 8.3% in 2021 compared to 4.2% and 3.5% recorded in 2020 before showing a sharper increase in the first quarter of 2022. The crippling foreign exchange crisis has resulted in shortages in essential items including fuel, food and medicine in the first quarter of 2022 which in turn led to social unrest and political instability.

Against this backdrop, Sri Lanka's non-life insurance sector recorded a year of mixed results. The Gross Written Premium (GWP) increased by 3.6% during the year, driven primarily by the non-motor businesses as the motor sub-sector decreased by 0.3%. Meanwhile claims increased by 13.8% during the year, reflecting normalisation of economic activity and mobility, as well as a sharp increase in the cost of spare parts. This translated to a claims ratio of 55.8% during the year. Resultantly, the Sector's pre-tax profit recorded a decline of 21% during the year.

PI's performance reflected the prevalent economic and industry challenges, although the effective implementation of a robust and forward-looking strategy enabled the Company to cushion these impacts to a certain extent. With the emergence of the 2nd and 3rd waves of COVID-19 in 2021, the Company swiftly adapted to new ways of working and leveraged the learnings obtained in 2020 to ensuring uninterrupted services to our customers while safeguarding the well-being of staff. Continued emphasis was also placed on digital transformation as we sought to enhance both the customer experience and internal efficiencies through leveraging our digital capabilities. The Company continued to leverage partnerships within the People's Bank Group as well as the wider ecosystem of government institutions to drive increased penetration in non-motor business. The Company also continued its innovation drive, launching several new products catering specially, the non-motor segment. I am also extremely proud of the role played by PI

in encouraging much-needed tourism inflows to the country as the exclusive provider of mandatory insurance for inbound travellers, in partnership with the Sri Lanka Tourism Development Authority. As a result of these proactive measures, the Company generated a revenue of Rs. 5.9 billion, a decline of 4% in comparison to the previous year while profit-after-tax amounted to Rs.980 million.

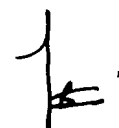
The need for strong and ethical corporate governance practices has never been stronger, and the Company's robust frameworks and comprehensive policy frameworks provided a solid foundation in navigating the uncertainties presented by the operating landscape. The Board is supported by several sub-committees which enables focused attention of selected Board members on critical areas of governance. During the year, the Board focused on assessing the implications of the pandemic on the safety of employees as well as the Company's financial sustainability and long-term growth. The Board also reviewed and revised the Company's policy framework ensuring relevance and applicability to emerging dynamics. Strategic emphasis was also placed on effectively managing risks through monitoring risk dashboards and facilitating closer connectivity between the Risk and Compliance function and the Board Audit Committee.

In looking to the future, the Company is likely to face the inevitable pressures arising from the country's macro-economic crisis over the immediate term. As inflationary pressures escalate and mobility is restricted due to the shortage of fuel, the motor insurance sector is likely to see a contraction over the short-term. As risks elevate, we are bracing for the potential impact on our financial performance and stability which is largely mitigated by the Company's strong capitalisation levels, brand strength and relationships with the People's Bank Group. Despite the short-term pressures, we remain optimistic regarding a medium-term economic recovery, supported by appropriate monetary and fiscal

policy measures together with a bail-out and restructuring program supported by the International Monetary Fund. Commitment to fiscal discipline and much-needed structural reforms could pave way for long-term, sustainable economic growth and we are confident that Sri Lanka will demonstrate its characteristic resilience in overcoming impending challenges over the short-term.

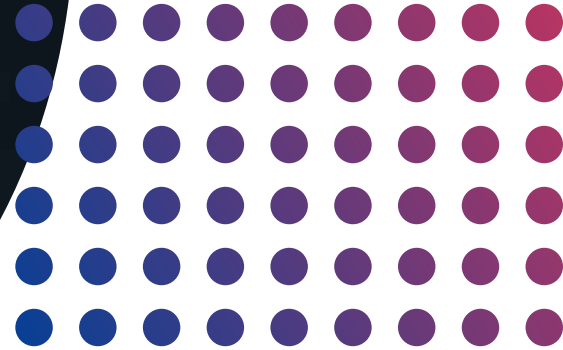
Against this backdrop, the Company remains committed to re-inventing itself as a dynamic, resilient and future-fit organisation. Significant emphasis will be placed on our human capital as we seek to nurture a performance-driven culture within the organisation while continuing to invest in engagement and talent development. Ongoing measures will be adopted to diversify our portfolio and increase penetration in non-motor segments, thereby building a more resilient model. The Company will also continue to progress on its digital journey, leveraging existing capabilities to transform the customer experience and build a lean and innovative organisation.

In closing, I would like to take this opportunity to extend my appreciation and gratitude to my colleagues on the Board for their continued support and valuable counsel in an extraordinarily difficult year. My appreciation also goes out to the Insurance Regulatory Commission of Sri Lanka for their support and guidance over the years. While taking this opportunity to welcome the Company's new Chief Executive Officer, Ms. Jeevani Kariyawasam I would like to extend my deepest appreciation to the efforts and commitment of the team at PI. I would also like to thank all our customers, business partners and other stakeholders for their continued partnership in our journey.



Isuru Balapatabendi
Chairman

27th May 2022
Colombo



Chief Executive Officer's Review

"The Company's long-term aspirations are centered on strengthening its market position through leveraging its brand value and group synergies."

The year under review can be best described as a year of uncertainty and tumult; organizations had to redefine their business models to accommodate evolving customer needs while ensuring the safety and well-being of their biggest asset, the employees.

Against this backdrop, our Company maintained its financial stability and continued to deliver on its shareholder commitments, generating a profit after tax of Rs. 980 Mn. I am pleased to present to you an overview of the Company's strategy and performance for 2021 and the future prospects.

Financial Performance

As discussed in the Chairman's Message on pages 12 to 13 of this Annual Report, the operating environment remained extremely challenging, influenced by pandemic-led disruptions and a gradual weakening of the country's macro-economic conditions. The Company's performance inevitably reflected these dynamics, with the gross written premium declining by 0.7% in view of continued restrictions in motor vehicle imports, which in turn led to a 5% decline in the motor segment's GWP. Fire insurance GWP also declined by 4% while Marine and Miscellaneous recorded improvements of 185% and 36% respectively. Opportunities for expanding the captive business was limited given the downturn in the leasing market, while non-captive businesses recorded only a marginal growth of 5% during the year.

Net claims increased by 11% to Rs.2.99 billion during the year, reflecting normalisation of economic activity and mobility in comparison to 2020 and the sharp increase in the cost of spare parts. The Company's claim ratio therefore increased to 58.5% from 50.9% the previous year. Despite inflationary pressures, focus on operating efficiencies and digitalisation enabled the Company to record a 3% reduction in its operating expenses. However, the expense ratio maintained at the same level of 34% in the year under review. The Company's expense ratio remains well below its peers, reflecting the Company's unique distribution model and low-cost customer acquisition stemming from its captive market. The decline in GWP coupled with the increase in claims resulted in the Company's underwriting profit decreasing by 52% to Rs. 384 Mn. The Company's financial position is healthy, supported by strong capitalisation levels as represented by a CAR of 317%. Total assets increased by 4% to Rs.11.05 Bn during the year, while total equity recorded a growth of 8% supported by profit generation.

Strategic Priorities

Agility and responsiveness have emerged as critical success factors in today's volatile industry landscape and the Company was compelled to revisit and refine its objectives and action plans to address emerging risks and opportunities. The Company's long-term aspirations are centered on strengthening its market position through leveraging its brand value and group synergies. Towards this end, the Company sought to enhance its digital propositions, its customer service deliverables and drive innovation to capture emerging opportunities.

The Company's growth strategy for the year centered on strengthening relationships with its parent and ultimate parent in driving increased penetration in non-motor businesses. To facilitate the same the Company enhanced its collaboration with People's Bank, with the aim of acquiring the non-motor captive business of People's Bank. The Company also marked a major milestone during the year, by entering a landmark partnership with the Sri Lanka Tourism Development Authority to provide COVID related medical insurance cover for inbound tourists. The Company is honoured to be associated with this endeavor as a part of Sri Lanka's efforts to revive the battered tourism industry.

The Company continued to focus on innovation and product development through revamping two products in the non-motor category. These products were designed in consideration of increasing preference of customers for affordable offerings while also featuring customer convenience and value-addition as core elements. In addition to the above, the Company continued its journey of digital transformation, which included digital onboarding, online premium payment, and claims settlement among others. The Company has also leveraged its digital capabilities to support internal efficiencies and facilitate new ways of working. This included the launch of a mobile app

for claims assessment and facilitating remote working for selected employees.

Value to People

The Company's resilience during the year is attributed to the strength and agility of its team, which swiftly adapted to new ways of working while continuing to serve customers. During the year, the Company reinforced its commitments to employees through ongoing initiatives to nurture a performance-driven culture within the organization. Training and development continued to be a key priority as we focused on enhancing the technical and customer-service skills of our team. Despite the challenges that prevailed, we conducted a range of virtual and physical engagement activities with the aim of maintaining morale and employee motivation.

Sustainability

Our Sustainability agenda is designed to drive the triple objectives of economic success, social responsibility and environmental responsibility. Even though we were compelled to curtail our community engagement activities, we intend to resume these initiatives shortly.

Way Forward

The country's current macro-economic vulnerabilities present the most significant risk to the Company's performance in the near term. The shortage in fuel and energy, together with escalating inflation and adverse investor sentiments will inevitably create a challenging environment for the insurance industry in the immediate term. However, we remain cautiously optimistic of the country's medium-term economic outlook, given ongoing discussions with multi-lateral agencies and friendly nations in obtaining bridging facilities. We anticipate the economy to gradually recover as shortages for essential items ease, paving way for the resumption of economic activity.

CHIEF EXECUTIVE OFFICER'S REVIEW

“The Company has also leveraged its digital capabilities to support internal efficiencies and facilitate new ways of working; this included the launch of a mobile app for claims assessment and facilitating remote working for selected employees.”

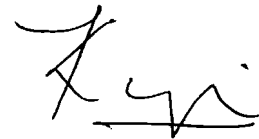
Against this backdrop, we will continue to drive our strategy towards strengthening our presence in markets which present opportunities for growth and catering to emerging requirements of customers through affordable, low-premium products. Key priorities for 2022 include increasing focus on captive business and pursuing cross-selling opportunities within the People's Bank Group. We also hope to leverage partnerships with government institutions to acquire businesses in new development projects thereby driving increased penetration of non-motor business. Digital capabilities will be a key focus of our strategy as we persistently seek to enhance the customer experience and optimise internal processes to drive increased efficiency.

Acknowledgements

In closing, I would like to take this opportunity to thank the Chairman and Board of Directors for their valuable counsel during a challenging year and for the confidence placed in me. On behalf of the People's Insurance team, I would also like to extend my appreciation to the Boards of People's Bank and People's Leasing & Finance PLC for their unstinted support in driving our strategic aspirations. As we look forward to what will undoubtedly be a challenging year,

I look forward to the support of our loyal team members and I thank them for their dedication and commitment in the past year. My appreciation is also extended to the regulator, the Insurance Regulatory Commission of Sri Lanka for their continued efforts to create a conducive industry environment. I would also like to thank all our stakeholders including our valuable customers and business partners for their support in our journey of growth and I look forward to your support in the years to come.

Thank you,



Ms. Jeevani Kariyawasam
Chief Executive Officer

27th May 2022
Colombo

BOARD OF DIRECTORS



Left to right:

Mr. Rohan Tennakoon - *Non-executive, Non-independent Director*, **Dr. Kasun Wijetilleke** - *Non-executive, Independent Director*, **Mr. Ranjith Kodituwakku** - *Non-executive, Non-independent Director*, **Mr. Isuru Balapatabendi** - *Non-executive, Non-independent Chairman*, **Mr. Shamindra Marcelline** - *Non-executive, Non-independent Director*, **Mr. Lakshman Abeysekera** - *Non-executive, Independent Director*, **Mr. Johnson Fernando** - *Non-executive, Non-independent Director*, **Ms. Sachini Hulugalle** - *Company Secretary*

BOARD OF DIRECTORS



MR. ISURU BALAPATABENDI

Non-executive, Non-independent
Chairman

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

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

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

At present, he functions as a Director of People's Bank, a Director of Sri Lanka Ports Authority and also as a Director of the Colombo West International Terminal (Pvt) Ltd.

Mr. Balapatabendi is also currently the Secretary of the Bar Association of Sri Lanka.



MR. RANJITH KODITUWAKKU

Non-executive, Non-independent
Director

Mr. Kodituwakku is a veteran banker, serving as the Chief Executive Officer/ General Manager of People's Bank. He has nearly four decades of multi-faceted experience in local as well as cross border operations.

He has a wealth of banking knowledge in a wide spectrum of areas covering Branch Banking, Consumer Banking, Commercial Banking, Corporate Banking, Off-shore Banking, International Banking, Project Financing, Recoveries and Digitalization etc.

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

He also serves as the Chairman of Financial Ombudsman Sri Lanka (Guarantee) Ltd., Lanka Financial Services Bureau Ltd. and People's Travels Ltd., Vice Chairman of Sri Lanka Banks' Association (Guarantee) Ltd., Director of People's Leasing & Finance PLC, People's Merchant Finance PLC, Lankan Alliance Finance Ltd. - Bangladesh, Credit

Information Bureau of Sri Lanka and Lanka Clear (Pvt) Ltd. and a Governing Board Member of the Institute of Bankers of Sri Lanka and the National Payments Council.

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



MR. SHAMINDRA MARCELLINE

Non-executive, Non-independent
Director

Mr. Marcelline was appointed as a Non-executive, Non-independent Director in March 2020.

He graduated from the Colombo International School in Sri Lanka in 1993. He holds a Degree in Economics and Accountancy (BSc.) from the City University (1996), London (UK) and also Financial Advisors' International Qualification (FAIQ), from the Chartered Insurance Institute, UK (2008).

Mr. Marcelline is an experienced banker with local and foreign bank exposure in addition to working overseas for the HSBC Group and brings with him unique industry insights so as to contribute towards the strategic direction of the Company.

At DFCC, he spearheaded the Bank's Corporate Banking strategic initiatives across the country and in overseas markets.

In October 2019, he played a key role in securing the mandate for Sole Adviser

and Structuring Bank for a Dual Tranche Bi-lateral Loan Facility for a leading Maldivian company, recognized as the largest ever loan facility given by the DFCC Bank Sri Lanka.

As a member of the Bank's Executive Committee, Asset and Liability Committee and Operational Risk Management Committee, Mr. Marcelline played a strategic role in harnessing the Bank's corporate initiatives.

He joined DFCC Bank following a cross posting, as the Country Manager, Maldives, by the HSBC Group.

He is credited with the transformation of the banking industry in the Maldives and was responsible for the largest asset drive in the islands at the time.

Under his stewardship, the development, performance and growth of the Commercial and Global Banking business consisting of corporate real estate, international subsidiary banking and public sector areas, grew into a formidable wholesale banking initiative. It included P&L responsibility and he successfully oversaw a team of Relationship and Product Managers, enabling the Bank to build and sustain strategic relationships with key stakeholders and business leaders.

He also headed the Financial Institutions Group and Public Sector for HSBC Sri Lanka and Maldives before joining the DFCC Bank.

Among his key achievements he had been successful in managing the Sri Lanka Sovereign and Quasi-Sovereign Institutions implementing the HSBC Group Investment Banking strategy.

Mr Marcelline has strong credentials in the banking and finance sector in Sri Lanka and has contributed towards showcasing Sri Lanka's investment potential globally.

He has participated in multiple investor-road-show events held across the USA, UK, Middle East and South East Asia as a part of the initiatives driven by the

Ministry of Finance, Central Bank of Sri Lanka and leading State and Commercial Banks.

He also serves as the Chief Executive Officer/General Manager of People's Leasing & Finance PLC, Director of People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Micro-Commerce Ltd. and Lankan Alliance Finance Limited-Bangladesh.



MR. LAKSHMAN ABEYSEKERA

Non-executive, Independent Director

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

He draws from almost three decades of experience in the field of Accounting, Finance and Management and he is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and was a Member of Governing Council of Association of Accounting Technicians of Sri Lanka. He holds an MBA from the Postgraduate Institute of Management University of Sri Jayewardenepura.

Mr. Abeyssekera is highly proficient in international trade, shipping and pharmaceutical sectors across local, public quoted and multinational companies. He held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Senior Accountant at Lankem Ceylon PLC and Accountant at Hoechst (Ceylon) Limited. Further, he held the Directorships of Non-Ex Pharmaceuticals Limited, AAT Sri Lanka and currently serves as a Director, JanRich (Foods) Ltd, a BOI Company.

Mr. Lakshman Abeyssekera is the former Chairman of SDB Bank.



MR. JOHNSON FERNANDO

Non-executive, Independent Director

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

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

Mr. Fernando at present serves as a Director of Expo Industrial Engineering (Pvt) Ltd., Expo Property Developers (Pvt) Ltd., Expo Printers (Pvt) Ltd., Expo Cargo Links (Pvt) Ltd., Expo Trade Links (Pvt) Ltd., Shore to Shore (Pvt) Ltd. Waters Edge Recreation Ltd. and Lanka Rest House Ltd. He is also an advisory Board Member of the BCI Campus and the Colombo Catholic Press, Committee member at the Archdiocese of Colombo "Special Projects Committee", a Committee member of the National Hospital of Sri Lanka and Vice Chairman of the International Chamber of Commerce Sri Lanka.

BOARD OF DIRECTORS



DR. KASUN WIJETILLEKE

Non-executive, Independent
Director

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

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

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

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

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

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



MR. ROHAN TENNAKOON

Non-executive, Non-independent
Director

Mr. Tennakoon was appointed as a Non-executive, Non-independent Director in March 2021.

He holds Master's Degree in Business Administration (MBA) from the University of Colombo and MSc in Management from the University of Sri Jayewardenepura, BSc. Business Administration (2nd Class Upper) from the University of Sri Jayewardenepura, an Associate Member of the Institute of Bankers of Sri Lanka, Fellow of Sri Lanka Institute of Credit Management, Member of the Professional Bankers Association of Sri Lanka and holds Licentiate of the Institute of Chartered Accountants of Sri Lanka.

Mr. Tennakoon is at presently serving as the Deputy General Manager - Risk and Control in People's Leasing & Finance PLC.

He has served in People's Leasing & Finance PLC for over 24 years in various capacities and counts over 32 years of experience in many diversified fields such as Accounting, Travel Trade, Manufacturing, Exporting and Banking prior to joining Leasing / Finance sector.

He has been serving in Branch Operations contributing to branch network and concept development over a period of nearly 20 years inclusive of Operations, Credit, Business Development and spearheaded the Islamic Finance Division prior to the present position Deputy General Manager Risk & Control.

He is actively involved in the Finance House Association (FHA) of Sri Lanka in the Council of Management and currently is the Chairman of FHA having served as the Deputy Chairman of the council in the year 2019. He is a Director of Leasing Association of Sri Lanka and Director of the Institute of Credit Management of Sri Lanka. He had been the project Chairman of the Sports Committee in 2015 and 2018. He is also serving as the Compliance Officer of the Credit Information Bureau of Sri Lanka.

He is also serving in the panel of jury of the SLIM-NASCO talent search in the sales fraternity.



MS. SACHINI HULUGALLE

Company Secretary

Ms. Sachini Hulugalle was appointed as the Company Secretary of People's Insurance PLC in August 2021.

She is a past pupil of Visakha Vidyalaya and an alumni of the University of London from which she obtained a Bachelor's Degree in Law. She is an Attorney-at-Law counting over 10 years experience in Corporate, Intellectual property and Labour Law and Company secretarial matters, specializing in restructuring companies and advising on all matters pertaining to acquisitions, divestments and investments.

Prior to joining the Company, she was the Group Legal Officer of Ambeon Holdings PLC.

MANAGEMENT TEAM



Left to right:

Ms. Sumudu Bandara - Head of Non Motor Claims, Mr. Chathura Peiris - Chief Human Resources Officer, Ms. Jeevani Kariyawasam - Chief Executive Officer, Ms. Thanuja Fernando - Chief Financial Officer, Ms. Shalika de Silva - Head of Legal, Mr. Danushka Hettiarachchi - Head of Fire and Miscellaneous, Mr. Hareendra Dissanayaka - Head of Motor Claims, Ms. Gowri Navoda - Manager Research and Development, Mr. Sampath Digamadulla - Manager Contact Center and Customer Relationship, Mr. Channa R. Abeywickrema - Head of Motor Underwriting, Mr. Chandima Sumanathunga - Head of Reinsurance and Marine



Left to right:

Mr. Dileepa Perera - Manager - Investments, Mr. Uvindu Pathirana - Manager Operations, Ms. Maheshika Perera - Manager - Finance & Strategy, Ms. Thushari Baddevithana - Manager - Motor Claims, Mr. Kosala Jayarathne - Motor Engineer, Mr. Sashika Jayathilaka - Manager - Reinsurance, Mr. Chamara Lasantha - Manager Credit Control and MIS, Mr. Malinda Wickramasinghe - Manager - Broker Business Development, Mr. Nandana Bandara - Zonal Manager, Mr. Muditha Abeywickrama - Zonal Manager, Mr. Dinesh Palihawadana - Manager - Finance, Mr. Priyantha Yatawarage - Zonal Manager, Ms. Asanga Opatha - Manager - Human Resources and Administration, Mr. Manjula Jayasekara - Zonal Manager, Mr. Videha Alwis - Manager Talent and Performance Development

MANAGEMENT TEAM

MS. JEEVANI KARIYAWASAM

Chief Executive Officer

Ms. Kariyawasam was appointed as the Chief Executive Officer and the Principal Officer of People's Insurance PLC on 1st February 2022. Prior to assuming the role of CEO, she was the Chief Operating Officer from April 2021 to January 2022 and the specified officer of the organization since 2015. She has been associated with People's Insurance from its inception in October 2009 as the Head of Operations.

She accounts for more than 25 years of Industry experience in Sri Lanka. During her career, she has also been associated with HNB Assurance and the National Insurance Corporation in several functional and leadership roles in Underwriting and Claims Management.

Ms. Kariyawasam holds a BSc. Honours Degree in Bio Science from the University of Colombo. She is also an Associate member of the Chartered Insurance Institute - UK (CII) and a Senior Associate CIP Member of the Australia and New Zealand Institute of Insurance and Finance (ANZIIF).

She had also been an office bearer at the Association of Chartered Insurance Professionals (Sri Lanka) as the Membership Secretary between 2016 – 2019 and a Council Member of Sri Lanka Insurance Institute between 2011 – 2014.

MS. THANUJA FERNANDO

Chief Financial Officer

Ms. Fernando joined People's Insurance in May 2022 and is currently heading the finance department. Prior to joining the company, she served Continental Insurance Lanka Ltd as the General Manager Finance, Nations Trust Bank PLC as the Assistant Vice President – Taxation and Payments and Seylan Bank PLC as the Manager Taxation and Payments. She has over 10 years' experience in the field of finance in the financial service sector in Sri Lanka.

Ms. Fernando has an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. She is an Associate Member of the Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK), and the Sri Lanka Institute of Taxation. She also holds a BBA (Accountancy) degree from the University of Colombo.

MR. Chathura Peiris

Chief Human Resource Officer

Mr. Chathura Peiris joined People's Insurance PLC as the Chief Human Resource Officer in December 2021. Mr. Peiris has more than 16 years of experience in the HR field.

He started his career at Suntel Limited and he was employed at Carson Cumberbatch PLC, Coca-Cola Beverages Sri Lanka, Laugfs Holdings at different HR functions and capacities. Prior to joining PI he was employed as Vice President HR at Acorn/ Hemas Group for 8 years in multiple business sectors, until the Acorn Group was formed by way of a management buyout of Hemas Travel and Aviation Sectors in March 2020.

Mr. Peiris holds a Master in Business Administration from the Faculty of Management and Finance of the University of Colombo. He obtained a Human Resources Management Master (HRMM) from Leoron Institute Dubai in 2019. He obtained his BSc Degree in Human Resource Management (Special) (2nd Class–Lower Division), from the Faculty of Management Studies and Commerce of the University of Sri Jayewardenepura. Mr. Peiris is a certified HR Professional from AON Hewitt India. He holds a Diploma in Psychology (UK) (Merit) from the London Business School, Colombo, affiliated to Wigan & Leigh College UK.

Currently he serves as the Treasurer of the HR Alumni Association of the University of Sri Jayewardenepura and is an Alumni member of Colombo MBA. He served as the President of the Student Association of Human Resource Management of the University of Sri Jayewardenepura.

Mr. Peiris has participated in several HR training programs locally as well internationally in South Africa, Thailand, UAE, India and Maldives. He is a product of St. Peter's College, Colombo.

SUPPORT SERVICE TEAM



MR. PRABATH GUNASENA

Deputy General Manager – ICT

Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the head of the ICT department for the past 23 years. He is presently serving as Deputy General Manager - ICT and Head of ICT for the PLC Group.

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



MR. INDIKA EDIRISINGHE

Senior Manager – ICT

Mr. Edirisinghe joined People's Leasing & Finance PLC in 2006. He has over 21 years of experience in the ICT industry, including financial and insurance domains.

He holds an MBA from the Postgraduate Institute of Management (PIM) - University of Sri Jayewardenepura. Also, he has a Bachelor of Information Technology (BIT) degree from the University of Colombo - School of Computing. In addition, he has a Postgraduate Diploma in Information System Management from the University of Colombo. And he is a Member of the British Computer Society.

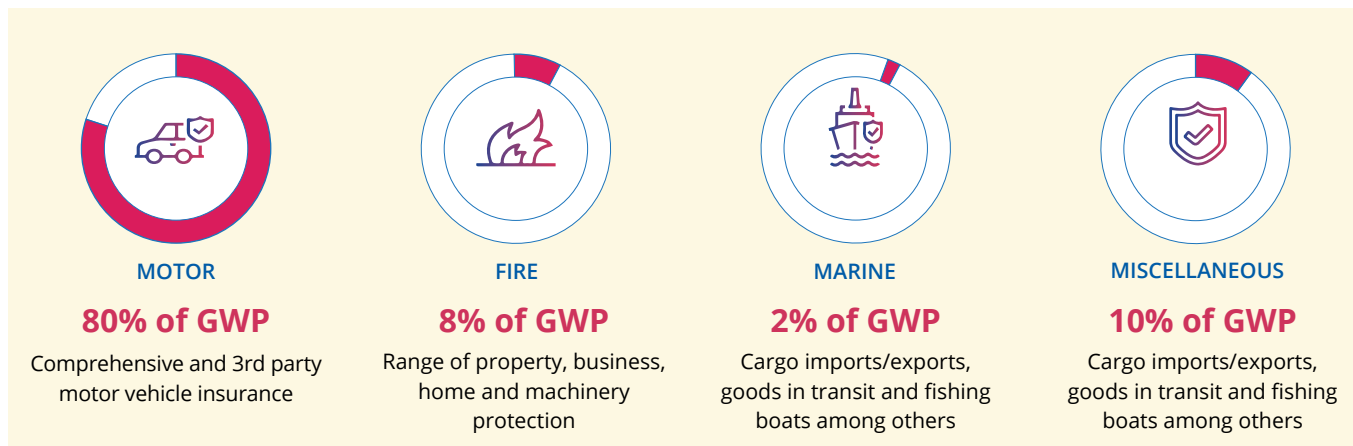
ORGANISATIONAL OVERVIEW

About PI

People's Insurance PLC is a non-life insurer in the country, having a carved a niche for itself in an intensely competitive industry by leveraging its strong brand, low-cost distribution model and multi-channel strategy. It is a subsidiary of People's Leasing & Finance PLC; Sri Lanka's largest non-bank financial institution, which in turn is part of the People's Bank Group, the country's 2nd largest licensed commercial bank. The Company offers an array of motor, fire and engineering, marine and miscellaneous insurance solutions to retail and corporate clients and is one of the most profitable non-life insurers in the country. The Company is registered under the Regulation of Insurance Industry Act and regulated by the Insurance Regulatory Commission of Sri Lanka.



Product Offering

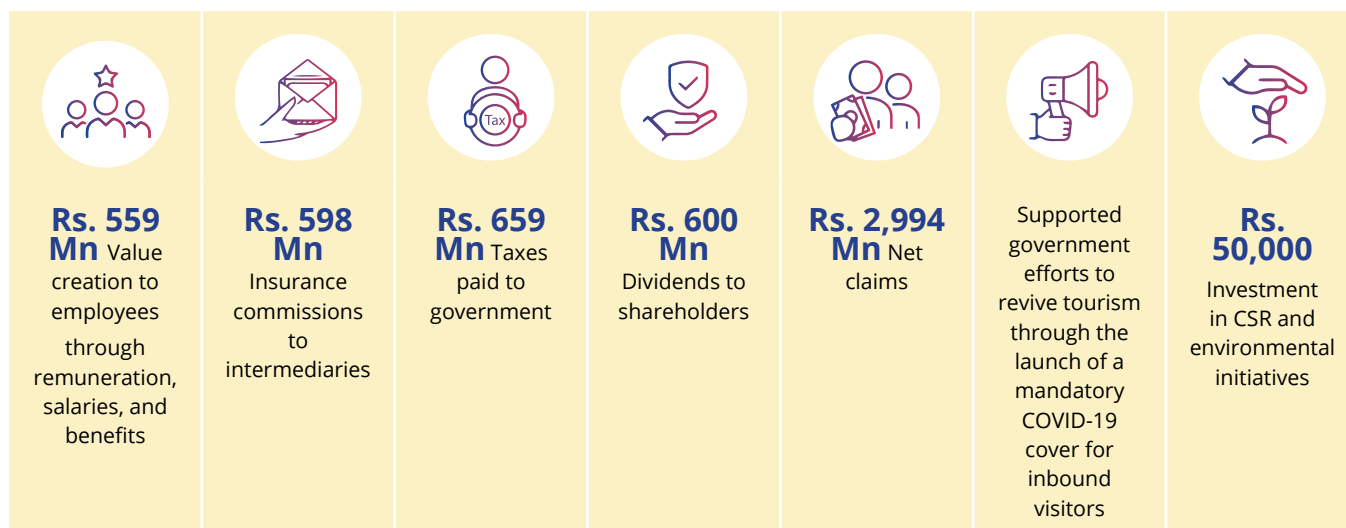


What Sets Us Apart

- 1 Largest captive market** in the industry, stemming from the leasing portfolio of our parent, PLC and the loan portfolio of the ultimate parent, People's Bank
- 2 Joint distribution network** and business promotions of the People's Leasing Group which in turn accrues significant cost efficiencies.
- 3 The People's brand** is one of Sri Lanka's strongest financial services brands and is associated with trust and stability
- 4 Through its sales strategy** the Company has built a diverse and resilient portfolio across customer segments

Our Impacts

The Company generates a host of socio-economic benefits through its operations and sustainability initiatives. Economic value created during the year amounted to Rs. 2.7 Bn, a decrease of 10% compared to the previous year. The Company's socio-economic and environmental impacts during the year are summarised below and discussed in further detail in subsequent sections of this Report.



PERFORMANCE AND VALUE CREATION

CAPITAL INPUTS

VALUE CREATION



FINANCIAL CAPITAL

Financial resources which are used to drive our strategy and day to day operations

Retained earnings: Rs. 3,651 Mn
Operating cash flow: Rs. 1,561 Mn
Investment portfolio: Rs. 9,039 Mn



MANUFACTURED CAPITAL

Tangible infrastructure which we use to connect with customers and conduct business

Customer touch points: 146
Digital infrastructure: Rs. 32 Mn



HUMAN CAPITAL

Talented and committed employees who drive our strategic aspirations and facilitate the customer experience

Employees: 618
Average age of employees: 28 years



INTELLECTUAL CAPITAL

Expertise and innovative capabilities which sharpen our competitive edge

Business practices
Tacit knowledge
Brand



SOCIAL AND RELATIONSHIP CAPITAL

Cooperative stakeholder relationships which enable us to grow our business and be a good corporate citizen

Customer relationships
Business partner and reinsurance relationships
Community relationships



NATURAL CAPITAL

Natural resources we rely on to create value to our stakeholders

Electricity consumption: 527,793 kWh
Fuel consumption: 11,817 ltr

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

Mission: People's Insurance will build upon its sound heritage of financial strength and market reach by excelling as the trusted provider of timely and innovative insurance solutions. We will achieve through the commitment and passion of all our people working in an atmosphere of openness and trust, with respect for the environment and fulfilling stakeholder expectations.

STRATEGIC FOCUS AREAS



Customer service excellence



Business growth and profitability



Preferred workplace



Optimisation of resource utilisation



Social and environmental commitment



Compliance

Corporate Values

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



MOTOR



FIRE

BUSINESS LINES



MARINE



MISCELLANEOUS



Drivers of Change

TECHNOLOGY

→ VALUE CREATION → OUTPUTS → OUTCOMES

INSURANCE ACTIVITIES

- Underwriting and pricing of risks
- Claim management
- Managing investments
- Administration
- Diversifying risk through reinsurance
- Branding and marketing
- Allocating capital

ENABLERS

Corporate Governance
(Pages 69 to 73)

Risk Management
(Pages 87 to 96)

Rs.5.97 Bn
Gross Written Premium generated

263,998
Policies underwritten

Rs. 527.06 Mn
Underwriting & net acquisition cost

Rs.785.10 Mn
Other revenue

FINANCIAL CAPITAL

Shareholder returns commensurate with the risk undertaken

- Earnings per share: **Rs. 4.90**
- Profit after tax: **Rs. 979.67 Mn**
- Dividend per share: **- Rs. 1.50**
- Share price movement: **21.63%**

(Pages 50 to 51)

MANUFACTURED CAPITAL

Ongoing upgrade of facilities and a stable, secure IT infrastructure

- Capital expenditure: **Rs. 30.61 Mn**

(Pages 52 to 53)

HUMAN CAPITAL

Conducive and dynamic work environment with opportunities for skill development

- Employee payments: **Rs. 558.75 Mn**
- Promotions: **100**
- Training hours: **8,920**

(Pages 54 to 59)

INTELLECTUAL CAPITAL

Unique organisational capital base and strong brand name

(Pages 60 to 61)

SOCIAL & RELATIONSHIP CAPITAL

Mutually beneficial relationships with stakeholders

- Customer satisfaction: **83%**
- Value created to business partners: **Rs. 640.05 Mn**
- Supplier payments: **Rs. 42.27 Mn**
- Community investment: **Rs. 50,000**

(Pages 62 to 65)

NATURAL CAPITAL

Unique organisational capital base and strong brand name

- Waste paper recycled: **868 kg**

(Pages 66 to 67)

TALENT RETENTION IN TURBULENT TIMES

REGULATORY DEVELOPMENTS

IMPLICATIONS OF CLIMATE CHANGE



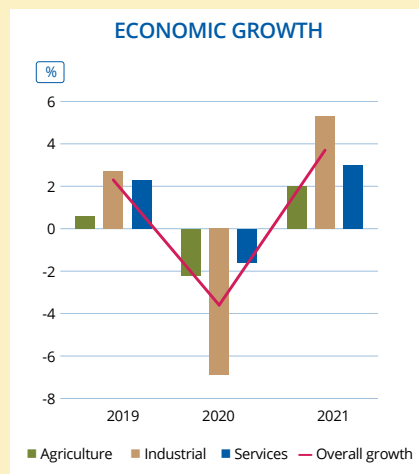
OPERATING ENVIRONMENT

Economic Environment



Sri Lankan Economy

Despite pandemic led disruptions and a deteriorating external position during the last few months of the year, Sri Lanka's GDP increased by 3.7% in 2021, compared to a contraction of 3.6% the previous year. Businesses demonstrated strong agility and adaptability to the pandemic, with the economy rebounding in the first half of the year. However, the emergence of highly transmissible variants of the virus together with broad-based implications of the foreign exchange crisis led to a slowdown in GDP during the second half of the year. These challenges intensified during the first quarter of 2022.



IMPACTS ON PI

- Impact on customer affordability
- Decline in demand
- Intensified price competition

STRATEGIC RESPONSE

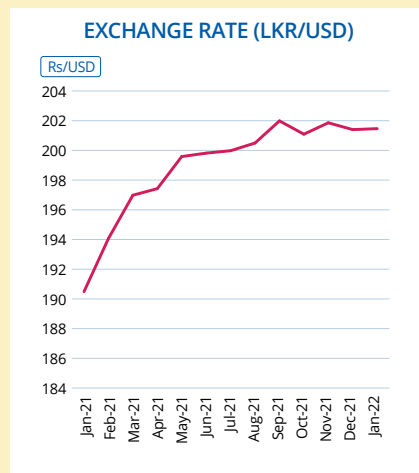
- Leverage relationships with the parent and the ultimate parent to drive increased penetration
- Offer enhanced value proposition to customers



Exchange rates and external sector

Sri Lanka's external sector performance weakened considerably during the year, reflecting significant debt repayments coupled with the sharp fall in tourism earnings, capital outflows from the debt and equity markets and a decline in workers' remittances. With foreign currency reserves falling sharply during the year, the government took measures to curtail non-essential imports including new vehicles.

The Sri Lankan Rupee experienced much volatility during the year, as capital outflows and limited foreign currency inflows led to significant depreciation pressure. The regulator allowed market forces to determine the exchange rate in the first quarter of 2022, resulting in the sudden and sharp depreciation of the Rupee by March 2022.



IMPACTS ON PI

- Restrictions on motor vehicle imports had a sharp impact on the growth of motor insurance
- Impact on reinsurance premium ceded

STRATEGIC RESPONSE

- Optimising the product mix within motor insurance to balance growth and profitability aspirations
- Increased focus on the non-motor business



Monetary policy and interest rates

After historically low interest rates, the CBSL adopted a tightening monetary policy stance from the 3rd quarter of 2021 as it sought to stem inflationary pressures. Monetary policy measures included the following:

- SDFR and SLFR were increased by 50 bps to 5% and 6%
- Bank rate was increased from 8.5% to 9%.
- SRR on rupee deposit liabilities was also increased by 2% to 4% from the 1st of September 2021.

As a result of these measures, market interest rates increased gradually during the latter part of the year.

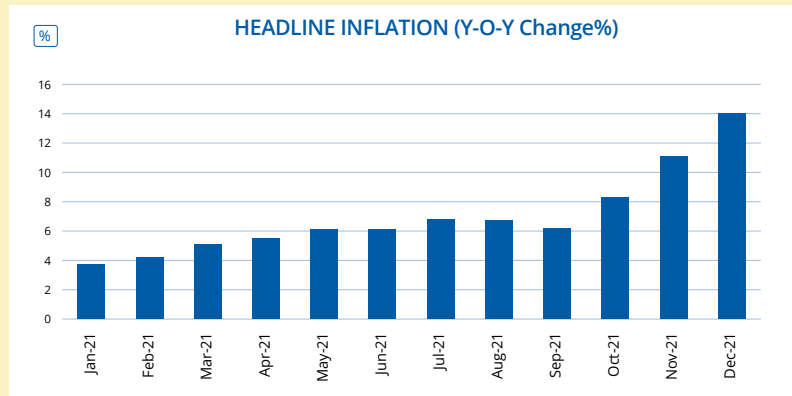
IMPACTS ON PI

- Adverse impact on interest income generated on fixed income securities



Inflation

Disruptions to supply chains coupled with an increase in money supply and the sharp depreciation of the Sri Lankan rupee resulted in inflationary pressures intensifying, particularly during the 2nd half of the year. Resultantly, headline and core inflation recorded at 12.1% and 8.3% Y-O-Y respectively as at end December 2021.



IMPACTS ON PI

- Increased price consciousness of customers
- Increasing trend towards third-party insurance covers given affordability considerations

STRATEGIC RESPONSE

- Ongoing engagement with customers and raising awareness on the need for increase in valuation
- Customer acquisition through service excellence

OPERATING ENVIRONMENT

Insurance Sector

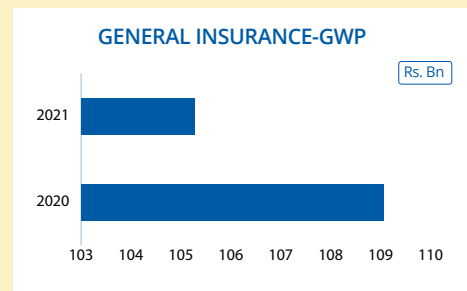
Sri Lanka's general insurance industry delivered a year of mixed results, with the motor insurance segment affected by the persistent ban on vehicle imports while investment income was impacted by the relatively low interest rate scenario that prevailed for most part of the year. The infographic below provides a high-level overview of the main factors that shaped the industry's performance during the year.



Exchange rates and external sector

- The General Insurance Sector recorded a marginal growth in GWP, supported by growth in fire, marine and miscellaneous segments.
- Motor insurance sector continued to be affected by restrictions on vehicle imports
- Claims increased towards the latter part of the year, with the normalisation of economic activity and mobility

Growth



Claims performance

	Y-O-Y growth
Motor	-1%
Fire	+10%
Marine	+108%
Health	+25%

4% growth in General GWP

Motor Insurance: -0.03%

Fire	+39%
Marine	+37%
Health	+7%

8% growth in assets

- **3% increase in investment income**
- **Investment yield 6.83%**

PROFITABILITY

20.7% decline in pre-tax profit, driven by,

- Underwriting ratio of **25.30%** (2020: 32.55%)
- Combined operating ratio of **94.92%** (2020: 88.64%)



ROA: 7.75%
(2020: 10.69%)
ROE: 22.69%
(2020: 15.48%)

REGULATOR DEVELOPMENTS

- Prohibition on the promotion/advertising of 3rd party insurance
- Termination of the use of telecommunication service providers' platforms (Mobile insurance) to sell insurance to potential policyholders
- Prohibitions on providing codes to persons other than insurance agents

OPPORTUNITIES AND RISKS

The operating environment in which we operate has undergone dramatic shifts in recent years, presenting both risks and opportunities to our business and value creation. A high-level overview of these dynamics and potential impacts on the Company's operations are summarised in the table below:

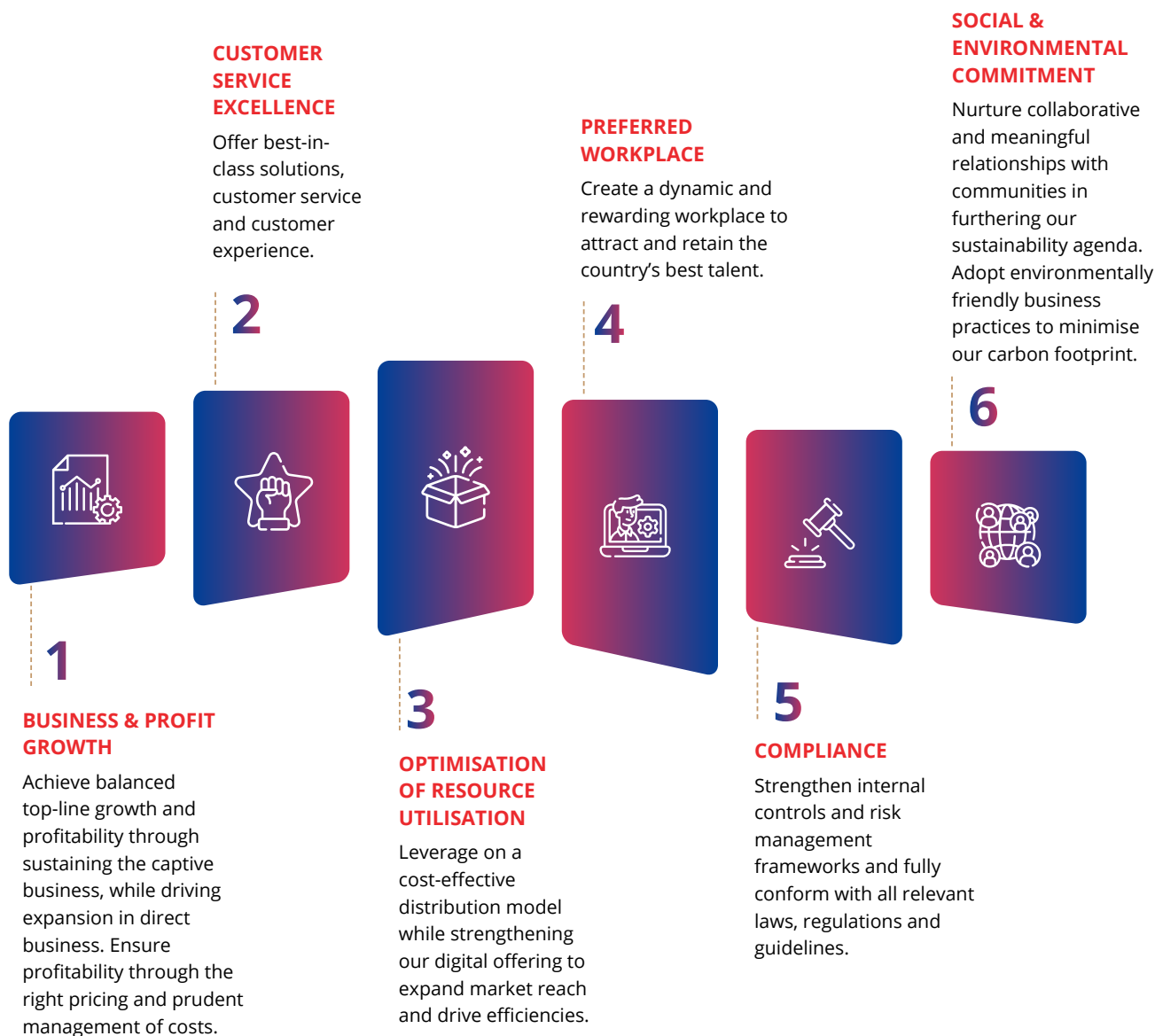
PESTEL Factor	Key developments	Opportunities/Risks	Strategic response
Macro-economic uncertainty	<p>Sri Lanka's short-to-medium term economic prospects have dimmed significantly due to the country's dwindling foreign currency reserves, high public debt, and large fiscal deficits. The country is currently in talks with the International Monetary Fund (IMF) to secure a bailout to address immediate economic pressures.</p>	<ul style="list-style-type: none"> - Slowdown in economic activity - Disruptions to operations stemming from interruptions to energy supply - Continued restrictions on motor vehicle imports given shortage in foreign currency - Increased exchange rate volatility 	<p>Pursuing increased diversification of portfolio through expanding the non-motor segment</p>
Technological disruption	<p>Technology has emerged as a key differentiator in the post-pandemic new normal, with developments such as AI, big data and machine learning providing opportunities for re-defining the customer experience and distribution model.</p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="background-color: #e91e63; color: white; padding: 5px; border-radius: 5px;">69% of insurers have some form of digital distribution</div> <div style="background-color: #3f51b5; color: white; padding: 5px; border-radius: 5px;">88% of insurers believe insurtech offers great opportunities</div> </div> <p><small>Source: Friss Digital Transformation Survey</small></p>	<ul style="list-style-type: none"> + Emerging technologies such as AI, big data and machine learning are offering opportunities to transform the customer experience through new solutions and improved service. + Provide avenues to tailor our product offerings around individuals' needs + Transform the distribution model through online platforms and mobile applications thereby allowing low-cost distribution - Inability to keep abreast of technological innovations could erode the Company's competitive position - Elevated cyber security and data privacy related risks 	<p>Strategic focus enhancing digital payment channels and service delivery</p>
Increasing customer sophistication	<p>The unprecedented acceleration in connectivity has armed customers with timely and relevant information on competitor products, pricing and offerings. This sophistication has led to increased demand for convenience, personalised solutions, and superior service and insurers who are unable to cater to these requirements are likely to see an erosion of competitive position over time</p>	<ul style="list-style-type: none"> - Increased cost of catering to rapidly evolving customer needs + Improve competitive edge by strengthening digital propositions - Increased investments in digital infrastructure and new skills 	<p>Customer service excellence</p>

OPPORTUNITIES AND RISKS







PESTEL Factor	Key developments	Opportunities/Risks	Strategic response
<p>Implementing the right talent strategies</p>	<p>The pandemic has redefined the way organisations work, and businesses will be required to build more agile teams to facilitate resilient and flexible operating models. These changes include transitions to hybrid working models, identification and attraction of relevant skills and innovative measures to maintain employee engagement when working remotely.</p>	<ul style="list-style-type: none"> + Adapt hybrid working models, which offer increased work-life balance to employees while reducing operating costs - Employees with traditional mindsets will face challenges in overcoming technology related obstacles, which may impact productivity and satisfaction - Challenges in maintaining employee engagement and motivation when working remotely 	<p>Re-inforcing the learning and development agenda through digital training and adapting new ways for recruitment, attraction and re-skilling.</p>
<p>Climate risks</p>	<p>Extreme weather and climate action failure continue to rank among the top global risks in terms of likelihood and impact. These risks have wide ranging implications on organisations, and there is an increasing focus globally on embedding climate-resilient strategies to drive sustainable value creation.</p>	<ul style="list-style-type: none"> + The increasingly prevalent implications of climate change such as natural catastrophes, rising temperatures and extreme weather patterns have created new risks and assets to cover for non-life insurers. - Risks stem from absence of reliable precedents in covering evolving climate risks. - Natural disasters, disruptions to agricultural supply chains and other implications of climate change could result in an escalation in claims 	<p>Integrate social and environmental considerations to new business decisions</p>
<p>Increasing stringency of regulations</p>	<p>Increased complexity and frequent changes in regulations have placed new demands on insurers. On the one hand, this has raised the cost of compliance while on the other hand, contributing towards the long-term sustainability of the industry through stronger governance and risk management measures.</p>	<ul style="list-style-type: none"> + Strengthen corporate governance and risk management frameworks - Increased investments in modernising compliance functions to meet oversight and monitoring expectations in a cost-effective, reliable and proactive manner 	<p>Robust mechanisms to ensure compliance to all relevant regulations and guidelines.</p>

OUR STRATEGY AND RESOURCE ALLOCATION


The Company's strategic agenda for the year was consistent with the strategic direction adopted since 2019, in line with the three-year corporate plan for the period 2019-2021. The plan clearly demonstrate the strategic objectives that the Company aspires to meet, and the short, medium, and long-term priorities and actions required to achieve these objectives. While the unprecedented operating challenges that prevailed necessitated a refinement and realignment of our strategic actions, the priority areas remained broadly unchanged and relevant to the evolving operating landscape.



OUR STRATEGY AND RESOURCE ALLOCATION

Strategic pillar		Short-term goal	Medium to long-term goal
	Business & profit growth	<ul style="list-style-type: none"> Maintain healthy premium growth Achieve double digit PBT growth 	<ul style="list-style-type: none"> Increase contributions from direct business and non-motor business Increase business from captive sources
	Customer service excellence	<ul style="list-style-type: none"> Improve renewal ratio Provide customer service training to staff 	<ul style="list-style-type: none"> Continuous improvement in customer service excellence
	Optimisation of resource utilisation	<ul style="list-style-type: none"> Maintain ISO certification Develop digital applications for sales staff, assessors, customers and workflow management 	<ul style="list-style-type: none"> Execute the digital roadmap for enhancing processes and maximise resource utilisation
	Preferred workplace	<ul style="list-style-type: none"> Reduce staff turnover Address competency gaps Succession planning 	<ul style="list-style-type: none"> Increase employee satisfaction levels Recognition as a great place to work
	Compliance	<ul style="list-style-type: none"> Maintain capital adequacy ratio above regulatory requirements Ensure compliance with all regulatory requirements 	
	Social & environmental commitment	<ul style="list-style-type: none"> Initiate strategic CSR projects in line with the Company's Sustainability Policy Drive Y-O-Y reductions in carbon intensity 	

Strategy Execution






BUSINESS & PROFIT GROWTH

Highlights in 2021


- Strengthened the digital proposition to customers to include onboarding premium collection and claims settlement.
- Enhanced customer engagement and raised awareness on new pricing schemes.
- Bundling products to offer value-added features, particularly in the non-motor segment.
- Focus on re-designing products to suit evolving customer needs.

Resources allocated

-  **Rs. 12 Mn** investment in digital infrastructure
-  **196** marketing team
-  Insights on customer behaviour

Performance

	2021
Customer retention	70%
Customer complaints resolved	100%



Way Forward

- Increased focus on value-for-money offerings catering to price conscious customers.
- Continued emphasis on strengthening digital platforms to drive improved service delivery.



Optimisation of resource utilisation

Highlights in 2021

- Launched a mobile app (Assessor App.) for claims assessments.
- Automation of internal manual processes.
- Ongoing focus on cost efficiencies.
- Embracing new ways of working.

Resources allocated

- **Rs. 12 Mn** investment in digital capabilities
- Nurturing a culture of cost consciousness

Performance

	2021
Reduction in underwriting and acquisition costs	6%
Reduction in overhead expenses	2%



Way Forward

- Increased digitalisation and automation of processes
- Work flow management and streamlined processes



Preferred workplace

Highlights in 2021

- Ongoing efforts to nurture a performance-driven culture.
- Implementation of a new bonus policy to identify and reward high-performing employees.
- Strategic role in accelerating digital adoption across the organisation.
- Enabled employees with remote working facility in addition to Work from home arrangements.
- Initiated succession planning and competency mapping.

Resources allocated

- **Rs. 559 Mn** payments to employees
- **Rs. 3.5 Mn** investment in training and development
- **Rs. 7** investment in implementing safety guidelines

Performance


	2021
Employee retention level	81%
Profits per employee	Rs. 1.6 Mn



Way Forward

- Inculcate a performance-driven culture.
- Enhance salary schemes to be in line with industry best practice.

OUR STRATEGY AND RESOURCE ALLOCATION






Compliance

Highlights in 2021

- Fully compliant with all relevant regulations and guidelines including requirements of the Insurance Industry Act and amendments under the Insurance Regulatory Commission of Sri Lanka and the Continued Listing Rules of the Colombo Stock Exchange
- Implementation of initial plans for compliance with IFRS 17 by 2025


Resources allocated

-  Capable and skilled Board of Directors and leadership team
-  Culture of integrity, accountability and transparency



Way Forward

- Ensure all internal and external regulations to be complied with the introduction of stringent a controls and establishing a controlled environment.





Social & environmental commitment

Highlights in 2021

- Ongoing efforts to drive energy efficiency.
- Strived towards paperless operations through increased digital adoption.
- Community engagement and CSR initiatives halted temporarily due to prevalent conditions.

Resources allocated

-  Investment in CSR: **Rs. 50,000**



Way Forward

- The Company intends to re-commence its social and environmental activities over the short-term to medium term, as operating conditions return to relative normalcy.

STAKEHOLDER VALUE

Sustainable value creation for our stakeholders is underpinned by the Company's ability to identify and understand their needs and address these requirements through alignment of our strategy. The operating conditions that prevailed during the year necessitated a strengthening of our stakeholder engagement and provided the Company an opportunity to proactively fulfil the needs of our stakeholders, thereby enhancing long-term relationships.

A summary of the Company's stakeholder engagement in 2021 is presented below:

SHAREHOLDERS/INVESTORS		
Comprises the parent entity PLC, the ultimate parent People's Bank and 2,962 retail investors		
How we engage <ul style="list-style-type: none"> Annual General Meeting Annual Report Board papers (monthly) Quarterly financial results Investor meetings (as and when required) Networking events (ongoing) Disclosures to the CSE (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Impact of macro-economic conditions on performance and stability Business continuity amidst the pandemic situation Sustainable growth in earnings Market position and competitive edge Risk management practices Compliance and good governance Social and environmental responsibility 	Value delivered <ul style="list-style-type: none"> EPS of Rs. 4.90 Return on equity of Rs. 20.26
Quality of relationship: STRONG <ul style="list-style-type: none"> Well attended AGM Pro-active involvement in strategy formulation with two board members representing PLC and one representing People's Bank 65% contribution from captive business of the Group 		
Strategic response Continued to maintain focus on a timely strategy centering portfolio diversification and innovation in order to address the impacts on motor insurance, following the restrictions on vehicle imports.		

EMPLOYEES		
618 employees		
How we engage <ul style="list-style-type: none"> Performance appraisal (annual) Engagement through digital platforms (ongoing) Multi-level staff meetings (ongoing) Year-round event calendar (ongoing) CSR activities (ongoing) Training programmes (ongoing) Newsletter (quarterly) Intranet (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Physical and mental well-being Maintaining motivation while working remotely Attractive remuneration and rewards Opportunities for skill development Career progression Job security Dynamic work environment Fair employee practices 	Value delivered <ul style="list-style-type: none"> Payments to employees of Rs. 559 Mn Remuneration per employee of Rs. 0.9 Mn Investment in training: Rs. 3.5 Mn
Quality of relationship: MODERATE <ul style="list-style-type: none"> New business generated: Rs. 2,255 Mn Retention: 70% 		
Strategic response The Company sought to nurture a performance driven culture through strengthening its performance management system while continuing to invest in engaging and developing employees. A salary survey was also conducted to identify and rectify salary anomalies.		

STAKEHOLDER VALUE

CUSTOMERS		
783 corporate customers 38,554 retail customers		
How we engage <ul style="list-style-type: none"> Face to face interaction (ongoing) Engagement through digital platforms (ongoing) Communication materials (ongoing) 24-hour call centre Road shows (ongoing) Customer complaint procedure (ongoing) Media (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Competitive pricing Innovative product solutions Convenient and fair claims settlement Quick turnaround time for claims processing Good customer service 	Value delivered <ul style="list-style-type: none"> Net claims Rs. 2,994 Mn
Quality of relationship: GOOD <ul style="list-style-type: none"> Customer retention rate of 70% Customer complaints received and resolved: 100% 		
Strategic response We continued to focus on transforming the customer experience through digital engagement and service delivery, which included onboarding, premium payment and claims settlement. We also engaged with and raised customer awareness on the need to increase premium in view of higher cost of claims.		

BUSINESS PARTNERS		
153 suppliers 13 reinsurers 61 brokers 99 agents		
How we engage <ul style="list-style-type: none"> Meetings (ongoing) Training programs (ongoing) Reinsurance declarations (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Opportunities for business growth Prompt payment Ease of doing business Good business practices Timely disclosure of relevant information 	Value delivered <ul style="list-style-type: none"> Commissions paid Rs. 598 Mn Payments to suppliers Rs. 42 Mn
Quality of relationship: MODERATE <ul style="list-style-type: none"> New business generated: Rs. 2,255 Mn Retention: 70% 		
Strategic response Strengthened relationships to ensure continuity of mutual value creation.		

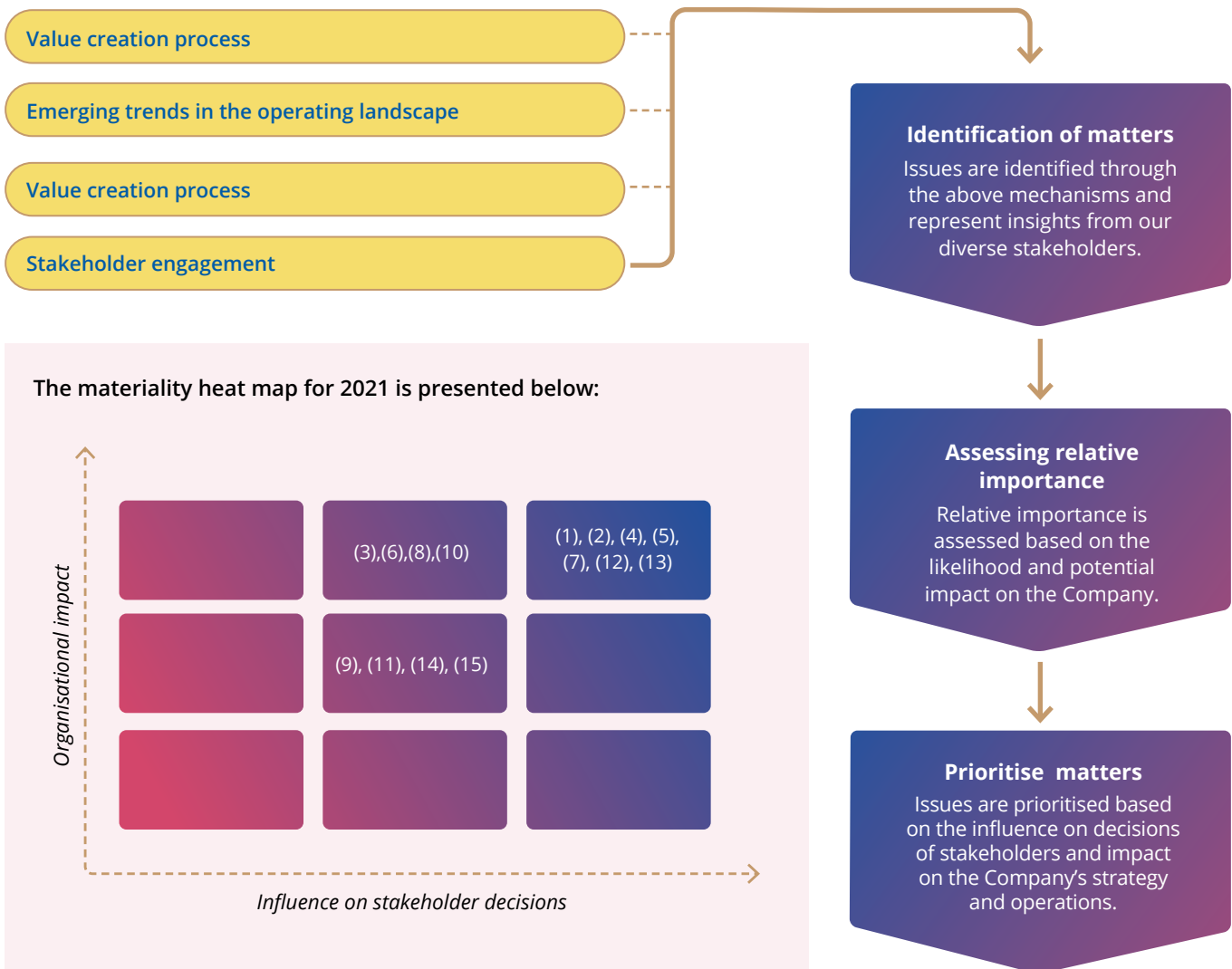
REGULATORS		
Insurance Regulatory Commission of Sri Lanka Colombo Stock Exchange Department of Inland Revenue		
How we engage <ul style="list-style-type: none"> Meetings (periodic) Regulatory reporting (ongoing) Written communications (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Compliance Continuity of operations Timely payment of taxes Good governance Good business practices 	Value delivered <ul style="list-style-type: none"> Payment of taxes Rs. 659 Mn
Quality of relationship: STRONG <input checked="" type="checkbox"/> Fully compliant with all relevant regulations		
Strategic response Maintained pro-active engagement with the regulator to ensure continuity of sector operations and create a conducive environment for businesses to operate.		








COMMUNITIES		
How we engage <ul style="list-style-type: none"> CSR engagements (ongoing) Meetings (if required) Branch level engagement (ongoing) 	Topics and concerns raised <ul style="list-style-type: none"> Job creation Good business practices Community service projects Preserving the environment 	Value delivered <ul style="list-style-type: none"> Investment in CSR Rs. 50,000. Community engagement and CSR initiatives halted temporarily due to prevalent conditions.
Quality of relationship: STRONG Maintained harmonious relationships with communities we operate in.		
Strategic response CSR activities are temporarily halted in view of the prevalent conditions and are expected to re-commence once economic and business activity normalises over the short-to-medium term.		

MATERIALITY






The Company's material topics are defined as the issues that can have the most significant impact on its ability to generate value. Material issues are identified based on the feedback received from our stakeholders, dynamics in the operating landscape and the Company's strategic priorities. The Company's materiality landscape changed considerably during the year, given macro-economic challenges and pandemic led disruptions. The material topics represent factors that relate to our business, industry landscape and supply chain and are also informed by the topics prescribed in the GRI Standards. Changes in materiality compared to the previous year are clearly listed below. The topics boundaries remain unchanged from the previous year.




The process for determining material issues is as follows:



Material topic	Why it is material to us	Reporting boundary	Relevance to strategy	Corresponding GRI topic	Materiality compared to 2020
(1) Profitable growth	Ensures sustainable returns to shareholders while achieving consistent business growth.	Limited to the Company's operations.	 Business growth and profitability	GRI 201: Economic Performance	
(2) Managing macro-economic vulnerabilities	Implications of rising inflation, depreciation of the Sri Lankan Rupee and a deteriorating external position could significantly impact performance.	Boundary includes the Company's operations and its value chain.	 Business growth and profitability	-	New topic
(3) Product innovation and diversification	Importance in reducing dependence on our captive business and motor class.	Boundary includes the Company's operations and its customers.	 Business growth and profitability	-	Heightened importance of diversification due to the sharp downturn in the vehicle industry
(4) Efficiency	Critical in driving consistent reductions in our combined ratio and achieving profitability targets.	Limited to the Company's operations.	 Optimise resource utilisation	-	-
(5) Customer centricity	Delivering best-in-class customer experience and sharpening our competitive edge.	Boundary includes the Company's operations and its customers.	 Customer service excellence	-	
(6) Distribution channels	Expanding customer reach and increasing contributions from direct business.	Boundary includes the Company's operations, business partners, customers and potential customers.	 Business growth and profitability	-	
(7) Digital capabilities	Expanding customer reach and enhance customer experience.	Boundary includes Company's operations, parent/ultimate parent and business partners.	 Optimise resource utilisation	-	Increased focus given due to limitations on face to face interaction

MATERIALITY

Material topic	Why it is material to us	Reporting boundary	Relevance to strategy	Corresponding GRI topic	Materiality compared to 2020
(8) Group synergies	Leveraging on the distribution network and brand name of the parent and the ultimate parent.	Boundary included the Company's operations, the parent and the ultimate parent.	 Business growth and profitability	-	
(9) Brand identity	Strengthening the Company's brand identity in the insurance industry will enable it to achieve growth in the direct business while acquiring new customers.	Boundary includes the Company's operations and potential customers in the insurance market.	 Customer service excellence		
(10) Responsible business	As a responsible corporate citizen, we are committed to maintaining the highest level of integrity and accountability in our operations.	Boundary includes our operations as well as external stakeholders.	 Compliance	GRI 204: Procurement practices GRI 205: Anti-corruption GRI 206: Anti-competitive behaviour GRI 417: Marketing and labelling GRI 418: Customer privacy	
(11) Relationships with business partners	Maintaining co-operative relationships with business partners will enable us to strengthen our market position through expanding our customer reach.	Boundary includes our operations as well as external stakeholders.	 Business growth and profitability	-	
(12) Talent management	Attracting and retaining the right talent is critical in driving our strategic aspirations and facilitating the customer experience.	Boundary is limited to our employees.	 Preferred workplace	GRI 401: Employment GRI 404: Training and education GRI 405: Diversity and equal opportunities GRI 406: Non-discrimination	

Material topic	Why it is material to us	Reporting boundary	Relevance to strategy	Corresponding GRI topic	Materiality compared to 2020
(13) Health and safety	Given the outbreak of the pandemic, health and safety emerged as a key priority during the year.	Boundary extended to our employees and customers.	 Business growth and profitability		New material topic
(14) Minimising environmental impacts	We are committed to consistently reducing our carbon footprint and contributing to the achievement of the SDGs.	Boundary is limited to our own operations.	 Social and environmental commitment	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and waste GRI 307: Environmental compliance	
(15) Community engagement	Driving meaningful change in the communities we operate in, is an important part of our sustainability agenda.	Boundary extends to the communities we operate in.	 Social and environmental commitment	GRI 419: Socio-economic compliance GRI 413: Local communities	

APPROACH TO SUSTAINABILITY

Governance and approach

The Company's Sustainability Policy aims to embed sustainability as an organisation-wide discipline, encouraging cross-functional participation in social and environmental initiatives. The Policy clearly sets out the Company's sustainability objectives, governance structures and reporting mechanisms. A dedicated executive level committee—namely, the Corporate Sustainability Committee is responsible for the implementation of the sustainability policy and reports to the Board of Directors on all related projects. The Committee is assisted by sustainability coordinators, sustainability sub-committees and departmental representatives, thereby ensuring that the Company's sustainability philosophy is propagated among all employees in the organisation.

The infographic features three business professionals in business attire standing around a large, glowing green globe. The globe is partially cut away to reveal a cityscape with a wind turbine, a bicycle, and buildings. Lines connect the globe to various sections of text and icons. At the bottom, there are three colored cubes: pink, blue, and blue.

ECONOMIC SUCCESS

Company economic prosperity (pages 50 to 51)
Community economic prosperity (page 65)

SOCIAL RESPONSIBILITY

Respect for employees (page 58)
Diversity, fair hiring practices (pages 55 to 56)
Responsible governance (pages 69 to 73)
Respect for stakeholders (pages 39 to 41)
Fair dealing with customers (pages 63 to 64)

ENVIRONMENTAL SUSTAINABILITY

Resource conservation (pages 66 to 67)
Waste prevention and management (pages 66 to 67)
Supply chain impacts (pages 66 to 67)
Collaboration with communities (page 65)

PERFORMANCE AND VALUE CREATION

Operational Reviews

As a general insurer, PI's value chain comprises several activities from the point of conceptualizing and developing products to customer delivery and policy management. The following section provides a brief overview of how the Company conducts these activities and the progress it made during the year under review. Our activities included the following:

Product development

Our product development process follows a continuous scan of the environment including emerging customer requirements and competing offerings. The marketing team together with the underwriting team and the research and development team combine efforts to structure and design offerings that are competitive, attractive to customers and commercially viable. During the year, we catered to increased price consciousness of customers through revamping several products while seeking increased penetration in the non-motor segment.

Underwriting

Effective underwriting ensures an appropriate balance between policy premiums and potential claims. The management holds ultimate responsibility for formulating the Company's underwriting policies in line with market dynamics and our risk appetite. During the year, the Company was compelled to raise premiums, reflecting risk-based pricing strategies and focus was placed on educating customers on these dynamics.

Reinsurance

We seek reinsurance arrangements with global reinsurers in line with the stringent requirements and standards of the regulator. The internal expert panel contributes in formulating and entering reinsurance agreements and ensuring that risk and return considerations are balanced appropriately. During the year, we renewed all reinsurance treaties by partnering with well rated international reinsurers.

Claims management

Claims management is an important determinant of an insurers' competitive edge. A positive experience in managing claims encourages customer loyalty while negative claims experience can impact customer retention. Claims paid declined by 0.6% although net claims increased during the year due to a reduction in claims recovered from reinsurers.

	2019	2020	2021
Claims settled (no)	57,276	40,577	44,672
Net claims (Rs.mn)	3,553	2,670	2,994
Claims ratio (%)	67.5	50.9	58.5

Investment management

The Company's investment income is its primary driver of earnings and investments are managed through a dedicated investment management function. Given the prevalent interest rate scenario, the Company consciously reduced the duration of its investment portfolio and directed more investments towards unit trusts.

	2019	2020	2021
Investment portfolio (Rs.mn)	7,350	8,574	9,039
Investment income (Rs.mn)	781	805	731
Portfolio return (%)	11.4	10.6	8.61

Distribution and marketing

PI benefits from its distribution strategy, which includes the Company's regional offices, window offices at the parents' branch network, non-captive sales force of 196, 61 active brokers and 99 active agents as well as through the People's Bank. During the year, we sought to increase our penetration through leveraging the captive markets of our parent and ultimate parent entities, both in the motor and non-motor segments. The Company's distribution strategy continues to serve it well enabling it to demonstrate resilience against the sharp drop in leasing volumes stemming from the captive market.

Channel	Highlights in 2021 and outlook for 2022
Group captive business	Impacted by the drop in motor vehicle insurance.
	Strategic focus on increasing penetration of the corporate clientele in the People's Bank Group.
	Expected to remain challenging given continued import restrictions.
Non- captive business	Development of skilled sales force.
	Ongoing emphasis on strengthening relationships with brokers.
	Strategic focus on active agency force.

PERFORMANCE AND VALUE CREATION

Motor Insurance

Strategy and performance

- The Company's motor insurance GWP declined by 5% during the year, reflecting persistent challenges in the operating landscape and continued restrictions on the importation of new vehicles.
- PI sought to maintain its business volumes through focusing on the captive business of its parent entity as well as non-captive sources.
- Motor claims increased by 12% reflecting the normalisation of economic activity in comparison to 2020 and the sharp escalation in the cost of motor vehicle spare parts.
- Strategic focus was placed on right pricing policies, with a view to optimising risk-return dynamics.
- Resultantly, the Sector's underwriting profit declined by 23% during the year.

	2021	2020	Change y-o-y
Gross written premium (Rs. Mn)	4,764	5,024	-5%
Reinsurance premium (Rs. Mn)	169	156	-8%
Net claims (Rs. Mn)	2,632	2,348	-12%
Underwriting results (Rs. Mn)	1,513	1,965	-23%
Net claims ratio (%)	55.94	47.91	+8.03%

Operating environment

- Restrictions on the imports of new vehicles
- Increased price sensitivity of customers
- Trend towards third-party covers
- Sharp escalation in the price of motor vehicle spare parts

Way forward

The outlook for the Motor Insurance segment remains subdued given the continued restrictions on import of motor vehicles and the resultant slowdown in the leasing sector. The Company focused on the following,

- 1- Maintaining an optimum product mix in the motor vehicle category.
- 2- Revising discount strategies.
- 3- Ongoing investments in training underwriting and sales teams.

Non-Motor Insurance

Strategy and performance

- Commendable growth in the non-motor insurance segment, somewhat offset the decline in motor insurance with the Company recording a 22% increase in GWP to Rs.1.2 billion during the year.
- Growth was driven by Miscellaneous class which is increased by 36% during the year amounting to Rs. 158 million, upheld by the mandatory insurance scheme granted for inbound arrivals during the year. The Company also increased value-addition to customers through bundled product offerings, which enabled further penetration.
- Despite the challenging market conditions that prevailed, the Marine sector which recorded a GWP expansion of nearly 185% driven by the acquisition of several large airline customers during the year amounting to Rs.77 million.
- Fire insurance declined by 4% during the year, reflecting the subdued economic activity during the year.
- Net claims increased by 3% stemming from the Marine category and reflective of the Express Pearl disaster and resultant impacts together with miscellaneous class contribution.
- Overall the non-motor insurance segment's underwriting profit increased by 9% to Rs.86 million.

Operating environment

- Marine insurance was affected by drop in import volumes and dynamics in the shipping sector.
- Increased emphasis on health insurance given higher vulnerability to health and safety risks amidst the pandemic.

Way forward

Given the slowdown in motor insurance the Company will place strategic emphasis on increasing contributions from non-motor categories through;

- 1- Leveraging the brand and captive market to drive further.
- 2- Pursuing growth in marine insurance through insuring freight forwarding liabilities, fishing boats etc.
- 3- Strengthening reinsurance arrangements.

	2021	2020	Change Y-O-Y
Gross written premium (Rs. Mn)	1,204	987	+22%
Reinsurance premium (Rs. Mn)	755	519	+41%
Net claims (Rs. Mn)	362	351	+3%
Underwriting results (Rs. Mn)	86	79	+9%
Net claims ratio (%)	87.44	87.53	-0.1%

REIMAGINE BUSINESS IN THE NEW NORMAL

By integrating strong and ethical corporate governance practices we have demonstrated resilience and strength. The Company's robust frameworks and comprehensive policy frameworks provided a solid foundation for navigating the uncertainties presented by the operating landscape.

CAPITAL REPORTS

FINANCIAL CAPITAL	50
MANUFACTURED CAPITAL	52
HUMAN CAPITAL	54
INTELLECTUAL CAPITAL	60
SOCIAL AND RELATIONSHIP CAPITAL	62
NATURAL CAPITAL	66

FINANCIAL CAPITAL



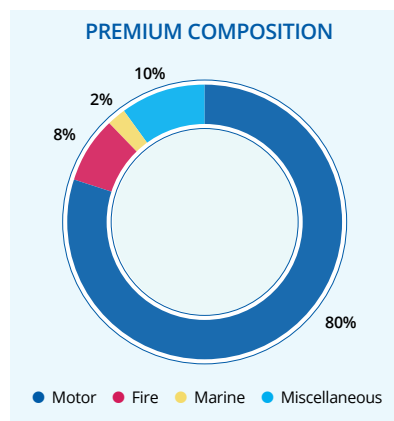
Exceptional financial performance amidst adversity

The Company's performance during the year, mirrored the broad-based industry challenges including the continued slowdown in the motor insurance segment, weakening macro-economic fundamentals and a gradual increase in claims as mobility normalised, following Sri Lanka's relatively successful vaccination drive. As a result of these dynamics, the Company's GWP declined marginally while Profit-for-the year decreased by 18% to Rs.980 Mn during the year.

Gross written/ Net earned premiums

Gross written premiums (GWP) declined marginally by 0.7% during the year, driven by a 5% decline in the motor sector, which is the largest contributor to the Company's GWP with a share of 80%. Given the conditions that prevailed, the Company sought strong growth in the non-motor business, which recorded an 18% increase, supported by expansion in marine (+185%) and miscellaneous (+36%) sectors. Resultantly, the Company's reliance on motor insurance

reduced from 84% to 80% during the year, reflecting a more diverse business profile.



Reinsurance premiums ceded increased 37% to Rs.924 Million during the year due to increased growth in the Marine segment, which required higher reinsurance support. Overall, net earned premium declined by 3% to Rs. 5,120 Mn in 2021.

Insurance claims and other expenses

The industry saw a normalisation of claims, falling a sharp fall in motor claims last year on the back of extended lockdowns and restrictions on mobility.

The Company's claims increased by 11% to Rs.2.99 Bn driven by a 11% increase in motor claims, as well as a sharp increase in spare parts given supply disruptions in global markets and the sharp depreciation of the Sri Lankan Rupee. Marine claims also increased during the year, as a result of the implications of the Pearl Express disaster.

Underwriting and net acquisition costs decreased by 6% to Rs. 527Mn as the Company leveraged its unique, low-cost distribution model to drive growth. Other operating and administrative expenses decreased by 1% to due to increased focus on automation and digitalisation of processes. The Net combined ratio, which is the addition of the claims ratio and the expense ratio increased to 93% (2020 – 85%) with the increase in claims. Our combined ratio continued to remain below that of the industry, which was of 94.9% in 2021.

Underwriting results

The underwriting profit declined by 52% during the year to Rs.384 Mn (2020: Rs.808 Mn), due to the decline in GWP as well as increase in claims. Despite the decline, the Company continues to be one of the few general insurers generating underwriting profit, backed

by its strong low-cost distribution model, captive market and good claims performance.

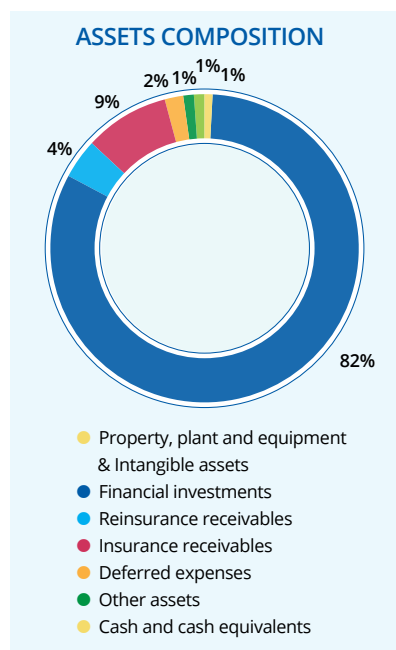
Investment & other income

PI's investment & other income comprised of fee income, interest & dividend income, net fair value gains/ losses and other income. The total of these income declined by 9% to Rs. 785 Mn during the year. The decline stemmed primarily from the fall in interest income arising from the relatively low interest rate scenario that prevailed during the year.

Profits

Profit before tax decreased 30% to Rs.1,169 Mn during the year, due to the decline in both underwriting profit and other income. Tax expenses for the year decreased by 60% to Rs.190 Mn reflecting the drop in the profit in comparison to the previous year. The net profit for the year thereby declined by 18% to Rs.983Mn during the year.

Financial strength and stability



Assets

The Company's financial position remained strong with total assets increasing by 4% to Rs. 11.1 Bn due to a growth in financial investments. The asset composition remained largely unchanged with financial investments accounting for nearly 82% of the Company's total assets during the year.

Our investment portfolio continued to be dominated by investments in fixed deposits (37%) and quoted corporate debentures (32%) and treasury bills (23%). During the year, we directed investments towards treasury bills which increased over 3-fold to Rs.1.79 Bn by end-December 2021. The investment philosophy of PI balances the risks and returns of its investment strategy that underpins the guidelines and regulations for investments under the Risk Based Capital (RBC) regime of the IRCSL

Equity

Our strong equity position made up of stated capital, retained earnings and other reserves of Rs.4,996 Mn has enabled us to maintain a CAR well above the minimum capital requirements of the RBC regime. PI maintained a CAR of 317%, well above the industry average of 224% for general insurers.

Liabilities

Insurance contract liabilities includes gross provisions for outstanding claims, incurred but not reported claims and the provision for net unearned premium. Insurance contract liabilities made up 44% of liabilities and increased by 5% as at year end in line with the increase in claims.

To ensure that the required insurance provisions stipulated by the insurance regulator, the IRCSL, were met, we obtained a certification from an independent professional actuarial firm, NMG Financial Services Consulting Pte Ltd. (NMG), on the adequacy of the provisioning for Incurred But Not Reported claims (IBNR) as at 31st

December 2021. The IBNR provision, together with case reserves is expected to be adequate to meet future liabilities in respect of our claims obligations as at 31st December 2021.

At the end of each reporting period, insurance companies are required to carry out a Liability Adequacy Test (LAT) according to Sri Lanka Financial Reporting Standards (SLFRS) 4 - Insurance Contracts. LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). PI's consultant actuaries, NMG has certified that UPR maintained by us is adequate in relation to the unexpired risks of PI as at 31st December 2020.

Cash flows

The Company's cash and cash equivalents increased by Rs.41 Mn. Cash flows from operating activities decreased by 59% to Rs.1,113 Mn reflecting the reduction in reinsurance receivables and interest income. Excess cash was utilized to invest in financial instruments and other liquid investments resulting in a cash outflow from investing activities of Rs.394 Mn. Net cash outflows from financing activities increased to Rs.677 Mn, reflecting a relatively higher dividend payout during the year.

MANUFACTURED CAPITAL

Our manufactured capital is represented by the Company's branch network, digital infrastructure, plant and machinery and other physical infrastructure that supports ongoing customer interactions and smooth functioning of operations. Investments in manufactured capital have enabled us to transform to a client-centric digitally enabled organization supporting our ability to deliver enhanced value to stakeholders.

24X7 Contact centre

39,337 Customers

Rs. 5.97 Bn Sales generated

Digital infrastructure including IT systems, mobile apps and customer portals

- Capital expenditure of Rs. 30.71 Mn
- Efficiency improvements through 5S implementation
- Continuous improvements in processes

VALUE TRANSFORMATION




- 146 customer touchpoints including Corporate office and 15 branches, 25 Window offices at People's Bank and 105 Window offices at People's Leasing & Finance PLC

STRATEGIC PRIORITIES

- Strengthening digital infrastructure.
- Achieving operational efficiency through improvements in processes.
- Business growth driven through increased customer engagement.

Way Forward

- Acceleration of our digital journey.
- Optimizing the physical network to enhance customer relationships.



Our manufactured capital

Our manufactured capital amounted to Rs. 131 million as at the end of the year, accounting for 1% of total assets. Physical infrastructure accounted for 60% of the Company's PPE, intangible assets comprising of digital infrastructure amounted to Rs. 8.1 million. The Company has identified digital delivery as a key differentiator and increased investments in digital capabilities and infrastructure. With investments in digital capabilities gradually increasing, it is expected to make up a larger portion of the Company's PPE over the medium to long-term.

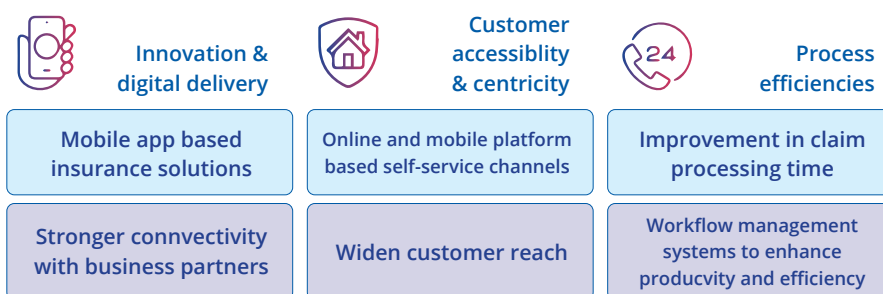
Customer touchpoints

As part of a larger Group, Peoples Insurance benefits from a low-cost distribution model as it has the ability to leverage the extensive branch network of both its parent and the ultimate parent. With a network comprising 146 customer touchpoints across all districts, including corporate office, regional offices and window offices in PLC and People's bank branches, the company is well positioned to further penetrate untapped segments of the market. There was no expansion of the branch network during the year, due to the volatility and uncertainty in the domestic economic environment.

	2021	2020
Corporate office and regional offices	16	16
Window offices at PLC and People's Bank branches	130	138
Total customer touchpoints	146	154
Investment in the distribution network:		
• Expansion (Rs Mn)	-	12
• Maintenance and upgrade (Rs Mn)	3	2

Digital infrastructure

Prior to the pandemic, the Company had identified digital delivery as an effective means of driving down acquisition costs and invested heavily in digital infrastructure including hardware and software components. Along with the pandemic, there was a need to accelerate the transformation and the company has focused on three main areas of innovation, delivery efficiency and customer centricity to deliver its strategic agenda.



Information systems

We operate an integrated insurance system which supports the end-to-end functioning of key operational processes. Five modules support core functions such as policy and claims processing, underwriting, reinsurance as well as non-core functions. The system also facilitates effective decision making and risk management by providing timely and reliable information. The Company also operates an e-Portal across 349 People's Bank branches allowing it to increase contributions from the bancassurance channel.

Capital expenditure

Given the uncertainty and volatility in the domestic economy, capital expenditure was curtailed as much as possible during the year. The Company invested a total of Rs. 30.7 million during the year in order to strengthen its infrastructure. Having observed customers' prevalence towards online platforms, our strategy for the year focused primarily on our digital infrastructure. Key investments during the year include:

Computer hardware Rs. 12.1 Mn	Office equipments Rs. 13.1 Mn	Furniture & fittings Rs. 5.5 Mn
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Way Forward

We will continue to leverage our customer touchpoints including the extensive branch network based on the developments in the economic conditions of the country and in line with the business strategy, to drive business growth. The company has placed strategic emphasis on developing its manufactured capital base, in particular its digital capital in order to drive further growth and accelerate its digital journey.

HUMAN CAPITAL

At Peoples Insurance we employ a group of over 600 people who are a key source of strength in driving the organization towards success. Our employees remained resilient to the challenges faced during the year, swiftly adapting to new ways of working while relentlessly driving our strategic aspirations. In turn we remained steadfast in our commitment to supporting them through a holistic value proposition, facilitating the creation of an engaged inclusive and motivated workspace.

618 Employee	119 New recruits	20% Female representation	28 Average age of employees
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HIGHLIGHTS OF 2021

- Restructuring the HR department
- Automation of HR processes
- Introducing a performance-based culture
- Learning and development opportunities



VALUE NURTURED/ TRADE-OFFS

- Rs. 559 million payments to employees
- Rs. 3.5 million investment in training and development
- 100 employees promoted during the year
- Rs. 7 million investment in ensuring employee safety

KEY PERFORMANCE INDICATORS

Employee development	14.80 average training hours 8,920 total training hours
Diverse work place	27% female representation at senior management level 100 retention of employees after maternity leave.
Ensuring employee safety	Work from home facilitated for 56 employees 129 instances of COVID-19 infections

SDG Contribution



Way Forward

- Inculcate a performance driven culture
- Cultivating future leaders
- Pay structure on par with the industry
- Building essential skills and competencies
- Employee recognition and relations



Our management approach

The prolonged pandemic necessitated a re-alignment of the organizational culture, as the Company facilitated hybrid work models to ensure business continuity. Having understood the contribution of the HR function in the new normal, we sought to strengthen people-related policies, governance structures and the people strategy of the organization. Our approach to managing human capital is aligned to that of the group. The Human Resource policies and procedures in place have been structured in compliance to all regulatory requirements and industry best practices. The comprehensive policy framework in place ensures a solid foundation is created for the management of employees.



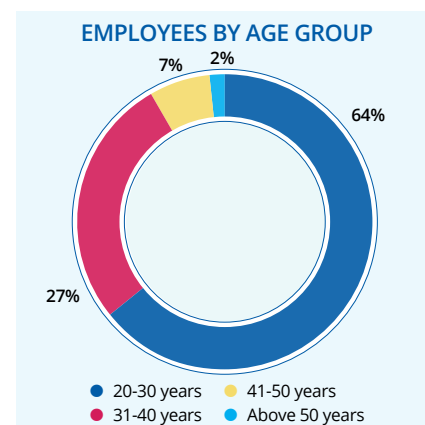
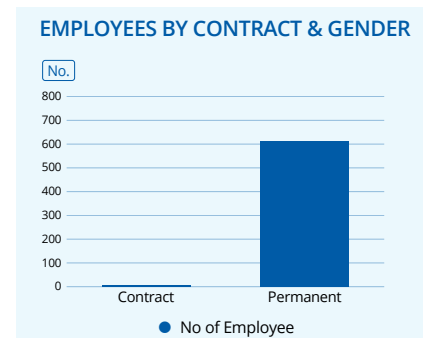
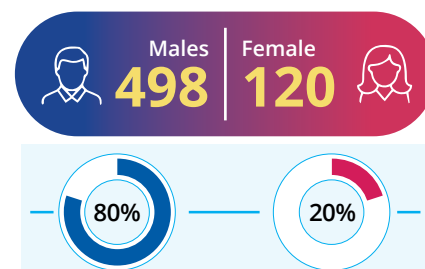
Employee attraction & retention	Employee development	Diversity & inclusivity	Employee behaviour
<ul style="list-style-type: none"> Recruitment policy Communication policy Grading, title matrix and benefits policy Certificate of appreciation Bonus policy 	<ul style="list-style-type: none"> Training and development policy Succession planning Career progression and promotion policy Performance management policy 	<ul style="list-style-type: none"> Non-discrimination policy Gender parity-policies to prevent sexual harassment at the workplace, diversity and inclusion and guidelines on gender pay equity Whistleblowing policy Grievance handling policy 	<ul style="list-style-type: none"> Employee handbook Employee code of conduct Disciplinary code Anti-fraud policy Anti-bribery policy Code of ethics

The above HR related policies are supported by a clearly defined governance structure, which is continuously reviewed and updated, in order to ensure increased professionalism and the ability to face future challenges. During the year, several positions within HR were redesigned as per the direction of the Board.

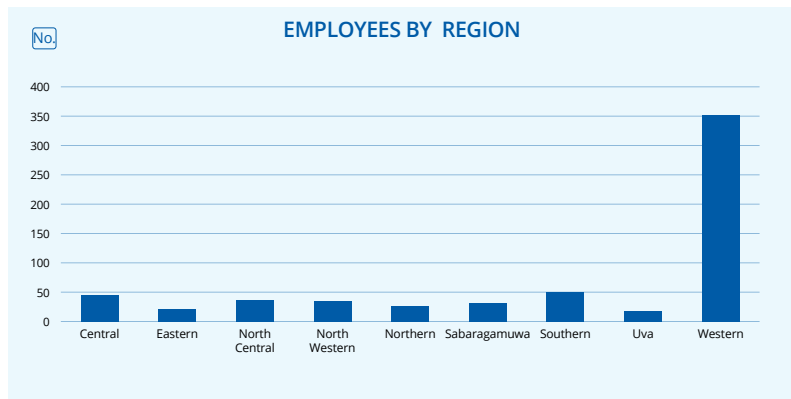
- Corporate management from Head position to Chief officer position (C-level)
- Senior management from Senior manager to Head designation (Functional heads who were Senior managers)

Team profile

As an equal opportunity employer, we strive to create a conducive work environment which respects and values all employees. Our talent pool comprises a diverse group of 618 employees representing different religious, geographic and cultural backgrounds within the country. We do not engage employees on a part-time basis. The profile of our team is presented below:

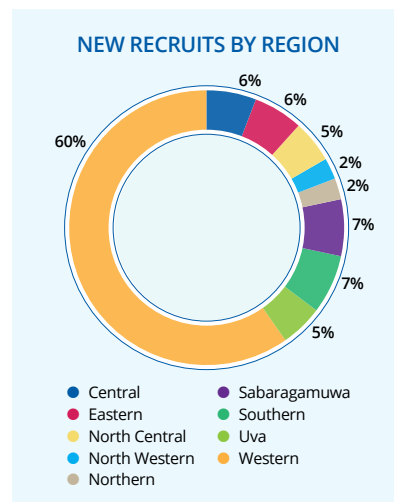
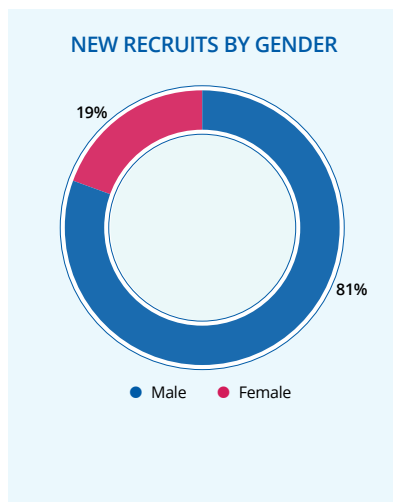
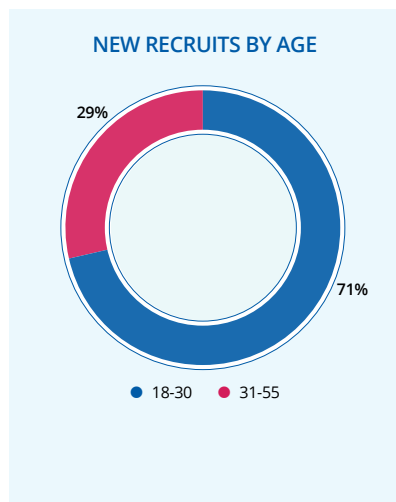


HUMAN CAPITAL



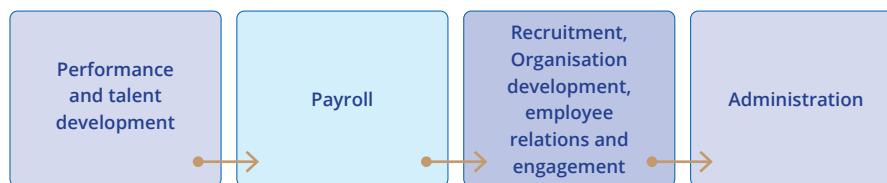
Movements in our team

Our recruitment policy ensures that talented individuals with the requisite skills and experience are identified and recruited through a comprehensive process that seeks to provide equal opportunity at every stage. During the year there were 119 new recruits and 100 promotions. Details of new recruits are as follows:



Our HR strategy

The Company's HR strategy is aligned to the overall corporate strategy. During the year, the HR function played a strategic role in accelerating the adoption of automation and establishing new ways of working. The restructuring of the HR department and streamlining of operations into the 4 main areas shown below also contributed towards fulfilling the needs of our employees in a more structured and holistic manner.



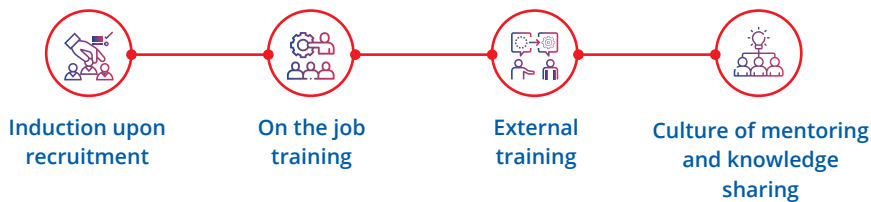
Key initiatives of the HR division to nurture and create value for our employees are as follows:

Adapting to new ways of working

Ensuring the health and safety of our employees became a top priority following the outbreak of the pandemic and the Company adopted proactive measures to implement stringent safety controls across the organization.

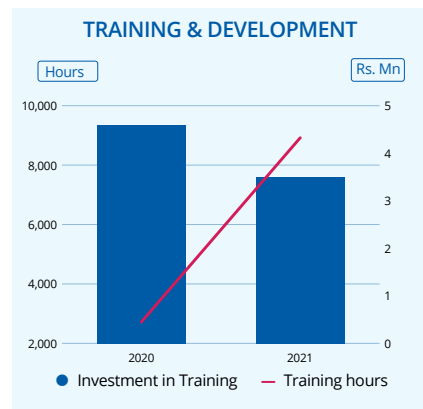
Our staff members have extensively engaged in many forms of remote working since the start of the pandemic, and this continued during the year. These remote working arrangements allowed us to support work life balance while reducing the consumption of resources within the organisation and maintain continuity of operations. As a result, we are keen to pursue a hybrid working model beyond the pandemic.

- Facilitating work-from-home arrangements for office employees
- Maintaining engagement through digital channels
- Zoom training on Work From Home for managers



Average training hours

Executive and management: 4.98
Non-executive: 9.91



Automation of HR operations

Various HR processes including recruitment, talent development and promotion were automated during the year in line with our HR strategy of implementing a digital workplace. This led to a reduction in time spent on repetitive tasks. Furthermore, as part of PI's digitization road map and virtual connectivity concept, tablets were distributed to sales staff after due assessments and evaluations of their performances. The primary objective of this initiative is to increase the efficiency in lead management and Sales Activity Management processes.

Training and development opportunities

Providing opportunities for training and development is another aspect of our employee value proposition. We continued to upskill our talent pool with the aim of equipping employees with the skills to drive organizational success. Training needs are identified through the performance appraisal and fulfilled through our dedicated training and development centre. Due to the need for social distancing, most of the programs were shifted to virtual platforms. The total investment in Training and Development amounted to Rs 3.5 Mn during the year, covering 8,920 hours of training for 618 employees. Our training proposition includes the following:

<p>Development workshops</p> <ul style="list-style-type: none"> • Live the value workshop • Personal branding workshop 	<p>Technical training programs</p> <ul style="list-style-type: none"> • Customer activity management system (Sales App) training • Training program for sales staff on premium collection during tough times 	<p>General awareness programs & knowledge sharing sessions</p> <ul style="list-style-type: none"> • Training on work from home • Building resilience beyond COVID-19 • Competency framework and mapping • Advanced excel training • PMS system training
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Career progression

PI is committed to creating a safe and conducive work environment that empowers staff to carry out their tasks, while pursuing career goals. We support our team to achieve their full potential by encouraging them to broaden their knowledge and qualifications. The Company also supports the lifelong learning of employees by reimbursing 100% of fees incurred for professional insurance, marketing and finance

qualifications, professional subscriptions and MBAs, thereby easing the financial burden of the employees.

Remuneration, recognition and rewards

Performance management

A performance-based culture is nurtured within the company, where our employees undergo performance appraisals based on system driven

HUMAN CAPITAL

key performance indicators, thereby encouraging and motivating high performing individuals. Individual KPI's are aligned to the overall corporate business plan and employees are rewarded through performance-based bonuses, promotions and increments.

The Company's permanent employees undergo 2 performance appraisals during the year with performance assessed at an individual and collective level.

Employee recognition

Employee recognition schemes boosts employee morale while aligning personal career goals to organizational goals. During the year, we introduced an employee appreciation scheme to recognize employees for their exceptional service, hard work and dedication. Additionally, staff who have completed ten years of staff are presented with a plaque, certificate and hotel voucher in appreciation of their contribution to the organization.

Active engagement

We nurture employee relationships by engaging with them through multiple channels. Our open-door policy encourages employees to report their grievances at any time while they also have recourse to a formal grievance redressal mechanism, independently managed by the HR department. Regular staff and team meetings ensure that effective engagement takes place and employees feel heard, respected and valued.

We also promote work life balance which is vital for employee satisfaction. Several annual welfare events are generally held to promote fellowship amongst employees. Due to the prevalent situation these welfare activities were limited to the following:



Remuneration and benefits

Statutory Benefits

- Contributions of 12% and 3% of the basic salary to EPF and ETF respectively

Benefits given to permanent employees



Insurance

- Medical insurance
- Personal accident
- Life insurance

Other

- Travelling reimbursements
- Gymnasium facilities
- Sports facilities
- Staff welfare society benefits (including death donations)
- Professional subscription reimbursement
- Reimbursement of mobile phone cost
- Leave encashment
- Higher education aid

Loans

- Vehicle/ Motor Bike loans
- Housing loan interest reimbursements
- Staff Loan

We offer an attractive remuneration package designed to attract and retain talented individuals. Our remuneration package is on par with industry standards and comprises both fixed and variable elements. The variable element

is linked to employee performance and determined through the annual performance appraisals. During the year, total staff cost amounted to Rs 559 Million which is an increase of 0.4% when compared to last year.

New Bonus Policy

- A new bonus policy was introduced during the year, ensuring transparency and balance for bonus eligibility. As such the 3 KPI's for bonus eligibility are Company profitability, departmental performance and Individual performance based on which employee bonuses will be determined upon

Salary Survey

- Following the salary, compensation & benefits survey which was completed in December 2020 successfully targeting all employee designations, the HR department rectified the salary anomalies ensuring that employees receive a competitive salary on par with leading general insurance companies in the country.

Relationships with trade unions





We recognize our employees' right for association and collective bargaining and 38% of our total employees are

represented by a trade union. Cordial relationships were maintained with the union representatives during the year and there were no instances of disruption to work on industrial disputes. The Company does not have

any collective bargaining agreements in place, but adequate notice is given regarding any significant operating changes to ensure employee buy-in.

Gender Parity at PI

We believe that a diverse and inclusive work environment enriches decision making by combining different skills, ideas, and perspectives. As an equal opportunity employer, driving gender equality is a key pillar of our HR strategy and we are committed to ensuring our policy framework, employee practices and procedures reflect this stance. Our workplace is conducive for individuals of both genders providing opportunities for career progression while maintaining a good work-life balance.

 <p>Diversity & inclusion</p>	 <p>Remuneration</p>	 <p>Sexual harassment</p>	 <p>Training opportunities</p>
<ul style="list-style-type: none"> • Equal opportunity employer 	<ul style="list-style-type: none"> • No gender based discrimination on remuneration 	<ul style="list-style-type: none"> • Anti sexual harassment policy 	<ul style="list-style-type: none"> • Equal opportunity for training and development

Employee practice

Remote working has enabled greater work life balance for both men and women. We have supported our employees with the necessary technology, infrastructure and training to facilitate this transition to working from home.

Our track record

We are committed to creating a gender inclusive work environment and provide opportunities to talented individuals irrespective of gender. Due to the nature of our business which typically employs males for marketing and field officer roles, the overall gender representation remains skewed towards males. However, the female representation in the management level is relatively high, demonstrating our commitment towards creating an inclusive work environment.

19% of new recruits are females

100% return to work after maternity leave

Female representation in key departments

	% of females
Finance	29
HR	15
Legal	67
Audit	50
Sales	10
Underwriting	12
Other	41

INTELLECTUAL CAPITAL

The Company benefits from the strength of the Peoples brand, one of the strongest brands in Sri Lanka's financial services industry. Our intellectual capital also represents the Company's organisational capital and tacit knowledge, which has enabled us to understand and respond to emerging customer needs



HIGHLIGHTS OF 2021

- Harness organisational knowledge through a culture of sharing and mentoring
- Leveraged the People's brand to increase penetration through captive business
- Ongoing initiatives aimed at brand building initiatives

VALUE NURTURED/ TRADE-OFFS

- Rs. 42 mn investment in brand building
- Persistent improvements in efficiencies will lead to long-term growth in financial capital
- Rs. 3.5 mn investment in training and development of human capital through a unique base of organisational capital
- Human capital through a unique base of organisational capital



KEY PERFORMANCE INDICATORS

Business growth through group synergies	Rs. 3.9 bn GWP generated through captive channels
Efficiencies	Expense ratio of 34% considerably better than industry average

Way Forward

- Capitalise on the group synergies including Peoples Bank clientele.
- Capitalise on customer insights to develop several new products, focusing on low-premium solutions.
- Establish partnerships with government institutions to drive increased penetration.



Our brand

As part of the People's Bank Group, the Company leverages its brand to drive business volumes and customer loyalty, emerging among the fastest growing non-life insurers in the country. The brand represents one of Sri Lanka's largest licensed commercial banks- the state-owned People's Bank and the largest NBFi in the country People's Leasing & Finance PLC, which are associated with the brand attributes of trust, stability, and long-term partnership. The brand is frequently featured among the country's top brands in independent brand rankings including the following:

Peoples Bank: **Sri Lanka's 3rd most valuable brand** with a value of Rs. 44.8 bn (Brand Finance 2021)

People's banking service provider of the year for 14th consecutive year Nielsen People's Awards

Top 10 most admired companies in Sri Lanka ICCSL, CIMA and Daily FT

Group synergies

The Company's competitive edge is underpinned by the synergies it derives from being part of a leading financial services Group. These benefits include leveraging the strength of the brand, the parents' distribution network, customer accessibility, joint marketing efforts and shared back-office functions among others. During the year, we focused on expanding the captive non-motor business, resulting in the contribution of this business increasing to 18% of the Company's income profile.



Organisational tacit knowledge

The Company's tacit knowledge is sharpened by its established track record in the insurance and a culture of learning and mentoring which supports knowledge sharing. It forms a key element of our competitive edge as it supports strategy formulation, collaborating with business partners and understanding customer and market dynamics. Harnessing this knowledge is a key element of our HR strategy as we strive to nurture a performance driven culture.

Systems and processes

The Company's robust frameworks of systems and processes have supported the shift to new working models given the unprecedented challenges that prevailed during the year. These systems and the organisational foundation in place have offered a solid foundation for this transformation, ensuring fundamentals remained unchanged while providing the flexibility to embrace new ways of working. Key systems include;

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

SOCIAL AND RELATIONSHIP CAPITAL

We continue to deepen our relationships with customers, business partners and the community through a holistic value proposition designed to suit the needs of these stakeholder groups. These relationships create long term value, resulting in individual and collective growth.

326 Business partners including agents/ brokers, suppliers and reinsurance providers

Community relationships

Relationships with parent and ultimate parent

39,337 CUSTOMERS

- 100% of customer complaints resolved
- Enhanced customer convenience through the introduction of digital platforms



STRATEGIC PRIORITIES

- Strengthening customer engagement through digital platforms
- Consolidating existing business through reinforcements

Way Forward

- Expand our product portfolio with innovative products to suit customer budgets.
- Deepen relationships with parent and Group companies.
- Accelerate digitalization to drive increased convenience and accessibility.
- Focus on enhancing customer experience through digital solutions.





91,483 new policies issued

263,998 total policies issued

Our product portfolio consists of personal and business non-life insurance products ranging from motor vehicle, healthcare, marine and burglary insurance. These are provided as generic products as well as value added products offering premium features to customers. New Products during the year include:

Medical Insurance

Solar Panel Insurance

- Two product revamps
- Rs. 2,255 Mn new business generated

Customer relationships



39,337 Customers

'Policy on Business Ethics' sets out our expectations from employees when carrying out transactions with third parties.

Our management approach

As a service organization operating in a highly regulated industry, the comprehensive policies and governance structures in place together with various formal and informal engagement platforms, ensure that we maintained pro-active relationships with all stakeholders. We invest in deepening our partnerships with stakeholders by maintaining high levels of transparency and integrity in all our dealings, thereby fostering mutual value creation. There were no reported incidents of corruption and/or fraud and no fines/penalties for non-compliance with laws and regulations pertaining to socio-economic compliance during the year under review.

We have a diverse customer base comprising individuals, corporates and SMEs representing all districts of the country, with 65% of our business acquired through the Company's captive





business. Understanding and effectively responding to customer needs remains an integral part of maintaining our competitive advantage.

Due to the challenging operating environment that prevailed, the Company mainly focused on consolidating its existing customer base by enhancing the customer experience and service levels. Our customers are at the centre of everything we do, and we have continued our efforts to improve the value provided to them through a holistic proposition.

Customer value proposition

Our value proposition to customers centers on the key pillars of product portfolio, accessibility, responsible business practices and customer engagement helping us to meet customer expectations which is vital for business sustainability.

In order to enhance customer convenience and accessibility, the Company facilitated engagement through online channels. We also maintain contact with customers through several physical touchpoints as mentioned below.

 <p>One corporate office and 15 regional branches</p>	 <p>105 window offices at PLC</p>	 <p>61 Insurance brokers and agents</p>
 <p>25 representatives at Peoples Bank</p>	 <p>196 marketing staff</p>	 <p>Digital delivery through Peoples Bank branches</p>

- Customers were able to obtain new insurance policies through online methods
- Enabling payments through digital platforms
- Settlement of customer claims online through SLIP transfers and uploading their claim forms through digital means
- Introduction of the assessor app enabling seamless operations

SOCIAL AND RELATIONSHIP CAPITAL

Customer engagement and service



Customer centricity is embedded across every stage of the customer's journey with us. This is supported by pro-active engagement with customers, a year-round calendar of marketing and promotional activities, a systematic process for handling complaints and robust mechanisms to measure customer satisfaction levels.

Marketing communications are used to enhance the brand through seasonal campaigns, monthly press releases, road-shows and advertisements on digital and print media, carried out in a transparent and respectful manner without any gender bias. There were no instances of non-compliance to any regulations, voluntary codes or other guidelines pertaining to marketing communications during the year.



70%

Customer retention



100%

Customer complaints resolved



Rs. 2,994 million
Claims incurred



Rs. 42 million
Investment in marketing communications

Responsible business practices

Practicing sustainable and responsible business practices is a key component of our overall business strategy. We are committed to the principles of fair pricing, timely claims settlement and ethical business practices as a responsible corporate citizen.

Fair pricing

- The Company adopts fair pricing practices, aided by good underwriting and actuarial practices.
- Zero incidents of legal action stemming from anti-competitive behaviour, anti-trust and monopolistic practices.

Customer privacy





- We are duty-bound to protect confidential information of the customers to which we have access to. As a result, we have invested in state-of-the-art IT infrastructure and implemented strict process controls to ensure customer privacy is maintained at all times.
- Zero substantiated complaints regarding loss of customer data.

Product information

- Insurance proposals are available in all three languages and product information communicated to customers include insured values, premium payments and terms and conditions among others.
- Zero instances of non-compliance with regulations and/or voluntary codes pertaining to product related information.

Business partnerships

We strive to build mutually beneficial relationships with a host of business partners, enabling us to achieve our strategic and business aspirations. These partnerships play a crucial role in linking us with customers as we strive to broaden our reach and enhance brand equity. An overview of how these partners contributed to the Company's value creation is presented below:

	Partner profile	Value creation/ Value delivery	KPIs
 Insurance agents and brokers	99 agents certified under the Sri Lanka Institute of Insurance and registered with the Insurance Regulatory Commission of Sri Lanka.	Value to PI: Agents and brokers enable us to expand our reach and strengthen our market position by creating a strong link between the Company and potential customers. Value to stakeholder: We provide extensive training on various topics including products, processes, professional conduct and customer relationship management among others.	Rs. 1,262 million (+ 54%) Premium income generated <hr/> Rs. 130 million (+ 4%) Commissions paid
 Reinsurers and reinsurance brokers	13 reinsurers from Singapore, UK, India and Sweden. As stipulated by the Insurance Regulatory Commission of Sri Lanka we engage with reinsurers rated B+ and above.	Value to PI: These stakeholders enable the Company to underwrite more business by providing financial protection and risk diversification. Value to stakeholder: Generates a regular stream of income in the form of reinsurance premiums.	Rs. 924 million (+ 37%) Reinsurance premium <hr/> 15% Reinsurance ratio
 Motor related business partners	The stakeholder group consists of vehicle agents, assessors, valuers and motor garages who play a key role in facilitating our motor insurance business.	Value to PI: Opportunity for business expansion, facilitating smooth claims processing and management. Value to stakeholder: Providing comprehensive training to valuation officers on customer service, regulations, role in insurance inspection etc.	Rs. 530 million (+ 8%) Payments to motor related business partners
 Suppliers	153 general suppliers through whom we procure office consumables, IT equipment and furniture among others.	Value to PI: Facilitating the smooth functioning of our operations through the timely delivering of a range of office equipment and consumables. Value to stakeholder: Opportunities for business expansion	Rs. 42 million (+ 57%) Payments to suppliers <hr/> 100% Local suppliers

Uplifting communities

Our CSR agenda is aligned to our sustainability policy and is driven from the top by the Board and Management. The company prioritizes initiatives that are aligned to our business when selecting projects for roll-out, thereby ensuring alignment of commercial and sustainability objectives.

As a socially responsible entity, we aim to uplift the society's most vulnerable segments through our welfare activities and deliver long term meaningful value to stakeholders. However, the Company was compelled to curtail its CSR activities this year as well, due to heightened safety concerns and social distancing requirements resulting from the prolonged pandemic.

NATURAL CAPITAL

As a financial services organisation, the Company's environmental implications are relatively low. However, in cognisance of escalating degradation of the natural environment and increasing implications of climate change, the Company is committed to reducing its environmental footprint. The Company's comprehensive Environmental Policy clearly sets out our environmental aspirations, and actions required to drive these goals. We also ensure full compliance to relevant environmental regulations set out by the Central Environment Authority. During the year, there were no instances of fines/penalties imposed on the Company for non-compliance. Given the conditions that prevailed during the year, the Company was restricted in engaging in environment-related CSR activities. However we hope to recommence these initiatives with the normalisation of the environment.

ENVIRONMENTAL POLICY

RESOURCE CONSERVATION

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

COLLABORATION WITH COMMUNITIES

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

WASTE PREVENTION AND MANAGEMENT

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

REDUCTION OF SUPPLY CHAIN IMPACTS

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



Environmental management approach



Consumption of natural resources

Paper: The strategic shift towards digitising processes and automating operations have led to a sustained decline in paper consumption. We also adopt the 3R approach- reuse, reduce and recycle in propagating a culture of resource consciousness in the organisation. During the year, total paper consumption reduced reflecting increased focus on digital platforms to conduct operations. Used paper is sent to an approved third-party recycler, thereby minimising the landfill waste of our operations.

Energy: The Company consumes energy across its operations within branches and key energy sources are electricity sourced from the national grid and fuel used for transportation purposes including employee travel, training, and marketing activities. The Company's electricity consumption increased by 16.1% compared to the previous year, reflecting the normalisation of activity from 2020 which was affected by extended lockdowns. Given the conditions that prevailed during the year and limited operations in branches, the Company's energy intensity increased by 16.5% to 854. The Company's initiative increase energy efficiency include the use

of energy efficient lighting and cooling equipment, encouraging employees to engage in energy conservation and use of a Sophisticated Building Management System in our corporate office which ensures the tracking and monitoring of energy.

	2021	2020	Change y-o-y (%)
Direct consumption			
Electricity (kWh)	527,793	454,617	16.1
Energy intensity- electricity consumption per employee	854	733	16.5
Indirect consumption			
Fuel consumption (Ltr)	11,817	12,720	7.1

REIMAGINE THE BUSINESS

Amidst the volatile business setting the Company maintained a consistent focus on financial sustainability and long-term growth. Several proactive measures were taken to redefine the governance framework ensuring relevance and applicability to emerging dynamics. Strategic emphasis was placed on effectively managing and mitigating risks in a risk landscape which was disruptive and dynamic.

GOVERNANCE & RISK

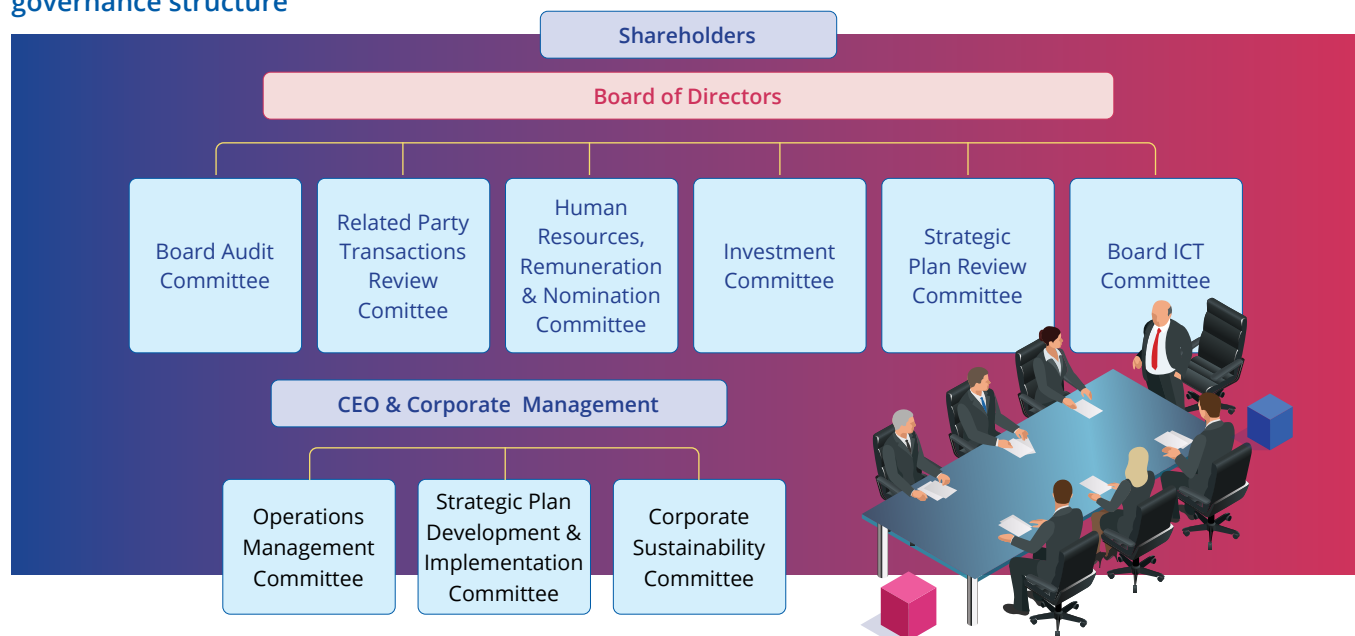
CORPORATE GOVERNANCE	69	HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE REPORT	84
ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY	74	INVESTMENT COMMITTEE REPORT	86
DIRECTORS' STATEMENT ON INTERNAL CONTROL	80	RISK MANAGEMENT	87
BOARD AUDIT COMMITTEE REPORT	81		
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT	83		

CORPORATE GOVERNANCE

Our approach to corporate governance

The need of transparent, ethical and inclusive leadership is stronger in times of crisis and the Company benefits from robust governance frameworks which underpin its value creation. The Company's corporate governance framework has been designed to comply with all relevant mandatory requirements for insurers while embracing industry best practices and voluntary codes and has enabled the Company to navigate the unprecedented complexities stemming from the operating environment. In addition to clearly defined structures and Board-approved policy frameworks, our corporate values, business ethics policy and code of conduct for all employees is strongly engrained within PI ensuring integrity and transparency in all aspects of our operations.

Corporate governance structure

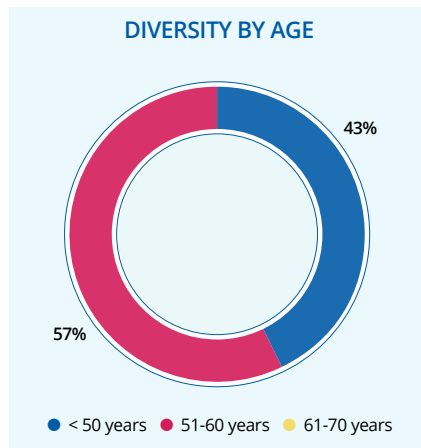
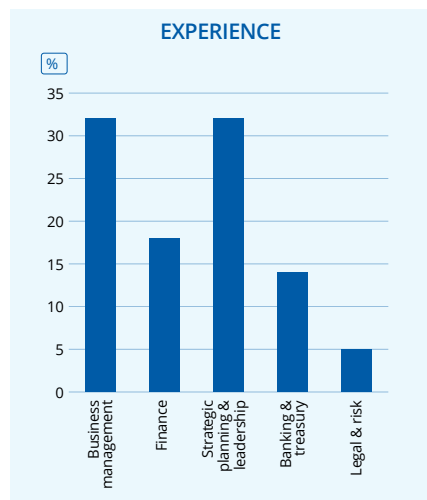


Compliance with Regulations and Best Practices		
External		Internal
Regulatory	Voluntary	
<ul style="list-style-type: none"> Corporate Governance Framework for Insurers: Amended Direction #17 and Determinations and regulations issued by the IRCSL. (Fully compliant with mandatory provisions. A Comprehensive checklist on compliance is provided on pages 198 to 199) Listing Rules of the Colombo Stock Exchange – Rules 7.10 & 7.6 (Fully compliant with mandatory provisions. A Comprehensive checklist on compliance is provided on pages 200 to 203) Companies Act, No. 7 of 2007 Motor Traffic Act Inland Revenue Act Anti-money laundering Act Consumer Affairs Authority Act Determinations and guidelines issued by the SEC 	<ul style="list-style-type: none"> Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka (Voluntary adoption). A Comprehensive checklist on compliance is provided on pages 183 to 199) Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) GRI Sustainability Reporting Standards issued by the Global Reporting Initiative 	<ul style="list-style-type: none"> Articles of Association Board and sub-committees Terms of Reference Business ethics policy Code of ethical conduct for office staff Code of ethical conduct for sales staff Manual of Delegation of Financial Authority Risk management framework Internal control system Board approved policy framework

CORPORATE GOVERNANCE

The Board of Directors

The Board comprises the Chairman and six Directors, representing diverse skills, industry experience and demographic profiles.



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

Effective Leadership

As the apex governing body, the Board is responsible for setting the strategic direction, and holds executive management responsible for strategy execution, within a framework of effective risk management tools and internal controls. The Board

The role of the Chairman and the CEO are defined through clearly demarcated responsibilities. A Senior Independent Director (SID) has also been appointed as recommended by best practices of corporate governance.

Board Composition



The Board is represented entirely by Non-executive Directors, of whom three are independent. All appointments to the Board of PI are approved by the Insurance Regulatory Commission of Sri Lanka. The varied backgrounds, experience, expertise and age of the Directors brings a rich diversity to Boardroom proceedings as the Board oversees the performance of the management and formulates business strategies to achieve long-term value creation at PI. The Board remained unchanged in comparison to previous year, thereby supporting continuity of thinking and strategic direction. The Board comprises of only male Directors.

CHAIRMAN	CEO	SID	BOARD SUB COMMITTEES
LEADERSHIP Provides leadership to the Board and ensures its effectiveness. Upholds and promotes good governance, sets the Board's agenda and encourages open & constructive discussion at Board meetings.	OPERATIONAL MANAGEMENT Responsible for operational management of PI and executing strategy & policies of the Board. Develops operational proposals & policies for Board approval. Promotes PI culture & standards.	COUNSEL Regular discussions with Chairman & CEO on specific issues. Available to assist shareholders in unaddressed concerns. Available for confidential discussions with Board members regarding matters significant to PI.	ASSIST BOARD OVERSIGHT Make recommendations to the Board, develop & implement policy, review & monitor and report to the Board on matters pertaining to each of the committees.

Board Sub-Committee: The Board has appointed six sub-committees with specific oversight responsibilities by the Board. The scope of these committees is clearly defined in Committee TORs, which are summarized in Board Audit Committee Review, Related Party Transactions Review Committee Review, Human resources, remuneration & Nomination Committee Review, Investment Committee Review and also in the table given below.:


Board Strategic Plan Review Committee	Board ICT committee
<ul style="list-style-type: none"> • Provide strategic direction • Recommendation of the strategic corporate plan • Review strategic plan, processes, progress and recommend corrective action • Review performance against strategic objectives • Ensure quarterly progress review meetings are conducted 	<ul style="list-style-type: none"> • - Develop corporate level ICT strategies and plans which ensure the cost effectiveness and proper management of ICT systems, services and resources of PI. • Evaluate IT services to ensure the alignment with corporate strategy. • Monitor IT services and achievements against the IT Strategic Plan. • Review existing and upcoming IT technologies and trends to increase efficiency and develop Digital Road Map by improving IT resources. • Provide guidance and recommendations to the board on major IT concerns.

Board contribution to value creation in 2021




Strategy Formulation

- Approval of strategy implementation plan 2021
- Sales plan 2021
- Performance review
- - Media relations and corporate communication
- - Progress review on IT strategy execution
- - Feasibility study on business line expansion



Financial Reporting

- Approval of quarterly financial statements in 2021
- Approval of annual financial statements



Monitoring development in the operating landscape

- Ongoing monitoring of industry dynamics and emerging risks
- Competitor analysis
- Ongoing monitoring of changes in rules and regulations and correspondence with the regulator



Regulatory Compliance

- Declaration by Directors to the IRCSL
- Review of compliance report
- Revision of TOR of the Board Audit Committee to incorporate the requirements of the National Audit Act
- Update on IRCSL correspondence



Governance & Stakeholder Engagement

- Anti-fraud and disciplinary Code
- Business continuity and disaster recovery
- TOR of Board Information Technology committee
- Committee and steering committee
- Review of organisation structure
- Dividend declaration and distribution



Regular Updates

- Monthly performance reports
- Investment compliance and performance reports
- Regulatory reports
- Highlights of the Board sub committees
- Quotation analysis report
- Compliance report

Independence

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

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

Three out of seven Directors were considered by the Board to be independent in 2021

Directors' Interests

The Business Conduct and Ethics policy of PI prohibits a director, key management personnel or employee,

CORPORATE GOVERNANCE

from using their position or confidential and price-sensitive information, to benefit themselves or a third-party. Directors are required to inform the Board of conflicts or potential conflicts of interests in relation to business transactions or other directorships. Registers of individual directors' interests in and outside PI are maintained and updated regularly. Directors do not participate in the discussions or voting in a matter on which they may have a material interest. Such abstentions are recorded in the minutes by the company secretary.

The Board is aware of the various commitments of its Directors and is satisfied that all Directors allocate time sufficiently to discharge their responsibilities effectively.

Access to Information

Directors also have access to training opportunities to ensure that they are kept abreast of emerging industry developments. Upon appointment to the Board, all Directors undergo a comprehensive induction program allowing them to familiarise themselves with the Company's activities and governance philosophy. The induction pack provided to Directors include the Articles of Association, Policies and Board procedure manuals and Director's Responsibilities while an overview of all compliance requirements and policies are provided by the Board Secretary.

Effective Meetings

The Board and its committees meet frequently as prescribed by their respective mandates. Special meetings may be convened as necessary at the request of the chairperson or any independent non-executive director. The chairpersons set the meeting agendas, assisted by the CEO and the company secretary. Meetings are scheduled in advance with enough time allocated for each agenda item. During the meeting each agenda item circulated prior to the meeting is discussed, and senior management made available for

clarifications. After the meeting, matters raised are followed up by the Management, Board committees and the Board itself. The Board is aware of the various commitments of its Directors and is satisfied that all Directors allocate time sufficiently to discharge their responsibilities effectively.

Details of the meetings held by the Board and its committees and a snapshot of the time spent by the Board on various key areas are given below.

Board Member	Board Meetings	Audit Committee	Related Party Transactions Committee	Human Resources, Remuneration & Nomination Committee	Investment Committee	Board Strategic Plan Review Committee	Board IT Committee
Mr. Isuru Balapatabendi	11/11	N/A	N/A	4/4	2/2	2/2	N/A
Mr. Ranjit Kodituwakku	10/11	6/7	2/2	N/A	N/A	2/2	N/A
Mr. Shamindra Marcelline	11/11	N/A	N/A	4/4	2/2	2/2	N/A
Mr. Lakshman Abeysekera	11/11	7/7	2/2	2/4	N/A	N/A	N/A
Mr. Johnson Fernando	11/11	N/A	2/2	4/4	2/2	N/A	5/5
Dr. Kasun Wijetilleke	11/11	7/7	N/A	4/4	2/2	N/A	5/5
Mr. Rohan Tennakoon	11/11	N/A	N/A	N/A	N/A	N/A	5/5

Board Evaluation

A transparent process is in place to conduct annual Board evaluations in line with the recommendations of the Code of Best Practice on Corporate Governance 2017. Key aspects considered included, contribution to strategy formulation, contribution to ensuring effective risk management, quality of stakeholder relationships and contribution towards discharging sub-committee responsibilities. Self-assessment of Board members was carried out during the year.

Board Continuity

The Board has adopted a formal and transparent procedure for the appointment of Directors with the responsibility for overseeing the process delegated to the Human Resources, Remuneration & Nomination Committee. All appointments are made with the prior approval of the Regulator. The Articles of Association prescribes that a Director holds office until the next AGM following his/her appointment and should stand for re-election by shareholders. The Articles require 1/3rd of Non-executive

Directors to retire by rotation at each AGM at which point they may offer themselves for reappointment by the shareholders.

Directors Remuneration

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

Relations with Shareholders

The Annual General Meeting is the key platform facilitating shareholder engagement and the Company's AGM is typically well attended. The Chairmen of the Board sub-committees are also available at the AGM to respond to shareholders queries. The SID is also

accessible to shareholders to assist in matters not addressed through other channels.

Engagement with other stakeholders is facilitated through a range of formal and informal platforms as listed on pages 39 to 41 of this Report.

Accountability and Audit

Risk management and internal control

Directors hold ultimate responsibility for ensuring that the Company's risks are managed within the defined risk appetite. Our risk management report on page 87 describes the risk governance structure at PI, the Integrated Risk Management Framework, the key risks, how we mitigate/manage the risks and the KPI targets together with actual performance.

A dedicated risk and compliance officer monitors the implementation of the Company's risk management framework. The Integrated Risk Management Committee of the Parent Company also continued to monitor the Company's risk exposures through quarterly reports submitted.

PI has in place a framework of stringent internal controls that operates and monitors implementation of Board policies. Risks and controls are regularly reviewed and monitored by the Board with the assistance of the Board Audit Committee.

Code of business conduct and ethics

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

employees) as well as the Code of Ethical Conduct for Employees.

The Company orientation program also includes comprehensive coverage of the corporate governance, business ethics and whistle-blower policies. The Board actively monitored the whistle-blowing process with the feedback received.



Business ethics Policy

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



Code of conduct

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

Cybersecurity

As we continue to increasingly digitalise the way we do business, cybersecurity has emerged as a key risk. IT governance is integral in assuring the integrity and confidentiality of information management. The Board Audit Committee is delegated with the authority to implement 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 & assurance and considers the impact of IT on financial controls in its annual audit plan.

In light of the significant role of technology within the Company's operations, a Board level sub-committee was formed in February 2021, to strengthen Board oversight in this area.

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

Environment, Society and Governance (ESG)

The Company strives to embed ESG factors into its strategy, operations and daily decisions; this is actioned through the Sustainability which clearly sets out the Company's social and environmental aspirations and how it links to the Company's business.

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

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

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

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

1. GENERAL

The Board of Directors of People's Insurance PLC (the Company) has pleasure in presenting this report to the shareholders together with the audited financial statements for the year ended 31st December 2021 of the Company and the Independent Auditor's Report on the Financial Statements conforming to all statutory requirements. This report was approved by the Board of Directors on 27th May 2022.

2. REVIEW OF BUSINESS

[Section 168 (1) (a)]

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

2.1. Vision, Mission and Corporate Conduct

The Company's vision and mission are provided on page 28. The Company's business activities have been carried out within the framework of the vision and mission statement, which reflects our commitment to the highest ethical standards and integrity as set out in the Code of Business Conduct and Ethics, and in conformity with the corporate culture and the values of the Company stated on pages 28 and 73 of this Report.

2.2. Principal business activities

The principal activity of the Company is carrying out non-life insurance business for both individual and corporate customers. There were no significant changes in the nature of principal activities of the Company during the financial year under review. The Company has not engaged in any activity,

which contravene laws and relevant regulations.

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

2.3. Company ownership structure

The details of the Company ownership structure is given on page 26 of this Annual Report.

2.4. Branch network

The total branch network of the Company as at 31 December 2021 comprised of 15 regional offices and 105 window offices at People's Leasing & Finance PLC branch network.

2.5. Review of business performance

A review of the financial and operational performance and future business developments of the Company is contained in the Chairman's Message (pages 12 to 13), Chief Executive Officer's Review (pages 14 to 16) and Performance and Value Creation (pages 47 to 48). These reports form an integral part of the Annual Report of the Board of Directors and together with the audited financial statements reflect the state of the affairs of the Company.

2.6. Future developments

An overview of the future developments of the Company is presented in the Chairman's Message (pages 12 to 13), Chief Executive Officer's Review (pages 14 to 16) and Performance and Value Creation (pages 47 to 48).

3. FINANCIAL STATEMENTS

[Section 168 (1) (b)]

Completed and signed Financial Statements of the Company

The financial statements of the Company for the year ended 31st December 2021 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 105 to 181 form an integral part of this Report.

3.1. Directors' responsibility for financial reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect the true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of 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 98 to 99 forms an integral part of this report.

3.2. Financial results appropriations

The Company recorded a net profit of Rs. 980 million for the year. A synopsis of the Company's performance is presented below.

	2021	2020
	Rs. '000	Rs. '000
Profit after taxation	979,669	1,195,314
Profit brought forward from previous year	3,271,015	2,295,701
Profit available for appropriation	4,250,684	3,491,015
Appropriations		
Final dividend paid in respect of previous year	(600,000)	(220,000)
Un-appropriated profit carried forward	3,650,684	3,271,015

3.3. Provision for taxation

The tax position of the Company is disclosed in Note 21 (pages 129 to 130) to the financial statements.

3.4. Property, plant and equipment and market value of properties

The company does not possess any freehold land or building as at 31.12.2021. Leasehold buildings and other fixed assets have been recorded as per Sri Lanka Financial Reporting Standards. Details of property, plant and equipment are shown in Note 25 (pages 134 to 136).

3.5. Intangible assets

Details of intangible assets including the movements of the intangible assets during the period are set out in the Note 24 (pages 132 to 133)

3.6. Reserves

The movement in reserves during the year is set out in the Statement of Changes in Equity on page 108.

3.7. Investments

Details of investments held by the Company are disclosed in Note 27 (pages 138 to 144) to the financial statements.

3.8. Turnover

The Company underwrote an amount of Rs. 5,968 million in 2021 (Rs. 6,012 million in 2020) as gross written premium. Gross written premium for the year by major classes of business is given on page 120.

3.9. 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 2021 amounted to Rs. 1,350 million (Rs. 1,350 million in 2020).

4. EXTERNAL AUDITOR

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

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

4.1. Auditor and their Independence

In accordance with National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of 'Auditee Entity' and the Auditor General or any person authorised by the Auditor General shall carry out the audit of the Company and their responsibilities in relation to the financial statements are set out in the "Independent Auditor's Report" given on page 104.

4.2. Auditor's report

The Report of the Auditor General on the financial statements of the Company is provided on pages 102 to 104.

4.3. Auditor's remuneration

A sum of Rs. 2,229,000 (2020 – Rs. 2,477,458) was payable to Auditors as audit fees during the year under review and a sum of Rs. 334,350 (2020 – Rs. 371,619) was payable by the Company for tax related services and other non-audit work performed.

4.4. Appointment of auditors

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

5. ACCOUNTING POLICIES

[Section 168 (1) (d)]

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

Accounting policies of the Company are prepared based on the Sri Lanka Accounting Standards and industry best practices. The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements. There were no changes to the accounting policies made during the year under review.

6. BOARD OF DIRECTORS

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

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

6.1. Profiles

Names of the Board of Directors together with their profiles, including skills and experience are set out on pages 17 to 21 of this Annual Report.

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

6.2. Appraisal of Board performance

The method used to appraise the performance of the Board of Directors is presented in the 'Corporate Governance' section on page 72 and Performance Evaluations were obtained from the Board.

6.3. Other Directorships/ significant positions of Directors

Information of the other directorships/ significant positions of the present Directors of the Company are given in their profiles presented on pages 17 to 21.

6.4. Resignations and appointments

There were no resignations and appointments during the year 2021.

6.5. Interests register

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

6.6. Directors' interests in transactions

The Directors of the Company have made general declarations as provided for in section 192 (2) of the Companies Act. Arising from this, details of contracts in which they have an interest are found in Note 48 on page 177, under related party transactions.

6.7. Loans to Directors

The Company has not granted any loan to the Directors.

6.8. Directors' interest in shares

The Directors have disclosed to the Board their shareholding in the Company and any acquisition or disposal thereof. The Directors' individual shareholding in the Company as at 31st December 2021 and 31st December 2020 are given below.

Name of Director	Number of Shares	
	As at 31st December 2021	As at 31st December 2020
Isuru Balapatabendi	-	-
Ranjith Kodituwakku	-	-
Shamindra Marcelline	-	-
Lakshman Abeysekara	-	-
Johnson Fernando	-	-
Kasun Wijetilleke	-	-
Rohan Tennakoon	1,000	1,000

CEO possessed 6,600 shares of People's Insurance PLC as at 31.12.2021.

6.9. Remuneration to Directors

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

	2021 Rs. '000	2020 Rs. '000
Non-executive, Non-independent Directors' fees and emoluments	2,492	1,375
Non-executive, Independent Directors' fees and emoluments	1,415	650
Total	3,907	2,025

6.10. Directors' meetings

Details of Directors' meetings are presented on page 72.

7. SHARE INFORMATION

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

7.1. Distribution schedule of shareholdings

Information on the distribution of shareholding and the respective percentages are given in the section on 'Shareholder Information' on page 209.

7.2. Information on earnings, dividends, net assets and market value

Information relating to earnings, dividend, net assets and market value per share is given on page 210. Information on the trading of the shares and movement in the number of shares represented by the Stated Capital of the Company is given in the section on 'Shareholder Information' on page 210.

7.3. Substantial shareholdings

Names of the top twenty shareholders for voting shares, percentages of their respective holdings and percentage holding of the public, etc. are given in the section on 'Shareholder Information' on pages 207 and 208.

7.4. Equitable treatment to shareholders

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

7.5. Dividends

An interim dividend of Rs. 1.50 per share totalling to Rs. 300 million in respect of the financial year ended 31st December 2021 was paid on 17th May 2022. The Board of Directors ensured that the company would meet the requirement of the solvency test in terms of section 56(3) of the Company's Act No.07 of 2007 and the terms and conditions issued by IRCSL immediately after the payment of the said interim dividends. Accordingly, Board of Directors provided the Statement of Solvency to the

Auditors and obtained certificates of solvency from the Auditors in respect of the interim dividend proposed and Directors declaration was submitted to IRCSL and obtained their consent prior to make the dividend payment, thereby strictly confirming to the above statutory provision.

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

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Shareholder Information' on page 210.

8. DONATIONS AND CSR

[Section 168 (1) (g)]

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

During the year under review, the Company made donations amounting to Rs. 50,000 (2020- Rs. 978,753) in terms of the Resolution passed at the last Annual General Meeting. The corporate social responsibility initiatives of the Company are presented in 'Social and Relationship Capital' on page 65 and 'Natural Capital' on pages 66 to 67.

9. CORPORATE GOVERNANCE

[Code of Best Practice

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

Board of Directors emphasis on the corporate governance practices and procedures

The Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided the necessary resources and installed appropriate processes and procedures in compliance with the relevant codes of best practice issued by the regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance issued jointly by the Securities and

Exchange Commission of Sri Lanka ('SEC') and the Institute of Chartered Accountants of Sri Lanka ('ICASL'). The measures taken in this regard and information to fulfil disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set out on pages 183 to 203 of this Annual Report.

Further, the Directors declare that:

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

9.1. Board Sub-Committees

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

Board Sub-committees	Committee Report Reference
Board Audit Committee	Pages 81 to 82
Human Resources, Remuneration and Nomination Committee	Pages 84 to 85
Related Party Transactions Review Committee	Page 83
Board Investment Committee	Page 86

Further, the Board has established sub-committees on Strategic Plan Review and Information Technology to ensure better scrutiny.

The composition of each Board Sub-committee and Directors' attendance at meetings are given on page 72.

Related Party Transactions Review Committee

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

Such transactions disclosed by the Directors are given in Note 48 to the financial statements on pages 175 to 180 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.

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.

Human Resources, Remuneration and Nomination Committee

The details of the Human Resources, Remuneration and Nomination Committee are given on pages 84 to 85 of this Annual Report.

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

Board Audit Committee

All the members of the Board Audit Committee are Non-executive Directors. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer attend the meetings by invitation. The report of the Board Audit Committee is given on pages 81 to 82.

9.2. System of internal controls

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

9.3. Risk management

The Board and executive management of the Company have put in place an adequate risk identification, measurement and mitigation process. The risk management function is strengthened with a dedicated officer under the purview of Board Audit Committee. In addition, a group level risk management committee is in place with Company level representatives.

A detailed overview of the process is outlined in the Enterprise Risk Management report on pages 87 to 96.

9.4. Compliance with laws and regulations

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

9.5. Environment

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

9.6. Environmental, social and governance Reporting

Environmental, social and governance (ESG) considerations affect value creation and the execution of strategies of the Company. The Company's Annual Report contains sufficient information on the recognition, management, measurement and reporting on ESG risks and opportunities as set out on pages 33 to 34.

9.7. Internet of things

Group IT policies by which the Company is governed, comprehensively cover the process to identify connections to the Company's network, cyber security risks identification, effectiveness of cyber security risk management. The functions of Chief Information Security Officer are delegated to the Head of IT of PLC group. Related information is set out in Corporate Governance Section on page 73.

9.8. Going concern

After considering the financial position, the Company's corporate/business plans, operating conditions, regulatory and other factors and such matters

required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission and the Institute of Chartered Accountants of Sri Lanka there is a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

In determining the above significant management judgements, estimates and assumptions, the impact of the COVID-19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes in the financial statements. In addition, the management of the Company evaluated the resilience of the business considering a wide range of factors under multiple stress tested scenarios, relating to expected premium volumes, volatility of claims, expense management, profitability, ability to defer non-essential capital expenditure, re-insurance payment timelines, liquidity of the investment portfolio and the ability to continue providing services to ensure businesses continue as least impacted as possible

10. STAKEHOLDER MANAGEMENT AND INTEGRATED REPORTING

The Company has taken several measures to manage its valued stakeholders in value creation process. Economic, environment and social aspects are adequately addressed in the reporting process. Relevant details are presented in stakeholder value on pages 39 to 41 of this Annual Report.

11. STATUTORY PAYMENTS

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

12. OUTSTANDING LITIGATIONS

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

13. EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are provided in Note 50 (page 180) to the financial statements.

14. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at People's Insurance PLC via audio and visual technology, on 30th June 2022 at 10.00 a.m. The Notice of the Meeting relating to the 13th Annual General Meeting is given on page 222.

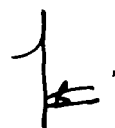
15. COMPLIANCE WITH REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 OF THE LISTING RULES

Rule reference	Information required to be disclosed	Status of compliance	Page reference
7.6 (i)	Names of persons who were Directors of the Company during the financial year	☑	18 to 21
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	☑	111
7.6 (iii)	Information on 20 largest shareholders at the end of the year	☑	207
7.6 (iv)	The public holding percentage	☑	208
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	☑	208
7.6 (vi)	Information pertaining to material foreseeable risk factors	☑	88 to 96
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	☑	59
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	☑	134 to 136
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	☑	149
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	☑	209
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	☑	210
7.6 (xii)	Significant changes in the Company's or subsidiaries' fixed assets	☑	Not applicable
7.6 (xiii)	Details of funds raised through a public issue, Rights Issue and a Private Placement during the year	☑	Not applicable
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option schemes	☑	Not applicable
7.6 (xv)	Disclosure pertaining to Corporate Governance practice in terms of Rules 7.10.0, 7.10.5 c and 7.10.6 c of Section 7 of the Listing Rules	☑	200 to 203
7.6 (xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity	☑	77

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

[Section 168 (1) (k)]

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



Isuru Balapatabendi
Chairman



Lakshman Abeysekera
Director



Sachini Hulugalle
Company Secretary
27th May 2022
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The following statement is presented by the Board of Directors to be in line with Section D1.5 of the Code of Best Practices on Corporate Governance 2017 (Code) issued by The Institute of Chartered Accountants of Sri Lanka.

Responsibility

The Board of Directors (Board) is responsible for the adequacy and effectiveness of the Internal Control system and risk management practices within the Company in order to safeguard the shareholder's investment and the Company's assets. However, due to the inherent nature of the Internal Control System, systems of internal control are designed to manage, rather than to eliminate the risk of failure to achieve business objectives. In view of this, the system of internal controls can only provide reasonable, but not absolute assurance against material misstatements of loss.

The Board has established an on-going process to ensure the significant risks faced by the Company are identified, evaluated and managed within an acceptable risk profile and this process includes enhancing the system of internal control as and when there are changes to the business environment or regulatory guidelines. The process is in place and reviewed by the Board through the Board Audit Committee, assisted by the Internal Auditors. With the view of improving the Internal Control Environment, the Board has reviewed the internal control deficiencies identified and relevant recommendations reported by the Board Audit Committee and directed appropriate actions.

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

System of Internal Control

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

- Several 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 objectives, strategies, annual budgets and business direction.

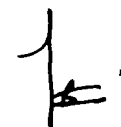
- Policies are developed covering most of the functional areas of the Company and these are approved by the Board or Board approved sub-committees. Such policies are reviewed and approved periodically.
- The internal audit department reviews for compliance with policies and procedures and the effectiveness of the internal control systems on an on-going basis and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes in accordance with the audit plan which is drawn based on the level of risk assessed which is approved by the Board Audit Committee. Findings of the internal audits are submitted to the Board Audit Committee for review at periodic meetings.
- The Board Audit Committee of the Company reviews the outcome of the audits carried out on internal control systems, regulatory authorities' and internal audits, and evaluates the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions with particular emphasis on the scope and quality of the internal audit function and the risk management framework of the Company. Key Risk Indicators have been identified for all major operations of the Company a summary of the Key Risk Indicators are included in the Risk Dashboard and presented to the Audit Committee quarterly. The proceedings of the Audit Committee are tabled at the Board Meetings of the Company. Further, details of the activities carried out by the Board Audit Committee are presented in the Board Audit Committee Report on pages 81 to 82.
- 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.

- A compliance checklist covering all applicable laws and regulations is signed-off by relevant heads of department, based on which the Risk and Compliance officer presents the Compliance Statement at monthly Board meetings.

Confirmation Statement

The Board having implemented the internal control processes as mentioned above, confirms that the financial reporting system of People's Insurance PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with the applicable Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act, No. 07 of 2007, regulatory requirements of the Insurance Regulatory Commission of Sri Lanka and the Colombo Stock Exchange.

By order of the Board



Isuru Balapatabendi
Chairman



Shamindra Marcelline
Director



Lakshman Abeysekera
Chairman - Board Audit Committee

27 May 2022
Colombo

BOARD AUDIT COMMITTEE REPORT

COMPOSITION

The Board Audit Committee appointed by the Board comprises of following non-executive directors, majority of whom are independent.

- Mr. Lakshman Abeysekera (Non-Executive, Independent Director)
- Dr. Kasun I. Wijetilleke (Non-Executive, Independent Director)
- Mr. Ranjith Kodituwakku (Non-Executive, Non-Independent Director)

Brief profiles of members of the Board Audit Committee as at 31st December 2021 are given on pages 18 to 21 of this Annual Report.

The Head of Internal Audit functions as the Secretary to the Audit Committee.

Expertise of the Committee

The Committee Chairman Mr. Lakshman Abeysekera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka with over 25 years' experience in accounting, finance and management.

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

Continuous Professional Development

The Committee participated at seminars conducted internally and externally with the view of keeping its knowledge up to date.

CHARTER

The terms of reference of the Board Audit Committee is clearly defined in the Charter. The Charter of the Board Audit Committee approved by the Board is revisited and revised annually with the concurrence of the Board of Directors to ensure that the new developments relating to the functions of the Committee are addressed.

The Committee is accountable to the Board and reports on its activities regularly to the Board of Directors. The Committee has unrestricted access to information, cooperation from Management and discretion to invite any Director or Executive Officer to attend its meetings.

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

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

AUTHORITY

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

THE OBJECTIVE AND ROLE

The Committee assesses, ensures and is empowered by the Board in terms of the following:

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

MEETINGS

The proceedings of the Committee meetings are conducted in accordance with the terms of the Board Audit Committee. The Chief Executive Officer, Chief Operations Officer, Chief Finance Officer and Risk and Compliance Officer are regular attendees to the meetings by invitation as and when required. The External Auditors also attend meetings, on invitation, to brief the Committee on external audit related and other specific matters.

During the year 2021, the Committee held seven meetings. Attendance of the members at meetings is set out in the table on page 72 of this Annual Report.

ACTIVITIES IN 2021

Financial Reporting System

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

Compliance with reporting requirements

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

Oversight on Regulatory Compliance

Audit Committee scrutinizes 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 risk and compliance officer under the guidance of the committee, obtains statements of

BOARD AUDIT COMMITTEE REPORT

compliance from heads of operating units in order to prepare the monthly compliance statement and submits it to the Board. The Internal Audit Department of the company is mandated to conduct independent test checks on regulatory compliance requirements annually.

Identification of Risk and Control Measures

With the motive of maintaining an effective internal control environment, the Committee seeks required assurance from the Risk and Compliance Officer and other related business units on remedial actions taken in respect of the risks identified. A risk grading matrix is adopted for assessing and measuring the risks identified and a quarterly Risk Dashboard is submitted for deliberations of the committee by the Risk and Compliance Officer.

The Company also adopts 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.

Internal Audit

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

The Committee approves the audit plan formulated by the Internal Audit Department and reviews its progress of implementation regularly. Significant findings of Internal Audits and other Assignments with recommendations to the management are considered and appropriate acclamations have been issued by the Committee. Further, follow-up actions on internal and external audit recommendations are monitored.

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

External Audit

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

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

Appointment of External Auditors

Auditor General is the External Auditor of the Company and he has authorized Ernst & Young to carry out the Audit of the Company for the year ended 31st December 2021 as per the constitution.

Ethics and Good Governance

The Committee constantly emphasizes on upholding ethical values of the staff members. In this regard the Whistleblowing policy was strengthened and followed educating and encouraging all employees to resort to whistle-blowing if they suspect any wrong doings or improprieties. Highest standard of Good Governance and adherence to the Company's Code of Ethics were ensured.

Whistle Blowing and Fraud

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



Lakshman Abeysekera
Chairman – Board Audit Committee

27th May 2022
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

Composition

The RPTRC comprises of the following Non-executive Directors whose brief profiles are given on pages 18 to 21 of this Annual Report. The composition of the RPTRC meets the requirements under the Listing Rules of CSE.

Mr. Johnson Fernando - Chairman of the Committee (Non-executive, Independent Director)

Mr. Kasun Wijetilleke - Member (Non-executive, Independent Director)

Mr. Lakshman Abeysekara - Member (Non-executive, Independent Director)

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 9.5 of the Code, prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

Meetings and Activities

The proceedings of the Committee meetings which mainly include activities under its mandate are reported to the Board of Directors. The Committee had two meetings during the year 2021 and details of attendance of the Committee members are set out in the table under page 72. 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 9.1 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 and has thus complied with the rules Pertaining to Related Party Transactions as set out in section 9 of the CSE. 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 9.1 of the Code. Please refer the Annual Report of the Board of Directors on the Affairs of the Company, page 77 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 2021.



Johnson Fernando
Chairman - Related Party Transactions
Review Committee

27th May 2022
Colombo

HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE REPORT

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

Composition and Committee

Meetings

The Board Human Resources Remuneration and Nomination Committee comprises the following Non-executive Directors whose brief profiles are given on pages 18 to 21 of this Annual Report.

Mr. Isuru Balapatabendi – Chairman of the Committee (Non-executive, Non-independent Director)

Mr. Lakshman Abeysekara – Member* (Non-executive, Independent Director)

Mr. Johnson Anthony Fernando – Member (Non-executive, Independent Director)

Dr. Kasun Wijetilleke – Member (Non-executive, Independent Director)

Mr. Shamindra Marcelline – Member (Non-executive, Non-independent Director)

**Resigned as of December 2021*

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 her 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 and the details pertaining to the attendance are provided on page 72 of this Annual Report.

Roles and Responsibilities

i. Nomination related responsibilities of the Committee are as follows:

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

ii. 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

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

Authority

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

Evaluation of the Committee

As part of the annual self-assessment of the Board of Directors, the performance and effectiveness of the Board Committees is assessed by the Board as a whole.

Directors' Compensation

Compensations paid to the Board of Directors are specified on page 76 of this Annual Report.



Isuru Balapatabendi
Chairman – Board Human Resources,
Remuneration and
Nomination Committee

27th May 2021
Colombo

INVESTMENT COMMITTEE REPORT

Charter of the Committee

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

Composition and Meetings

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

Mr. Isuru Balapatabendi - Chairman of the Committee (Non-executive, Non-independent Director)

Mr. S. Marcelline – Member (Non-executive, Non-independent Director)

Mr. Johnson Fernando – Member (Non-executive, Non-independent Director)

Dr. Kasun Wijethilleke – Member (Non-executive, Independent Director)

Mrs. Jeevani Kariyawasam – Member (Chief Executive Officer)

Mrs. Thanuja Fernando – Member (Chief Financial Officer)

With the resignation of Mr. Deepal Abeysekera (former CEO People's Insurance PLC) from the Company with effect from 1st December 2021, Mrs. Jeevani Kariyawasam was appointed as a member to the Committee with effect from 1st February 2022. Further, With the resignation of Mr. Nilushan Somarathna (former CFO People's Insurance PLC) from the Company with effect from 23rd May 2022, Mrs. Thanuja Fernando was appointed as a member to the Committee with effect from 23rd May 2022. The Board Secretary of Peoples Insurance PLC functions as the Secretary to the Investment Committee and Manager Investment attends meetings

by invitation. During the year 2021, the Investment Committee held two meetings. Attendance of the Investment Committee members at meetings is set out in the table on page 72 of this Annual Report.

Objectives

The key objectives of the Committee are summarised below.

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

Activities Carried out During the Year


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

- Apart from the scheduled meetings, the Committee also maintained constant dialogue with the management throughout the year, discussing matters as and when they arose. Any issues that needed the attention of the Investment Committee were promptly attended to and solutions reached through close communication between the Investment Committee and the management

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

Conclusion

It was indeed a very challenging year for the fund management of the insurance industry. The interest rates were continuing to be at historically low levels during most part of the year. As almost all insurers' investments portfolios are highly skewed towards the fixed income instruments, the lower interest rates dampened the overall investment income of the industry. However, it is commendable the efforts taken by the management of the Company to achieve the investment income targets set at the beginning of the year while operating within the regulations applicable and the framework prescribed by the Investment Operations Manual of the Company



Isuru Balapatabendi
Chairman - Investment Committee

27th May 2022
Colombo

RISK MANAGEMENT

The Company's core operations of assuming the risk of individuals and organisations, invariably exposes it to an array of internal and external risk factors, the management of which is critical in supporting the sustainability of our value creation. As a regulated entity, the Company's risk management is guided by both the requirements of the Insurance Regulatory Commission of Sri Lanka as well as domestic and international best practices.

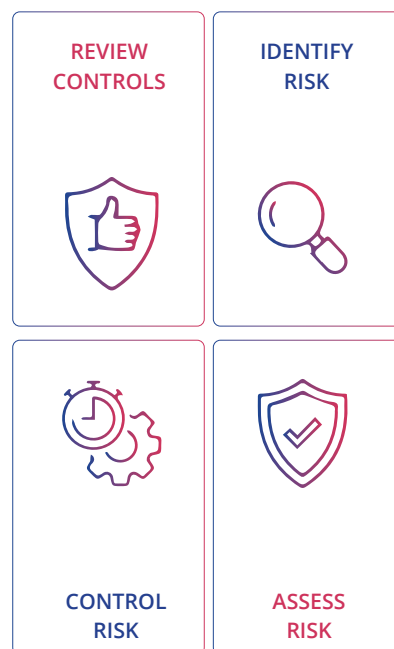
Our Approach to Risk Management

The Company has implemented an Integrated Risk Management Framework which clearly defines the policies, tools and procedures in place to proactively identify, categorise and mitigate risks. This process requires us to constantly monitor our internal and external risk landscape, to identify new and emerging risks that may affect the Company's ability to achieve its strategic aspirations. The Framework is complemented by a strong risk culture which has been nurtured through training, awareness sessions, policy frameworks and standards and facilitate the identification and management of risks across the organisation.

Integrated Risk Management Framework

Risk Governance

The Board of Directors hold apex responsibility for ensuring that the Company's risks are managed effectively and proactively, including the implementation of the Integrated Risk Management Framework. The Board is supported by Board Audit and Investment Committees in discharging its risk related responsibilities. The Management Team has been delegated the authority for managing the Company's overall risk profile and is responsible for implementing the risk management policy. At executive level, this is the responsibility of the Risk and Compliance Officer together with Chief Executive Officer, Chief Financial Officer and Chief Human Resource Officer. Oversight and monitoring of risks and compliance in the Company level is also carried out at Group level by the Group Integrated Risk Management Committee.



RISK MANAGEMENT

Capital Management

The Company has a comprehensive capital management framework which seeks to proactively manage capital in a way that ensures returns to shareholders and policyholders, while complying with regulatory requirements and maintaining adequate buffers. The objectives, policies and approaches to managing the risks that affect People's Insurance's capital position are described in detail on page 164 in the Notes to the Financial Statements. The regulatory requirements include the maintenance of minimum capital adequacy ratio (CAR) of 120%, a total available capital (TAC) of Rs. 500 million and a supervisory CAR limit of 160%.

The Company maintained its capital levels comfortably in line with regulatory requirements during the year, offering an adequate cushion against potential macro-economic stress that could impact the Company's operations.

	2021	2020
Capital adequacy ratio	317%	304%
Total available capital (Rs. Mn)	4,549	4,163
Risk based capital required (Rs. Mn)	1,437	1,369

The Risk Universe

The Company is exposed to both external and internal risks. External risks are monitored by all business units, the leadership team and the Board of Directors on an ongoing basis. Internal risks are classified into four key areas and are identified, analyzed, evaluated and assigned an appropriate risk rating based on the significance of impact and likelihood of occurrence. We mitigate/manage each risk through effective internal controls, diversification, imposing risk limits, transfer of risks, constant monitoring and periodical review. The risk dashboard is reviewed by the Group Integrated Risk Management committee and the Board Audit on a quarterly basis.

Overview of Risk-Based Capital

Capital adequacy ratio (CAR)

$$\frac{\text{Total Available Capital}}{\text{Risk-based Capital Required}} \times 100$$

The IRCSL requires insurance companies to have a targeted CAR of 120% and a minimum TAC of Rs. 500 million

Total available capital (TAC)

- Tier 1 + Tier 2
- Capital deductions
- Tier 2 capital < 50% of Tier 1 capital

Risk-based capital (RCR) required for 6 types of risk

- Credit risk
- Concentration risk
- Reinsurance risk
- Market risk
- Liability risk
- Operational risk

The Risk Universe

The Company is exposed to both external and internal risks. External risks are monitored by all business units, the leadership team and the Board of Directors on an ongoing basis. Internal risks are classified into four key areas and are identified, analyzed, evaluated and assigned an appropriate risk rating based on the significance of impact and likelihood of occurrence. We mitigate/manage each risk through effective internal controls, diversification, imposing risk limits, transfer of risks, constant monitoring and periodical review. The risk dashboard is reviewed by the Group Integrated Risk Management committee and the Board Audit on a quarterly basis.

External Risks

Macro-economic risk (Page 33)


Interest rate risk (Page 31)

Policy and regulatory risk (Page 34)

Exchange rate risk (Page 30)


Internal Risks

Strategic risk




The risks associated with our corporate strategy and the industry including compliance with regulatory requirements

Insurance risk




For non-life insurance contracts, the most significant risks arise from natural disasters, climate changes, civil commotion and terrorist activities.

Investment risk



The risk that an investment's actual gains will differ from an expected outcome or return including the possibility of losing some or all of the original investment is our investment risk.

Operational risk



Risks and hazards arising from daily business activities such as breakdowns in internal processes, people and systems.

Risks in Detail

A description of the significant risks faced by the Company in each of the four key risk areas detailing mitigating/managing measures, risk rating and performance together with the link each key risk has to strategy and materiality are given in the following table.

Strategic Risks					
Link to strategic goals: Business and profit growth			Link to materiality: Profitable growth, Product innovation and diversification, Efficiency, Distribution channels		
	Mitigating/Managing Risk	Risk Rating		KPIs	
				Target	Actual
Business Risk This is the risk associated with People's Insurance's future business plans and strategies – the risk of under-performing due to unanticipated changes in the internal and external environment. The continuation of Government-imposed restrictions on vehicle imports have significantly hampered growth prospects in the motor insurance industry, elevating the Company's business risk.	<ul style="list-style-type: none"> Strategic focus on expanding non-motor businesses over the short-to-medium term 	■	ROE	>15%	20.26%
	<ul style="list-style-type: none"> Leverage relationships with parent and ultimate parent entity to enhance non-motor businesses 	■	Return on Assets	>6%	9.05%
	<ul style="list-style-type: none"> Ongoing review and monitoring of internal and external factors that impact planned objectives 	■	Sales Performance	>10%	-0.7%
	<ul style="list-style-type: none"> Periodic review of strategies and prompt action to manage unfavorable deviations 	■	Investment Performance	>5.6%	8.6%
	<ul style="list-style-type: none"> Selection and implementation of underwriting strategy to ensure diversification of risk considering type of risk and level of insured benefits. 	■	Operational losses	<0.5%	Zero
Regulatory Risk Regulatory risk is the risk that a change in laws and regulations will affect our business. The risk of non-compliance with laws and regulations is also addressed as part of regulatory risk. Key regulatory developments included,	<ul style="list-style-type: none"> Changes to laws and regulations and the business impact thereon are reviewed by management 	■	Risk based capital adequacy ratio	>220%	317%
	<ul style="list-style-type: none"> A comprehensive regulatory checklist is signed off by relevant officials monthly People's Insurance is strongly represented at industry forums and works closely with regulators. This ensures the Company's is current on changes to laws and regulations and its concerns are voiced. 	■	Total available capital	>Rs.500Mn	4,549
<ul style="list-style-type: none"> Prohibition on the promotion/ advertising of 3rd party insurance Prohibitions on providing codes to persons other than insurance agents. 					

RISK MANAGEMENT

Insurance Risks

[Link to strategic goals:](#) Business and Profit growth, Optimising resource utilisation

[Link to materiality:](#) Profitable growth, Efficiency

	Mitigating/Managing Risk	Risk Rating	KPIs		
			Target	Actual	
<p>Underwriting Risk</p> <p>The risk making losses on underwriting activities. Underwriting risk can arise from either an inaccurate assessment of risks when underwriting a policy or from factors beyond the control of underwriters. Claims increased in comparison to the previous year reflecting normalisation of economic activity and mobility in 2021.</p>	<ul style="list-style-type: none"> Ongoing focus on strengthening core underwriting capabilities through developing staff skills Critical review of underwriting results to identify loss making clients and moving these clients strategically out of the portfolio Regular review of profitability, pricing, terms and conditions of product portfolio to identify required changes Regulatory authority alerted if set limits on approvals of underwriting amounts and risks are exceeded 	<p>■</p> <p>■</p>	<p>Underwriting results (Rs. Mn)</p> <p>Combined ratio</p>	<p>527</p> <p><90%</p>	<p>384</p> <p>92%</p>
<p>Product Design Risk</p> <p>Risk of non-life insurance product designs of the portfolio being outdated due to reasons including climate change and its consequences such as various natural disasters, changes in behavioral trends of people and a steady cost escalation in vehicle spare parts.</p>	<ul style="list-style-type: none"> Ongoing engagement with prospective and existing customers to identify emerging customer needs Revising premium pricing to optimise risk-return dynamics 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 	<p>■</p>	<p>Number of new products /revamped introduced</p>	<p>>2</p>	<p>2</p>

	Mitigating/Managing Risk	Risk Rating	KPIs		
				Target	Actual
<p>Claim Settlement Risk</p> <p>This is the risk of possible disputes that may arise at the time of settling claims.</p>	<ul style="list-style-type: none"> Customers are advised on the consequences of inadequate sums insured and excess Claims manual is updated periodically Information arising from various issues is cross checked prior to settling a claim The claims approval process and claims payment processes are segregated Claim intimations are done through a 24x7 call centre 	<ul style="list-style-type: none"> ■ ■ ■ ■ ■ ■ 	<p>Net claims ratio:</p> <p>Motor</p> <p>Fire</p> <p>Marine</p> <p>Miscellaneous</p> <p>Title</p> <p>Net combined ratio</p>	<p><54%</p> <p><41%</p> <p><40%</p> <p><94%</p> <p><20%</p> <p><90%</p>	<p>56%</p> <p>38%</p> <p>92%</p> <p>110%</p> <p>4%</p> <p>92%</p>
<p>Claims Reserving Risk</p> <p>Inadequate provisioning of reserves for reported claims and incurred but not reported (IBNR) claims.</p>	<ul style="list-style-type: none"> Claims are assessed immediately upon intimation and reserved accordingly 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 The sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation is given in Note 47 to the financial statements, page 175 on General Insurance Business risk. 	<ul style="list-style-type: none"> ■ 	<p>IBNR Provision</p>	<p>Actuarial valuation</p>	<p>Actuarial valuation obtained</p>

RISK MANAGEMENT

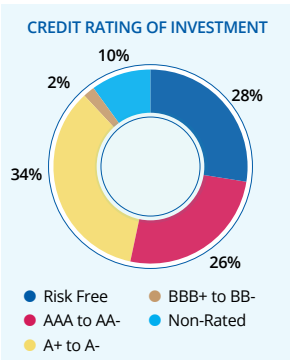
	Mitigating/Managing Risk	Risk Rating	KPIs		
<p>Reinsurance Risk</p> <p>Reinsurance risks refers to the inability of the ceding company or the primary insurer to obtain insurance from reinsurance at the right time and at an appropriate cost. It also includes the risk that a reinsurer will be unable to meet its reinsurance obligations due to inadequate financial strength.</p>	<ul style="list-style-type: none"> 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, 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 monthly to ensure that all dues are collected or set-off against the payable on time 		Reinsurance receivables >6 months	<5%	Zero
<p>Credit Risk (Insurance Receivables)</p> <p>Arises when policyholders are unable to settle their outstanding dues.</p>	<ul style="list-style-type: none"> Regular and rigorous follow-up for outstanding premiums Facilitating premium payments through digital channels Periodic policy cancellation for not settling within the given period Verifying the status of outstanding premiums prior to settling claims Periodic review of premium receivables to ensure adequate impairment provisions Monitoring reinsurance receivables 		Premium receivable >60 days	<15%	20%

Investment Risks

[Link to strategic goals:](#) Business and profit growth [Link to materiality:](#) Profitable growth

	Mitigating/Managing Risk	Risk Rating	KPIs		
			Target	Actual	
<p>Concentration Risk</p> <p>Insufficient diversification of the investment portfolio such as concentration in one industry, geography or type of security is our concentration risk.</p>	<ul style="list-style-type: none"> Concentration limits are specified in Investment Operations Manual Regular monitoring of IRCSL guidelines Single exposures are reviewed by the Investment Committee periodically The investment portfolio is reviewed by the Board monthly Monitoring of single exposure limits at entity and group levels that are a regulatory requirement Investment in equity instruments is done through careful analysis <div style="text-align: center;"> <p>CONCENTRATION RISK</p> <p>10% 28% 29% 33%</p> <ul style="list-style-type: none"> ● Government Securities ● Fixed deposits ● Corporate Debt Securities ● Unit trusts/ Mutual fund </div>	<ul style="list-style-type: none"> ■ ■ ■ ■ ■ ■ 	<p>Government securities</p> <p>Fixed deposits</p> <p>Listed equity</p> <p>Corporate debt</p> <p>Unit trusts/ mutual funds</p> <p>Commercial paper</p>	<p>Upto 100%</p> <p><65%</p> <p><30%</p> <p><65%</p> <p><30%</p> <p><30%</p>	<p>28%</p> <p>33%</p> <p>-</p> <p>29%</p> <p>10%</p> <p>-</p>
<p>Liquidity Risk</p> <p>This is the risk of being unable to meet contractual obligations such as payments of claims and reinsurance due to inadequate cash flows.</p>	<p>Details on risk mitigation strategies are given on page 169, Note 47 to the financial statements - Liquidity risk.</p> <div style="text-align: center;"> <p>MATURITY PROFILE</p> <p>11% 47% 25% 8% 9%</p> <ul style="list-style-type: none"> ● 0-6 Months ● 7-12 Months ● 1-2 Years ● Over 2 Years ● No stated Maturity </div>	<ul style="list-style-type: none"> ■ 	<p>Cheque returns due to non-availability of funds</p>	<p>Zero</p>	<p>Zero</p>

RISK MANAGEMENT

	Mitigating/Managing Risk	Risk Rating	KPIs		
<p>Credit Risk – Financial Instruments</p> <p>The inability of the investee institution to meet interest or principal payments as agreed.</p>	<p>Details on risk mitigation strategies are given on page 165, Note 47 to the financial statements - Credit risk on financial investments.</p>  <p>CREDIT RATING OF INVESTMENT</p> <p>28% Risk Free 26% AAA to AA- 34% A+ to A- 10% Non-Rated 2% BBB+ to BB-</p>	<p>■</p>	Investments rated A and above as a percentage of total investments	>90%	89%
<p>Market Risk</p> <p>The loss of value of an investment due to adverse movements in asset prices.</p>	<p>Details on risk mitigation strategies are given on page 170, Note 47 to the financial statements - Market risk.</p>	<p>■</p>	Price sensitive investments as a percentage of total investments	<30%	13%

Operational Risks

Link to strategic goals: Optimising resource efficiency

Link to materiality: Operational excellence, Digital capabilities, Efficiency, Health and safety, Talent management

	Mitigating/Managing Risk	Risk Rating	KPIs		
				<u>Target</u>	<u>Actual</u>
<p>Socio/Economic/Political Risk</p> <p>This is the risk of a negative impact on operations due to changes in the socioeconomic, political environment and investment climate.</p> <p>The prevalent economic macro-economic conditions present a considerable risk to the business environment (refer to pages 30 to 34)</p>	<ul style="list-style-type: none"> Ongoing monitoring of economic developments The socio-economic and political climates are considered in formulating strategy Pricing is reviewed considering inflation and current market trends Developing alternative distribution channels with evolving socio-economic trends 	<p>■</p>	Revision of environment analysis and SWOT analysis	Revise annually	Revised annually
<p>Environmental Risk</p> <p>The actual or potential adverse impacts on operations and product responsibility with respect to emissions, waste and resource depletion is our environmental risk.</p>	<ul style="list-style-type: none"> The sustainability committee provides leadership promoting environmentally conscious initiatives and behaviour Paper waste and e-waste of People's Insurance are responsibly disposed through approved recyclers Carbon footprint is measured and monitored 	N/A	Carbon intensity	Given the conditions that prevailed during the year, the Company was unable to compute the carbon footprint.	

	Mitigating/Managing Risk	Risk Rating	KPIs		
<p>Information Technology Risk</p> <p>This refers to the risk of failure or breakdown of systems that results in interrupting Operations, loss or exploitation of data and cyber security risks.</p>	<ul style="list-style-type: none"> Group IT policies, which People's Insurance follow, comprehensively cover IT discipline, use of licensed software, monitoring usage of the internet, email and mail server and the use of antivirus, firewall servers and software. In addition, PI incorporated company specific Information Security Policy, E-mail usage policy and Password Policy to minimize the risk. Risks relating to IT including cyber security are reviewed by the Audit Committee and the Board Ensuring all staff are familiar with the information security policy A 'back up' system is maintained at an off-site location to prevent data losses Controls such as Unified Threat Management (UTM) and Sophos Endpoint Security and Control are used. 	<p>■</p> <p>■</p>	Availability of back ups	Available	Available
			Availability of a business continuity plan	Available	Available
<p>Human Resources Risk</p> <p>Shortage of professionally qualified/skilled personnel, demotivation and loss of staff form part of this risk.</p>	<ul style="list-style-type: none"> Strengthening the employee value proposition Employees are provided with training both in-house and external to enhance skills Facilitate development of employees by providing financial assistance for their professional education Review remuneration packages to be competitive with the market Performance based incentive schemes such as bonuses Initiation of succession planning 	<p>■</p>	Staff turnover	<5%	3.5%

RISK MANAGEMENT

<p>Reputational Risk The risk that an event or incident could damage the image of the People's Insurance.</p>	<ul style="list-style-type: none"> Company internal controls are reviewed by internal and external auditors, whose reports are reviewed by the Audit Committee Maintain close relationships with regulators, standard setters and other insurance companies etc., to ensure being up to date and in compliance with regulatory matters 	<p>■</p> <p>■</p>	<p>Compliance</p> <p>-breaches reported</p> <p>-fines imposed</p>	<p>Zero</p> <p>Zero</p>	<p>Zero</p> <p>Zero</p>
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REIMAGINE THE FUTURE

The Company navigated a volatile industry landscape with agility. By placing significant emphasis on revisiting and refining its objectives and action plans to address emerging risks and opportunities. The Company's long-term aspirations are centred on strengthening its market position by leveraging its brand value and group synergies.

FINANCIAL INFORMATION

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STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the financial statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 ('Companies Act') is set out in this statement. The responsibilities of the External Auditors in relation to the financial statements are set out in the Independent Auditor's Report given on page 102.

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 2021, 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 2021; and
2. The financial performance of the Company for the financial year then ended.

The financial statements for the year 2021, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:

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

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

1. The appropriate accounting policies have been selected and applied in a consistent manner, material departures, if any, have been disclosed and explained;

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

The Directors also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements. Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company.

The financial statements of the Company have been certified by the Chief Financial Officer, the officer responsible for their preparation as required by section 150(1)(b) of the Companies Act. In addition, the financial statements of the Company have been signed by two Directors on 108 as required by Section 150(1)(c) of the Companies Act and other regulatory requirements. In compliance with section 148(1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assist in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements, in accordance with the Companies Act and further enabling the financial statements to be readily and properly audited.

The financial statements for the year 2021 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

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

As required by the 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 dividends paid and proposed upon being satisfied that the Company would be able to satisfy the solvency test immediately after such distributions are made in accordance with section 57 of the Companies Act No. 7 of 2007 and have obtained certificates of solvency from the external auditors in respect of dividends paid.

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

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

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



Sachini Hulugalle
Company Secretary

24th May 2022

CEO'S AND CFO'S RESPONSIBILITY STATEMENT

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

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

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

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements.

The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to these financial statements were made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The internal audit department conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

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

The financial statements of the Company were audited by the Auditor General and their report is given on page 102 of this Annual Report.

We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review;
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements;
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance;
4. There are no material litigations that are pending against the Company other than those disclosed in Note 51.2 of the financial statements of this Annual Report;
5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2021 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.



Jeevani Kariyawasam
Chief Executive Officer



Thanuja Fernando
Chief Financial Officer

27th May 2022
Colombo

IBNR AND LAT CERTIFICATION



29 May 2022

To the shareholders of People's Insurance PLC

PEOPLE'S INSURANCE PLC 31 DECEMBER 2021 LAT CERTIFICATION

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 2,773,699,667 set by the Company, net of reinsurance and DAC, is adequate at a 50th percentile in relation to the undiscounted unexpired risks of People's Insurance PLC as at 31 December 2021, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

The valuation of the Company's unexpired risks has been conducted in compliance with the IRCSL Solvency Margin (Risk Based Capital) Rules, 2015, relevant insurance regulation, and in accordance with the Institute of Actuaries of Australia ('IAA') professional standards; in particular, the relevant Professional Standards & Guidance and the Code of Conduct, to the extent that they are applicable.

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

A handwritten signature in black ink, appearing to read 'Matthew Tiong'.

Matthew Tiong

Fellow of the Institute and Actuaries of Australia (FIAA)
For and on behalf of NMG Consulting

Dated 29 May 2022

INDEPENDENT AUDITOR'S REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல. }
My No. }

BAN/D/PI/2021/04

ඔබේ අංකය
உமது இல. }
Your No. }

දිනය
திகதி }
Date }

27 May 2022

Chairman

People's Insurance PLC

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the People's Insurance PLC for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

Parliament in Pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

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

1. FINANCIAL STATEMENTS

1.1 Opinion

The audit of the financial statements of the People's Insurance PLC (the "Company") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021, and statement of Profit or Loss and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice. My report to

1.2 Basis for Opinion

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

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in 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 my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How my audit addressed the key audit matter
<p>Insurance contract liabilities</p> <p>Insurance Contract liabilities amounting to Rs.4,831,513,746 (note 37) represent 80% of total liabilities of the company as at 31 December 2021.</p> <p>Insurance Contract Liabilities include provision for reported claims, provision for claims IBNR & IBNER and provision for unearned premiums.</p> <p>Insurance Contract Liabilities are determined as described in note 37</p>	<p>To assess the reasonableness of the Insurance Contract Liabilities, my audit procedures included amongst others the following:</p> <ul style="list-style-type: none"> Checked the completeness and accuracy of the data used in the valuation of Insurance Contract Liabilities by agreeing significant details to source documents and accounting records. Test-checked the unearned premium calculation. Engaged expert resources to assess the reasonableness of the assumptions used in the actuarial valuations of the Insurance Contract Liability with reference to the industry data and considering both historical experience and business expectation. Assessed the adequacy of the disclosures in note 37 to the financial statements.





Key audit matter	How my audit addressed the key audit matter
<p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> • materiality of the reported Insurance Contract Liabilities; • the degree of assumptions, judgements and estimation uncertainty associated with the valuation of Insurance Contract Liabilities; and • liability adequacy test using best estimates carried out to ensure the adequacy of the carrying value of Insurance Contract Liabilities. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the Insurance Contract Liabilities included the following:</p> <ul style="list-style-type: none"> • the determination historical experience and business expectation such as previous claim experience, existing knowledge of risk events, industry ultimate loss ratio, claims handling expenses and management expenses and • the determination method used for unearned premium calculation. 	

1.4 Other information included in the Company's 2021 Annual Report.

The other information comprises the information included in the Company's 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Company's 2021 Annual Report, if I conclude that are material misstatements therein. I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154(6) of the Constitution that will be tabled in due course.

1.5 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

1.6 Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

INDEPENDENT AUDITOR'S REPORT



- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- ◆ Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- ◆ I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) (d) of the Companies Act, No.7 of 2007 and section 12 (a) of National Audit Act, No. 19 of 2018.
- ◆ The Financial Statements of the Company comply with the requirement of section 151 and 153 of the Companies Act, No.07 of 2007.
- ◆ The Financial Statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- ◆ The Financial Statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- ◆ Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- ◆ to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;
- ◆ to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018;
- ◆ to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018;
- ◆ to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018.

W.P.C. Wickramaratne
Auditor General

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Page	2021 Rs.	2020 Rs.
Revenue	6	119	5,905,722,477	6,162,735,846
Gross written premium	7	120	5,967,950,074	6,011,567,761
Change in reserve for unearned insurance premium	8	120	18,029,670	(90,925,214)
Gross earned premium			5,985,979,744	5,920,642,547
Premium ceded to reinsurers	9	121	(923,799,562)	(674,915,654)
Change in reserve for unearned reinsurance premium	10	121	58,446,056	57,665,601
Net earned premium			5,120,626,238	5,303,392,494
Claims and expenses				
Net claims	11	122	(2,994,318,525)	(2,699,553,389)
Underwriting and net acquisition costs	12	124	(527,064,090)	(559,530,485)
Other operating and administrative expenses	13	125	(1,203,691,140)	(1,216,195,647)
Finance cost	14	126	(11,560,267)	(19,935,057)
			(4,736,634,022)	(4,495,214,578)
Underwriting results			383,992,216	808,177,916
Other revenue				
Fee income	15	127	54,300,338	53,086,098
Interest and dividend income	16	127	657,536,885	751,888,385
Net realised gains	17	128	18,243,944	34,073,644
Net fair value gains	18	128	55,008,314	19,283,471
Other income	19	129	6,758	1,011,754
			785,096,239	859,343,352
Profit before tax	20	129	1,169,088,455	1,667,521,268
Income tax expense	21	129	(189,419,106)	(472,206,916)
Profit for the year			979,669,349	1,195,314,352
Basic earnings per share	22	130	4.90	5.98

The notes to the financial statements as set out on pages 111 to 181 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2021 Rs.	2020 Rs.
Profit for the year			979,669,349	1,195,314,352
Other comprehensive income				
Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods:				
- Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	27.4	144	(11,503,415)	24,795,381
- Recycling to statement of profit or loss due to disposal of investments			-	(26,483,719)
- Deferred tax effect on above	21.2	130	2,946,743	219,277
			(8,556,672)	(1,469,061)
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods:				
- Actuarial losses on defined benefit obligations	38.2	153	2,240,491	3,911,391
- Deferred tax effect on above	21.2	130	557,472	(1,220,312)
			2,797,963	2,691,079
Other comprehensive income for the year, net of tax			(5,758,709)	1,222,018
Total comprehensive income for the year, net of tax			973,910,640	1,196,536,370

The notes to the financial statements as set out on pages 111 to 181 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	Page	2021 Rs.	2020 Rs.
Assets				
Intangible assets	24	132	8,197,904	10,969,646
Property, plant and equipment	25	134	123,149,959	185,479,090
Deferred tax asset	26	136	50,729,768	40,201,865
Financial investments	27	138	9,038,785,038	8,574,328,565
Reinsurance receivables	28	145	421,007,848	211,143,617
Insurance receivables	29	146	1,032,801,578	1,132,743,974
Deferred expenses	30	147	244,281,574	276,219,332
Other assets	31	148	67,443,627	113,804,834
Cash and cash equivalents	32	148	68,316,222	50,972,116
Total assets			11,054,713,518	10,595,863,039
Equity and liabilities				
Equity				
Stated capital	33	149	1,350,000,000	1,350,000,000
Retained earnings	34	149	3,650,684,688	3,271,015,339
Fair value reserve	35	149	(5,768,448)	2,788,224
Other reserves	36	149	(1,820,258)	(4,618,221)
Total equity			4,993,095,982	4,619,185,342
Liabilities				
Insurance contract liabilities	37	150	4,831,513,746	4,623,435,278
Employee defined benefit obligations	38	153	50,647,614	42,733,705
Other financial liabilities	39	154	641,281,309	748,435,905
Other liabilities	40	155	40,911,526	42,621,457
Reinsurance payables	41	156	244,382,102	65,498,172
Income tax payable	42	156	183,557,270	435,327,639
Bank overdrafts	43	156	69,323,969	18,625,541
Total liabilities			6,061,617,536	5,976,677,697
Total equity and liabilities			11,054,713,518	10,595,863,039

The notes to the financial statements as set out on pages 111 to 181 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.



Thanuja Fernando
Chief Financial Officer

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



Isuru Balapatabendi
Chairman



Lakshman Abeysekera
Director

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 31 December 2019			1,350,000,000	2,295,700,987	4,257,285	(7,309,300)	3,642,648,972
Profit for the year			-	1,195,314,352	-	-	1,195,314,352
Dividends paid during the year	34	149	-	(220,000,000)	-	-	(220,000,000)
Other comprehensive income	35,36	149	-	-	(1,469,061)	2,691,079	1,222,018
Balance as at 31 December 2020			1,350,000,000	3,271,015,339	2,788,224	(4,618,221)	4,619,185,342
Profit for the year			-	979,669,349	-	-	979,669,349
Dividends paid during the year	34	149	-	(600,000,000)	-	-	(600,000,000)
Other comprehensive income	35,36	149	-	-	(8,556,672)	2,797,963	(5,758,709)
Balance as at 31 December 2021			1,350,000,000	3,650,684,688	(5,768,448)	(1,820,258)	4,993,095,982

The notes to the financial statements as set out on pages 111 to 181 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2021 Rs.	2020 Rs.
Operating activities				
Premium received from customers			6,034,125,598	5,785,686,455
Reinsurance premium paid			(744,915,651)	(616,944,903)
Claims paid	11	122	(3,018,940,387)	(3,038,173,040)
Reinsurance receipts in respect of claims			287,154,767	481,679,131
Interest received			687,721,776	778,979,358
Dividends received	16.2	128	-	690,650
Other operating cash flows			(1,687,880,051)	(1,604,527,964)
Cash flows from operating activities	A		1,557,266,052	1,787,389,686
Gratuity paid	38.2	153	(954,555)	(2,059,948)
Income tax paid	42	156	(447,608,859)	(168,154,921)
Interest paid on lease liability	46.4	163	(11,560,267)	(19,935,057)
Net cash flows from operating activities			1,097,142,369	1,597,239,760
Investing activities				
Purchase of liquid investments			(19,821,163,975)	(3,038,617,996)
Purchase of other investments			(11,194,401,958)	(6,531,255,255)
Sale of liquid investments			19,833,763,299	3,026,018,654
Sale of other investments			10,835,326,827	5,344,098,859
Purchase of intangible assets			-	(11,159,919)
Purchase of property, plant and equipment			(30,706,720)	(26,536,075)
Net cash flows used in investing activities			(377,182,510)	(1,237,451,732)
Net cash flows before financing activities			719,959,859	359,788,028
Financing activities				
Ordinary dividends paid	34	149	(600,000,000)	(220,000,000)
Payment of lease liabilities	46.4	163	(77,747,922)	(67,525,388)
Net cash flows used in financing activities			(677,747,922)	(287,525,388)
Net increase/(decrease) in cash and cash equivalents during the period	B		42,211,937	72,262,670

The notes to the financial statements as set out on pages 111 to 181 form an integral part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2021 Rs.	2020 Rs.
A. Cash flows generated from operating activities				
Profit before tax			1,169,088,455	1,667,521,268
Adjustments for:				
Net fair value gains/losses	18	128	55,008,314	(19,283,471)
Provision for employee defined benefit obligations	38.2	153	11,108,955	11,467,035
Depreciation and amortisation expenses	24,25	132, 344	103,882,534	97,656,085
Provision for impairment			34,253,040	75,037,857
Interest paid on lease liability	46.4	163	11,560,267	19,935,057
Profit before working capital changes			1,274,884,937	1,852,333,831
Changes in working capital				
(Increase)/decrease in reinsurance receivables			(209,864,230)	292,450,920
Increase/(decrease) in insurance receivables and other assets			112,536,748	(264,485,923)
Increase in deferred expenses			31,937,758	13,356,095
Increase/(decrease) in insurance liabilities			208,078,468	(300,206,588)
Increase in other liabilities			139,692,371	193,941,351
Cash flows from operating activities			1,557,266,052	1,787,389,686
B. Increase in cash and cash equivalents				
Cash and cash equivalents	32.1	148	197,424,295	104,513,930
Bank overdraft	43	156	(69,323,969)	(18,625,541)
Net cash and cash equivalents as at 31 December			128,100,326	85,888,389
Less: Net cash and cash equivalents as at 1 January			85,888,389	13,625,719
Net decrease/(decrease) in cash and cash equivalents during the period			42,211,937	72,262,670

The notes to the financial statements as set out on pages 111 to 181 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 221 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 activity and nature of operations

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

1.4 Responsibility for financial Statements

The Board of Directors is responsible for preparation and presentation of these financial statements. The responsibilities of the Board of Directors in relation to the financial statements are set out in the Statement of Directors' Responsibility for Financial Reporting on pages 98 to 99 in this Annual Report.

1.5 Number of employees

Staff strength of the Company as at 31 December 2021 is 618 (2020 - 622).

1.6 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2021 were approved and authorised for issue on 24th May 2021 in accordance with the resolution of the Board of Directors on 24th May 2022.

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, 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 105 to 110);
 - ◆ a statement of financial position providing information on the financial position of the Company as at the year-end (page 107);
 - ◆ a statement of changes in equity depicting all changes in shareholders' equity (page 108);
 - ◆ 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 109 to 110);
- and
- ◆ notes to the financial statements comprising accounting policies and other explanatory information (pages 111 to 181).

2.2 Basis of measurement

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

Item	Basis of Measurement	Note No.	Page Reference
Insurance contract liabilities	Values are determined in accordance with internationally accepted actuarial principles	37	150
Employee defined benefit obligations	Actuarially valued and recognised at present value	38	153
Financial assets at fair value through profit or loss (FVPL)	Fair value	27.1	139
Debt instruments measured at fair value through other comprehensive income (FVOCI)	Fair value	27.3	144

NOTES TO THE FINANCIAL STATEMENTS

2.3 Presentation of financial statements

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

2.4 Financial period

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

2.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standards or interpretation.

2.6 Comparative information

The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.7 Functional and presentation currency

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

2.8 Materiality and aggregation

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

2.9 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key significant accounting judgments, estimates and assumptions involving uncertainty are discussed below whereas the respective carrying amounts of such assets and liabilities are given in related notes.

2.9.1 Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. The management has also assessed the consequence of COVID-19 pandemic, other events and conditions on the Company and the appropriateness of the use of going concern basis. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.9.2 Assessment of impairment

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

- ◆ The external credit grading model, which assigns probability of defaults (PDs) to the individual grade
- ◆ The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a life-time expected credit loss (LTECL) basis and the qualitative assessment
- ◆ The segmentation of financial assets when their ECL is assessed on a collective basis
- ◆ Development of ECL models, including the various formulas and the choice of inputs
- ◆ Determination of associations between macroeconomic scenarios and, economic inputs, such as gross domestic product and the effect on PDs, exposure at default (EAD) and loss given defaults (LGD)
- ◆ Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models

2.9.3 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. The management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

2.9.4 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available to the Company which can be utilised against such tax losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies.

Details on deferred tax assets are disclosed in Note 26 on page 136 to the financial statements.

2.9.5 Valuation of Insurance contract liabilities

The estimates of insurance contracts 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 and claims incurred, but not enough reported (IBNR/IBNER) at the reporting date. It can take a significant period of time before the ultimate claimscost can be established with certainty. The main assumption underlying in estimating the amount of outstanding claims is the past claims development experience. Large claims are usually addressed separately, 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.

2.9.6 Employee defined benefit obligation

Employee defined benefit obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increments, withdrawal rates and mortality rates. Due to the long-term nature and the valuation complexity, such estimates are subject to significant uncertainty. All assumptions are reviewed annually at each reporting date. In determining the discount rate, the management considers the interest rates of the Government of Sri Lanka treasury bonds with maturities corresponding to the expected duration of defined benefit obligation. Future expected inflation rates and salary increment rates of the Group are considered in determining the salary increases.

Details of the key assumptions used by the Actuary and sensitivities there on the estimation are contained in Note 38 on page 153.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Those accounting policies presented with each note, have been applied consistently by the Company.

Set out below is an index of the significant policies, the details of which are available on the pages that follow;

Significant Accounting Policies	Note No.	Page No.
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Other significant accounting policies which have been applied commonly by the Company are as follows;

3.1 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.

3.2 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.

3.3 Amortised cost measurement

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.

3.4 Impairment of financial assets

3.4.1 Overview of the ECL principles

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

Equity instruments are not subject to impairment under SLFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined in Note 3.4.2. The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 47.D.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for Companying financial assets measured on a collective basis is explained in Note 47.D.i.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 47.D.i. based on the above process, the Company groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12mECLs.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financial instrument also include instruments, where the credit risk has improved and the instrument has been reclassified from Stage 3.

Stage 3: Financial instruments considered credit-impaired (as outlined in Note 47.D.i). The Company records an allowance for the LTECLs.

3.4.2 The calculation of ECLs

The Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- **PD** - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 47.D.e.
- **EAD** - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. **LGD** - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the counterparty would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.
- **LGD** is further explained in Note 47.D.e. When estimating ECLs, the Company considers three scenarios

(a base case, good and bad). Each of these is associated with different PDs, EADs and LGD as set out in Note 47.D.i

When relevant, the assessment of multiple scenarios also incorporates how defaulted financial instruments are expected to be recovered, including the probability that the instrument will cure and the value of collateral or the amount that might be received for selling the asset.

3.4.3 The mechanics of the ECL method

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for each of the three scenarios, as explained above.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial instruments considered credit-impaired (as defined in Note 47.D.i), the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for stage 2 assets, with the PD set at 100%.

3.4.4 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.

3.4.5 Impairment of debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount with a corresponding charge to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

The accumulated loss recognised in OCI is recycled to the statement of profit and loss upon de-recognition of the assets.

3.5 Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expense relating to any provision is presented in the statement of 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.

3.6 Statement of cash flows

The statement of cash flows has been prepared using the direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) - 7, Cash Flow Statements. Interest and dividends received are classified as investing cash flows. Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

Sri Lanka Financial Reporting Standard (SLFRS) 17 - Insurance Contracts

The institute of chartered accountants of Sri Lanka issued SLFRS 17- Insurance Contracts in January 2020, effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. However, International Accounting Standard Board (IASB) has tentatively decided to defer the effective date of IFRS 17 to period beginning on or after 1 January 2025.

SLFRS 17 supersedes SLFRS 4 - Insurance Contracts, an interim standard that allows entities to use a wide variety of accounting practices for insurance contracts which includes insurance contracts covering recognition and measurement, presentation and disclosure.

The standard contains a core measurement approach to measure groups of insurance contracts known as 'General Model'. Apart from the core measurement model, if certain criteria are met, an entity may apply a simplified version of general model known as Premium Allocation Approach (PAA) and Variable Fee Approach for the contracts with direct participation features. The SLFRS 17 model combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided. The general model in the standard requires insurance contract liabilities to be measured using probability weighted current estimates of future cash flows, an adjustment for risk and a contractual service margin representing the profit expected from fulfilling the contracts.

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profits of insurance contracts and is recognised in the statement of profit or loss over the service period (i.e. coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in the statement of profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either in the statement of profit or loss or other comprehensive income, determined by an accounting policy choice
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the statement of profit or loss, but are recognised directly on the statement of financial position.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

- ◆ Extensive disclosures to provide information on the recognized amounts from insurance contracts and the nature and extent of risks arising from these contracts

The Company has finalised detail gap analysis and impact assessment on implementation of SLFRS 17 with the support of a consultant. Based on the work carried out, the Company's significant portion of products are qualified to be measured under the simplified Premium Allocation Approach. The Company is in a process of initial stage of implementation phase which involve with evaluating systems requirements and the changers to facilitate SLFRS 17 with consideration of strategic aspirations with the approval of the Board..

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS

Basis of Segmentation

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

For the management purposes, the Company has mainly classified overall business in to motor and non-motor segments and non-motor segment has been further classified in to three main segments based on their products and services.

The segmental information reported below is used by the chief operating decision maker for the allocation of resources and assessment of performance.

Reportable Segments	Details of Operating Segments
Motor insurance	Provides cover for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of physical injuries or property damage
Marine insurance	Provides the insured with indemnity and financial protection for loss of or damage to cargo during transit
Fire insurance	Provides property cover for damage and losses caused by fire and other incidents as applicable to property
Miscellaneous insurance	Provides cover for variety of risks mainly for personal accident and other general insurance which are not categorised under other segments

Segment Results - 2021

Description	Note	OPERATING SEGMENTS				Total
		Motor	Fire	Marine	Miscellaneous	
Gross written premium	7	4,764,408,896	484,880,167	119,077,218	599,583,793	5,967,950,074
Change in reserves for unearned insurance premium	8	110,490,438	(8,936,367)	(30,609,955)	(52,914,446)	18,029,670
Gross earned premium		4,874,899,334	475,943,800	88,467,263	546,669,347	5,985,979,744
Reinsurance premium	9	(168,729,891)	(392,704,227)	(89,980,166)	(272,385,278)	(923,799,562)
Change in reserves for unearned reinsurance premium	10	-	5,704,551	23,992,992	28,748,513	58,446,056
Net earned premium		4,706,169,443	88,944,124	22,480,089	303,032,582	5,120,626,238
Net claims	11	(2,632,447,599)	(33,945,275)	(20,579,336)	(307,346,315)	(2,994,318,525)
Underwriting and net acquisition costs	12	(560,676,022)	34,709,236	5,244,189	(6,341,493)	(527,064,090)
Underwriting results before other operating and administrative expenses		1,513,045,822	89,708,085	7,144,942	(10,655,226)	1,599,243,623
Other operating and administrative expenses and finance cost						(1,215,251,407)
Underwriting results						383,992,216
Investment income						730,789,143
Other income						54,307,096
Profit before tax						1,169,088,455
Income tax						(189,419,106)
Profit after tax						979,669,349

Segment Results - 2020

Description	Note	OPERATING SEGMENTS				Total
		Motor	Fire	Marine	Miscellaneous	
Gross written premium	7	5,024,019,402	504,403,090	41,731,238	441,414,031	6,011,567,761
Change in reserves for unearned insurance premium	8	34,596,359	(32,653,635)	(15,280,640)	(77,587,298)	(90,925,214)
Gross earned premium		5,058,615,761	471,749,455	26,450,598	363,826,733	5,920,642,547
Reinsurance premium	9	(155,998,670)	(369,564,648)	(30,822,637)	(118,529,699)	(674,915,654)
Change in reserves for unearned reinsurance premium	10	-	25,215,271	12,676,065	19,774,266	57,665,601
Net earned premium		4,902,617,091	127,400,078	8,304,026	265,071,300	5,303,392,494
Net claims	11	(2,348,469,637)	(69,463,130)	(1,248,913)	(280,371,709)	(2,699,553,389)
Underwriting and net acquisition costs	12	(588,658,620)	28,616,963	2,934,347	(2,423,176)	(559,530,485)
Underwriting results before operating and administrative expenses		1,965,488,834	86,553,911	9,989,460	(17,723,585)	2,044,308,620
Other operating and administrative expenses and finance cost						(1,236,130,704)
Underwriting results						808,177,916
Investment income						805,245,500
Other income						54,097,852
Net profit before tax						1,667,521,268
Income tax						(472,206,916)
Net profit after tax						1,195,314,352

Chief operating decision maker uses only operating segments' profit or loss in assessing segment performance and deciding how to allocate resources. Therefore, according to SLFRS 8 - Operating Segments, the Company discloses only operating segments' profit or loss in the financial statements.

The Company operates in Sri Lanka and the economic environment in which the Company operates is not subject to significant change in risk and rewards. Therefore, disclosures are not provided geography wise.

6. REVENUE

ACCOUNTING POLICY

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Net earned premium	5,120,626,238	5,303,392,494
Other revenue	785,096,239	859,343,352
	5,905,722,477	6,162,735,846

NOTES TO THE FINANCIAL STATEMENTS

7. GROSS WRITTEN PREMIUM

ACCOUNTING POLICY

Gross written premium (GWP) represents the premium charged by the Company to underwrite risks and accounted on accrual basis. Gross written premium comprises the total premiums received/receivable for the whole period of cover provided by contracts entered into during the accounting period and is recognised on the date on which the policy commences.

Premium income for the year by major classes of business are as follows;

For the year ended	31.12.2021			31.12.2020		
	Basic Rs.	*SRCC/TC Rs.	Total Rs.	Basic Rs.	*SRCC/TC Rs.	Total Rs.
Motor	3,780,450,774	983,958,122	4,764,408,896	4,098,391,820	925,627,582	5,024,019,402
Fire	273,984,189	210,895,978	484,880,167	296,498,303	207,904,787	504,403,090
Marine	117,702,461	1,374,757	119,077,218	41,353,245	377,993	41,731,238
Miscellaneous	587,512,778	12,071,015	599,583,793	430,592,362	10,821,669	441,414,031
	4,759,650,202	1,208,299,872	5,967,950,074	4,866,835,730	1,144,732,031	6,011,567,761

*SRCC/TC - Strike, Riot and Civil Commotion Cover and Terrorism Cover; both ceded to the SRCC and TC Fund

8. CHANGE IN RESERVE FOR UNEARNED PREMIUM

ACCOUNTING POLICY

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premium is calculated on the 365 basis. Change in reserve for unearned insurance premium represents the net portion of the GWP transferred to the unearned premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2021 Rs.	31.12.2021 Rs.
Class-wise		
Motor	110,490,438	34,596,359
Fire	(8,936,367)	(32,653,635)
Marine	(30,609,955)	(15,280,640)
Miscellaneous	(52,914,446)	(77,587,298)
	18,029,670	(90,925,214)

9. PREMIUM CEDED TO REINSURERS

ACCOUNTING POLICY

Gross reinsurance premium written comprises the total reinsurance premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Class-wise		
Motor	(168,729,891)	(155,998,670)
Fire	(392,704,227)	(369,564,648)
Marine	(89,980,166)	(30,822,637)
Miscellaneous	(272,385,278)	(118,529,699)
	(923,799,562)	(674,915,654)
Payee-wise		
National Insurance Trust Fund		
Compulsory reinsurance cessions	(174,414,851)	(103,420,769)
Strike, Riot, Civil Commotion and Terrorism cover	(342,416,725)	(330,179,759)
Foreign reinsurers	(406,967,986)	(241,315,127)
	(923,799,562)	(674,915,654)

10. CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

ACCOUNTING POLICY

Unearned reinsurance premium is the proportion of premium written in a year that relates to periods of risk after the reporting date. Unearned reinsurance premium is deferred over the term of the underlying direct insurance policies. Change in reserve for unearned reinsurance premium represents the net portion of the reinsurance premium transferred to the unearned reinsurance premium reserve during the year to cover the unexpired period of the policies.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Class-wise		
Fire	5,704,551	25,215,271
Marine	23,992,992	12,676,065
Miscellaneous	28,748,513	19,774,266
	58,446,056	57,665,601

NOTES TO THE FINANCIAL STATEMENTS

11. NET CLAIMS

ACCOUNTING POLICY

Recognition of gross claims

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Claims expenses and liabilities for outstanding claims are recognised in respect of direct insurance business. The liability covers claims reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct and indirect costs of settling those claims. The provision in respect of IBNR is actuarially valued on a quarterly basis to ensure a more realistic estimation of the future liability based on past experience and trends.

While the Directors consider that the provision for claims is fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustment to the amounts provided. Such amounts are reflected in the financial statements for that period. The methods used and the estimates made are reviewed regularly.

Recognition of reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

For the year ended	Notes	31.12.2021 Rs.	31.12.2020 Rs.
Claims paid	11.1	(3,018,940,387)	(3,038,173,040)
Claims recovered from reinsurers	11.2	99,311,825	297,604,366
Net change in contract liabilities	11.3	(74,689,963)	41,015,285
		(2,994,318,525)	(2,699,553,389)

11.1 Claims paid

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Class-wise		
Motor	(2,592,933,884)	(2,453,395,365)
Fire	(97,019,523)	(291,754,167)
Marine	(9,383,967)	(5,584,350)
Miscellaneous	(319,603,013)	(287,439,158)
	(3,018,940,387)	(3,038,173,040)

11.2 Claims recovered from reinsurers

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Class-wise		
Motor	-	29,666,414
Fire	42,701,791	229,544,318
Marine	4,099,477	4,751,789
Miscellaneous	52,510,557	33,641,845
	99,311,825	297,604,366

11.3 Net change in contract liabilities

For the year ended	Notes	31.12.2021 Rs.	31.12.2020 Rs.
Gross change in insurance claims outstanding	11.3.1	(284,554,190)	333,466,199
Change in reinsurance recoverable on claims outstanding	11.3.2	209,864,227	(292,450,914)
		(74,689,963)	41,015,285

11.3.1 Gross change in insurance claims outstanding

For the year ended	31.12.2021		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(16,356,453)	(63,339,604)	(79,696,057)
Fire	(19,055,708)	13,631,163	(5,424,545)
Marine	(28,740,703)	(27,500,097)	(56,240,800)
Miscellaneous	(56,782,488)	(86,410,300)	(143,192,788)
	(120,935,352)	(163,618,838)	(284,554,190)

For the year ended	31.12.2020		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	42,080,187	64,029,308	106,109,495
Fire	254,210,532	21,677,639	275,888,171
Marine	(692,850)	625,174	(67,676)
Miscellaneous	(33,961,633)	(14,502,158)	(48,463,791)
	261,636,236	71,829,963	333,466,199

NOTES TO THE FINANCIAL STATEMENTS

11.3.2 Change in reinsurance recoverable on claims outstanding

For the year ended	31.12.2021		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	22,763,500	17,418,842	40,182,342
Fire	36,883,868	(11,086,866)	25,797,002
Marine	17,868,240	23,077,714	40,945,954
Miscellaneous	37,160,023	65,778,906	102,938,929
Total	114,675,631	95,188,596	209,864,227

For the year ended	31.12.2020		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(27,841,506)	(3,008,675)	(30,850,181)
Fire	(262,845,030)	(20,296,422)	(283,141,452)
Marine	56,259	(404,935)	(348,676)
Miscellaneous	9,356,432	12,532,963	21,889,395
Total	(281,273,845)	(11,177,069)	(292,450,914)

12. UNDERWRITING AND NET ACQUISITION COSTS

ACCOUNTING POLICY

Recognition of underwriting and deferred acquisition costs

Acquisition expenses, representing commissions which vary with and are directly related to the production of business are deferred and amortised over the period in which the related written premiums are earned.

Reinsurance commission is also treated in the same manner within deferred acquisition costs.

For the year ended	Note	31.12.2021	31.12.2020
		Rs.	Rs.
Acquisition cost	12.1	(597,785,447)	(636,352,378)
Change in deferred acquisition cost		(32,094,814)	(5,419,648)
		(629,880,261)	(641,772,026)
Reinsurance commission	12.1	102,018,585	90,177,988
Change in unearned commission reserve		797,586	(7,936,447)
		102,816,171	82,241,541
		(527,064,090)	(559,530,485)

12.1 Class-wise

For the year ended	31.12.2021				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.	Rs.
Class-wise					
Motor	(530,208,515)	(30,467,507)	-	-	(560,676,022)
Fire	(41,496,148)	(1,717,764)	78,959,366	(1,036,218)	34,709,236
Marine	(8,829,460)	895,365	12,411,904	766,380	5,244,189
Miscellaneous	(17,251,325)	(804,910)	10,647,315	1,067,427	(6,341,493)
	(597,785,448)	(32,094,816)	102,018,585	797,589	(527,064,090)

For the year ended	31.12.2020				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission	Total underwriting and net acquisition cost
	Rs.	Rs.	Rs.	Rs.	Rs.
Class-wise					
Motor	(573,175,571)	(15,483,049)	-	-	(588,658,620)
Fire	(42,445,652)	2,208,409	71,934,163	(3,079,957)	28,616,963
Marine	(3,023,309)	450,852	8,071,966	(2,565,162)	2,934,347
Miscellaneous	(17,707,847)	7,404,138	10,171,859	(2,291,326)	(2,423,176)
	(636,352,379)	(5,419,650)	90,177,988	(7,936,444)	(559,530,485)

13. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

ACCOUNTING POLICY

Other operating and administrative expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment are charged to the statement of profit or loss.

For the year ended	Note	31.12.2021	31.12.2020
		Rs.	Rs.
Staff expenses	13.1	(558,752,283)	(557,376,483)
Administrative expenses		(507,761,573)	(485,431,753)
Amortisation and depreciation		(103,882,534)	(97,656,087)
Impairment loss		(33,294,750)	(75,731,324)
		(1,203,691,140)	(1,216,195,647)

NOTES TO THE FINANCIAL STATEMENTS

13.1 Staff expenses

ACCOUNTING POLICY

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company recognises the changes in the defined benefit obligations under staff expenses in the statement of profit or loss.

(a) current service cost

(b) interest cost

For more details please refer Note 38 on defined benefit obligations.

Defined contribution plans

A defined contribution plan is a post employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to the Employees' Provident Fund (EPF) under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in the statement of profit or loss when they are due. The Company contributes 12% and 3% of gross emoluments of employees' as employees' provident fund and trust fund contributions respectively.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Wages and salaries	(324,326,138)	(358,061,836)
Staff benefit expenses	(177,259,834)	(150,013,822)
Contributions made to the EPF	(36,845,885)	(30,267,024)
Contributions made to the ETF	(9,211,471)	(7,566,966)
Defined benefit plan expenses	(11,108,955)	(11,466,835)
	(558,752,283)	(557,376,483)

14. FINANCE COST

ACCOUNTING POLICY

Finance costs comprise interest expense on lease liability and recorded as it accrues using the effective interest rate (EIR) method. Accrued interest included within the carrying value of the interest bearing financial liability.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Interest expense on lease liability	11,560,267	19,935,057

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	31.12.2021 Rs.	31.12.2020 Rs.
Policy fees	36,744,022	35,064,225
Administration fees	17,556,316	18,021,873
	54,300,338	53,086,098

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 SLFRS 9, 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 are also recorded by using the EIR method under SLFRS 9. 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	31.12.2021 Rs.	31.12.2020 Rs.
Interest income from debt instrument	16.1	657,536,885	751,197,735
Dividend income	16.2	-	690,650
		657,536,885	751,888,385

16.1 Interest income

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Interest income from FVOCI investment		
Treasury bonds	70,638,237	73,878,324
Debt instrument at amortised cost		
Treasury bills	45,203,721	21,827,281
Debentures	305,778,801	309,210,884
Fixed deposits	186,888,940	316,190,992
Reverse repurchase agreements	18,121,714	6,516,776
Staff loans	6,517,826	8,728,867
Others	24,387,646	14,844,611
	657,536,885	751,197,735

NOTES TO THE FINANCIAL STATEMENTS**16.2 Dividend income**

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Dividend income from financial assets at fair value through profit or loss		
Listed equity securities	-	690,650

17. NET REALISED GAINS/(LOSSES)**ACCOUNTING POLICY**

Net realised gains/(losses) comprise gains less losses related to financial instruments. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost which are recorded on occurrence of the sales, on de-recognition of investment classified as FVPL, the cumulative gain or loss previously recognised in OCI is recycled to the statement of profit or loss.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Net realised gains/(losses) from financial assets at fair value through profit or loss		
Realised gains		
Unit trust	17,217,944	7,228,534
Treasury Bonds/bills	1,026,000	31,279,107
Realised losses		
Listed equity shares securities	-	(4,433,996)
	18,243,944	34,073,644

18. NET FAIR VALUE GAINS/(LOSSES)**ACCOUNTING POLICY**

Net fair value gains recorded in the statement of profit or loss on investment include fair value gains/(losses) on financial assets at FVPL.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
Listed equity shares securities	-	267,188
Unit trust	55,008,314	19,016,284
	55,008,314	19,283,471

19. OTHER INCOME**ACCOUNTING POLICY**

Other income includes disposal gains/(losses) on property, plant and equipment and miscellaneous income. Profit or loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Miscellaneous income	6,758	1,011,754
	6,758	1,011,754

20. PROFIT BEFORE TAX

The profit before tax for the year is stated after charging following expenses;

For the year ended		Note	31.12.2021 Rs.	31.12.2020 Rs.
Auditors' remuneration	- statutory audit services		2,229,000	2,477,458
	- other services		334,350	371,619
Amortisation of intangible assets		24	2,771,742	2,066,663
Depreciation of property, plant and equipment		25	101,110,793	95,449,341
Directors' emoluments			3,906,600	2,150,107

21. 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;

21.1 Tax recognised in statement of profit or loss

	Note	31.12.2021 Rs.	31.12.2020 Rs.
Current income tax			
Income tax on current year's profits		(279,726,852)	(506,898,626)
Over/(under) provision for income tax in respect of previous year		83,284,058	5,016,333
		(196,442,794)	(501,882,293)
Deferred tax			
Reversal/(charge) of deferred tax liability	26.3	5,607,369	(7,197,769)
Origination of deferred tax asset	26.3	1,416,319	36,873,147
Deferred taxation charge/(reversal)		7,023,688	29,675,377
Income tax expense		(189,419,106)	(472,206,916)

NOTES TO THE FINANCIAL STATEMENTS

21.2 Tax recognised in statement of comprehensive income

For the year ended	Note	31.12.2021 Rs.	31.12.2020 Rs.
Change in deferred tax asset due to actuarial loss	26.3	557,472	(1,220,312)
Change in deferred tax asset due to fair value gains	26.3	2,946,743	219,277
		3,504,215	(1,001,035)

21.3 Reconciliation of effective tax rate

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Profit for the year	979,669,349	1,195,314,352
Income tax expense	196,442,793	501,882,293
Deferred taxation reversal	(7,023,688)	(29,675,377)
Profit before income tax	1,169,088,454	1,667,521,268
At the statutory income tax rate of 24% (2020 - 28%)		
Income exempt from income tax	(54,944,981)	(2,474,139)
Aggregate allowable expenses	(150,498,739)	(116,248,203)
Aggregate disallowable expenses	201,883,816	261,553,310
	1,165,528,550	1,810,352,236
Statutory tax rate	24%	28%
Tax at applicable rate	(279,726,852)	(506,898,626)
Deferred taxation reversal	7,023,688	29,675,377
Over/(under) provision for income tax in respect of previous year	83,284,058	5,016,333
Income tax expense	(189,419,106)	(472,206,916)

21.4 Income tax rate

Current tax is the expected tax payable on the taxable income for the year using tax rate enacted or substantively enacted on the reporting date and any adjustment to tax payable in respect of previous year. Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 24 of 2017.

Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of the previous period. 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.

As per the Inland Revenue (Amendment) Act No. 10 of 2021, the applicable income tax rate for the Company has been reduced from 28% to 24% with effect from 1 January 2020. Accordingly, income tax and deferred tax were calculated at the rate of 24%. Overprovisions made in 2020 were also adjusted to the income tax expense of the reporting period accordingly.

22. BASIC EARNINGS PER SHARE (EPS)

ACCOUNTING POLICY

Company presents basic and diluted Earnings Per Share (EPS) for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Profit for the year (Rs.)	979,669,349	1,195,660,610
Number of shares	200,000,000	200,000,000
Basic earnings per share (Rs.)	4.90	5.98

22.1 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as the basic earnings per share stated above.

23. DIVIDENDS

ACCOUNTING POLICY

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends approved by the Board of Directors and interim dividends are deducted from equity when they are paid.

Dividends proposed by the Board of Directors after the reporting date is not recognised as a liability and is only disclosed as a note to the financial statements.

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Interim dividends		
Interim dividend paid (Rs.)	300,000,000	-
Number of ordinary shares	200,000,000	200,000,000
Interim dividend per share (Rs.)	1.50	-
Final dividend		
Final dividend proposed (Rs.)	-	600,000,000
Number of ordinary shares	200,000,000	200,000,000
Final dividend per share (Rs.)	-	3.00

23.1 Interim dividend

Subsequent to the reporting date, the Board of Directors of the Company has proposed and paid interim dividend of Rs. 1.50 per share for the financial year ended 31 December 2021. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this interim dividend has not been recognised as a liability as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

24. INTANGIBLE ASSETS

ACCOUNTING POLICY

The Company's intangible assets include the value of acquired computer software.

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Intangible assets are amortised on a straight-line basis over the period of services to be rendered. Amortisation is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortised over the useful economic life. Amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Class	Useful Life	Amortisation Method
Computer software	5 years	Straight-line method

De-recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in the statement of profit or loss when the item is de-recognised.

Impairment

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

	Software Rs.
Cost	
As at 1 January 2020	77,739,812
As at 31 December 2020	77,739,812
Additions during the year	-
As at 31 December 2021	77,739,812
Accumulated amortisation	
As at 1 January 2020	64,703,503
Amortisation during the year	2,066,663
As at 31 December 2020	66,770,166
Amortisation during the year	2,771,742
As at 31 December 2021	69,541,908
Carrying amount	
As at 31 December 2020	10,969,646
As at 31 December 2021	8,197,904

24.1 Fully amortised intangible assets in use

Intangible assets also includes fully amortised assets which are still in use of normal business activities.

Initial cost of fully amortised intangible assets which are still in use as at the reporting date is as follows;

As at 31 December	31.12.2021	31.12.2020
Call handling software	3,881,100	3,881,100
General insurance system	60,000,000	60,000,000
	63,881,100	63,881,100

24.2 Title restriction on intangible assets

No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.

24.3 Acquisition of intangible assets during the year

During the year there were intangible assets purchased. (2020 - Nil).

24.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 31 December 2021 (2020 - Nil).

24.5 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2021. 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.

NOTES TO THE FINANCIAL STATEMENTS

25. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment (PPE) are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. Property, plant and equipment include computer hardware, office equipment, furniture and fittings and motor vehicles.

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

The Company applies the cost model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance

Repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. Cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation charge begins when an assets is available for use. The estimated useful lives are as follows;

Asset Class	Useful Life
Computer hardware	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years

De-recognition

Carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of profit or loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

	Computer hardware Rs.	Office Equipment Rs.	Furniture and fittings Rs.	Motor vehicles Rs.	Right-of-use Assets - Lands and Buildings* Rs.	Total Rs.
Cost						
As at 1 January 2020	58,451,788	59,544,275	47,813,190	18,004,201	316,175,771	499,989,226
Additions during the year	5,360,000	15,832,852	5,343,223	-	16,177,578	42,713,653
As at 31 December 2020	63,811,790	75,377,129	53,156,414	18,004,201	332,353,349	542,702,882
Additions during the year	12,040,000	13,134,940	5,531,781	-	8,074,940	38,781,661
As at 31 December 2021	75,851,790	88,512,069	58,688,195	18,004,201	340,428,289	581,484,544
Accumulated depreciation						
As at 1 January 2020	36,136,958	36,903,812	21,947,214	8,698,582	158,087,885	261,774,451
Depreciation during the year	8,353,165	8,128,328	9,303,569	3,600,839	66,063,440	95,449,341
As at 31 December 2020	44,490,123	45,032,140	31,250,783	12,299,421	224,151,325	357,223,792
Depreciation during the year	7,875,311	11,919,281	10,738,954	3,600,840	66,976,407	101,110,793
As at 31 December 2021	52,365,434	56,951,421	41,989,737	15,900,261	291,127,732	458,334,585
Carrying amount						
As at 31 December 2020	19,321,667	30,344,989	21,905,631	5,704,779	108,202,024	185,479,090
As at 31 December 2021	23,486,356	31,560,648	16,698,458	2,103,940	49,300,557	123,149,959

25.1 Fully depreciated property, plant and equipment in use

Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities. Initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows:

As at 31 December	31.12.2021	31.12.2020
Computer hardware	23,636,455	23,636,455
Office equipment	25,498,597	25,498,597
Furniture and fittings	2,513,358	2,513,358
	51,648,410	51,648,410

25.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

25.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment amounting to Rs. 30,706,721 (2020 - Rs. 26,536,075). Cash payments amounting to Rs. 30,706,721 (2020 - Rs. 26,536,075) were made during the year to purchase property plant and equipment.

25.4 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the year ended 31 December 2021 (2020 - Nil).

25.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year ended 31 December 2021 (2020 - Nil).

25.6 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at the year ended 31 December 2021 (2020 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

25.7 Assessment of impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2021. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

25.8 Amount of contractual commitments for the acquisition of property, plant and equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

26. DEFERRED TAX ASSET

ACCOUNTING POLICY

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valuation of deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions based on the tax laws and interpretations.

As at	Note	31.12.2021 Rs.	31.12.2020 Rs.
Deferred tax assets	26.1	59,033,078	54,112,544
Deferred tax liabilities	26.2	(8,303,310)	(13,910,679)
		50,729,768	40,201,865

As at	STATEMENT OF FINANCIAL POSITION			
	31.12.2021		31.12.2020	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
26.1 Deferred tax asset				
Employee benefits	52,888,103	12,693,145	46,645,096	13,060,627
Debtors impairment recognised in statement of profit or loss	188,468,225	45,232,374	155,173,477	43,448,573
Actuarial loss recognised in other comprehensive income	(2,240,491)	(537,718)	(3,911,391)	(1,095,191)
Fair value gains recognised in other comprehensive income	6,855,321	1,645,277	(4,648,091)	(1,301,465)
	245,971,158	59,033,078	193,259,091	54,112,544
26.2 Deferred tax liability				
Property, plant and equipment	(34,597,125)	(8,303,310)	(49,680,995)	(13,910,679)
	(34,597,125)	(8,303,310)	(49,680,995)	(13,910,679)
Recognised net deferred tax asset	211,374,033	50,729,768	143,578,096	40,201,865

26.3 Change in deferred tax asset/liability

For the year ended 31 December	STATEMENT OF PROFIT OR LOSS		STATEMENT OF OTHER COMPREHENSIVE INCOME	
	2021	2020	2021	2020
	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	(367,482)	4,248,628	-	-
Debtors impairment	1,783,801	32,624,519	-	-
Actuarial loss	-	-	557,472	(1,220,312)
Fair value gains	-	-	2,946,743	219,277
	1,416,319	36,873,147	3,504,215	(1,001,035)
Deferred tax liability				
Property, plant and equipment	5,607,369	(7,197,769)	-	-
	5,607,369	(7,197,769)	-	-
Total	7,023,688	29,675,378	3,504,215	(1,001,035)

NOTES TO THE FINANCIAL STATEMENTS**26.4 Reconciliation of deferred tax asset**

	2021 Rs.	2020 Rs.
Balance as at 1 January	40,201,865	11,527,521
Amounts recorded in the statement of profit or loss	7,023,688	29,675,379
Amounts recorded in other comprehensive income	3,504,215	(1,001,035)
Balance as at 31 December	50,729,768	40,201,865

27. FINANCIAL INVESTMENTS**Financial investments****ACCOUNTING POLICY****Recognition and initial measurement**

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in business model assessment and the SPPI test below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the day one profit or loss as described below.

Measurement categories of financial assets

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- *Fair value through profit or loss (FVPL) as explained in Note 27.1
- *Debt instruments at amortised cost as explained in Note 27.2
- *Fair value through other comprehensive income (FVOCI) as explained in Note 27.3

De-recognition and substantial modification

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the financial asset have expired. The Company also de-recognises the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

Offsetting of financial investments

Financial assets and liabilities are offset and net amount is presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company's financial investments are summarised below based on measurement category.

Debt instruments at FVPL and debt instruments at FVOCI have been valued at fair value. Debt instruments at amortised cost has been valued at amortised cost.

As at	Note	CARRYING VALUE		FAIR VALUE	
		31.12.2021 Rs.	31.12.2020 Rs.	31.12.2021 Rs.	31.12.2020 Rs.
Financial assets at FVPL	27.1	859,054,715	755,263,872	859,054,715	755,263,872
Debt instruments at amortised cost	27.2	7,876,303,689	7,551,686,443	7,864,081,208	7,710,947,226
Debt instruments at FVOCI	27.3	303,426,634	267,378,250	303,426,634	267,378,250
		9,038,785,038	8,574,328,565	9,026,562,557	8,733,589,348

27.1 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. FVPL assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised under 'Fair value gains/(losses)' in the statement of profit or loss. Dividend income is recorded in 'Interest and dividend income' when the right to payment has been established.

As at	Note	31.12.2021 Rs.	31.12.2020 Rs.
Unit trusts	27.1.1	859,054,715	755,263,872
		859,054,715	755,263,872

27.1.1 Investments in listed unit trusts

As at	31.12.2021				31.12.2020			
	Name	No. of shares	Cost of the investment	Market Value	Fair value gain/(loss)	No. of shares	Cost of the investment	Market Value
Guardian Acuity Money Market Fund	-	-	-	-	17,489,404	346,247,586	353,530,817	7,283,230
NDB Wealth Money Plus Fund	6,027,382	137,219,311	149,359,719	12,140,408	17,130,816	390,000,000	401,733,055	11,733,055
JB Vantage Money Market Fund	12,041,494	333,827,619	353,839,307	20,011,688	-	-	-	-
Capital Allianace Investment Grade Fund	16,805,463	332,999,471	355,855,689	22,856,218	-	-	-	-
	34,874,339	804,046,401	859,054,715	55,008,314	34,620,220	736,247,586	755,263,872	19,016,285

NOTES TO THE FINANCIAL STATEMENTS

27.2 Debt instruments at amortised cost

ACCOUNTING POLICY

The Company only measures insurance receivables, reinsurance receivables and financial investments at amortised cost if both of the following conditions are met:

- 1 The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 2 The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below;

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ◆ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- ◆ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- ◆ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- ◆ The expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of financial to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is to be measured at FVPL.

Impairment

The Company recognises loss allowances for ECL on assets subsequently measured at amortised cost. The Company measures loss allowance at an amount equal to lifetime ECL, except financial investments that are determined to have low credit risk at the reporting date. Refer Note 4.4 for further details on ECL policy.

As at	Notes	CARRYING VALUE		FAIR VALUE	
		31.12.2021 Rs.	31.12.2020 Rs.	31.12.2021 Rs.	31.12.2020 Rs.
Repurchase agreements	27.2.1	-	12,599,341	-	12,599,341
Staff loans	27.2.2	59,114,722	80,646,605	63,722,001	88,844,324
Rent deposits		79,952,995	68,471,543	79,952,995	68,471,543
Fixed deposits	27.2.3	2,880,738,509	3,691,697,960	2,881,621,799	3,792,192,810
Savings accounts		129,108,073	53,541,804	129,108,073	53,541,804
Treasury bills	27.2.4	1,794,533,918	589,827,847	1,794,680,857	590,211,151
Debentures	27.2.5	2,554,513,192	2,472,362,454	2,526,101,515	2,473,932,901
Treasury bond	27.2.4	378,342,280	430,211,957	388,893,968	478,826,421
Commercial papers		-	152,326,932	-	152,326,932
		7,876,303,689	7,551,686,443	7,864,081,208	7,710,947,226

27.2.1 Repurchase agreements

The Company invests in reverse repurchase agreements (REPO) with People's Bank and Commercial Bank which are fully secured against the assigned government securities with ISIN numbers. REPOs are held to meet liquidity requirements and REPO rates during the year were in the range of between 4.25% - 7.75% depending on the maturity period. No expected credit losses (ECL) are recognised for government securities since those are rated as risk free investments. No outstanding balance existed as at 31 December 2021 was Rs. 12,599,341 (2020 - Rs. Nil).

27.2.2 Staff loans

The Company grants vehicle loans and supporting loans for the employees of the Company. Terms of the staff loans and interest rate prevailing for the staff loans as follows.

Loan category	Interest Rate	Term
Vehicle loans	6%	6 years (maximum)
Supporting loans	-	3 years (maximum)

The carrying value of the staff loans has been computed based on the market interest rates which prevailed at the time of granting the loan and the fair value of the same has been computed based on the interest rates prevailed at the reporting date.

Impairment of staff loans

No expected credit losses (ECL) were recognised for staff loans since those are fully pledged with securities and ability of deducting from the salary.

27.2.3 Fixed deposits

The Company has invested in fixed deposits on licensed commercial banks and registered finance companies during the period for a maximum term of one year. The interest rates for fixed deposits fluctuate between the range of 4.75% - 11.50% based on the tenures and the risk of institutions.

As at	Note	CARRYING VALUE	
		31.12.2021 Rs.	31.12.2020 Rs.
Licensed commercial banks	27.2.3.1	1,736,886,656	2,732,243,132
Registered finance companies	27.2.3.2	1,144,341,381	960,319,661
		2,881,228,037	3,692,562,792
Less : Allowance for expected credit losses		(489,528)	(864,832)
		2,880,738,509	3,691,697,960

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Total allowance for expected credit loss stemmed from 12 months ECL since all investments under this category are investment grade instruments.

27.2.3.1 Licensed commercial banks

As at	CARRYING VALUE	
	31.12.2021 Rs.	31.12.2020 Rs.
People's Bank	563,211,075	511,122,820
Other banks	1,173,675,581	2,221,120,312
	1,736,886,656	2,732,243,132

As at	CARRYING VALUE	
	31.12.2021 Rs.	31.12.2020 Rs.
People's Leasing & Finance PLC	518,981,202	445,389,414
Other finance companies	625,360,179	514,930,247
	1,144,341,381	960,319,661

27.2.4 Treasury bills/bonds

The Company has invested in treasury bills/bonds through People's Bank and Commercial Bank primary dealers. The treasury bill /bonds rates for the outstanding balances were in the range of between 4.50% - 8.60% . No expected credit losses (ECL) are recognised for treasury bills/bonds since those are rated as risk free investments.

27.2.5 Debentures

As at	CARRYING VALUE	
	31.12.2021 Rs.	31.12.2020 Rs.
Institution		
Listed debentures		
People's Leasing & Finance PLC		
12.8% 1,257,800 debentures redeemable on 18.04.2023	136,963,094	136,910,732
Sampath Bank PLC		
12.50% 1,000,000 debentures redeemable on 20.03.2023	103,446,362	103,481,674
13.90% 1,000,000 debentures redeemable on 24.02.2024	111,564,359	111,600,609
National Development Bank PLC		
13.95% 2,000,000 debentures redeemable on 30.03.2024	220,816,955	220,751,055
DFCC Bank PLC		
12.75% 1,000,000 debentures redeemable on 09.11.2023	101,776,227	101,776,259
13.00% 844,500 debentures redeemable on 29.03.2025	92,683,594	92,652,361
13.50% 1,000,000 debentures redeemable on 28.03.2024	110,153,923	110,115,890
Seylan Bank PLC		
12.85% 750,000 debentures redeemable on 29.03.2023	77,418,062	77,418,066

As at	CARRYING VALUE	
	31.12.2021 Rs.	31.12.2020 Rs.
MTD Walkers PLC		
11.75% 254,624 debentures redeemable on 30.09.2019	26,954,137	26,954,137
Commercial Bank PLC		
10.75% 2,000,000 debentures redeemable on 08.03.2021	-	206,649,012
12.00% 421,900 debentures redeemable on 27.10.2021	-	43,060,988
12.00% 881,700 debentures redeemable on 22.07.2023	92,850,630	92,850,840
Hatton National Bank PLC		
11.25% 2,000,000 debentures redeemable on 01.11.2023	-	216,916,868
13.00% 193,300 debentures redeemable on 01.11.2023	19,729,359	19,729,387
12.30% 413,300 debentures refeembale on 22.09.2024	42,663,260	42,663,418
Nations Trust Bank PLC		
12.65% 2,000,000 debentures redeemable on 09.11.2023	-	203,596,028
12.80% 2,000,000 debentures redeemable on 23.12.2024	200,528,207	200,528,207
Hayleys PLC		
12.50% 1,000,000 debentures redeemable on 31.07.2023	105,210,685	105,211,045
Siyapath Finance PLC		
13.33% 1,500,000 debentures redeemable on 08.08.2024	157,695,334	157,696,356
LOLC Holdings PLC		
10.25% 3,000,000 debentures redeemable on 24.02.2026	325,908,979	-
Ceylon Eletricity Board		
9.35% 4,000,000 debentures redeemable on 15.04.2026	426,194,959	-
Unlisted debentures		
DFCC Bank PLC		
11.00% 1,190,000 debentures redeemable on 12.06.2025	126,130,757	126,071,690
National Savings Bank		
11.00% 1,000,000 debentures redeemable on 10.09.2022	103,251,111	103,251,419
	2,581,939,994	2,499,886,040
Less : Allowance for expected credit losses	(27,426,802)	(27,523,586)
	2,554,513,192	2,472,362,454

Total allowance for expected credit loss stemmed from 12 months ECL and Lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

27.3 Fair value through other comprehensive income (FVOCI)

Under SLFRS 9, debt instruments measured at FVOCI when both of the following conditions are met:

- 1 The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- 2 The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in statement of profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 3.4.5. ECL calculation for debt instruments at FVOCI is explained in Note 3.4.5. 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 statement of profit or loss.

As at	CARRYING VALUE		FAIR VALUE	
	31.12.2021 Rs.	31.12.2020 Rs.	31.12.2021 Rs.	31.12.2020 Rs.
Treasury bond	303,426,634	267,378,250	303,426,634	267,378,250

No expected credit losses (ECL) were recognised for government securities since those are rated as risk free investments.

27.4 Movement in financial investments

As at	Equity instrument FVPL Rs.	Debt instruments at amortised cost Rs.	Debt instruments at FVOCI Rs.	Total Rs.
As at 1 January 2021	755,263,872	7,551,686,443	267,378,250	8,574,328,565
Purchases/accrued interest	1,010,000,000	25,086,870,036	157,492,650	26,254,362,686
Maturities/sales	(979,461,415)	(24,734,302,766)	(109,940,851)	(25,823,705,032)
Fair value losses recorded in statement of profit or loss	73,252,258	-	-	73,252,258
Fair value gains recorded in statement of comprehensive income	-	-	(11,503,415)	(11,503,415)
Allowance for expected credit losses	-	(27,950,024)	-	(27,950,024)
As at 31 December 2021	859,054,715	7,876,303,689	303,426,634	9,038,785,038

27.5 Determination of fair value

Methodologies and assumptions used to determine fair value of the financial investments are disclosed in Note 45 to the financial statements.

27.6 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 47 to the financial statements.

27.7 Financial investments pledged as security

The carrying value of financial assets pledged as security are disclosed in note 49 to the financial statements.

28. REINSURANCE RECEIVABLES

ACCOUNTING POLICY

The Company cedes insurance risk to reinsurance in the normal course of business. Reinsurance receivables represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

According to the characteristics relating to reinsurance receivables, the instruments qualify the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for reinsurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, the management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component the amortised cost will be equal to carrying value.

Assessment of impairment of reinsurance receivables

Reinsurance receivables of the Company are not qualified for ECL model based on SLFRS 4 - Insurance Contracts section 20, impairment losses will be recognised on reinsurance receivables, if and only if, there is no objective evidence, as a result that occurred after initial recognition of the reinsurance assets, that the Company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

As at	31.12.2021 Rs.	31.12.2020 Rs.
Reinsurance receivables on outstanding claims as at 1 January	211,143,617	503,594,537
Change during the year	209,864,231	(292,450,920)
Reinsurance receivables on outstanding claims as at 31 December	421,007,848	211,143,617

As at	31.12.2021 Rs.	31.12.2020 Rs.
Payee-wise		
National Insurance Trust Fund	126,302,354	63,343,085
Foreign reinsurers	294,705,494	147,800,532
	421,007,848	211,143,617

28.1 Reinsurance receivables on outstanding claims

This includes reinsurance reserve of claims that has not been paid yet.

28.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

28.3 Fair value of reinsurance receivables

The carrying value of reinsurance receivables approximates the fair value at the reporting date.

28.4 Risk management

Please refer Note 47.D. for risk management measures taken relating to reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

29. INSURANCE RECEIVABLES

ACCOUNTING POLICY

Insurance receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), non-performing (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

De-recognition due to substantial modification of terms and conditions

The Company de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, the Company considers the following factors:

- *Loss of insurable interest
- *Change in counterparty

Assessment of impairment of insurance receivables

The Company assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories is provided below.

As at	Note	31.12.2021 Rs.	31.12.2020 Rs.
Insurance receivables		1,193,312,458	1,259,487,975
Less: Allowance for expected credit losses/impairment	29.1	(160,510,880)	(126,744,001)
Insurance receivables net of impairment		1,032,801,578	1,132,743,974

29.1 Impairment movement

	31.12.2021 Rs.	31.12.2020 Rs.
Opening balance	126,744,001	51,706,142
Allowance made during the year for expected credit losses/impairment	33,766,879	75,037,859
Closing balance	160,510,880	126,744,001

The carrying value of insurance receivables approximates the fair value at the reporting date.

29.2 Analysis of impairment provision on insurance receivables

As at	31.12.2021		31.12.2020	
	Exposure Rs.	ECL allowance for impairment Rs.	Exposure Rs.	ECL allowance for impairment Rs.
Performing (Stage 1)	527,400,951	2,024,014	504,327,593	1,128,636
Under-performing (Stage 2)	303,008,413	10,353,570	324,266,806	7,761,571
Non-performing (Stage 3)	362,903,094	148,133,296	430,893,576	117,853,794
	1,193,312,458	160,510,880	1,259,487,975	126,744,001

29.3 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

29.4 Fair value of insurance receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

29.5 Risk management

Please refer Note 47.(D) for risk management measures taken relating to insurance receivables.

30. DEFERRED EXPENSES**ACCOUNTING POLICY****Acquisition expenses**

Costs of acquiring new businesses including commission, underwriting, marketing and policy issuance expenses which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) are amortised over the period on the basis unearned premium is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC is de-recognised when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DACs are also considered in the liability adequacy test for each reporting period.

Reinsurance commissions

Commissions receivable on outward reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

	31.12.2021 Rs.	31.12.2020 Rs.
Reserve for deferred acquisition expenses		
As at 1 January	311,576,330	316,995,976
Increase/(decrease) in deferred acquisition expenses	(32,094,814)	(5,419,646)
As at 31 December	279,481,516	311,576,330
Reserve for deferred reinsurance commission		
As at 1 January	35,356,998	27,420,549
Increase in deferred reinsurance commission	(157,056)	7,936,449
As at 31 December	35,199,942	35,356,998
	244,281,574	276,219,332

NOTES TO THE FINANCIAL STATEMENTS

31. OTHER ASSETS

ACCOUNTING POLICY

Recognition of other assets

Other assets which consist of non-financial assets are recognised at cost less any impairment losses.

Tax receivable

Tax receivable of the Company consists of withholding tax (WHT) receivable.

Inventory

Inventory includes all consumable items which are stated at lower of cost and net realisable value.

As at	31.12.2021 Rs.	31.12.2020 Rs.
Non-financial assets		
Advances, deposits and prepayments	49,420,268	53,183,956
Inventory	3,131,733	4,166,995
Tax receivable	41,355	41,355
Other receivables	14,850,271	56,412,528
	67,443,627	113,804,834

32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand with a maturity of three months or less which are subject to an insignificant risk of changes in value.

As at	31.12.2021 Rs.	31.12.2020 Rs.
Cash in hand	218,057	227,809
Balances at bank	68,105,485	50,749,684
	68,323,542	50,977,493
Less: Allowance for expected credit losses	7,320	5,377
	68,316,222	50,972,116

Total allowance for expected credit loss is applicable to balances at bank and it stemmed from 12 months ECL since all investments under this category are investment grade instruments.

- 32.1** Bank 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	31.12.2021 Rs.	31.12.2020 Rs.
Cash in hand and balances at bank		68,316,222	50,972,116
Saving accounts		129,108,073	53,541,814
Cash and cash equivalents		197,424,295	104,513,930
Bank overdrafts	43	(69,323,969)	(18,625,541)
		128,100,326	85,888,389

33. STATED CAPITAL

The Company has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

	2021		2020	
	No. of shares	Rs.	No. of shares	Rs.
Balance as at 1 January	200,000,000	1,350,000,000	200,000,000	1,350,000,000
Balance as at 31 December	200,000,000	1,350,000,000	200,000,000	1,350,000,000

33.1 Rights of ordinary shareholders

All issued shares are fully paid and shares of the Company are listed on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Company.

34. RETAINED EARNINGS

	2021	2020
	Rs.	Rs.
Balance as at 1 January	3,271,015,339	2,295,700,987
Profit for the year	979,669,349	1,195,314,352
Dividends paid	(600,000,000)	(220,000,000)
Balance as at 31 December	3,650,684,688	3,271,015,339

35. FAIR VALUE RESERVE

ACCOUNTING POLICY

Fair value reserve comprises the cumulative net change in the fair value of debt instruments at FVOCI and is carried forward until the respective assets are de-recognised or impaired.

	31.12.2021	31.12.2020
	Rs.	Rs.
Balance as at 1 January	2,788,224	4,257,285
Other comprehensive income for the year	(8,556,672)	(1,469,061)
Balance as at 31 December	(5,768,448)	2,788,224

36. OTHER RESERVES

Other reserves comprises the actuarial gains/(losses) arising from valuation of gratuity liability as required by LKAS 19 - Employee Benefits.

	31.12.2021	31.12.2020
	Rs.	Rs.
Balance as at 1 January	(4,618,221)	(7,309,300)
Other comprehensive income for the year	2,797,963	2,691,079
Balance as at 31 December	(1,820,258)	(4,618,221)

NOTES TO THE FINANCIAL STATEMENTS

37. INSURANCE CONTRACT LIABILITIES

ACCOUNTING POLICY

Provision for net unearned premium

Provision for unearned premium represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Company performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are de-recognised when the contract expires, is discharged or is cancelled.

Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and Frequency/Severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future (for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

As at	Note	31.12.2021 Rs.	31.12.2020 Rs.
Provision for net unearned premium	37.2	3,017,981,242	3,094,456,965
Provision for gross outstanding claims	37.3	1,085,910,957	964,975,606
Provision for gross incurred but not reported (IBNR) claims	37.4	727,621,547	564,002,707
		4,831,513,746	4,623,435,278

37.1 Insurance contract liabilities

As at	Note	31.12.2021			31.12.2020		
		Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross Liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
Provision for net unearned premium	37.2	3,278,019,949	(260,038,707)	3,017,981,242	3,296,049,615	(201,592,650)	3,094,456,965
Provision for gross outstanding claims	37.3	1,085,910,957	(201,196,051)	884,714,906	964,975,606	(86,520,422)	878,455,184
Provision for gross IBNR claims	37.4	727,621,547	(219,811,797)	507,809,750	564,002,707	(124,623,201)	439,379,506
		5,091,552,453	(681,046,555)	4,410,505,898	4,825,027,928	(412,736,273)	4,412,291,655

37.2 Provision for net unearned premium

	2021			2020		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross Liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	3,296,049,615	(201,592,650)	3,094,456,965	3,205,124,401	(143,927,051)	3,061,197,350
Premium written during the year	5,967,950,077	(923,799,562)	5,044,150,515	6,011,567,761	(674,915,654)	5,336,652,107
Premium earned during the year	(5,985,979,744)	865,353,506	(5,120,626,238)	(5,920,642,547)	617,250,053	(5,303,392,493)
As at 31 December	3,278,019,948	(260,038,706)	3,017,981,242	3,296,049,615	(201,592,650)	3,094,456,965

37.3 Provision for gross outstanding claims

	2021			2020		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross Liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	964,975,606	(86,520,422)	878,455,184	1,226,611,838	(367,794,266)	858,817,572
Claims incurred during the year	3,139,875,738	(213,987,454)	2,925,888,284	2,776,536,808	(16,330,522)	2,760,206,286
Claims paid during the year	(3,018,940,387)	99,311,825	(2,919,628,562)	(3,038,173,040)	297,604,366	(2,740,568,674)
As at 31 December	1,085,910,957	(201,196,051)	884,714,906	964,975,606	(86,520,422)	878,455,184

NOTES TO THE FINANCIAL STATEMENTS

37.4 Provision for gross IBNR claims

	2021			2020		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross Liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	564,002,707	(124,623,201)	439,379,506	635,832,678	(135,800,271)	500,032,407
Provision charged/ (reversed) during the year	163,618,840	(95,188,596)	68,430,244	(71,829,971)	11,177,070	(60,652,901)
As at 31 December	727,621,547	(219,811,797)	507,809,750	564,002,707	(124,623,201)	439,379,506

37.5 Liability adequacy test

A liability adequacy test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2021 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 2021 (2020 - Nil).

37.6 Valuation of IBNR and IBNER

The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2021.

This valuation exercise was carried out to determine the required claim liability reserve (in particular the IBNR reserve) in respect of Company's non-life Insurance operations, net of reinsurance.

The central estimate of the net claim liability has been determined based upon the net analysis performed for People's Insurance as at 31 December 2021. This is a full review of the loss development factors, such that the value of the insurance liabilities is reflective of People's Insurance general insurance portfolio at 31 December 2021.

The volatility of the central estimate of net claim liability is then projected to secure an overall level of sufficiency of not less than 75% confidence. In assessing the claim liability at a 75% confidence level, the provision of risk margin for adverse deviation (PRAD) loading provided by the Insurance Regulatory Commission of Sri Lanka (IRCSL) is adopted. The 75th percentile is calculated for each line of business independently using the risk margin highlighted in Table 5 of the Regulation of Insurance Industry Act, No. 43 of 2000, revised on 15 December 2015. During the analysis, classes of business in the Company portfolio were closely matched with the IRCSL prescribed business categories.

37.7 Changes in assumptions

There were no material estimation changes from the previous valuation done for the balance as at 31 December 2021.

37.8 Reconciliation between insurance provision and technical reserves

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance contract liabilities	4,831,513,746	4,623,435,278
Reinsurance on case reserves	(201,196,051)	(86,520,422)
Reinsurance on IBNR provision	(219,811,797)	(124,623,201)
Deferred expenses	(244,281,574)	(276,219,332)
Technical reserves	4,166,224,324	4,136,072,323

38. EMPLOYEE DEFINED BENEFIT OBLIGATIONS

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 obligations is calculated by a qualified actuary as at the reporting date, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - Employee Benefits. The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

The re-measurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 38.1.4 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

The provision of the Company is not externally funded.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

38.1 Defined benefit plans - Provision for employee benefits

	31.12.2021 Rs.	31.12.2020 Rs.
Present value of unfunded obligation	50,647,614	42,733,705

38.2 Movement in the present value of the employee benefits

	Note	2021 Rs.	2020 Rs.
As at 1 January		42,733,705	37,238,009
Expenses recognised in statement of profit or loss	38.2.1	11,108,955	11,467,035
Payments during the year		(954,555)	(2,059,948)
Actuarial loss recognised in statement of comprehensive income	38.2.2	(2,240,491)	(3,911,391)
As at 31 December		50,647,614	42,733,705

38.2.1 Expenses recognised in statement of profit or loss

	31.12.2021 Rs.	31.12.2020 Rs.
For the year ended		
Interest cost	2,991,359	3,723,801
Current service cost	8,117,596	7,743,234
	11,108,955	11,467,035

38.2.2 Expenses recognised in statement of comprehensive income

	31.12.2021 Rs.	31.12.2020 Rs.
For the year ended		
Actuarial loss	(2,240,491)	(3,911,391)

38.2.3 Valuation of employee benefit obligations

As at 31 December 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS

38.2.4 Principal actuarial assumptions used

	2021	2020
Actuarial information		
(a) Discount rate	10.5%	7%
(b) Salary increase	8%	8%
(c) Incidence of withdrawal	18%	18%
(e) Mortality rates	A67/70	A67/70
(g) Disability rates	Standard RI rates	Standard RI rates
Employee information		
(a) Average age	30	29
(b) Average service period (years)	3.88	3.24
(c) Expected future working life time (years)	5.42	5.32
(d) Number of employees	618	622

38.3 Sensitivity analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

As at	31.12.2021		31.12.2020	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate 1%	(2,186,759)	2,397,970	(2,110,483)	2,336,768
Future salary growth 1%	2,666,576	(2,469,699)	2,487,787	(2,288,438)

39. OTHER FINANCIAL LIABILITIES

Recognition - financial liabilities

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in the statement of profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities except lease liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

Derecognition of other financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

As at	Note	31.12.2021		31.12.2020	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Other creditors including accrued expenses	39.1	393,862,690	393,862,690	379,329,450	379,329,450
Lease liability	46	59,194,215	59,194,215	128,867,196	128,867,196
Commission payable		176,509,179	176,509,179	230,537,530	230,537,530
Amounts due to related parties	39.2	11,715,225	11,715,225	9,701,729	9,701,729
		641,281,309	641,281,309	748,435,905	748,435,905

39.1 Other creditors including accrued expenses

As at	31.12.2021 Rs.	31.12.2020 Rs.
Other creditors	300,040,337	262,561,029
Accrued expenses	93,822,353	116,768,421
	393,862,690	379,329,450

39.2 Amounts due to related parties

As at	31.12.2021 Rs.	31.12.2020 Rs.
People's Leasing & Finance PLC	10,851,988	8,879,524
People's Leasing Fleet Management Limited	863,237	822,205
	11,715,225	9,701,729

40. OTHER LIABILITIES

Other liabilities include government levies payable other than income tax payable. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at	31.12.2021 Rs.	31.12.2020 Rs.
Value Added Tax (VAT) payable	30,946,722	25,633,816
CESS payable	4,668,925	4,933,412
Other government levies payable	5,295,879	12,054,229
	40,911,526	42,621,457

NOTES TO THE FINANCIAL STATEMENTS

41. REINSURANCE PAYABLES

ACCOUNTING POLICY

Recognition and measurement of reinsurance payables

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

As at	31.12.2021 Rs.	31.12.2020 Rs.
Domestic reinsurer - National Insurance Trust Fund (NITF)	77,227,303	34,571,077
Foreign reinsurers	167,154,799	30,927,095
	244,382,102	65,498,172

The carrying amount disclosed above approximates the fair value at the reporting date.

All amounts payable on reinsurance business are payable within one year.

42. INCOME TAX PAYABLE

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.

	31.12.2021 Rs.	31.12.2020 Rs.
Balance as at 1 January	435,327,639	110,748,700
Provision for the year	279,726,852	506,898,626
Under/(over) provision of taxes in respect of prior years	(83,284,058)	(5,016,333)
Self-assessment payments	(447,608,859)	(168,154,921)
Tax credits	(604,304)	(9,148,433)
Balance as at 31 December	183,557,270	435,327,639

43. BANK OVERDRAFT

As at	31.12.2021 Rs.	31.12.2020 Rs.
Bank overdraft	69,323,969	18,625,541

The bank overdraft facility amounting to Rs. 75,000,000 is subject to variable overdraft interest rate of People's Bank. The overdraft facility is secured by a fixed deposit of Rs. 75,000,000 and unused overdraft facility amounted to Rs. 75,000,000 as at the reporting date (2020 - Rs. 75,000,000).

44. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at	31.12.2021			31.12.2020		
	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	8,197,904	-	8,197,904	10,969,646	-	10,969,646
Property, plant and equipment	123,149,959	-	123,149,959	185,479,090	-	185,479,090
Deferred tax asset	50,729,768	-	50,729,768	40,201,865	-	40,201,865
Financial investments	9,038,785,038	5,079,656,034	3,959,129,004	8,574,328,565	5,819,831,185	2,754,497,380
Reinsurance receivables	421,007,848	421,007,848	-	211,143,617	211,143,617	-
Insurance receivables	1,032,801,578	1,032,801,578	-	1,132,743,974	1,132,743,974	-
Deferred expenses	244,281,574	244,281,574	-	276,219,332	276,219,332	-
Other assets	67,443,627	67,443,627	-	113,804,834	113,804,834	-
Cash and cash equivalents	68,316,222	68,316,222	-	50,972,116	50,972,116	-
Total assets	11,054,713,518	6,913,506,883	4,141,206,635	10,595,863,039	7,604,715,058	2,991,147,981
Liabilities						
Insurance contract liabilities	4,831,513,746	4,760,144,771	71,368,975	4,623,435,278	4,555,139,946	68,295,332
Employee defined benefit obligations	50,647,614	-	50,647,614	42,733,705	-	42,733,705
Other financial liabilities	641,281,309	627,590,289	13,691,020	748,435,905	696,759,918	51,675,987
Other liabilities	40,911,526	40,911,526	-	42,621,457	42,621,457	-
Reinsurance payables	244,382,102	244,382,102	-	65,498,172	65,498,172	-
Income tax payable	183,557,270	183,557,270	-	435,327,639	435,327,639	-
Bank overdrafts	69,323,969	69,323,969	-	18,625,541	18,625,541	-
Total liabilities	6,061,617,536	5,925,909,929	135,707,607	5,976,677,697	5,813,972,673	162,705,024

45. ACCOUNTING CLASSIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- ◆ In the principal market for the asset or liability or ;
- ◆ In the absence of the principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts, fair value is determined by reference to published bid-values. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique.

NOTES TO THE FINANCIAL STATEMENTS

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument i.e. without modification or re-packaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in the statement of profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into accounting pricing a transaction.

Financial assets and liabilities based on the accounting classification with their carrying values and fair values are tabulated below.

As at	Note	31.12.2021				
		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	27					
Measured at fair value		859,054,715	-	303,426,634	1,162,481,349	1,162,481,349
Measured at amortised cost		-	7,876,303,689	-	7,876,303,689	7,864,081,208
Reinsurance receivables	28	-	421,007,848	-	421,007,848	421,007,848
Insurance receivables	29	-	1,032,801,578	-	1,032,801,578	1,032,801,578
Cash and cash equivalents	32	-	68,316,222	-	68,316,222	68,316,222
Total		859,054,715	9,398,429,337	303,426,634	10,560,910,686	10,548,688,205
Financial liabilities						
Other financial liabilities						
(excluding government levies)	39	-	641,281,309	-	641,281,309	641,281,309
Reinsurance payables	41	-	244,382,102	-	244,382,102	244,382,102
Bank overdraft	43	-	69,323,969	-	69,323,969	69,323,969
		-	954,987,380	-	954,987,380	954,987,380

As at	Note	31.12.2020				
		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	27					
Measured at fair value		755,263,872	-	267,378,250	1,022,642,122	1,022,642,122
Measured at amortised cost		-	7,551,686,443	-	7,551,686,443	7,710,947,226
Reinsurance receivables	28	-	211,143,617	-	211,143,617	211,143,617
Insurance receivables	29	-	1,132,743,974	-	1,132,743,974	1,132,743,974
Cash and cash equivalents	32	-	50,972,116	-	50,972,116	50,972,116
Total		755,263,872	8,946,546,150	267,378,250	9,969,188,272	10,128,449,055
Financial liabilities						
Other financial liabilities	39					
(excluding government levies)		-	748,435,905	-	748,435,905	748,435,905
Reinsurance payables	41	-	65,498,172	-	65,498,172	65,498,172
Bank overdrafts	43	-	18,625,541	-	18,625,541	18,625,541
Total		-	832,559,618	-	832,559,618	832,559,618

45.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

Valuation of fair value of financial instruments.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

NOTES TO THE FINANCIAL STATEMENTS

45.2 Fair value measurement

The following table analyses financial investment measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31 December	2021			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value;				
Equity instruments at fair value through profit or loss				
Unit trusts	859,054,715	-	-	859,054,715
Debt instruments at FVOCI				
Treasury bonds	-	303,426,634	-	303,426,634
Assets measured at amortised cost and fair values are disclosed*;				
Debt instruments at amortised cost				
Repurchase agreements	-	-	-	-
Staff loans	-	63,722,001	-	63,722,001
Rent deposits	-	79,952,995	-	79,952,995
Fixed deposits	-	2,881,621,799	-	2,881,621,799
Savings accounts	-	129,108,073	-	129,108,073
Treasury bills	-	1,794,680,857	-	1,794,680,857
Debentures	-	2,526,101,515	-	2,526,101,515
Treasury bonds	-	388,893,968	-	388,893,968
Commercial papers	-	-	-	-
Total financial assets	859,054,715	8,167,507,842	-	9,026,562,557

As at 31 December	2020			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value;				
Equity instruments at fair value through profit or loss				
Listed equity securities	-	-	-	-
Unit trusts	755,263,872	-	-	755,263,872
Debt instruments at FVOCI				
Treasury bonds	-	267,378,250	-	267,378,250
Assets measured at amortised cost and fair values are disclosed*;				
Debt instruments at amortised cost				
Repurchase agreements	-	12,599,341	-	12,599,341
Staff loans	-	88,844,324	-	88,844,324
Rent deposits	-	68,471,543	-	68,471,543
Fixed deposits	-	3,792,192,810	-	3,792,192,810
Savings accounts	-	53,541,804	-	53,541,804
Treasury bills	-	590,211,151	-	590,211,151
Debentures	-	2,473,932,901	-	2,473,932,901
Treasury bond	-	478,826,421	-	478,826,421
Commercial papers	-	152,326,932	-	152,326,932
Total financial assets	755,263,872	7,978,325,476	-	8,733,589,348

* Fair values are determined based on the assumptions given in Note 45.1.

Financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets/liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value due to their short term nature. This assumption is also applied to savings accounts without a specific maturity.

Assets	Liabilities
Cash in hand and balances at bank	Bank overdraft
Repurchase agreements	Outstanding commission payable
Fixed deposits with less than three months remaining maturity	Amounts due to related parties
Savings accounts	Other creditors including accrued expenses
Insurance receivables	Reinsurance payables
Reinsurance receivables	

Fixed deposits with more than three months remaining maturity

The fair values are estimated based on discounted cash flows using rates currently available for similar instruments on similar term, credit risk and remaining maturities.

Debentures

The fair values of debentures are determined based on the last traded market price of the instrument published at the Colombo Stock Exchange.

Staff loans

Fair values are computed based on the interest rate that prevailed at reporting date.

46. LEASES**ACCOUNTING POLICY**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS

Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option if applicable. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property, plant and equipment' and lease liabilities in 'Other financial liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

46.1 Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	2021 Rs.	2020 Rs.
Land and building		
Balance as at 1 January	108,202,024	158,087,886
Depreciation charged for the year	(66,976,407)	(66,063,440)
Additions to right-of-use assets	8,074,940	16,177,578
Balance as at 31 December	49,300,557	108,202,024

46.2 Amounts recognised in profit or loss

	2021 Rs.	2020 Rs.
Interest on lease liabilities	11,560,267	19,935,057

46.3 Lease liability

	2021 Rs.	2020 Rs.
Balance recognised as at 1 January	128,867,196	180,214,976
New lease agreements	8,074,941	16,177,578
Payments	(77,747,922)	(67,525,358)
Balance as at 31 December	59,194,215	128,867,196

*Maturity analysis of lease liability is disclosed in Note 47.E in page 169

46.4 Amounts recognised in statement of cash flows

	2021 Rs.	2020 Rs.
Total cash outflow for leases		
Interest paid on lease	11,560,267	19,935,057
Payment on lease liability	77,747,922	67,525,358
	89,308,189	87,460,415

46.5 Extension options

Extension and termination options are included in the lease agreements of the Company. These are used to maximise operational flexibility in terms of managing the asset used in the Company's operations. The extension and termination options held are exercisable with the three months written consent by either party.

47. RISK MANAGEMENT FRAMEWORK

The Company is exposed to various types of risks in carrying out its business activities. Thus, the Company has implemented a proper system of risk and financial management framework to protect the Company from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The main types of risks to which the Company is exposed are given below.

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i. Interest rate risk	170
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NOTES TO THE FINANCIAL STATEMENTS

A. Risk management framework

The Board of Directors has the overall responsibility and the oversight of the risk management framework of the Company. The Board oversees risk management process through the Board Audit Committee and Internal Audit department. The Board has delegated its authorities and responsibilities to the management to establish the Company's risk management policy and to manage overall risk framework of the Company.

At the group level, Enterprises Risk Management Committee operates to strengthen the Group's risk Management process. members from the management are invited to the Group Risk Management Committee and the Company's risk management framework and the risks are monitored by this Group Committee.

Risk governance, risk management framework and risk management strategies are described in detail on pages 87 to 96 in the Risk Management Report.

B. 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 maintain the robust level of stability of the Company thereby providing a degree of security to policyholders.
- ◆ 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.

Operations of the Company are also subject to regulatory requirements of the Insurance Regulatory Commission of Sri Lanka (IRCSL). The regulations imposed, not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy under the risk based capital regime) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Company has complied with all these regulatory requirements during the financial year.

The primary source of capital used by the Company is equity which includes stated capital and the retained earnings.

Capital requirements are measured on the risk based capital regime which is calculated in a periodic basis and assessed against the available capital and determined by the capital adequacy ratio. The process is ultimately subject to the approval of the Board.

The Company has made no significant changes from previous years to its policies and processes of its capital structure.

Available capital resources based on risk based capital;

As at	31.12.2021 Rs.	31.12.2020 Rs.
Total shareholders' funds as per financial statements	4,995,985,806	4,612,116,159
Adjustments based on regulatory requirements	(51,804,423)	8,081,176
Deductions based on regulatory requirements	(472,717,643)	(448,497,354)
Total available capital	4,471,463,740	4,171,699,981

C. Regulatory Framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs to provide policyholders' benefits.

The Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company has adopted the Risk Based Capital (RBC) framework on solvency margin as required by the IRCSL. The Company was able to maintain the Total Available Capital (TAC) and Risk Based Capital Adequacy Ratio (CAR) as at 31 December 2021 at Rs. 4,471,463,740 (2020 - Rs. 4,162,921,651) and 312% in 2021 (2020 - 304%) respectively. The regulatory minimum capital requirement is Rs. 500,000,000 and regulatory minimum Capital Adequacy Ratio (CAR) ratio is 120%.

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.

D. Credit risk

Credit risk is the risk that associates with a loss or potential loss from customer or counter-party failing to meet its contractual obligation in accordance with agreed terms.

The Company's credit risk exposure analysis is provided in Note 47.D.

Types of credit risk	Risk respond																																																				
<p>* Insurance receivables Risk of customers failing to settle their outstanding dues.</p>	<ul style="list-style-type: none"> ◆ 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. 																																																				
<p>* Reinsurance Receivables Risk of not receiving reinsurance receivables.</p>	<ul style="list-style-type: none"> ◆ Assessment of credit worthiness of reinsurers in selection and periodic review of their ratings. ◆ Review of outstanding balances on a monthly basis and ensure that all dues are collected or set-off against payables. <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">List of reinsurers and the ratings with the issuing agency as at 31 December 2021.</th> </tr> <tr> <th style="text-align: left;">Reinsurer</th> <th style="text-align: left;">Country of Origin</th> <th style="text-align: left;">Rating</th> <th style="text-align: left;">Issuing Agency</th> </tr> </thead> <tbody> <tr> <td>Asian Reinsurance Corporation</td> <td>Thailand</td> <td>B+</td> <td>AM Best</td> </tr> <tr> <td>American International Group</td> <td>United Kingdom</td> <td>A</td> <td>AM Best</td> </tr> <tr> <td>Beazley</td> <td>UK</td> <td>A</td> <td>AM Best</td> </tr> <tr> <td>Best Meridian Insurance</td> <td>USA</td> <td>A-</td> <td>AM Best</td> </tr> <tr> <td>China Re Singapore</td> <td>Singapore</td> <td>A</td> <td>AM Best</td> </tr> <tr> <td>General Insurance Corporation of India</td> <td>India</td> <td>B++</td> <td>AM Best</td> </tr> <tr> <td>Llyods</td> <td>London</td> <td>A</td> <td>AM Best</td> </tr> <tr> <td>Munich Re (Lloyds Syndicate)</td> <td>London</td> <td>A+</td> <td>AM Best</td> </tr> <tr> <td>National Insurance Trust Fund</td> <td>Sri Lanka</td> <td>AA-</td> <td>Fitch</td> </tr> <tr> <td>New India Assurance</td> <td>India</td> <td>B++</td> <td>AM Best</td> </tr> <tr> <td>Ocean International Re. Co.</td> <td>Barbados</td> <td>A-</td> <td>AM Best</td> </tr> </tbody> </table>	List of reinsurers and the ratings with the issuing agency as at 31 December 2021.				Reinsurer	Country of Origin	Rating	Issuing Agency	Asian Reinsurance Corporation	Thailand	B+	AM Best	American International Group	United Kingdom	A	AM Best	Beazley	UK	A	AM Best	Best Meridian Insurance	USA	A-	AM Best	China Re Singapore	Singapore	A	AM Best	General Insurance Corporation of India	India	B++	AM Best	Llyods	London	A	AM Best	Munich Re (Lloyds Syndicate)	London	A+	AM Best	National Insurance Trust Fund	Sri Lanka	AA-	Fitch	New India Assurance	India	B++	AM Best	Ocean International Re. Co.	Barbados	A-	AM Best
List of reinsurers and the ratings with the issuing agency as at 31 December 2021.																																																					
Reinsurer	Country of Origin	Rating	Issuing Agency																																																		
Asian Reinsurance Corporation	Thailand	B+	AM Best																																																		
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National Insurance Trust Fund	Sri Lanka	AA-	Fitch																																																		
New India Assurance	India	B++	AM Best																																																		
Ocean International Re. Co.	Barbados	A-	AM Best																																																		
<p>* Financial investments Risk of borrowers failing to repay or meet contractual obligation.</p>	<ul style="list-style-type: none"> ◆ 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 where necessary. Regularly review its market value to ensure the adequacy of such collateral and request additional collateral in accordance with the underlying agreement. 																																																				

NOTES TO THE FINANCIAL STATEMENTS

Credit quality analysis

The table below sets out information about the credit quality of financial assets held by the Company net allowances for impairment/ expected credit losses against those assets.

D.i. Expected credit losses

According to the SLFRS 9 - Financial Instruments, the Company manages credit quality using a three stage approach which is in line with the standard requirements.

Stage one (performing) : 12-month expected credit losses

Stage two (under-performing) : Lifetime expected credit losses - Not-credit impaired

Stage three (non-performing): Lifetime expected credit losses - Credit impaired

Table below shows the classification of assets based on the above-mentioned three stage model.

	12-month ECL Rs.	Life time ECL-Not credit impaired Rs.	Life time ECL - credit impaired Rs.	Unclassified Rs.	Total Rs.
As at 31 December 2021					
Cash and cash equivalents	-	-	-	68,316,222	68,316,222
Financial investments	8,151,780,322	-	27,950,001	859,054,715	9,038,785,038
Reinsurance receivables	-	-	-	421,007,848	421,007,848
Insurance receivables	525,376,937	507,424,641	-	-	1,032,801,578
Other non-financial assets	-	-	-	493,802,832	493,802,832
Total assets	8,677,157,259	507,424,641	27,950,001	1,842,181,617	11,054,713,518
As at 31 December 2020					
Cash and cash equivalents	-	-	-	50,972,116	50,972,116
Financial investments	7,792,110,556	-	26,954,137	755,263,872	8,574,328,565
Reinsurance receivables	-	-	-	211,143,617	211,143,617
Insurance receivables	503,198,955	629,545,019	-	-	1,132,743,974
Other non-financial assets	-	-	-	626,674,767	626,674,767
Total assets	8,295,309,511	629,545,019	26,954,137	1,644,054,372	10,595,863,039

D.ii. Amount arising from expected credit losses

This note highlights inputs, assumptions, and techniques used for estimating expected credit losses (ECL) as per SLFRS 9 – Financial Instruments.

a) Significant increase in credit risk

When determining whether the risk of default on a financial assets has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company historical experience and expert credit assessment and including forward-looking information.

b) Credit risk

Assessment of credit risk is based on a variety of data by applying experienced credit judgement. Credit risk is evaluated using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of financial assets.

Each exposure is assessed at initial recognition based on available information about the financial assets. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade based on 3 stage model. The monitoring typically involves change in investment credit ratings of counter parties and instruments and number of days over due in terms of insurance and reinsurance receivables.

c) Generating the term structure of probability of default (PD)

Date past due has been taken as the primary input into the determination of the term structure of PD for insurance receivables. The Company collects performance and default information about its credit risk exposures analysed by customer segments. For investment portfolio, information gathered from external credit agencies is used (debt instruments).

The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors.

Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables (GDP growth and effect) as well as a representative range (best case and worst case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

d) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (best case and worst case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

e) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of default (PD)

PD estimates are estimates at a certain date which are calculated based on statistical models and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

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.

f) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instruments. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in 47.D.i.

NOTES TO THE FINANCIAL STATEMENTS

Movements in allowance for expected credit losses (stage transition)

Company	31.12.2021			
	Stage 1: 12 month ECL Rs.	Step 2: Lifetime ECL non-credit impaired Rs.	Step 3: Lifetime ECL credit-impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	8,295,309,511	629,545,019	26,954,137	8,951,808,667
Change during the year	381,847,748	(122,120,378)	995,864	260,723,234
Balance as at the end of the year	8,677,157,259	507,424,641	27,950,001	9,212,531,901

Company	31.12.2020			
	Stage 1: 12 month ECL Rs.	Step 2: Lifetime ECL non-credit impaired Rs.	Step 3: Lifetime ECL credit-impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	7,633,391,258	442,848,124	26,954,137	8,103,193,519
Change during the year	661,918,253	186,696,895	-	848,615,148
Balance as at the end of the year	8,295,309,511	629,545,019	26,954,137	8,951,808,667

D. iii. Credit ratings of financial instruments

Table below sets out the credit quality of financial investments based on the instruments' credit ratings.

	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	303,426,634	-	-	-	-	303,426,634
Debt instruments at amortised cost						
Treasury Bonds	378,342,280	-	-	-	-	378,342,280
Fixed deposits	-	1,303,879,425	1,576,859,084	-	-	2,880,738,509
Savings accounts	-	8,551,016	118,196,357	2,360,700	-	129,108,073
Treasury bills	1,794,533,918	-	-	-	-	1,794,533,918
Listed debentures	-	901,593,132	1,265,971,764	157,586,426	-	2,325,151,322
Unlisted debentures	-	103,251,112	126,110,758	-	-	229,361,860
Commercial papers	-	-	-	-	-	-
Unit Trusts at FVPL	-	-	-	-	859,054,715	859,054,715
Total	2,476,302,832	2,317,274,685	3,087,137,963	159,947,126	859,054,715	8,899,717,324

E. Liquidity Risk

Generally, liquidity risk is the risk that a company may not be able to meet short term financial demands. This occurs when financial resources are insufficient to meet the Company's obligation when they fall due and the timing difference between gross claim cash out flows and expected reinsurance recoveries.

Risk response

- ◆ Regular review of cash flow projections and ensure sufficient funds are available to meet claims and operational payments.
- ◆ Maintain a portfolio of readily marketable securities to strengthen the liquidity position.
- ◆ Maintain diversified durations of investments and regular review of maturity periods based on the cash flow requirements.
- ◆ Agreements with the reinsurers to immediate draw funds to meet claim payments which exceed the certain agreed level.
- ◆ Availability of a stand-by overdraft facility to use in the event of an emergency.
- ◆ Determining the maturity profiles of insurance contract liabilities and reinsurance assets based on the estimated timing of net cash flows from recognised insurance liabilities.
- ◆ Planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.

Maturity profile

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access when meeting liquidity needs.

Following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities. Unearned premiums have been excluded from the analysis as they are not considered as contractual obligations.

Contractual maturities of undiscounted cash flows of financial assets and liabilities are provided below.

As at 31 December 2021	0-6 Months	7-12 Months	1-2 Years	Over 2 Years	No stated Maturity	Total
Financial Assets						
Financial assets at FVPL						
Unit Trusts	-	-	-	-	859,054,715	859,054,715
Debt instruments at FVOCI	-	303,426,634	-	-	-	303,426,634
Debt instruments at amortised cost						
Treasury Bonds	-	-	-	378,342,280	-	378,342,280
Fixed deposits	2,486,892,222	295,123,273	98,723,014	-	-	2,880,738,509
Staff loans and rent deposits	88,636,822	7,792,055	13,960,893	28,677,947	-	139,067,717
Savings accounts	-	-	-	-	129,108,074	129,108,073
Treasury bills	1,698,541,618	95,992,300	-	-	-	1,794,533,918
Listed debentures	-	-	637,299,543	1,687,851,780	-	2,325,151,323
Unlisted debentures	-	103,251,111	-	126,110,758	-	229,361,869
Insurance receivables	1,032,801,578	-	-	-	-	1,032,801,578
Reinsurance receivables	421,007,848	-	-	-	-	421,007,848
Cash and cash equivalents	68,316,222	-	-	-	-	68,316,222
Total	5,796,196,310	805,585,373	749,983,450	2,220,982,792	988,162,789	10,560,910,686

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2021	0-6 Months	7-12 Months	1-2 Years	Over 2 Years	No stated Maturity	Total
Financial liabilities						
Insurance contract liabilities	3,918,624,982	841,519,788	18,493,790	52,875,186	-	4,831,513,746
Reinsurance payables	244,382,102	-	-	-	-	244,382,102
Other financial liabilities	325,477,276	315,804,033	-	-	-	641,281,309
Lease liabilities	42,966,996	2,536,199	5,402,605	8,288,415	-	59,194,215
Bank overdrafts	69,323,969	-	-	-	-	69,323,969
Total	4,594,178,915	1,100,665,806	23,896,394	61,163,601	-	5,779,904,716

F. Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market variables. Market risk comprises of three types risks: market interest rates (interest rate risk), foreign exchange rate (currency risk) and market prices (price risk). The Company has imposed following policies and procedures to manage the market risks.

Market risk mitigating strategies

- Overall market risk impact is closely monitored by the management, Investment Committee and the Integrated Risk Committee at group level on a regular basis.
- Investment portfolio and the fluctuation of macro-economic indicators are reviewed by the top management regularly.
- Set limits for investments and portfolio allocations in the investment operation manual to ensure that risk exposure is at the desired risk tolerance limit of the Company.

F. i. 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	2021		2020	
	Impact on PBT* Rs.	Impact on equity Rs.	Impact on PBT* Rs.	Impact on equity Rs.
+ 100 basis Points	(2,464,357)	(2,464,357)	(3,549,850)	(3,549,850)
- 100 basis Points	2,521,693	2,521,693	3,621,450	3,621,450
+ 200 basis Points	(4,907,507)	(4,907,507)	(7,029,550)	(7,029,550)
- 200 basis Points	5,065,693	5,065,693	7,316,600	7,316,600

* PBT - Profit before tax

Following table summarises the exposure to the interest rate risks by the Company.

As at 31 December 2021	Variable interest	Fixed interest	Non-interest bearing	Total
	Rs.	Rs.		Rs.

Financial assets

Financial assets at FVPL	-	-	859,054,715	859,054,715
Debt instruments at FVOCI	-	303,426,634	-	303,426,634
Debt instruments at amortised cost				
Repurchase agreements	-	-	-	-
Treasury bonds	-	378,342,280	-	378,342,280
Staff loans		52,306,548	6,808,174	59,114,722
Rent deposits			79,952,995	79,952,995
Fixed deposits	-	2,880,738,509	-	2,880,738,509
Savings accounts		129,108,074		129,108,074
Treasury bills	-	1,794,533,918	-	1,794,533,918
Listed debentures	-	2,325,131,323	-	2,325,131,323
Unlisted debentures	-	229,381,868	-	229,381,868
Commercial papers	-			
Total	-	8,092,969,154	945,815,884	9,038,785,038

As at 31 December 2020	Variable interest	Fixed interest	Non-interest bearing	Total
	Rs.	Rs.		Rs.

Financial Assets

Financial assets at FVPL	-	-	755,263,872	755,263,872
Debt instruments at FVOCI	-	267,378,250	-	267,378,250
Debt instruments at amortised cost				
Repurchase agreements		12,599,341		12,599,341
Treasury bonds	-	430,211,957	-	430,211,957
Staff loans		69,886,293	10,760,312	80,646,605
Rent deposits			68,471,543	68,471,543
Fixed deposits	-	3,691,697,960	-	3,691,697,960
Savings accounts	-	53,541,804	-	53,541,804
Treasury Bills	-	589,827,847	-	589,827,847
Listed debentures	-	2,243,051,864	-	2,243,051,864
Unlisted debentures	-	229,310,590	-	229,310,590
Commercial papers		152,326,932		152,326,932
Total	-	7,739,832,838	834,495,727	8,574,328,565

F.ii. Currency risk

Interest rate risk is the risk of fluctuation of value of the future cash flows of financial instruments due to changes in foreign exchange rates.

The Company's principal transactions are carried out in Sri Lankan Rupees (Rs.). The Company's exposure to foreign exchange risk arises primarily with respect to US Dollar denominated assets maintained in order to honor liabilities of foreign currency denominated reinsurance policies.

NOTES TO THE FINANCIAL STATEMENTS

However, no material foreign currency denominated liability was reported during the financial year ended 31 December 2019.

	2021		2020	
	Amount in USD	Amount in Rs.	Amount in USD	Amount in Rs.
Fixed deposits	344,112	67,400,937	183,932	33,789,768
Savings accounts	37,422	6,814,169	29,753	5,465,944
Total	381,534	74,215,106	213,686	39,255,712

	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
5% strengthening of Rupee	(3,710,755)	(3,710,755)	(1,962,348)	(1,962,348)
5% weakening of rupee	3,710,755	3,710,755	1,963,269	1,963,269

F. iii. Equity price risk

Equity price risk arises due to fair value or future cash flows of a financial instrument fluctuates due to changes in equity prices other than those arising from interest rate or foreign exchange rate risk.

The Company's investment policy and investment operation manual guides the management on setting and monitoring objectives and constrains on investments, diversification plans as well as limits on each investment under each investment instrument. This policy is regularly reviewed to ensure that it suits with the prevailing market and risk environment. Further, the Company manages its equity price risk by investing in relatively less volatile sectors and in spreading the risk in different sectors.

The Company has no significant concentration of equity price risk since the Company did not have any equity investments as at 31 December 2021.

Concentration of other financial investments

The Company manages its credit exposure to a single investment security by regularly reviewing the investment portfolio. This analysis includes all the financial investments classified under financial assets measured at FVPL, debt instruments at amortised cost and FVOCI.

As at 31 December	2021		2020	
	Rs.	%	Rs.	%
Treasury bonds	681,768,914	7.8	697,590,207	8.3
Treasury bills	1,794,533,918	20.5	589,827,847	7.0
Repurchase agreements	-	-	12,599,341	0.2
Listed equity securities	-	-	-	-
Listed corporate debentures	2,325,151,322	26.5	2,243,051,864	26.8
Unquoted corporate debentures	229,361,869	2.6	229,310,590	2.7
Unit trusts	859,054,715	9.8	755,263,872	9.0
Fixed deposits	2,880,738,509	32.8	3,691,697,960	44.1
Commercial papers	-	-	152,326,932	1.8
Total	8,770,609,248	100	8,371,668,613	100

G. Strategic Risk

Strategic risk addressing business risk and regulatory risk is described in detail along with risk mitigation strategies on page 54 in the Risk Management Report.

H. Operational Risk

Operational risk comprise socio/economic/political risk, environmental risk, technology risk, human resources risk, reputational risk and fraud risk is described in detail along with risk mitigation strategies on page 30 in the Risk Management Report.

I. General Insurance Business Risk

General insurance business risk arising from product design, underwriting, claims settlement, reserving, reinsurance and credit risk is described in detail along with risk mitigation strategies on page 33 in the Risk Management Report.

The table below sets out the concentration of insurance claim liabilities by type of the contract

	31.12.2021			31.12.2020		
	Gross liability Rs.	Reinsurance receivables Rs.	Net liabilities Rs.	Gross liability Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
Motor	680,548,633	39,963,500	640,585,133	664,192,180	21,946,347	642,245,833
Marine	31,756,003	19,602,599	12,153,404	3,015,300	2,941,487	73,813
Fire	152,207,519	95,113,498	57,094,021	133,151,811	134,058,697	(906,886)
Miscellaneous	221,398,801	46,516,455	174,882,346	164,616,313	53,456,273	111,160,040
Total	1,085,910,957	201,196,052	884,714,905	964,975,604	212,402,804	852,512,800

Claims development table

The following tables show the estimate of cumulative incurred claims for each year together with cumulative payments to date.

Gross non-life insurance outstanding claims provision for 2021

(All figures are in Rupees thousands unless otherwise stated)

Accident period	CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
2021	-	558	(1,319)	(600)	(7)	(907)	2,629	6,465	4,197	47,351	67,214	3,014,295	
2020	193	10,771	2,942	1,485	705	2,602	7,258	7,573	32,132	(27,248)	2,738,130		
2019	-	42,085	5,515	1,591	1,014	2,662	4,183	31,282	92,881	3,803,005			
2018	(120)	11,385	51	(8,584)	4,918	(9,647)	21,099	73,912	3,165,480				
2017	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805					
2016	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203						
2015	1,703	6,377	(5,165)	35,874	31,044	2,182,704							
2014	1,465	1,577	28,391	(15,126)	2,040,473								
2013	3,148	50,297	(167,837)	2,042,094									
2012	4,224	(58,704)	2,042,934										
2011	2,762	1,396,938											
2010	213,653												
Current estimated of cumulative claims incurred	225,239	1,465,909	1,887,898	2,056,477	2,089,249	2,248,753	2,703,627	2,912,037	3,294,689	3,823,108	2,805,344	3,014,295	28,526,625

NOTES TO THE FINANCIAL STATEMENTS

Accident period	CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED												Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
2021	-	(58)	(2,569)	(2,428)	(5,012)	(3,402)	(8,644)	(12,075)	(10,880)	(41,866)	(534,897)	(2,397,109)	
2020	(193)	(3,154)	(7,835)	(4,584)	(6,434)	(10,697)	(11,924)	(12,594)	(29,128)	(737,058)	(2,214,578)		
2019	-	(84,791)	(9,222)	(4,101)	(13,820)	(21,259)	(15,975)	(39,809)	(551,787)	(2,956,804)			
2018	-	(16,329)	(5,532)	(14,079)	(15,396)	(26,780)	(26,927)	(515,478)	(2,646,682)				
2017	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)					
2016	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)						
2015	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)							
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)								
2013	(3,495)	(57,574)	(252,384)	(1,621,312)									
2012	(5,154)	(311,763)	(1,465,582)										
2011	(72,227)	(893,615)											
2010	(134,902)												
Cumulative payments to date	(222,537)	(1,420,052)	(1,853,109)	(2,028,428)	(2,059,823)	(2,226,099)	(2,662,338)	(2,847,540)	(3,238,476)	(3,735,728)	(2,749,475)	(2,397,109)	(27,440,714)
Total Gross claims outstanding	2,703	45,857	34,789	28,049	29,426	22,654	41,290	64,498	56,213	87,379	55,868	617,185	1,085,911

Net non-life insurance outstanding claims provision for 2021

(All figures are in Rupees thousands unless otherwise stated)

Accident period	CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED												Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
2021	-	58	(1,387)	428	718	2,126	4,019	7,482	8,701	50,064	121,616	2,719,396	
2020	193	10,793	2,942	1,485	705	2,602	6,735	8,961	33,117	58,000	2,601,103		
2019	-	321	5,515	1,591	1,014	2,667	4,325	37,666	79,873	3,398,413			
2018	(120)	11,400	51	(11,575)	5,037	(3,500)	24,501	77,270	3,106,289	-			
2017	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279	-	-			
2016	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666	-	-	-			
2015	1,599	6,454	(3,982)	34,203	16,076	2,100,737	-	-	-	-			
2014	1,465	2,382	28,151	(15,127)	2,023,094	-	-	-	-	-			
2013	3,157	51,344	(158,485)	2,034,121	-	-	-	-	-	-			
2012	4,239	(15,515)	1,976,422	-	-	-	-	-	-	-			
2011	4,621	1,224,086	-	-	-	-	-	-	-	-			
2010	209,132	-	-	-	-	-	-	-	-	-			
Current estimated of cumulative claims incurred	222,497	1,300,196	1,831,669	2,048,905	2,059,250	2,179,640	2,626,963	2,823,659	3,227,981	3,506,478	2,722,719	2,719,396	27,269,352

Accident period	CURRENT ESTIMATE OF CUMULATIVE CLAIMS INCURRED												Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
2021	-	(58)	(2,569)	(2,428)	(5,012)	(3,402)	(8,644)	(12,075)	(10,872)	(37,663)	(505,153)	(2,331,752)	
2020	(193)	(3,154)	(7,835)	(4,584)	(6,434)	(10,697)	(11,371)	(12,311)	(15,045)	(487,549)	(2,149,086)		
2019	-	(13,201)	(9,222)	(4,101)	(13,820)	(21,259)	(15,969)	(32,630)	(521,977)	(2,902,120)			
2018	-	(16,329)	(5,532)	(11,079)	(15,396)	(26,799)	(25,385)	(492,761)	(2,619,040)	-			
2017	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)	-	-			
2016	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)	-	-	-			
2015	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)	-	-	-	-			
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)	-	-	-	-	-			
2013	(3,495)	(32,280)	(226,969)	(1,593,260)	-	-	-	-	-	-			
2012	(5,123)	(248,760)	(1,424,239)	-	-	-	-	-	-	-			
2011	(71,904)	(881,711)	-	-	-	-	-	-	-	-			
2010	(131,282)	-	-	-	-	-	-	-	-	-			
Cumulative payments to date	(218,459)	(1,246,445)	(1,763,716)	(1,996,484)	(2,012,101)	(2,237,234)	(2,584,252)	(2,759,614)	(3,166,935)	(3,427,333)	(2,654,239)	(2,331,752)	(26,398,564)
Total net claims outstanding	4,039	53,752	67,953	52,421	47,148	(57,595)	42,710	64,045	61,046	79,145	68,481	387,644	870,788

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation is provided below.

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		139,252,466	-
Claim handling expenses (CHE)	10%	139,788,052	535,586
Claim handling expenses (CHE)	-10%	138,716,879	(535,586)
Accident year-2020 ultimate loss ratio (ULR)	10%	173,512,863	34,260,397
Accident year-2020 ultimate loss ratio (ULR)	-10%	104,992,069	(34,260,397)
Provision for adverse deviation (PRAD)	Double	153,189,676	13,937,211
Provision for adverse deviation (PRAD)	Halve	132,283,861	(6,968,605)

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		2,491,363,880	3,017,981,241	-
Unexpired risk reserves (URR)	10%	2,735,320,149	3,017,981,241	-
Unexpired risk reserves (URR)	-10%	2,247,407,611	3,017,981,241	-
Claim handling expenses (CHE)	10%	2,505,926,932	3,017,981,241	-
Claim handling expenses (CHE)	-10%	2,476,800,828	3,017,981,241	-
Provision for adverse deviation (PRAD)	Double	2,809,271,908	3,017,981,241	-
Provision for adverse deviation (PRAD)	Halve	2,292,671,363	3,017,981,241	-

48. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on an arm's length with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

48.1 Transactions and outstanding balances with the ultimate parent - People's Bank

Transactions

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	246,355,166	243,488,072
Insurance premium in respect of customers introduced	138,238,851	113,798,655
Service charge expense	18,397,038	14,810,845
Claims expense	25,802,041	77,192,590
Investment in repurchase agreements (including reinvestments made during the year)	19,136,122,467	2,838,942,758
Settlement of repurchase agreements (including settlement for reinvestments)	19,149,559,538	4,011,610,596
Investment income from overnight repurchase agreements	13,073,586	4,075,706
Treasury bills purchased	3,410,674,450	230,440,300
Treasury bills matured	1,900,000,000	161,824,900
Interest income from fixed deposits	29,811,409	42,900,178
Interest income from special foreign currency savings account	77,381	221,335
Building rent expense	225,000	900,000

NOTES TO THE FINANCIAL STATEMENTS**Outstanding balances**

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	1,631,109	6,372,616
Insurance premium receivable in respect of customers introduced	26,039,366	26,575,253
Service charge expense payable	1,784,188	1,660,056
Claims outstanding	196,832,940	164,763,609
Fixed deposits	563,211,075	511,122,820
Special foreign currency savings account	6,814,168	4,674,393
Building rent expenses payable	-	525,000
Cash at bank	53,564,915	62,044,235
Bank overdraft	42,150,791	39,388,174
	892,028,552	817,126,155

48.1 Transactions and outstanding balances with the immediate parent - Peoples' Leasing & Finance PLC**Transactions**

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	1,293,918,382	159,969,651
Insurance premium in respect of customers introduced	2,938,847,486	3,254,628,172
Service charges	501,105,560	541,614,832
Support service expense	9,125,076	9,171,633
Computer maintenance expense	55,929,319	53,507,364
Debenture interest	16,152,202	16,051,214
Interest income from savings accounts	2,891,254	2,714,600
Interest income from fixed deposits	37,584,243	46,618,647
Building rent expenses	21,412,188	19,988,404
Vehicle yard expenses	1,142,800	5,870,775
Claims expenses	155,987,312	132,757,995
Dividend paid	450,000,000	165,000,000

Outstanding balances

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	12,928,464	27,938,528
Insurance premium receivable in respect of customers introduced	591,919,002	679,723,737
Service charges payable	146,652,737	224,608,550
Claims outstanding	18,389,131	30,901,417
Support service charges payable	1,520,846	760,423
Computer maintenance expense payable	10,230,279	4,569,904
Debentures	136,963,094	136,910,732
Savings accounts	110,490,915	35,277,077
Fixed deposits	518,981,202	445,389,414
Building rent expenses payable	3,258,698	2,962,468
Inter-company current account payable	4,084,435	5,355,805
	1,555,418,803	1,594,398,056

Note: Support service expenses mainly include amounts payable in respect of information and communication technology and management services provided to the Company.

48.2 Transactions and outstanding balances with the key management personnel

According to the LKAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

People's Insurance PLC considers its Board of Directors and their immediate family members as key management personnel of the Company.

a) Key management personnel compensation

Transactions

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Short-term employment benefits	19,122,113	19,171,815

b) Other transactions with key management personnel

Transactions

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium	598,027	402,440

48.3 Transactions and outstanding balances with other related companies

People's Leasing Fleet Management Limited

Transactions

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	10,252,733	11,023,235
Vehicle hiring expenses	1,062,000	2,088,882
Claims expenses	6,841,568	3,352,264
Assessor's fees	11,316,803	11,911,215

Outstanding balances

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable	1,390,057	486,123
Inter company current account payable	863,236	822,205
Claims expenses	1,570,000	515,000
	3,823,293	1,823,328

People's Leasing Property Development Limited

Transactions

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	2,475,728	2,230,941
Claims expense	500,449	215,045

NOTES TO THE FINANCIAL STATEMENTS**Outstanding balances**

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	20,256	987,932
Claims outstanding	123,750	-
	144,006	987,932

People's Micro-commerce Limited**Transactions**

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	6,680,940	6,432,156
Insurance premium in respect of customers introduced	97,744,395	125,536,245
Service charges	14,408,184	18,125,778
Rent income receivable on Galle branch	3,308,443	-

Outstanding balances

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	2,033,565	2,385,557
Insurance premium receivable in respect of customers introduced	30,965,990	36,386,708
Service charges payable	4,847,764	6,864,635
Claims expense	233,379	419,018
	37,847,318	45,636,900

People's Merchant Finance PLC**Transactions**

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	1,556,699	795,410
Insurance premium in respect of customers introduced	5,286,912	5,635,514
Service charges	778,065	728,008
Claims expense	183,642	-

Outstanding balances

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	1,086,039	1,925,349
Insurance premium receivable in respect of customers introduced	142,308	164,571
Service charges payable	36,145	41,639
	1,264,492	2,131,559

People's Leasing Havelock Properties Limited**Transactions**

For the year ended	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium in respect of their own policies	2,240,261	1,777,349
Building rent expenses	102,090,000	88,692,060
Claims expense	94,600	-

Outstanding balances

As at	31.12.2021 Rs.	31.12.2020 Rs.
Insurance premium receivable in respect of their own policies	-	94,998
Rent paid in advance	87,000,000	87,000,000
	87,000,000	87,094,998

48.4 Transactions with other related parties

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

Name of the company	Control, joint control or significant influence by key management personnel	Nature of transaction	2021 Rs.	2020 Rs.
Sanasa Development Bank PLC	Mr. Lakshman Abeysekera	Interest income from debentures	-	5,124,344
		Amount invested and accrued interest	-	-

48.5 Transactions with the Government of Sri Lanka and its related entities

Transactions with the Government of Sri Lanka and entities controlled and jointly controlled, significantly influenced by the Government of Sri Lanka are provided below.

The Government of Sri Lanka has the right to directly control the ultimate parent company People's Bank at 31 December 2020 and thereby holds an indirect control over the Company. Accordingly, the Company has considered the Government of Sri Lanka and other entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka (Government related entities) as related parties according to LKAS 24 - Related Party Disclosures.

Name of the company/entity	Nature of transaction	31.12.2021 Rs.	31.12.2020 Rs.
Government of Sri Lanka	Investment balance	2,476,292,601	1,300,017,398
	Investment income	133,963,899	102,222,381
Other Government related banks	Investment balance	563,211,075	511,122,820
	Investment income	29,811,409	42,900,178

NOTES TO THE FINANCIAL STATEMENTS

Apart from the transactions listed above, the Company has carried out transactions with other Government related entities in the form of premium income, reinsurance premium, claims, taxes, utility bills, regulatory charges, etc. The total of such payments made during the nine months ended are as follows:

Nature of transaction	31.12.2021 Rs.	31.12.2020 Rs.
Premium income from the Government and other Government related entities	232,032,618	68,450,536
Claims paid to the Government and other Government related entities	84,793,318	32,270,023
Reinsurance premium (net of commission)	402,767,726	115,696,920
Taxes paid	811,225,354	547,461,131
Regulatory charges	28,522,432	29,926,965
Utility expenses	717,399	507,863

49. ASSETS PLEDGED

The following assets have been pledged as a security for liabilities.

Nature of asset	Nature of liability	CARRYING VALUE		Classification
		2021 Rs.	2020 Rs.	
Fixed deposit at People's Bank	Bank overdraft facility	75,000,000	75,000,000	Loans and receivables
Fixed deposit at People's Bank	Bank guarantee	14,000,000	24,613,625	Loans and receivables

50. EVENTS AFTER THE REPORTING DATE

ACCOUNTING POLICY

Events after the reporting period are those events, favourable and unfavourable that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

Except for the following mentioned post balance events, There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements..

50.1 Dividends

Subsequent to the reporting date, the Board of Directors of the Company has approved and paid a interim dividend of Rs. 1.50 per share for the financial year ended 31 December 2021. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this dividend has not been recognised as a liability as at 31 December 2021.

50.2 Appointment of Chief Executive Officer

Ms. Jeevani Kariyawasam was appointed as the Chief Executive Officer of People's Insurance PLC w.e.f. 01st February 2022

50.3 Surcharge tax

As per the Surcharge Tax Act, No. 14 of 2022 published in 08th April 2022, every company of a group of companies, of which aggregate of the taxable income of all subsidiaries and the holding company in that group of companies for the year of assessment 2020/2021 exceeds Rs. 2 Bn will liable for Surcharge tax at a rate of 25% on the taxable income of the company or each subsidiary and holding company of the group.

Accordingly, the Company is liable to pay the Surcharge tax on the basis that the taxable income of the group exceeds Rs. 2 Bn in the year of assessment 2020/2021. The effect of the said tax expense is as follows,

Installment	Amount (Rs. Mn)	Due Date	Payment status
1st Installment	220	Payable on or before April 20, 2022	Paid on April 19,2022
2nd Installment	220	Payable on or before July 20,2022	To be paid

"As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22nd April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1st April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1st January 2021. Such adjustment will be incorporated in the Financial Statements for the next reporting period.

51. CAPITAL COMMITMENTS AND CONTINGENCIES

ACCOUNTING POLICY

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

51.1 Capital commitments

There were no significant capital commitments as at the reporting date (2020 - Nil).

51.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

All pending litigations for claims have been evaluated and adequate provisions have been made in the financial statements.

51.3 Assessment on VAT and NBT on Financial Services

The Company received a determination on VAT and NBT on Financial Services for the taxable period from 01.01.2016 to 31.12.2016 from the Department of Inland Revenue (DIR). The Company has made an appeal to the Tax Appeals Commission (TAC) against the determination as the Company's stance is that it is in the business of insurance hence is not liable for VAT or NBT on FS. Other insurers have also received similar assessments and have appealed against them. The status of assessments is provided in the table below.

Tax period	Status of assessment	Tax type	MEASUREMENT OF CONTINGENT IMPACT TO THE COMPANY		
			Tax in default Rs.	Penalty Rs.	Total Rs.
01.01.2016 - 31.12.2016	Pending decision from tax appeals commission	VAT	9,928,843	5,560,152	15,488,995
01.01.2016 - 31.12.2016	Pending decision from tax appeals commission	NBT	1,600,046	800,023	2,400,069
Total			11,528,889	6,360,175	17,889,064

51.2 Assessment on income tax

The Department of Inland Revenue has raised an assessment on income tax for the year of assessment 2017/2018, assessing the Company to pay an additional income tax liability of Rs. 19.2 million along with a penalty, totaling to Rs. 29.1 million. The Company has lodged an appeal in consultation with the Company's Tax Consultant with the Commissioner General of Inland Revenue against the said assessment.

52. COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

SUPPLEMENTARY INFORMATION

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ANNEX I – CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE 2017 (THE CODE) ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA (CA SRI LANKA)

In its continued commitment to foster and maintain the highest standards of governance in all operational aspects, the Company voluntarily adheres to the Code, issued in 2008 and last revised and updated in 2017. The Company's adherence to the updated Code is tabulated below;

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
A. DIRECTORS		
Principle A.1 - The Board		
The Company to be headed by an effective Board that directs, leads and controls it.		
As at 31.12.2021, the Board comprised seven experienced and influential individuals with diverse backgrounds and expertise as reflected in their profiles on pages 17 to 21. 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	<p>Unless the business exigencies demand the convening of additional special meetings, the Board of Directors meet at least on a monthly basis to discharge their responsibilities. The frequency of Board meetings and the structure and process of submitting the information to the Board at these meetings have been agreed. The details of meetings of the Board and attendance of the members thereat are given on page 72.</p> <p>During 2021, a total of 11 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 and the Group with the interests and expectations of all stakeholders.</p>
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. Board Strategic Plan Review Committee was assisting the Board to strengthen the focus on the same.

ANNEX I – CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
A.1.2	(ii) Ensure CEO and the management team possess the necessary skills, experience and knowledge for effective implementation of the strategy	<p>The CEO and the Senior Management team possess extensive knowledge and skills with widespread experience in the industry in which the Company operates.</p> <p>The profiles of the CEO and the Senior Management are presented on pages 22 to 24.</p> <p>The Board actively oversees the recruitment of the Senior Management to ensure that it continues to have the right balance and capability of skills, experience and knowledge to accomplish their responsibilities.</p>
	(iii) Adopt effective CEO and senior management succession strategy	<p>In terms of the policy decisions made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally and the structure of the Company facilitates subordinates to replace senior management positions where necessary. Human resources development is a key focus area of the Board and the Company makes a significant investment therein to ensure that employees acquire the necessary expertise and skills to develop their careers.</p>
	(iv) Ensure that effective systems are in place to secure integrity of information, internal controls, business continuity and risk management	<p>The Company has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures for risk management, implementation of the Company's corporate governance framework and compliance with related laws and regulations. This internal control framework also aims to safeguard shareholders' investment and the Company's assets and to ensure the reliability and integrity of information.</p> <p>With the assistance of the Board Audit Committee, the Board regularly reviews and monitors the risks and control framework for its relevance and effectiveness.</p> <p>"Director's Statement on Internal Controls over Financial Statements" on page 80 provides further details on the above.</p>
	(v) Compliance with laws, regulations and ethical standards	<p>The Company is in compliance with all laws and regulations applicable to it and ensures the highest levels of ethical standards. The Company has a strong organizational culture of entrenched values, which forms the cornerstone of its behavior towards all stakeholders. These values are embodied in a written statement of values, which serves as the Company's Code of Business Conduct and Ethics and is continually reinforced.</p>
	(vi) Ensure that all stakeholder interests are considered in corporate decisions	<p>All charters and policies of the Company have been developed to ensure that responsibilities to shareholders and other stakeholders are timely and appropriately discharged. Particular emphasis is given by the Board to the framework of these charters and policies in the decision making process.</p>
	(vii) Recognise sustainable business development in corporate strategy, decisions and activities	<p>Sustainable business development is an integral part of the Company's corporate strategy, decisions and activities. Accordingly, due emphasis is given to the stakeholders of the Company and the community and the environment within which the Company operates when business strategies are formulated, decisions are made and business activities are carried out.</p>

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
	(viii) Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations	<p>The Board Audit Committee reviews accounting policies annually to ensure that they are in line with the business model of the Company and developments of international and local accounting standards and industry best practice. The Board ensures that the approved accounting standards and financial regulations are complied with when financial statements are being prepared.</p> <p>An affirmation that the Company's financial statements are in line with the applicable standards and regulations is contained in the "Directors' Statement on Internal Controls over Financial Statements" on page 80 and the "Independent Auditor's Report" on pages 102 to 104.</p>
	(ix) Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation	<p>During the year, every endeavor was made by the Board to fulfill its obligations towards all stakeholders and the same is reflected in the performance of the Company. The Board is committed to fulfilling their functions in line with laws, regulations and good governance practices adopted by the Company.</p>
A.1.3	Compliance with laws and access to independent professional advice	<p>There is significant emphasis across the Company to ensure compliance with applicable laws and regulations. The Board collectively as well as individually complied with the laws of the country that are applicable to the Company.</p> <p>The Directors are permitted to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the Company. The Directors have sought advise on labour and tax related matters from external professionals during the year.</p>
A.1.4	Access to advice and services of the Company Secretary	<p>The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.</p> <p>All Directors have access to the services of the Company Secretary who possesses the required qualifications as set out in the Companies Act No.7 of 2007. The appointment and removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent judgment of Directors	<p>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.</p>
A.1.6	Dedication of adequate time and effort by the Board and Board Committees	<p>Dates of regular Board meetings and regular Board Sub-committee meetings are scheduled well in advance as far as possible and the relevant papers are circulated ensuring that the Directors are given adequate time to review the same and seek additional information or clarifications, if required.</p> <p>The Board is aware of the other commitments of its' Directors and is satisfied that all Directors allocate sufficient time so as to be able to discharge their responsibilities effectively.</p> <p>The number of Board and Board Committee meetings held during 2021 and the attendance of each Director thereat is presented on page 72 whilst the manner in which the Board dedicated its' time to the affairs of the Company is set out on page 71 of this Report.</p>
A.1.7	Director's right to call for resolutions	<p>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.</p>

ANNEX I – CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
A.1.8	Training for new and existing Directors	<p>On their first appointment to the Board, Directors are apprised comprehensively on the general aspects of directorship and matters specific to the industry. Regular updates on changes to relevant legislations, regulations and corporate governance as well as sector developments that could affect the Company and its operations covering a wide spectrum of topics including economic, social and environmental aspects are provided to the Board Committees at each meeting and, as appropriate to the full Board.</p> <p>The Board recognises the importance of continuous training and expansion of the knowledge and skills to effectively perform their duties as Directors. The Board regularly reviews and agrees on their training and development needs.</p>
<p>Principle A.2 - Chairman and the Chief Executive Officer (CEO)</p> <p>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.</p>		
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.
<p>Principle A.3 - Chairman's Role</p> <p>The Chairman is responsible for providing leadership to the Board and preserving order and facilitating the effective discharge of duties of the Board.</p>		
A.3.1	Role of the Chairman in conducting Board proceedings in a proper manner	The Chairman is a Non-executive, Non-independent Director and is responsible for preserving good corporate governance and running the Board in an orderly and effective manner. He encourages Directors to share their views on matters discussed and ensures the participation of Directors thereby maintaining a balance of power among directors. The Chairman ensures that the agenda for each meeting was developed in consultation with the CEO and the Company Secretary and that all Board proceedings were conducted in a proper manner.
<p>Principle A.4 - Financial Acumen</p> <p>The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>		
A.4	Availability of sufficient financial acumen and Knowledge	<p>One Director of the Board, is a 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.</p> <p>The knowledge and skills of each member along with profiles of individual Directors are set out on pages 17 to 21.</p>
<p>Principle A.5 - Board Balance</p> <p>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.</p>		
A.5.1	Presence of Non-executive Directors	The Board comprises only Non-executive Directors who bring a wealth of knowledge and experience covering a wide spectrum of topics and their views carry a significant weight in the Board's decisions.
A.5.2	Presence of Independent Non-executive Directors	3 out of the 7 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 three 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.

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
A.5.4	Annual declarations by Non-executive Directors of their independence or Non-independence	Self-declarations were submitted by each Non-executive Director declaring his status of independence in terms of the applicable rules and regulations in 2021.
A.5.5	Determination of the independence or non-independence of Non-executive Directors	Based on the self- declarations submitted by the Directors of their independence, the Board determined that the following Directors who were in office as at annual report date were independent, Mr. Lakshman Abeysekera Mr. Johnson Fernando Dr. Kasun Wijetilleke
A.5.6	Alternate Directors to meet the criteria for independency/executive status of the appointer	No alternate Directors were appointed during the year 2021.
A.5.7 & A.5.8	Appointment of Senior Independent Director	The Company has designated Mr. Lakshman Abeysekera as the Senior Independent Director. Page 70 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.
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 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 is circulated prior to Board meetings.

ANNEX I – CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 – THE COMPANY		
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 Human Resources, Remuneration and Nomination Committee makes recommendations to the Board on all new appointments of Directors. The composition of the Committee is given on page 84.
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 of 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. Ranjith Kodituwakku and Mr. Johnson Fernando retire and have offered themselves for re-election by the Shareholders at the 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.
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 Board has taken into account the overall contribution, participation and engagement of the individual Directors when considering their re-appointments.

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
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, brief profiles are given on pages 17 to 21. Details of whether a Director is Executive, Non-executive, Independent, Non-independent are given on pages 17 to 21. Related Party Transactions and material business interests are given on page 48 . Membership of Board Sub-committees and attendance at Board Meetings and Board Sub- committee meetings are given on page 72.
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 with reference to targets	Assessment of the performance of the CEO by the Board is an on-going process. The performance of the CEO is evaluated by the Board quarterly and at the end of each financial year to ascertain if the financial and non-financial targets set at the beginning of the financial year have been achieved and if not, whether the reasons and circumstances justifies the failure to achieve same.
B. DIRECTORS 'S REMUNERATION		
Principle B.1 - Remuneration Procedure		
The Company should establish a formal and transparent procedure for developing policy on both Executive and Non-executive Directors remuneration		
B.1.1	Appointment of a Remuneration Committee	The Board has established a Human Resources, 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	As at 31.12.2021, the Board Human Resources, Remuneration and Nomination Committee comprises 4 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 Board Human Resources, Remuneration and Nomination Committee is given on page 84.

ANNEX I – CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
B.1.4	Determination of remuneration of Non-executive Directors	<p>Within the limits set out in the Articles of Association, the Board collectively decides the Remuneration of the Non-executive Directors, including the members of the Remuneration and Nomination Committee. The Non-executive Directors receive a fee for attending meetings of the Board and Board Committees. Fees paid to the Non-executive Directors are neither performance related nor pensionable.</p> <p>Page 76 provides for details of the remuneration paid to the Directors during the year under review.</p>
B.1.5	Access to professional advice	The Terms of Reference of the Board Human Resources, Remuneration and Nomination Committee empowers it to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.
Principle B.2 - The level and make up of Remuneration		
The remuneration of Executive and Non-executive Directors should be sufficient to attract and retain the services of Directors.		
B.2.1 & B.2.2	Remuneration for Executive Directors should attract, retain and motivate	<p>There were no Executive Directors on the Board of the Company during the year under review.</p> <p>Nevertheless, the Board is aware that the remuneration of Executive and Non-executive Directors should reflect the market expectations and is sufficient enough to attract and retain the quality of personnel needed to run the Company.</p>
B.2.3	Positioning company remuneration levels relative to other companies	The Board Human Resources, Remuneration and Nomination Committee is aware that reward strategies and remuneration structure should be designed to attract, motivate and retain high-caliber people, at all levels of the organisation, in a highly competitive environment. Therefore, the remuneration structure of the Company is reviewed from time to time with comparison to that of peers in the industry.
B.2.4	Positioning company remuneration levels relative to the Group	The Human Resources, 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 Human Resources, Remuneration and Nomination Committee follows the provisions set out in Schedule E to the Code in designing schemes of performance related remuneration.
B.2.8 & B.2.9	Compensation for early termination of employment of Directors	There were no Executive Directors on the Board of the Company during the year under review.
B.2.10	Levels of remuneration for Non-Executive Directors	Non-executive Directors are remunerated in line with market practices also taking into account the commitment and responsibilities of their role. However, they are not entitled to receive any performance based remuneration share options.
Principle B.3 - Disclosure of Remuneration		
The Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole		
B.3.1	Composition of the Remuneration Committee, remuneration policy and disclosure of aggregate remuneration paid to Directors	<p>The composition of the Board Human Resources, Remuneration and Nomination Committee is given on page 84.</p> <p>The aggregate remuneration paid to Non-executive Directors are given in Note 20 to the financial statements on page 129.</p> <p>The remuneration policy of the Company is given on pages 57 to 58.</p>

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
C. RELATIONS WITH SHAREHOLDERS		
Principle C.1- Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings		
The Board should use the AGM to communicate with shareholders.		
C.1.1	Notice of meeting	<p>The Annual Report including financial statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM in compliance with the applicable statutes.</p> <p>The Annual Report for the year 2020 was submitted to the Colombo Stock Exchange on 31st May 2021 and was dispatched to all shareholders on the same day. The AGM was held on 28th of June 2021.</p>
C.1.2	Separate resolutions for each substantially separate issue and adoption of annual report and accounts	<p>The Company proposes separate resolutions on each substantially separate issue giving shareholders the opportunity to vote on each such issue separately.</p> <p>The adoption of the Annual Report of the Board of Directors, the financial statements of the Company and the Report of the Auditors thereon are considered as a separate resolution.</p>
C.1.3	Count proxy votes lodged	<p>As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered by the Company for each resolution.</p> <p>The Company has a mechanism to record all proxy votes to indicate to the Chairman the level of proxies lodged on each resolution and the number of votes for and against such resolution.</p>
C.1.4	Availability of Board Sub-committee Chairperson at AGM	<p>The Chairman of the Board ensures that the Chairmen of Board sub-committees are present at the AGM to answer any query by shareholders.</p> <p>The Chairmen of the Board Sub committees were present at the previous years' AGM held on 28th June 2021 and no queries were raised by the shareholders to them.</p>
C.1.5	Summary of procedures governing voting at the AGM	A summary of the procedures governing voting at the AGM is provided in the Proxy Form, which is circulated to shareholders 15 working days prior to the AGM.
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 will be the main contact persons with regard to any public disclosures. Further, the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.
C.2.5	Process to make all Directors aware of major issues and concerns of shareholders	<p>The Company Secretary maintains records of all correspondence received from shareholders and direct the same to appropriate channels for resolution. All major issues and concerns of shareholders are referred to the Board.</p> <p>Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them as above, the Company Secretary revert to the respective shareholder with an appropriate response.</p>

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SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
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 to them, Ms. Sachini Hulugalle The Company Secretary, People's Insurance PLC, No 7, Havelock Road, Colombo 5, Sri Lanka. Tel: 011 - 2126126 Fax: 011 - 2126109 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.
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 Sri Lanka Accounting Standards. During 2021, 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 100.

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
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 77.
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 page 98. Auditors' responsibility over Financial Statements is covered in the Independent Auditors' Report on pages 103 to 104. Directors' Statement on Internal Controls over Financial Reporting is set out on page 80.
D.1.6	Inclusion of a Management Discussion and Analysis in the Annual Report	Performance and value creation is set out on pages 47 to 67.
D.1.7	Notify shareholders in case net assets of the Company fall below 50%	This situation has not arisen during the year 2021 and the likelihood of such a situation is remote. However, should such a situation arise, an EGM would be convened to keep the shareholders informed thereof.
D.1.8	Disclosure of related party transactions in the Annual Report	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 83. Details on related party transactions during 2021 are disclosed under Note 48 on pages 175 to 180 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. This covers 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 Risk Management Section on pages 87 to 96.

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SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
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 page 82.
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 81.
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 page 80.
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	As at 31.12.2021, 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 whilst the Head of 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 81.
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 Audit Committee Report on Page 81.
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 81 to 82.
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.
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.

SECTION 1 – THE COMPANY		
Reference to the Code	Principle	Status and manner of compliance
D.4.3	Terms of Reference of the Related Party Transactions Review Committee	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 page 83.
Principle D.5 - Code of Business Conduct and Ethics Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel (KMPs) and must promptly disclose any waivers of the Code for Directors or others.		
D.5.1	Disclosures on the presence of a Code of Business Conduct and Ethics	The corporate governance report from pages 69 to 73 and pages 183 to 199 of this report serve this purpose.
D.5.2	Identification and reporting of price sensitive information	The Company has in place an effective mechanism for identification of information that could be perceived as price sensitive information and prompt disclosure of same to the relevant regulatory authorities.
D.5.3	Policy governing dealing in shares	The Code of Business Conduct and Ethics entails as part of it a comprehensive policy and processes governing dealings by the Directors, KMPs and employees in the shares of the Company.
D.5.4	Chairman's affirmation on compliance with the Code of Business Conduct and Ethics	The required affirmation is given in the Annual Report of the Board of Directors on the Affairs of the Company on page 78.
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 183 to 199 sets out the manner in and the extent to which the Company has complied with the Code.

SECTION 2 – SHAREHOLDERS		
Reference to the Code	Principle	Status and manner of compliance
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.		

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SECTION 2 – SHAREHOLDERS		
Reference to the Code	Principle	Status and manner of compliance
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.
G. INTERNET OF THINGS AND CYBERSECURITY		
Principle G.1 – Internet of Things		
G.1	Process to identify connections to the Company's network and cybersecurity 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. In addition, PI incorporated company specific Information Security Policy, E-mail usage policy and Password Policy to minimize the risk.
Principle G.2 - Chief Information Security Officer		
G.2	Appointment of Chief Information Security Officer and cybersecurity risk management policy	The functions of the Chief Information Security Officer are delegated to the Head of IT of PLC Group. The details relating to the policy on cyber security risk management can be found in Risk Management section from page 95.
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. Board IT committee was formed to strengthen the Board focus on the same.
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 the External Auditors at the year-end audit as well.
Principle G.5 – Identification of Cybersecurity Risks		
G.5	Disclosure in the Annual Report of the process of identifying cybersecurity risks	The manner in which cyber security risks are identified and mitigated are disclosed in Risk Management section from page 95 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.		

SECTION 2 – SHAREHOLDERS		
Reference to the Code	Principle	Status and manner of compliance
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 and value creation on pages 47 to 67. Corporate Governance and Risk Management on pages 69 to 73 and 87 to 96.
Principle H.1.2- Environmental Factors		
H.1.2.1	Reporting on environmental governance	Details on environmental governance measures are given on page 73 of this report.
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 page 73 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 69 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 page 73 of this report.

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INSURANCE REGULATORY COMMISSION OF SRI LANKA'S DIRECTION ON CORPORATE GOVERNANCE FOR INSURERS

Insurance Regulatory Commission of Sri Lanka has issued direction 17 of 17th December 2018 on Corporate Governance for insurance companies as amended on 8th June 2020 under the Regulation of Insurance Industry Act No.43 of 2000. It has been subsequently revised with direction 2 of 2022 dated 3rd February 2022 as amended on 25th of February 2022 with immediate effect. The level of compliance of the Company for the same is depicted below;

Aspects covered in Direction No 17		Level of compliance
A	Code of Best Practice on Corporate Governance, 2017	
	The Board is recommended to adhere the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka	Please refer Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka on pages 183 to 197.
B	The Board	
1	Board composition	
	Minimum of 2 Directors who are citizens of Sri Lanka and also resident of Sri Lanka;	All directors are citizens of Sri Lanka and residents of Sri Lanka
2	Service period	
2 (a)	Total period of service of a Director of an insurer (other than an Executive Director) shall not exceed 9 years and such period in office shall be inclusive of the total period of service served by such Director. However, 9-year rule is not applicable for; i. Major shareholder director; A Director representing a major corporate shareholder and/ or corporate groups with majority shareholding i.e. more than 50% shares of the insurer directly or an individual shareholder director holding more than 50% could hold the directorship of the insurer more than 9 years and upon reaching 75 years she/he could nominate his/her representation to the Board. ii. Technical director; A director be allowed to remain in office till the age of 75 years, provided such person is an Associate or above the Chartered Insurance Institute and having 10 years' experience in an insurance company at senior manager level.	Service period for all directors are below 9 years
3	Age of a director	
3(i)	Age of a Director who serves on the Board shall not exceed 75 years:	No director is aged above 75 years
3(ii)	Exemptions for 3(i)	
	If over 75 as at July 1st 2019, may continue up to June 30th 2020 and deemed vacated afterwards	Not applicable
4	CSE Listing Rule 7.10	
	The Board must adhere to the CSE Corporate Governance Rules:	Please refer pages 202 to 203
5	Appointments in other Boards	
	A Director cannot be on more than 20 companies/entities/institution including subsidiaries or associate companies of the insurer.	Compliant with the provision
	A person shall not hold office as a Director of more than 20 companies/entities/institutions inclusive of subsidiaries or associate companies of the insurer of such 20 companies/entities/institution, not more than 10 companies shall be those classified as specified business entities in terms of the Sri Lanka accounting and auditing standard Act, No.15 of 1995.	Compliant with the provision
	Disclosure of compliance	
6	The company shall demonstrate compliance with this direction by way of a disclosure in the Annual Report, including the disclosure requirements stated in 7.10 of the listing rules of the Colombo Stock Exchange. If unable to confirm the compliance, disclosure of reasons for non-compliance and the action that will be taken rectifying the non-compliance during the period is required.	Please refer pages 198 to 199 for the status on the compliance with the direction and pages 202 to 203 for the status on the compliance with 7.10 listing rules of Colombo Stock Exchange.

Aspects covered in Direction No 17		Level of compliance
	The Annual Report should be accessible to IRCSL and the general public via company website within five months after the Balance Sheet Date.	The Company's Annual report 2021 was uploaded to the company website on 31st of May 2022.
Enforcement procedure on non-compliance		
7	Non-compliances to be rectified in relation to B1 to B6 within three months from the date of non-compliance and to be informed to IRCSL immediately after three months. Enforcement action will be taken thereafter in terms of circular 41, for non-compliance.	Not applicable
Age of a Directors - beyond 70 years		
8 (a)	<p>Certification of company secretary to be submitted to IRCSL, that the continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of section 211 of Companies Act No. 07 of 2007. Close relatives of Director concerned and common Directors holding an ownership stake of the Company concerned shall be omitted from voting on the resolution.</p> <p>In respect of each further year on account of which an extension is sought, up to maximum age of 75 years, a fresh resolution, as above to be passed and certification to that to be submitted by Company Secretary to IRCSL.</p>	Not applicable
8 (b)	A written confirmation to be submitted by the Company Secretary to IRCSL, that the continuation of a director, beyond the age of 70 years, is not prohibited by the Articles of Association of the company, and the Company complies with the provisions of the Companies Act.	Not applicable

ANNEX II – LISTING RULES OF THE COLOMBO STOCK EXCHANGE

REPORT ON COMPLIANCE WITH THE REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 AND REQUIREMENTS ON CORPORATE GOVERNANCE IN RULE 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (LISTING RULES)

The table below provides reference to the relevant sections in the Annual Report where the aforementioned reports and disclosures required can be found and the information on the level of compliance by the Company with the corporate governance rules.

COMPLIANCE WITH REQUIREMENTS ON THE CONTENT OF THE ANNUAL REPORT IN RULE 7.6 OF THE LISTING RULES			
Rule Reference	Information required to be disclosed	Annual Report Section Reference	Page
7.6(i)	Names of persons who during the financial year were directors of the Company	Please refer Report of the Board of Directors on the Affairs of the Company	17-21
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 Note 1 in Notes to the Financial Statements	74 111
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	207
7.6(iv)	The public holding percentage	Please refer Shareholder Information	208
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 Shareholder Information	76 208
7.6(vi)	Information pertaining to material foreseeable risk factors of the Company	Please refer Enterprise Risk Management Report	87-96
7.6(vii)	Details of material issues pertaining to employees and industrial relations	During the year 2021, there we no material issues pertaining to employees and industrial relations of the Company	-
7.6(viii)	Extents, locations, valuations and the number of buildings of the land holdings and investment properties of the Company	The Company does not possess any land holding and investment properties	-
7.6(ix)	Number of shares representing the stated capital	Please refer Note 33 to the Financial Statements on Stated Capital	149
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	209

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(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	210
	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 25 to the Financial Statements on Property, Plant & Equipment	134-136
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	75
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	200-203
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 2021.	77

ANNEX II – LISTING RULES OF THE COLOMBO STOCK EXCHANGE

COMPLIANCE WITH REQUIREMENTS ON CORPORATE GOVERNANCE REQUIREMENTS IN RULE 7.10 OF THE LISTING RULES		
Rule Reference	Requirement	Details of Company's Action for compliance
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-executive Directors	The Board of Directors as at annual report date of the Company comprises only Non-executive Directors.
7.10.1 (b)	The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	All of the Directors who were in office as at the conclusion of the immediately preceding Annual General Meeting were also Non-executive Directors.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	No such requirement arose during the year under review.
7.10.2 (a)	Two or one third of Non- executive Directors, whichever is higher, should be independent	Of the seven Non-executive Directors of the Company as at reporting date, three were Independent Non-executive Directors.
7.10.2 (b)	Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	All Non-executive Directors submitted the requisite declarations as at annual report date.
7.10.3 (a)	Names of Independent Directors should be disclosed in the annual report	Please refer profiles of the Directors on pages 17 to 21
7.10.3 (b)	In the event a Director does not qualify as independent as per the rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the annual report	No such determination was required to be made by the Board, as the Independent Directors of the Company met the specified criteria.
7.10.3 (c)	A brief resume of each Director should be published in the annual report including the areas of expertise	Please refer pages 17 to 21 for the profiles of the members of the Board of Directors
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Brief Profiles of the Directors appointed to the Board were provided to the Exchange for dissemination to the public, along with the announcements for new appointments.
7.10.4 (a-h)	Requirements for meeting criteria to be independent	All of the Independent Directors of the Company as at the annual report date met the criteria for independency specified in this rule.
7.10.5	A listed company shall have a Remuneration Committee	The Company has a Human Resources, Remuneration and Nomination Committee. The details of which are provided on pages 84 to 85.
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent Non- Executive Directors or a majority of Independent Non- Executive Directors, whichever is higher	As at reporting date, Human Resources, Remuneration and Nomination Committee comprises two independent Directors. Please refer Human Resources, Remuneration and Nomination Committee Report on pages 84 to 85 for the composition thereof
	One Non-Executive Director shall be appointed as Chairman of the committee by the Board	Mr. Isuru Balapatabendi, Non-executive, Non-independent Director functioned as the Chairman of the Human Resources, Remuneration and Nomination Committee. Please refer Remuneration and Nomination Committee Report on pages 84 to 85 for further details on the above.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	The functions of the Human Resources, Remuneration and Nomination Committee are set out in the Committee's Report on pages 84 to 85.

COMPLIANCE WITH REQUIREMENTS ON CORPORATE GOVERNANCE REQUIREMENTS IN RULE 7.10 OF THE LISTING RULES		
Rule Reference	Requirement	Details of Company's Action for compliance
7.10.5 (c)	The annual report shall set out: The names of the Directors that comprise the Remuneration Committee	Please refer page 84 for the composition of the Human Resources, Remuneration and Nomination Committee.
	A statement of remuneration policy	Remuneration Policy of the Company is set out in the Human Resources, Remuneration and Nomination Committee Report on pages 84 to 85.
	Aggregate remuneration paid to Executive and Non-Executive Directors	The aggregate remuneration paid to Executive and Non-executive Directors is disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 76.
7.10.6	A listed company shall have an Audit Committee	The Company has an Audit Committee the details of which are provided on pages 81 to 82.
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher	The Audit Committee comprises a majority of Independent Non-executive Directors representing two. Audit Committee Report on page 81 provides the details of the composition thereof.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board	Mr. Lakshman Abeysekera, a Non-executive Independent Director of the Company functioned as the Chairman of the Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Both the Chief Executive Officer and the Chief Financial Officer attend the Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	The Chairman of the Committee, Mr. Lakshman Abeysekera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Association of Accounting Technicians of Sri Lanka (AAT).
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	The Board Audit Committee Report on pages 84 to 85 provides a brief description of its functions.
7.10.6 (c)	The annual report shall set out;	Please refer page 84 for the composition of the Audit Committee.
	The names of the Directors who comprise the Audit Committee	
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	Please refer the Board Audit Committee report on pages 84 to 85 for the required disclosure.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	Please refer pages 84 to 85 for the Board Audit Committee Report.

ANNEX IV – 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	221	
	102-2 Activities, brands, products, and services	26-29	
	102-3 Location of Headquarters	221	
	102-4 Location of operations	220	
	102-5 Ownership and legal form	111	
	102-6 Markets served	26-27	
	102-7 Scale of the organisation	26-27	
	102-8 Information on employees and other workers	54-59	
	102-9 Supply chain	65	
	102-10 Significant changes to the organisation and its supply chain	-	There were no significant changes to the organisation or to the Company's supply Chain during the year.
	102-11 Precautionary principle or approach	-	Being an insurance service provider, our products do not have a direct impact on the environment and therefore, we do not assess the environment impact before launching products.
	102-12 External initiatives	05	
	102-14 Statement from senior decision-maker	12-13	
	102-16 Values, principles, standards and norms of behaviour	28,73	
	102-18 Governance structure	69	
	102-40 List of stakeholder groups	39-41	
	102-41 Collective bargaining agreements	59	
	102-42 Identifying and selecting stakeholders	39-41	
	102-43 Approach to stakeholder management	39-41	
	102-44 Key topics and concerns raised	39-41	
	102-45 Entities included in the consolidated financial statements	111	
	102-46 Defining report content and report boundaries	04	
	102-47 List of material topics	42-45	
	102-48 Restatements of information	42	
	102-49 Changes in reporting	04	
	102-50 Reporting period	04	
	102-51 Date of most recent report	04	
	102-52 Reporting cycle	04	
	102-53 Contact point for questions regarding the report	05	
	102-54 Claims of reporting in accordance with the GRI standards	05	
	102-55 GRI content index	204-206	
	102-56 External assurance	05	

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S)	REMARKS
ECONOMIC STANDARDS			
103-1	Explanation of the material topic and its boundary	42-45	
103-2	The management approach and its components	42-45	
103-3	Evaluation of the management approach	50-67	
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	27	
	201-3 Defined benefit plan obligations and other retirement plans	153-154	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	65	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	-	No incidents of corruption reported during the year under review.
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	64	
ENVIRONMENTAL STANDARDS			
103-1	Explanation of the material topic and its boundary	43-45	
103-2	The management approach and its components	43-45	
103-3	Evaluation of the management approach	50-67	
GRI 302: Energy	302-1 Energy consumption within the organisation	67	
	302-3 Energy intensity	67	
GRI 306: Effluents & waste	306-2 Waste by type and disposal methods	67	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	67	
SOCIAL STANDARDS			
103-1	Explanation of the material topic and its boundary	43-45	
103-2	The management approach and its components	43-45	
103-3	Evaluation of the management approach	50-64	
GRI 401: Employment	401-1 New employee hires and employee turnover	56-57	
	401-2 Benefits provide to full-time employees that are not provided to temporary or part-time employees	58	
GRI 402: Labour/ Management Relations	402-1 Minimum notice periods regarding operational changes	59	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	57	
	404-2 programmes for upgrading employee skills and transition assistance programmes	57	
	404-3 Percentage of employees receiving regular performance and career development reviews	57-58	

ANNEX IV – GRI CONTENT INDEX – ‘IN ACCORDANCE’ - CORE

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S)	REMARKS
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	55, 59, 70	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	59	
GRI 417: Marketing & Labelling	417-1 Requirements for product and service information and labeling	64	
	417-2 Incidents of non-compliance concerning product and service information and labeling	64	
	417-3 Incidents of non-compliance concerning marketing communications	64	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breach of customer privacy and losses of customer data	64	
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	66	

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 76.

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 74 and Note 1.3 to the Financial Statements on page 111.

TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 31st December 2021 and 31st December 2020 are given in the following table.

Name of the shareholder	AS AT 31 DECEMBER 2021		AS AT 31 DECEMBER 2020	
	No. of shares	%	No. of shares	%
People's Leasing & Finance PLC	150,000,000	75.00	150,000,000	75.00
Mr. Kulappu Arachchige Don Anurada Perera	11,886,362	5.94	11,461,198	5.73
Employees Trust Fund Board	5,252,759	2.63	1,545,400	0.77
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,934,413	1.47	2,934,413	1.47
Mr. Dayanand Pathmanathan, Joint-Mrs. Ranmali Saumya Pathmanathan	2,672,000	1.34	1,160,213	0.58
Askold (Private) Limited	2,000,000	1.00	2,400,000	1.20
J. B. Cocoshell (Pvt) Ltd	1,989,860	0.99	2,869,295	1.43
Mr. Divale Jayampathi Bandaranayake, Joint-Dr. Vasantha Bandaranayake/ Miss. Ishani Bandaranayake	1,260,213	0.63	1,160,213	0.58
Mr. Divale Jayampathi Bandaranayake, Joint-Miss. Niluka Bandaranayake/ Dr. Vasantha Bandaranayake	1,249,138	0.62	1,149,138	0.57
Jafferjee Brothers (Exports) Limited	1,159,300	0.58	1,159,300	0.58
Mr. Murtaza Ali Jafferjee	1,025,467	0.51	1,025,467	0.51
Mr. L. C. A. Lankeshwara/ DFCC Bank PLC	805,000	0.40	710,000	0.36
Bank of Ceylon A/C NDB Wealth Growth Fund	775,000	0.39	775,000	0.39
Mr. Palliya Guruge Nadeeshan Danidu Gunathilake	620,000	0.31	450,000	0.23
ACL Plastics Ltd.	585,500	0.29	585,500	0.29
Mr. Panagodage Somadasa	421,386	0.21	434,890	0.22
Mr. Kulappuarachchige Don Harindra Perera	400,000	0.20	-	-
Mr. Addara Pathirana Somasiri	400,000	0.20	-	-
Dr. Walimuni Sunil Elton Fernando	323,600	0.16	-	-
S & P Investment (Pvt) Ltd	315,000	0.16	-	-
	186,074,998	93.04	179,820,027	89.91
Others	13,925,002	6.96	20,179,973	10.09
	200,000,000	100.00	200,000,000	100.00

SHAREHOLDER INFORMATION

PUBLIC SHAREHOLDING

The details of the public shareholding is given below.

As at	31ST DECEMBER 2021		31ST DECEMBER 2020	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Number of shareholders	2,962	99.93	2,556	99.96
Number of shares	50,000,000	25.00	50,000,000	25.00

FLOAT ADJUSTED MARKET CAPITALISATION

As at 31 December 2021, the float adjusted market capitalisation is Rs. 1,715,000,000.

The Company complies with the minimum public holding requirement as at the reporting date based on the "option 5" of rule 7.13.1 (a).

DIRECTORS' SHAREHOLDING

The details of the Directors' shareholding as at the end of the year are provided below.

Name of the Director	NO. OF SHARES	
	As at 31 December 2021	As at 31 December 2020
Mr. Isuru Balapatabendi	-	-
Mr. Lakshman Abeysekera	-	-
Mr. Johnson Fernando	-	-
Mr. Ranjith Kodituwakku	-	-
Dr. Kasun I. Wijetilleke	-	-
Mr. Shamindra Marcelline (w.e.f. 17.03.2021)	-	-
Mr. Rohan Tennakoon (w.e.f. 17.03.2021)	1000	-

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

As at	NUMBER OF SHARES	
	As at 31st December 2021	As at 31st December 2020
Mr. D.D.C. Abeysekera*	-	-
Ms. Jeevani Kariyawasam (w.e.f.01.02.2022)	6,600	6,600

*Resigned as of 01.12.2021

MATERIAL FORESEEABLE RISK FACTORS OF THE COMPANY

Information pertaining to material foreseeable risk factors is given on the Risk Management report on pages 87 to 96.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS TO THE COMPANY

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which require disclosure as per Rule No. 7.6 (vii) of the Listing Rules of the CSE.

COMPANY'S LAND HOLDINGS AND INVESTMENT PROPERTIES

The Company does not hold any land or investment properties as of the reporting date.

STATED CAPITAL

The number of shares representing the Company's stated capital is given below.

As at	As at 31st December 2021	As at 31st December 2020
Stated capital (Rs.)	1,350,000,000	1,350,000,000
No. of shares	200,000,000	200,000,000
Class of shares	Ordinary shares	Ordinary shares
Voting rights	One vote per ordinary share	One vote per ordinary share

SHAREHOLDINGS

a) Distribution and Composition of Shareholding

There were 2,964 registered shareholders as at 31 December 2021. 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	1831	557,411	0.28	9	7,004	0.00	1,840	564,415	0.28
1,001 – 10,000 shares	865	3,533,770	1.77	4	18,055	0.01	869	3,551,825	1.78
10,001 – 100,000 shares	212	5,924,451	2.96	3	134,000	0.07	215	6,058,451	3.03
100,001 – 1,000,000 shares	29	8,395,797	4.20	-	-	-	29	8,395,797	4.20
Over 1,000,000 shares	11	181,429,512	90.71	-	-	-	11	181,429,512	90.71
Total	2948	199,840,941	99.92	16	159,059	0.08	2,964	200,000,000	100.00

b) Analysis of Shareholders

i. Resident/Non-resident

Shareholding	31ST DECEMBER 2021		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Resident	2,948	199,840,941	99.92
Non-resident	16	159,059	0.08
Total	2,964	200,000,000	100.00

ii. Individual/Institutional

Shareholding	31ST DECEMBER 2021		
	No. of Shareholders	No. of Shares	% on Total No. of Shares
Individual	2,856	31,852,259	15.93
Institutional	108	168,147,741	84.07
Total	2,964	200,000,000	100.00

SHAREHOLDER INFORMATION

INVESTOR RATIOS

Year	Earnings Per Share (EPS) Rs.	DIVIDEND PER SHARE (DPS)		Dividend Pay-out Ratio %	Net Assets Per Share (NAPS) Rs.
		Interim	Final		
2011	0.48	-	0.20	12	10.67
2012	1.56	-	1.00	25	14.38
2013	2.47	1.50	0.75	36	18.08
2014	3.00	1.50	2.00	47	23.50
2015	3.09	2.00	0.60	52	15.01
2016	3.29	1.50	0.25	53	13.14
2017	3.87	1.75	0.25	52	15.35
2018	3.65	0.75	1.10	51	16.88
2019	3.24	1.85	-	57	18.27
2020	5.98	-	3.00	50	23.10
2021	4.90	1.50	-	31	24.97

SHARE PERFORMANCE

Details relating to the share performance are given below.

	2021			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Number of transactions	7282	6893	3636	3399
Number of shares traded	13,092,165	6,930,013	3,416,106	3,439,744
Value of shares traded (Rs.)	409,156,494	240,756,668	114,133,518	112,286,375
Market price per share				
- Highest (Rs.)	37.00	38.90	35.00	34.40
- Lowest (Rs.)	27.10	29.10	31.00	30.50
- Closed price (Rs.)	30.60	33.00	31.70	34.30
P/E Ratio	6.98	7.57	12.63	24.70

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There were no significant changes in the Company's property, plant and equipment (PPE) and the Company did not own lands as assets. Details relating to the changes in the Company's PPE are given in Note 25 to the financial statements on pages 134 to 136.

EMPLOYEE SHARE OPTION SCHEME

There is no employee share ownership scheme in the Company.

INSURER FINANCIAL STRENGTH RATING

Fitch Ratings affirmed People's Insurance at 'A+(lka) with a stable outlook during the year under review.

DISCLOSURES PERTAINING TO THE CORPORATE GOVERNANCE

Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5 (c), and 7.10.6 (c) of section 7 of the rules are given in the on pages 183 to 203.

RELATED PARTY TRANSACTIONS

There were no non-recurring individual transactions exceeding the limit of 10% of the equity or 5% of the total assets during the year with any related party of the Company. The disclosure on aggregate related party transactions exceeding 10% of the gross revenue/income is given below. Further, all related party transactions at aggregate level have been disclosed in Note 48 to the financial statements.

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	4,232,765,868	71%	Under the ordinary course of business on arms' length basis.

QUARTERLY ANALYSIS 2021

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	1,457,450,354	1,518,766,722	1,482,046,789	1,447,458,612	5,905,722,477
Gross written premium	1,755,991,128	1,087,634,293	1,784,831,324	1,339,493,329	5,967,950,074
Change in reserve for unearned insurance premium	(299,324,507)	435,094,913	(278,445,662)	160,704,926	18,029,670
Gross earned premium	1,456,666,621	1,522,729,206	1,506,385,662	1,500,198,255	5,985,979,744
Premium ceded to reinsurers	(366,841,110)	(152,215,820)	(241,169,342)	(163,573,290)	(923,799,562)
Change in reserve for unearned reinsurance premium	164,154,184	(44,492,414)	23,714,409	(84,930,123)	58,446,056
Net earned premium	1,253,979,695	1,326,020,972	1,288,930,729	1,251,694,842	5,120,626,238
Claims and expenses					
Net claims	(797,284,102)	(680,030,118)	(591,838,026)	(925,166,279)	(2,994,318,525)
Underwriting and net acquisition costs	(135,122,167)	(137,788,400)	(136,199,002)	(117,954,521)	(527,064,090)
Other operating and administrative expenses	(288,655,149)	(341,356,731)	(341,295,546)	(243,943,981)	(1,215,251,407)
	(1,221,061,418)	(1,159,175,249)	(1,069,332,574)	(1,287,064,781)	(4,736,634,022)
Underwriting results	32,918,277	166,845,723	219,598,155	(35,369,939)	383,992,216
Other revenue					
Fee income	16,563,297	9,708,158	14,394,579	13,634,304	54,300,338
Interest and dividend income	168,942,012	162,133,847	159,395,573	167,065,453	657,536,885
Net fair value gains/(losses)	17,485,237	20,902,023	19,325,255	15,539,743	73,252,258
Other operating revenue	480,113	1,722	653	(475,730)	6,758
	203,470,659	192,745,750	193,116,060	195,763,770	785,096,239
Profit before tax	236,388,936	359,591,473	412,714,215	160,393,831	1,169,088,455
Income tax expense	11,351,510	(84,563,035)	(98,549,740)	(17,657,841)	(189,419,106)
Profit for the period	247,740,446	275,028,438	314,164,475	142,735,990	979,669,349

	Rs	Rs	Rs	Rs
Share performance				
Net asset value per share as at end of the quarter	24.34	22.71	24.26	24.98
Highest price per share for the interim period	37.00	38.90	35.00	34.40
Lowest price per share for the interim period	27.10	29.10	31.00	30.50
Last traded price per share as at end of the quarter	30.60	33.00	31.70	34.30

QUARTERLY ANALYSIS 2020

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	
	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	1,573,581,135	1,548,650,471	1,523,702,963	1,516,801,277	6,162,735,846
Gross written premium	1,495,264,888	1,253,240,852	1,917,027,233	1,346,034,788	6,011,567,761
Change in reserve for unearned insurance premium	16,368,486	221,381,248	(458,607,564)	129,932,616	(90,925,214)
Gross earned premium	1,511,633,374	1,474,622,100	1,458,419,669	1,475,967,404	5,920,642,547
Premium ceded to reinsurers	(116,378,264)	(138,971,158)	(308,027,591)	(111,538,641)	(674,915,654)
Change in reserve for unearned reinsurance premium	(36,619,569)	(4,372,180)	149,632,372	(50,975,022)	57,665,601
Net earned premium	1,358,635,541	1,331,278,762	1,300,024,450	1,313,453,741	5,303,392,494
Claims and expenses					
Net claims	(801,547,246)	(414,986,837)	(865,412,777)	(617,606,529)	(2,699,553,389)
Underwriting and net acquisition costs	(140,584,669)	(142,476,119)	(135,429,519)	(141,040,178)	(559,530,485)
Other operating and administrative expenses	(304,225,985)	(325,736,994)	(232,509,989)	(373,657,736)	(1,236,130,704)
	(1,246,357,900)	(883,199,950)	(1,233,352,285)	(1,132,304,443)	(4,495,214,578)
Underwriting results	112,277,641	448,078,812	66,672,165	181,149,298	808,177,916
Other revenue					
Fee income	13,887,614	10,733,477	15,726,284	12,738,723	53,086,098
Interest and dividend income	193,941,392	192,457,389	184,185,729	181,303,875	751,888,385
Net fair value gains/(losses)	5,211,557	13,996,421	24,198,257	9,950,880	53,357,115
Other operating revenue	1,905,031	184,433	(431,757)	(645,953)	1,011,754
	214,945,594	217,371,720	223,678,513	203,347,525	859,343,352
Profit before tax	327,223,235	665,450,532	290,350,678	384,496,823	1,667,521,268
Income tax expense	(97,646,937)	(168,075,105)	(73,000,875)	(133,483,999)	(472,206,916)
Profit for the period	229,576,298	497,375,427	217,349,803	251,012,824	1,195,314,352

	Rs	Rs	Rs	Rs
Share performance				
Net asset value per share as at end of the quarter	18.25	20.80	21.80	22.99
Highest price per share for the interim period	22.50	20.00	25.40	30.00
Lowest price per share for the interim period	17.00	16.50	18.00	21.10
Last traded price per share as at end of the quarter	17.10	19.20	24.80	28.20

FIVE YEAR SUMMARY

	2021	2020	2019	2018	2017
STATEMENT OF INCOME (RS.)					
Revenue	5,905,722,477	6,162,735,846	6,108,525,950	5,432,668,375	4,791,413,814
Gross written premium	5,967,950,074	6,011,567,761	6,029,273,270	5,591,815,141	4,781,919,014
Net earned premium	5,120,626,238	5,303,392,494	5,261,735,878	4,709,485,620	4,097,182,435
Net claims	(2,994,318,525)	(2,699,553,389)	(3,552,575,189)	(3,237,226,440)	(2,840,950,188)
Underwriting and net acquisition costs	(527,064,090)	(559,530,485)	(517,151,047)	(461,795,813)	(407,022,478)
Other operating and administrative expenses	(1,203,691,140)	(1,216,195,647)	(1,100,691,791)	(886,630,201)	(676,749,665)
Finance Cost	(11,560,267)	(19,935,057)	(26,078,185)		
Underwriting results	383,992,216	808,177,916	65,239,666	123,833,166	172,460,104
Other revenue	785,096,239	859,343,352	846,790,072	723,182,755	694,231,379
Profit before tax	1,169,088,455	1,667,521,268	912,029,738	847,015,921	866,691,483
Income tax expense	(189,419,106)	(472,206,916)	(264,375,758)	(117,953,614)	(93,606,037)
Profit for the year	979,669,349	1,195,314,352	647,653,980	729,062,307	773,085,446
STATEMENT OF FINANCIAL POSITION (RS.)					
Assets					
Intangible assets	8,197,904	10,969,646	1,876,389	2,388,131	11,000,000
Property, plant and equipment	123,149,957	185,479,090	238,214,775	82,008,927	84,392,671
Deferred tax asset	50,729,768	40,201,865	11,527,522	3,006,071	28,484
Financial investments	9,038,785,038	8,574,328,565	7,349,838,553	6,658,264,189	6,136,594,446
Reinsurance and insurance receivables	1,453,809,426	1,343,887,591	1,485,495,054	1,116,394,654	1,088,633,562
Deferred expenses	244,281,574	276,219,332	289,575,427	264,162,186	238,256,786
Other assets	67,443,627	113,804,834	75,200,225	69,952,648	69,549,058
Cash and cash equivalents	68,316,222	50,972,116	128,771,323	221,391,043	116,659,642
Total assets	11,054,713,516	10,595,863,039	9,580,499,268	8,417,567,849	7,745,114,649
EQUITY AND LIABILITIES					
Equity					
Stated capital	1,350,000,000	1,350,000,000	1,350,000,000	1,350,000,000	1,350,000,000
Reserves	3,643,095,983	3,269,185,342	2,292,648,972	2,025,147,268	1,707,239,826
Total equity	4,993,095,983	4,619,185,342	3,642,648,972	3,375,147,268	3,057,239,826
Liabilities					
Insurance contract liabilities	4,831,513,746	4,623,435,278	4,923,641,866	4,367,565,525	4,073,554,521
Retirement benefit obligations	50,647,612	42,733,705	37,238,009	27,490,317	17,881,854
Financial and other liabilities	865,750,104	1,226,385,001	818,826,458	499,502,849	491,885,420
Reinsurance payable	244,382,102	65,498,172	7,527,409	61,807,635	35,715,836
Bank overdraft	69,323,969	18,625,541	150,616,554	86,054,255	68,837,192
Total liabilities	6,061,617,533	5,976,677,697	5,937,850,296	5,042,420,581	4,687,874,823
Total equity and liabilities	11,054,713,516	10,595,863,039	9,580,499,268	8,417,567,849	7,745,114,649
INVESTOR INFORMATION					
Return on net assets (%)	20.26	28.97	18.27	22.55	27.35
Earnings per share (Rs.)	4.90	5.98	3.24	3.65	3.87
Dividend per share (Rs.)	1.50	3.00	1.85	1.85	2.00
Net assets per share (Rs.)	24.97	23.10	18.21	16.88	15.29
Last traded price per share as at end of the Year (Rs.)	34.30	28.20	21.70	19.10	23.00
OTHER INFORMATION					
Number of employees	620	622	607	554	385
Number of shares	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000

GLOSSARY OF INSURANCE TERMS

A

ACCUMULATION

The total combined risks that could be involved in a single loss event (involving one or more insured perils).

ACQUISITION EXPENSES

Direct costs an insurer incurs to 'acquire' the premium such as commissions paid to a broker. These costs are required to be expensed in the same ratio as the premiums to which they relate are earned. The amount to be expensed in future periods recorded as deferred acquisition costs (an asset) in the statement of financial position.

ACTUARY

A specialist in the mathematics of insurance who calculates rates, reserves, dividends and other statistics.

ADMINISTRATIVE EXPENSES

Costs of an administrative nature including those arising from premium collection, portfolio administration and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

ADMISSIBLE ASSETS

Assets that may be included in determining an insurer's statutory solvency position. Such assets are specified under the rules made by the Insurance Regulatory Commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

AGENT

An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

ALL RISKS

A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.

ANNUAL BASIS OF ACCOUNTING

A basis of accounting for non-life insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

AUTOMOBILE LIABILITY INSURANCE

Coverage for bodily injury and property damage incurred through ownership or operation of a vehicle.

B

BROKER

A firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

BURGLARY AND THEFT

Coverage for property taken or destroyed by breaking and entering the insured's premises, burglary or theft, forgery or counterfeiting, fraud, kidnap and ransom and off-premises exposure.

BODILY INJURY LIABILITY COVERAGE

Coverage for damages resulting in bodily injury or death sustained by others, including covered medical costs, that you become legally responsible for because of a covered auto accident.

C

CAPITAL ADEQUACY RATIO

A risk based Capital Adequacy Ratio (CAR) measures the relative adequacy of an insurer's capital. The CAR value reports on the adequacy of the Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk based Capital Required (RCR).

CAPTIVE AGENT

An individual who sells or services insurance contracts for a specific insurer or fleet of insurers.

CASUALTY INSURANCE

A form of liability insurance providing coverage for negligent acts and omissions such as workers compensation, errors and omissions, fidelity, crime, glass, boiler and various malpractices coverage.

CEDENT

A ceding insurer. A ceding insurer is an insurer that underwrites and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer.

CESSION

A particular risk exposure that is transferred under a reinsurance treaty.

CLAIM HANDLING EXPENSES (CHE)

Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

GLOSSARY OF INSURANCE TERMS

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.

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.

GLOSSARY OF INSURANCE TERMS

REINSURANCE INWARDS

The acceptance of risks under a contract of reinsurance.

REINSURANCE OUTWARDS

The placing of risks under a contract of reinsurance.

REINSURANCE PREMIUM

The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

REINSURANCE PROFIT COMMISSION

Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

RELATED PARTY

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a Reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

RETENTION

The amount of any loss or combination of losses that would otherwise be payable under an insurance/reinsurance contract which the insured/reassured must bear itself before the insurer or reinsurer becomes liable to make any payment under that contract. An insured or reassured may be able to insure its retention with another insurer/reinsurer.

RISK BASED CAPITAL

Capital to be allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments.

S

SHORT-PERIOD CANCELLATION

When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro-rata basis.

SOLVENCY MARGIN

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on general insurance business as defined in Solvency Margin (General Insurance) Rules, 2004 and subsequent amendments thereto made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

SUBROGATION

The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance, subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

SUM INSURED

The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

SURPLUS TREATY OR SURPLUS LINES TREATY

A type of reinsurance under which bands of cover known as lines are granted above a given retention which is referred to as the cedant's line. Each line is of equivalent size and the capacity of the treaty is expressed as a multiple of the cedant's line. The reinsurer receives an equivalent proportion of the full risk premium. A surplus treaty is a form of proportional reinsurance.

T

TECHNICAL RESERVE

This comprises the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

TOTAL AVAILABLE CAPITAL

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

TREATY REINSURANCE

A reinsurance contract under which the reassured agrees to offer and the reinsurer agrees to accept all risks of certain size within a defined class.

U

UNDERINSURANCE

Insurance where the sum insured is less than the full value at risk and would not be adequate to meet a total loss.

UNDERWRITING

The process of selecting which risks an insurance company can cover and deciding the premiums and terms of acceptance.

UNDERWRITING PROFIT

The underwriting result generated by transacting non-life insurance business, without taking into account the investment income.

UNEARNED PREMIUM

The proportion of premium that relates to the unused period of cover.

UNEXPIRED RISK RESERVE (URR)

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

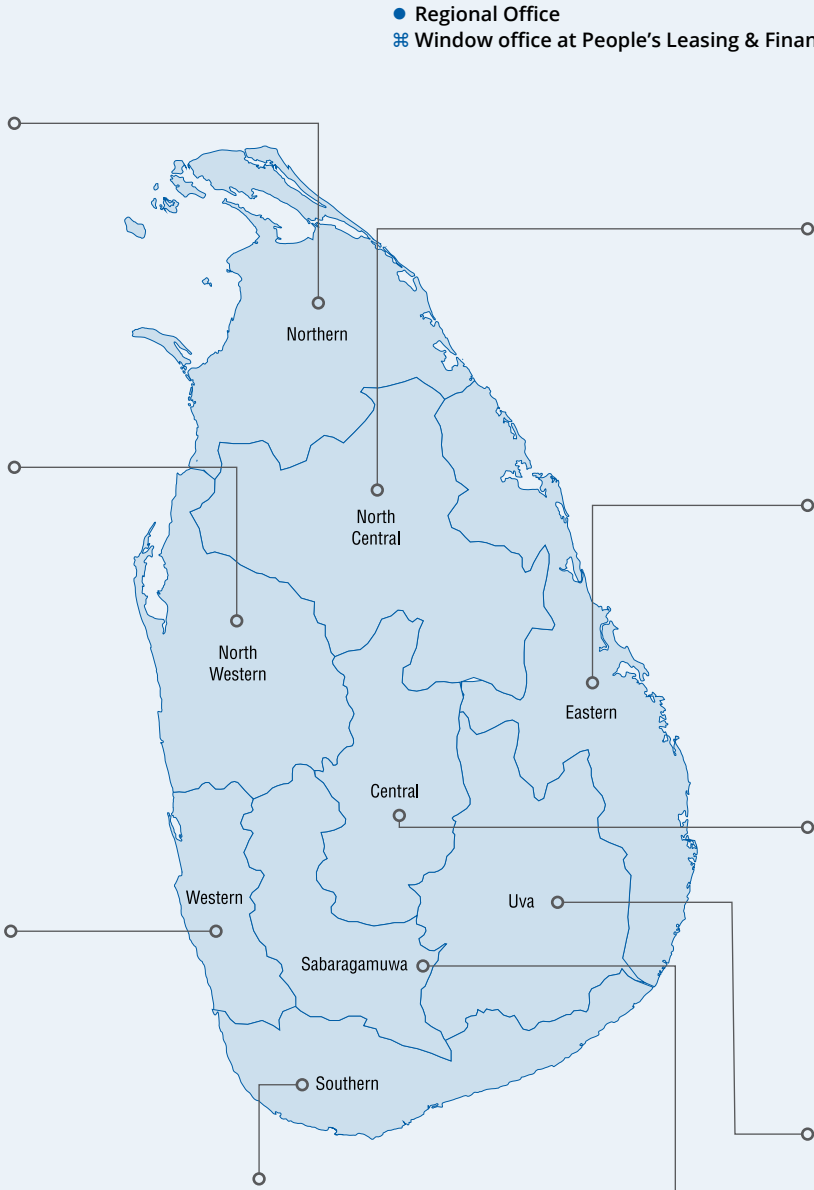
DISTRIBUTION NETWORK

- Northern Province**
- Jaffna
 - Vavuniya
 - ⌘ Chunnakam
 - ⌘ Kilinochchi
 - ⌘ Kodikamam
 - ⌘ Mannar
 - ⌘ Nelliady

- North Western Province**
- Kurunegala
 - ⌘ Anamaduwa
 - ⌘ Chilaw
 - ⌘ Giriulla
 - ⌘ Kuliypitiya
 - ⌘ Melsiripura
 - ⌘ Narammala
 - ⌘ Nattandiya
 - ⌘ Puttalam
 - ⌘ Wariyapola
 - ⌘ Wennappuwa

- Western Province**
- Negombo
 - Kalutara
 - ⌘ Awissawella
 - ⌘ Battaramulla
 - ⌘ Divulapitiya
 - ⌘ Gampaha
 - ⌘ Grandpass
 - ⌘ Hanwella
 - ⌘ Havelock
 - ⌘ Homagama
 - ⌘ Horana
 - ⌘ Ja-ela
 - ⌘ Kadawatha
 - ⌘ Kaduwela
 - ⌘ Kelaniya
 - ⌘ Kiribathgoda
 - ⌘ Kirindiwela
 - ⌘ Kollupitiya
 - ⌘ Maharagama
 - ⌘ Mathugama
 - ⌘ Metropolitan
 - ⌘ Minuwangoda
 - ⌘ Mirigama
 - ⌘ Moratuwa
 - ⌘ Mount Lavinia
 - ⌘ Nittambuwa
 - ⌘ Nugegoda
 - ⌘ Panadura
 - ⌘ Pettah
 - ⌘ Piliyandala
 - ⌘ Ragama
 - ⌘ Union Place
 - ⌘ Ward Place
 - ⌘ Wattala
 - ⌘ Wellawatte

- Southern Province**
- Galle
 - Matara
 - Ambalanthota
 - ⌘ Akuressa
 - ⌘ Ambalangoda
 - ⌘ Benthot
 - ⌘ Deniyaya
 - ⌘ Elpitiya
 - ⌘ Hambanthota
 - ⌘ Kamburupitiya
 - ⌘ Neluwa
 - ⌘ Tangalle
 - ⌘ Thissamaharama
 - ⌘ Udugama
 - ⌘ Urubokka
 - ⌘ Walasmulla



● Regional Office
 ⌘ Window office at People's Leasing & Finance PLC branch network.

- North Central Province**
- Anuradhapura
 - Polonnaruwa
 - ⌘ Galenbindunuwewa
 - ⌘ Hingurakgoda
 - ⌘ Kekirawa
 - ⌘ Medawachchiya
 - ⌘ Thambuttegama

- Eastern Province**
- Trincomalee
 - ⌘ Ampara
 - ⌘ Batticaloa
 - ⌘ Kalawanchchikudy
 - ⌘ Kalmunai
 - ⌘ Kanthale
 - ⌘ Kattankudy
 - ⌘ Muthur

- Central Province**
- Kandy
 - ⌘ Dambulla
 - ⌘ Digana
 - ⌘ Gampola
 - ⌘ Hatton
 - ⌘ Katugasthota
 - ⌘ Matale
 - ⌘ Nawalapitiya
 - ⌘ Nuwara Eliya
 - ⌘ Pilimathalawa

- Uva Province**
- ⌘ Badulla
 - ⌘ Bandarawela
 - ⌘ Mahiyanganaya
 - ⌘ Monaragala
 - ⌘ Welimada
 - ⌘ Wellawaya

- Sabaragamuwa Province**
- Rathnapura
 - Embilipitiya
 - ⌘ Balangoda
 - ⌘ Godakawela
 - ⌘ Kalawana
 - ⌘ Kegalle
 - ⌘ Mawanella
 - ⌘ Pelmadulla
 - ⌘ Warakapola



Details of our branch network can be found online
<http://www.peoplesinsurance.lk/locations>

CORPORATE INFORMATION

NAME OF COMPANY

People's Insurance PLC
(Subsidiary of People's Leasing & Finance PLC)

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)

DATE OF INCORPORATION

22nd July 2009

COMPANY REGISTRATION NUMBER

PB 3754 PQ

STOCK EXCHANGE LISTING

Ordinary shares of the company are listed on the Main Board of the Colombo Stock Exchange

TAX PAYER IDENTIFICATION NUMBER (TIN)

134037547

VAT REGISTRATION NUMBER

134037547- 7000

SVAT REGISTRATION NUMBER

SVAT004235

PRINCIPAL ACTIVITIES

General Insurance Business

ACCOUNTING YEAR-END

31st December

REGISTERED OFFICE

People's Insurance PLC
No. 07,
Havelock Road,
Colombo 05.

HEAD OFFICE (REGISTERED OFFICE) AND PRINCIPLE PLACE OF BUSINESS

People's Insurance PLC
No. 07,
Havelock Road,
Colombo 05.
Telephone : +94 11 2126126
Fax : +94 11 2126322
E-Mail: pilassist@plc.lk
Web: www.peoplesinsurance.lk

BOARD OF DIRECTORS

Mr. Isuru Balapatabendi- Chairman
Mr. Ranjith Kodituwakku
Mr. Shamindra Marcelline
Mr. Lakshman Abeysekera
Mr. Johnson Fernando
Dr. Kasun Wijetilleke
Mr. Rohan Tennakoon

PRINCIPAL OFFICER

Ms. J. Kariyawasam

COMPANY SECRETARY

Ms. Sachini Hulugalle

REGISTRARS

SSP Corporate Services (Pvt) Ltd
No. 101,
Inner Flower Road,
Colombo 03.

AUDITORS

Auditor General
Auditor General's Department,
No. 306/72, Polduwa Road,
Battaramulla.

CONSULTANT ACTUARIES

NMG Financial Services Consulting Pte Limited
30, Hill Street,
#03-02A,
Singapore.

GRATUITY

Smiles Global (Pvt) Limited
14A, Boyd Place,
Colombo 03.

BANKERS

People's Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
HDFC Bank
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
Pan Asia Banking Corporation
Regional Development Bank
Sampath Bank PLC
Seylan Bank PLC

REINSURANCE PANEL

American Insurance Group (AIG)
Asian Reinsurance Corporation (Thailand)
Beazley
Best Meridian Insurance Company
China Re Singapore
General Insurance Corporation of India
Lloyd's
MISR Insurance Company
National Insurance Trust Fund
New India Assurance
Ocean International Reinsurance Company Limited.
Munich Re
Zurich Insurance PLC

INSURER FINANCIAL STRENGTH RATING

'A+ (Ika)' by Fitch Ratings

NOTICE OF MEETING

Notice is hereby given that the thirteenth (13th) Annual General Meeting of People's Insurance PLC will be held on 30th June 2022 at 10.00 a.m. Taking into account the current situation in the country due to the COVID-19 pandemic and the health and safety guidelines issued by the authorities with a view of protecting public health against the spread of the virus, the Board of Directors have proposed to hold the said Annual General Meeting (AGM) on 30th June 2022 via audio and visual technology means in the manner set forth below;

1. The AGM shall be held in compliance with the Companies Act, No. 07 of 2007, the Articles of Association of the Company, the Colombo Stock Exchange (CSE) Guidance Note on hosting of Annual General Meetings and guidelines published by the Ministry of Health.
2. Only the Board of Directors, Company Secretary, key management officials, representatives of the Auditors and Legal Counsel (and Scrutinisers where applicable) who are essential for the administration of the formalities of the meeting will be physically & virtually present at the Board Room, People's Insurance PLC, No. 07, Havelock Road, Colombo 05, Sri Lanka. All others, including shareholders, will participate via an online meeting platform (i.e. Zoom Platform). These measures are being adopted to observe, "social distancing" requirements to mitigate the dangers of spreading the virus.

The said Annual General Meeting will be held 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 2021 together with the report of the Auditors thereon.
2. To re-elect as a Director, Mr. Ranjith Kodituwakku, who retires in terms of Article 27 (8) of the Articles of Association of the Company.
3. To re-elect as a Director, Mr. Johnson Fernando, who retires in terms of Article 27 (8) of the Articles of Association of the Company.
4. 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,



Sachini Hulugalle
Company Secretary

Colombo
27 May 2022

Notes

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/ her stead. A form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Company Secretary, People's Insurance PLC at No. 07, Havelock Road, Colombo 05 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

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, Virtual Meeting Online Registration Form 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, if any, under which is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Company Secretary, People's Insurance PLC at No.07, Havelock Road, Colombo 05 not less than forty eight (48) hours before the time 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.

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,

Chief Financial Officer
People's Insurance PLC,
No. 07, Havelock Road,
Colombo 05,
Sri Lanka.

Fax : 011-2126322
E-mail : thanujaf@plc.lk

Name :

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Mailing address :

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Contact number - Tel. :

Fax :

E-mail address :

Name of Company:

.....

(If applicable)

Designation :

(If applicable)

Company address

(If applicable)

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Comments/queries :

www.peoplesinsurance.lk

