

PEOPLE'S INSURANCE PLC
ANNUAL REPORT 2022





EMPOWERING COLLECTIVE ASPIRATIONS

People's Insurance PLC has over the years empowered both individuals and businesses by providing customer-centric insurance solutions. We have been with our policyholders every step of the way, with our relentless commitment and dedication, offering a wide spectrum of insurance solutions. Powered by the strength of the People's Group and our formidable presence we are poised to 'Empower a Resilient Nation' as our nation rebuilds its way ahead to recovery. We as a responsible insurer recognise our responsibility as we strive ahead to deliver exceptional value to our stakeholders whilst **empowering collective aspirations** of the nation at large.

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Digital View



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

ABOUT THIS REPORT

Welcome to our 9th Integrated Annual Report

People’s Insurance is proud to present its 9th integrated annual report for the year ended 31st December 2022, which provides a balanced and comprehensive view of the progress made towards achieving the Company’s strategic priorities. The report covers the operating landscape, governance practices and stakeholder value creation as we progressively move forward, “Empowering Collective Aspirations”.



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



People’s Insurance PLC

Annual Report 2022

Incorporating integrated thinking

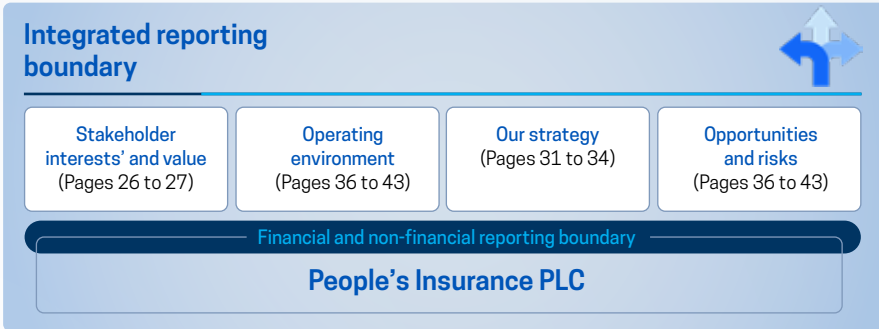


We apply the integrated thinking to assess what information should be included in our integrated report. Accordingly, this report focuses particularly on those issues, opportunities and challenges that impact materially on our six capitals and the company’s ability to be a sustainable business that consistently creates, protects and minimises the erosion of value for all stakeholders.

Reporting boundary and scope

This annual report covers the operations of People’s Insurance PLC (“PI” or “the Company”) for the period from 1st January to 31st December 2022. We adopt an annual reporting cycle, and this report builds on the Company’s previous annual report for the financial year ending 31st December 2021. 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 is limited to the

operations of the Company. The narrative from page 44 to 68 includes information pertaining to the Company’s operating landscape, customers and supply chain. This report is prepared in accordance with the international integrated reporting framework of the International Integrated Reporting Council (IIRC) and with reference to the GRI standards together with our regular financial reporting.



Mandatory Reporting Frameworks	Voluntary Reporting Frameworks
Financial reporting <ul style="list-style-type: none"> Sri Lanka Financial Reporting Standards Companies Act No. 07 of 2007 Listing Rules of the CSE 	Integrated reporting <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
Corporate governance 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 the ICA Sri Lanka (2017) 	Sustainability reporting <ul style="list-style-type: none"> GRI standards-with reference Sustainable Development Goals (SDG) Reporting Disclosure on Gender Parity Reporting (ICA Sri Lanka)
Assurance <ul style="list-style-type: none"> Sri Lanka Auditing Standard (SLAuSs). Internal Audit Function - Ongoing review of the reporting process and internal controls by the Audit Committee. Board of Directors ensure compliance with the framework and attest to the integrity and accuracy of the Report. External assurance on financial statements provided by the Auditor General. 	

Assurance

The financial statement included in this report have been audited by Auditor General has expressed an opinion on the true and fair view of the annual financial statements as shown on pages 136 to 140.

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.

Statement of responsibility

The Board to the best of its knowledge believe that the content in this report is prepared after carefully assessing all material matters that affect PI's ability to create value in short, medium

and long term. The Board also agrees that the integrated annual report has been presented in accordance with the International Integrated Reporting Council's Integrated Reporting Framework 2021. The Board of Directors further acknowledges that reasonable care has been exercised in the preparation and presentation of this integrated report and financial statements while preserving its integrity.

Signed on behalf of the Board,

Isuru Balapatabendi
Chairman

Navigating the report

Strategies, material matters

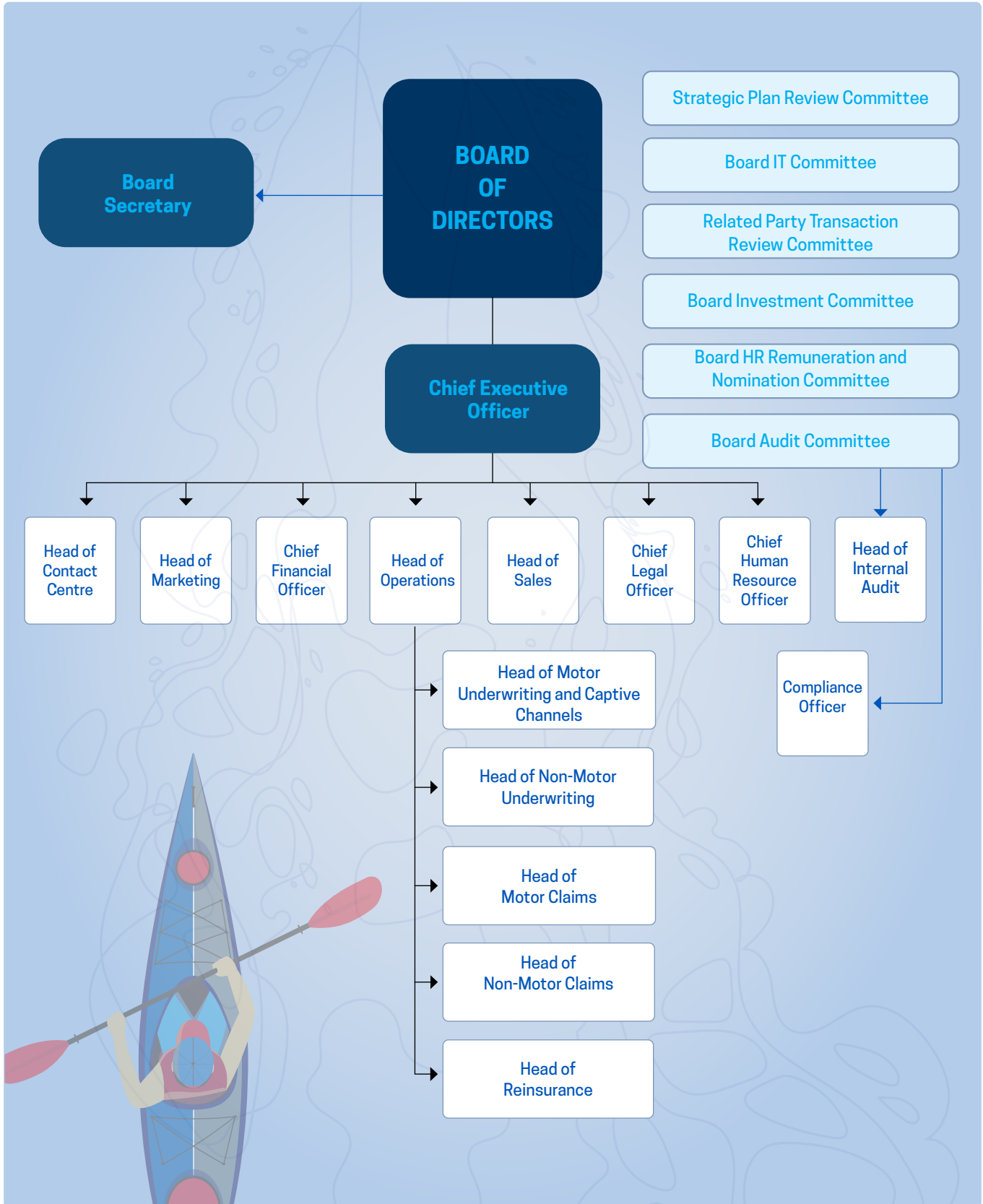
- Financial Capital
- Intellectual Capital
- Human Capital
- Manufactured Capital
- Social and Relationship Capital
- Natural Capital
- Business and Profit Growth
- Business and Profit Growth
- Develop a Skilled Workforce
- Increase Social and Environment Responsibility

Feedback

Your comments or questions on this report are welcome and we invite you to communicate your feedback. You may direct your feedback to the designated person below.

Senior Manager Finance
People's Insurance PLC
Address: No 7, Havelock Road,
Colombo 5, Sri Lanka
Email: nadeejp@plc.lk

ORGANISATION STRUCTURE



PERFORMANCE HIGHLIGHTS

	Measurement Unit	2022	2021	Growth
FINANCIAL PERFORMANCE				
Revenue	Rs. Mn	6,395	5,906	8%
Gross written premium	Rs. Mn	6,132	5,968	3%
Net earned premium	Rs. Mn	4,992	5,121	-3%
Net claims	Rs. Mn	3,638	2,994	22%
Underwriting and net acquisition costs	Rs. Mn	477	527	-9%
Operating and administrative expenses	Rs. Mn	1,240	1,204	3%
Underwriting results	Rs. Mn	(403)	384	-205%
Other revenue	Rs. Mn	1,403	785	79%
Profit before tax	Rs. Mn	1,000	1,169	-14%
Net profit after tax	Rs. Mn	636	980	-35%
Net claims ratio	%	73	58	25%
Net expense ratio	%	35	34	3%
Net combined ratio	%	108	93	17%
Return on equity	%	14	20	-33%
FINANCIAL POSITION AND STABILITY				
Total assets	Rs. Mn	11,217	11,055	1%
Financial investments	Rs. Mn	8,694	9,039	-4%
Total liabilities	Rs. Mn	6,563	6,062	8%
Insurance contract liabilities	Rs. Mn	4,832	4,832	0%
Equity	Rs. Mn	4,653	4,993	-7%
Credit rating (Fitch rating)	FITCH (Ika)	A-	A+	-
INVESTOR RATIOS				
Market value per share (Closing)	Rs.	20.2	34.3	-41%
No. of shares in issue	Mn	200	200	0%
Market capitalisation	Rs. Mn	4,040	6,860	-41%
Earnings per share	Rs.	3.18	4.90	-35%
Net asset value per share	Rs.	23.27	24.97	-7%
Dividend per share	Rs.	2.5	1.5	67%
Price/Earnings ratio	Times	6.35	7	-9%
Dividend cover	Times	1.272	3.32	-62%
REGULATORY RATIOS / LEVERAGE				
Capital Adequacy Ratio (CAR)	%	270	317	-15%
Total Available Capital (TAC)	Rs. Mn	4,093	4,549	-10%

NON-FINANCIAL HIGHLIGHTS

HUMAN CAPITAL

Total employees

620

(2021-618)

Employee expenses

Rs. 695 Mn

(2021-Rs. 559 Mn)

Remuneration
per employee

Rs. 1.12 Mn

(2021- Rs. 0.9 Mn)

Investment in training

Rs. 7.8 Mn

(2021- Rs. 3.5 Mn)

Total training hours

15,776

(2021- 8,920)

Female representation

20%

(2021- 20%)

Number of promotions

222

(2021- 100)

NATURAL CAPITAL

Energy intensity- electricity
consumption per employee

888 Kwh

(2021-854 Kwh)

INTELLECTUAL CAPITAL

Investment in
brand building

Rs. 25 Mn

Rs. 42 Mn

Brand Value

Rs. 706 Mn

(2021-Rs. Rs. 713 Mn)

SOCIAL AND RELATIONSHIP CAPITAL

Customer base

188,360

(2021-204,496)

No. of policies

242,019

(2021-263,998)

Customer
satisfaction rate

81%

(2021- 83%)

Commissions paid - Agents

120

(2021- 99)

Payments to suppliers

Rs. 46 Mn

(2021- Rs. 42 Mn)

Investment in CSR

Rs. 1.5 Mn

(2021- Rs. 0.05 Mn)

MANUFACTURED CAPITAL

Customer contact points

142

(2021-146)

Window offices at PLC

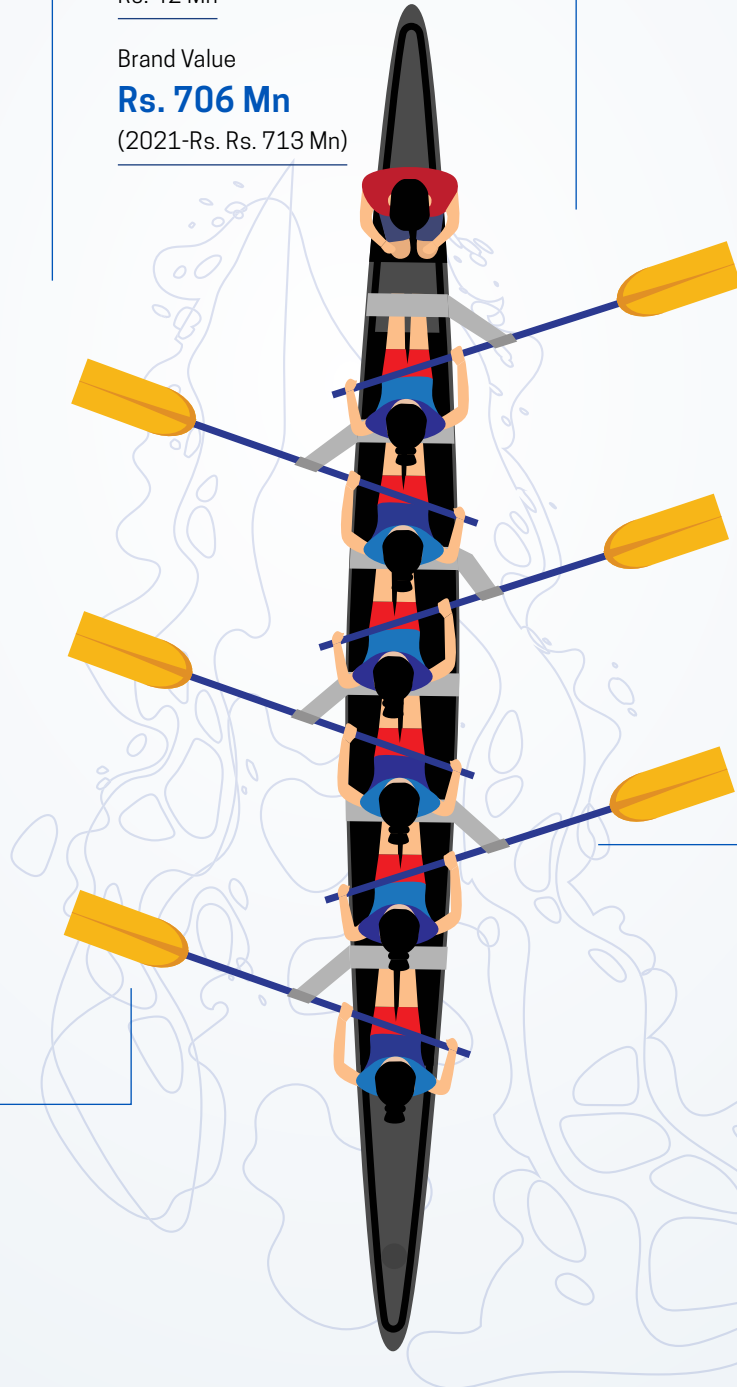
103

(2021-105)

Capital expenditure

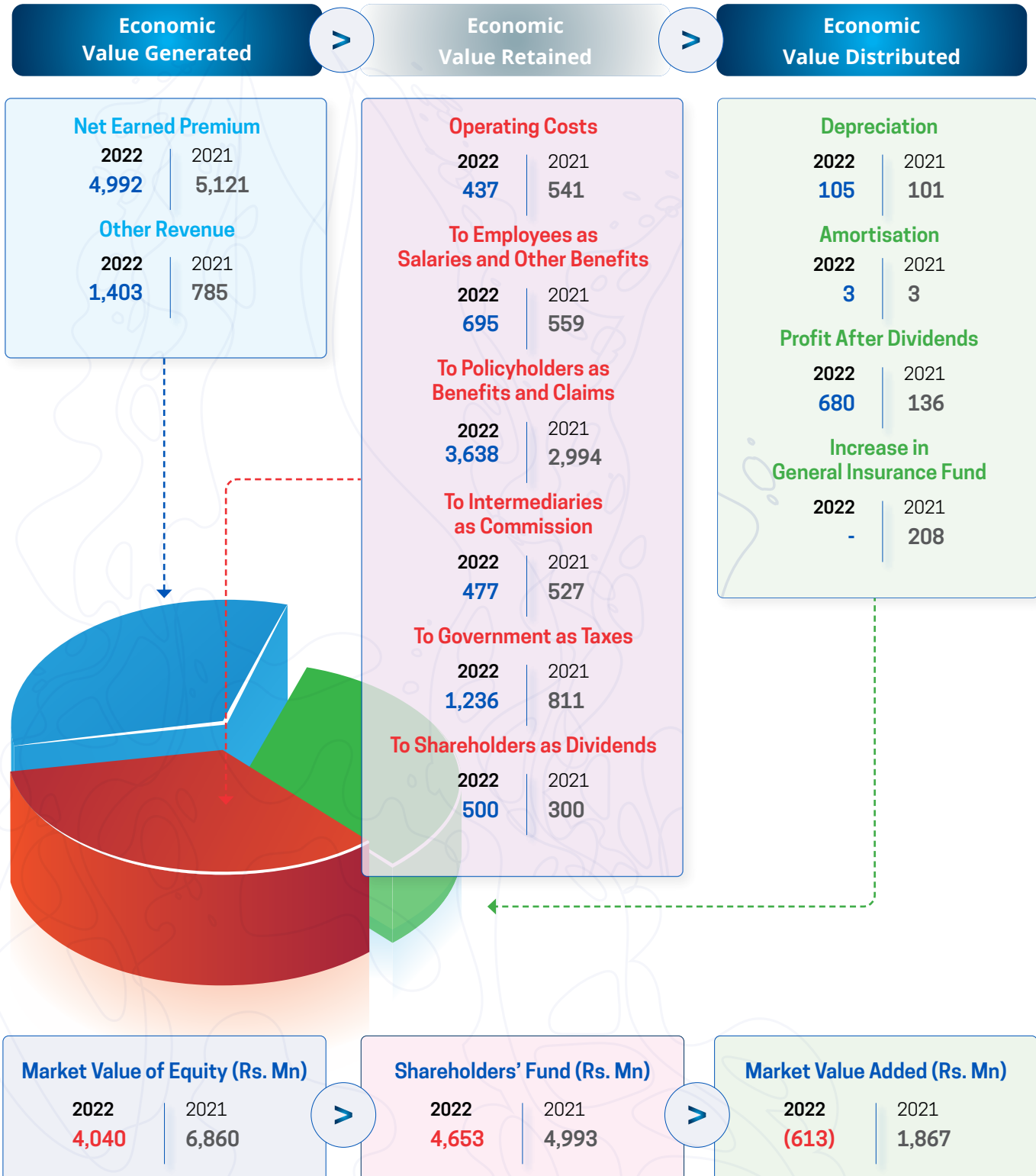
Rs. 6.3 Mn

(2021-Rs. 31 Mn)

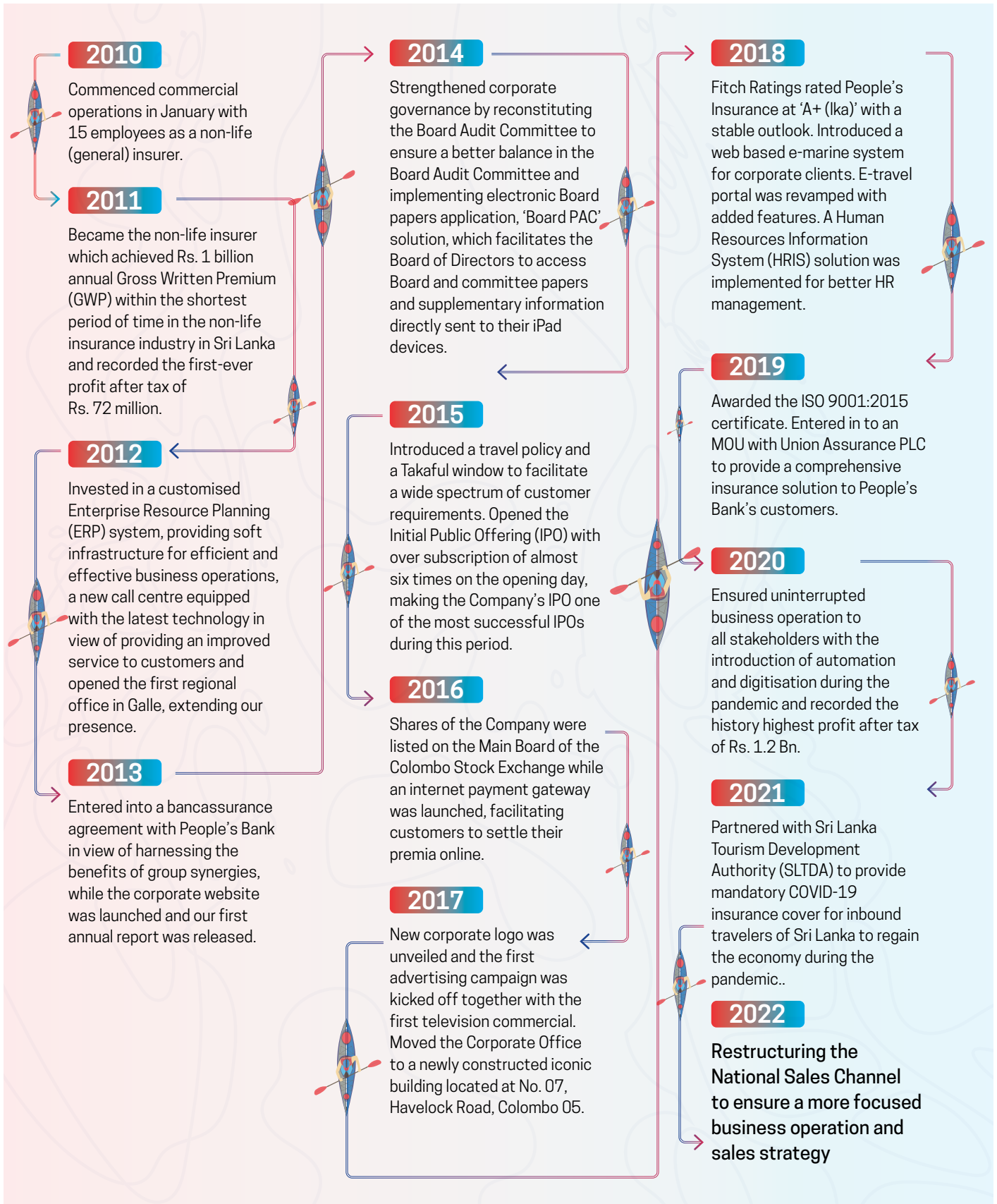


ECONOMIC VALUE ADDED

Economic Value Added Statement (Rs. Mn)



MILESTONES



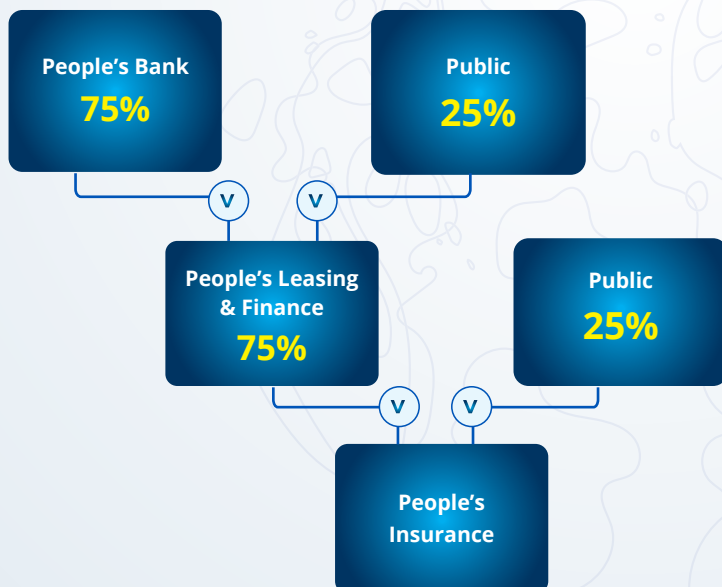
WHO WE ARE

People's Insurance PLC is one of the most profitable non-life insurance companies in Sri Lanka with the constant underwriting profits. We have large captive base through the People's group. We are proud of our reputation for reliability and excellence in the insurance industry. Our commitment to reliability is reflected in the quality of our products and services, and we remain dedicated to empowering our customers to navigate life's uncertainties with confidence and security.

Our Resources

Employees 620	Sales Staff 277	Distribution Channel 3	Capital Employed Rs 4,653 Mn
General Insurance Fund Rs 4,832 Mn.	No of Customers 188,360	Band Value Rs 706 Mn	Price Earnings Ratio Rs 6.35
Investment in CSR Rs. 1.5 Mn	No of new policies issued 54,334	Operational Footprint Regional Offices 14 PLC Window Offices 103	Total Assets Rs. 11.2 Bn

Ownership Structure



Where we are heading

- Growth
- Sustainable Value Creation
- Innovation
- Digitization

OUR UNIQUE VALUE PROPOSITION

The Company offers an extensive range of non-life insurance products catering to the diverse needs of its retail and corporate clientele. A profound understanding of our customer needs has facilitated us to continue to offer innovative solutions to meet their evolving needs.

Motor
73%

Comprehensive and third party motor vehicle insurance

Fire
7%

- Hotelier's comprehensive
- Property
- Solar panel
- Home
- Business interruption
- Terrorism
- Dwelling fire
- Business insurance
- Fire business premises
- Niwahana
- Erection - All risks insurance
- Machinery all risks
- Plant & machinery
- Deterioration of stocks
- Electronic equipment
- Contractor's all risks
- Boiler & pressure vessel
- Machinery breakdown

Marine
2%

- Marine cargo imports
- Marine cargo exports/ off-shore insurance
- Single transit (any local land transits)
- Marine insurance open cover (agreement for imports/ exports)
- Goods in transit
- Hull & machinery for vessels - ocean going/ inland waterways/ aviation insurance for aircrafts
- Fishing boats
- Pleasure crafts

Miscellaneous
18%

- Product liability
- Health care
- Professional indemnity
- Fidelity guarantee
- Plate glass
- Burglary
- Goods in transit
- Personal accident
- Public liability
- Money
- Directors & officers liability
- Workman's compensation
- Banker's indemnity
- All risk People's guardian
- People's MIVIS
- Tour operators' liability
- Neon sign
- Commercial general liability
- Travel smart

LEADERSHIP INSIGHTS

EMPOWERING

TO LEAD WITH CONVICTION

CHAIRMAN'S MESSAGE



“We continued to garner the respect and confidence of our client base, which enabled us to preserve client relationships amidst the many challenges.”

Dear stakeholders

Sri Lanka persevered one of the most challenging years of its history in 2022. Notwithstanding such challenges, People's Insurance PLC (PI) posted sound results, drawing strength from industry expertise exceeding a decade, in providing holistic insurance solutions and caring with love for the nation. It is my immense pleasure to present to you, the annual report, together with the audited financial statements for the year ended 31 December 2022, which is a balanced reflection of how we continued to generate value to all our stakeholders whilst empowering the collective aspirations of our nation as it forges ahead in a path of ambitious economic revival.

Operating context

During the year 2022, Sri Lanka witnessed a challenging economic scenario, which required an immediate correction of the previously set course to almost all industries. Amidst multiple macro-economic conditions impacting the growth of many industries, including the insurance industry which was reflected in the moderation of the industry wide Gross Written Premium (GWP) growth of 12.4%. The same challenging setup allowed organisations to take a steadfast approach in innovation and growth in facing the existing conditions.

With the impact of multiple monetary policy alterations and strategic level decisions that were taken by the government of Sri Lanka halting the growth and expansion of the economy in the short-term, we are positive and hopeful that the same may reflect in moderate and extended growth in time to come.

As an organization, the challenging times presented us with an opportunity to rethink our processes and strategies and in return to pursue innovative avenues which allowed us to reduce cost and increase profitability, all the while keeping true to the values that define us as a corporate body.

Furthermore, certain policy decisions, fuelled the growth of home grown industries which acted as an alternative to the existing practices of our economy as a whole. This provided us with an industry opportunity of new markets and opportunity for new product development, which was aggressively pursued in the interim.

Resilient performance

Amidst such context, PI's GWP passed the Rs. 6 Bn mark to reach Rs. 6,159 Mn by the end of the year clocking in a YoY growth rate of 3%. We continued to tap in to niche market segments such as in-bound tourists and migrant workers, which worked well for us in the intensely competitive atmosphere. Stemming from our strategic focus on driving profitability, which augers well in delivering sound returns to our shareholders as well as in strengthening PI's capital pool through profits retention, PI's pre-tax profitability reached the Rs. 1 Bn milestone in its operations, translating to a YoY growth of 3%. Profitability comprised investment income, which is a critical component in our overall profitability of Rs. 636 Mn with a YoY de-growth of 35%, driven by negative macro-economic sentiments which prevailed through the year. Risk-based Capital Adequacy Ratio closed in at 270% versus the regulator stipulated

minimum of 120% affirming our strength and stability. Furthermore, we were able to renew our reinsurance treaties with some of the global reinsurance giants, which enhanced the protection available to our policyholders. We continued to garner the respect and confidence of our client base, which enabled us to preserve client relationships amidst the many challenges. A more detailed analysis of PI's financial performance is available in the Chief Executive Officer's Review in page 19.

Product innovation and process digitisation continued well during the year, unabated by external shocks. We focused on direct business increases through powering our sales teams. Payment and settlement options were broadened in response to customer needs, and now comprise web based settlements, settlements via CDMs, payment kiosks and m-cash. Internal processes were further streamlined for greater efficiency and productivity, with the aid of work flow solutions where possible.

Another major initiative during 2022 was strengthening cross-selling of PI products via the immediate and ultimate parent companies of People's Leasing & Finance PLC and People's Bank, harnessing strength from the synergies that exist within the People's Group.

Given our deeply rooted ethos of being an empathetic and responsible corporate, we continued on our mission of supporting the communities around us. Highlights included support extended to females of fishing communities and school children from under-privileged families.

Effective leadership based on strong governance

The grace and poise with which PI navigated the distressed landscape is attributable to the effective leadership and the strong governance framework of the Company, perfected and sharpened over the decade. The functionality of the Board was augmented by the six Board Sub-Committees in place, which ensured that all critical aspects of governance

CHAIRMAN'S MESSAGE

“As PI enters into uncharted segments with innovative products, it gears up to support the revival of Sri Lanka. We aptly launched our new brand manifesto – 'Empowering a resilient nation'.”

were given due attention. During the year, the Board spent considerable time and efforts in reviewing the evolving external environment, driving tactical changes to the Company's three-year strategic blueprint in response to such changes, ensuring client interests and employee well-being. Diversity and versatility of the Board enhanced during the year with the appointment of Mr. Azzam Ahamat as a Non-executive, Non-independent Director, who carries to his credit nearly two decades in strategic financial management, alternate investments, and risk management, having served in prestigious institutions both locally and internationally.

People

Team PI is the most invaluable asset of the Company, that has enabled the powering of Sri Lanka's collective aspirations through PI's strong and impactful strategic blueprint. As 2022 unfolded many hardships, we were extra vigilant in ensuring the health and well-being of our staff members. We continued to invest in training and development and in a number of other initiatives towards this end. We continued to grow our sales team and incentivise them, in an atmosphere where many other corporates opted for layoffs and reductions in incentives given the external challenges. Human capital remains a constant strength for PI and care towards them also remains constant.

People's Insurance revitalised

With a 13-year presence in Sri Lanka, PI's brand identity has been synonymous with innovative insurance solutions coupled with the strength and stability of the People's Bank Group. As PI enters into uncharted segments with innovative products, it gears up to support the revival of Sri Lanka. We aptly launched our new brand manifesto – 'Empowering a resilient nation'. Transitioning from the previous manifesto of 'Caring with love', the new manifesto is expected to further drive PI's unique brand equity and receptiveness amongst Sri Lankans.

Way forward

As we are hopeful about the future of Sri Lanka's economic revival with the Extended Fund Facility from the International Monetary Fund finalised, we have drawn up our own growth agendas for 2023 and beyond. Given the continued uncertainty in any relaxation of prevailing import restrictions on motor vehicles, which adversely affects a significant portion of our business, we will continue to expand our direct sales channels. Driving cross-selling will also be key, as considerable upside potential lies within

the People's Group and for PI to capitalise on, in areas of corporate relationships and Bancassurance. This will enable us to strengthen the diversity and resilience of our portfolio in the face of external shocks. Digitisation of internal processes as well as client engagement processes will continue to deliver speedier and more efficient services and to achieve cost and resources advantages.

Developing human capital remains as a priority item on our way forward, as we strive to empower and enrich our staff, whilst creating a highly conducive and most preferred employer environment for them. Product innovation together with enhancing reinsurance capabilities within the Company will also be strategically pursued with the goal of yielding notable advantage in what is already an intensely competitive environment.

Appreciation

I wish to thank my fellow Board directors for their collective counsel and passion in driving PI to great heights and look forward to working with them in the future. Together with them, I thank Mr. Ranjith Kodituwakku Non-executive, Non-independent Director, who retired as a Board member during the year. I join the Board in commending the efforts of PI's Chief Executive Officer Ms. Jeevani Kariyawasam who assumed office in February 2022, as PI's first female CEO, for guiding PI through utmost challenges through the year. Our gratitude also goes out to the outgoing Chief Executive Officer Mr. Deepal Abeysekera for his service as the Chief Executive Officer of PI since 2017 and for his contribution which enabled PI's progression as an impactful player in the industry. The executive management team, and all staff members also deserve our immense appreciation for their relentless service without which exceptional performance would not have been possible. I am also deeply grateful for the guidance and support of our immediate parent and

ultimate parent People's Leasing & Finance PLC and People's Bank respectively. Our gratitude goes to the industry regulator the Insurance Regulatory Commission of Sri Lanka for their direction, guidance and leadership, and last but not least our loyal customers for the unwavering confidence they have placed in us and for partnering us in their success.

PI remains deeply committed in empowering the collective aspiration of Sri Lanka and its people through dynamic and innovative insurance solutions which provided them essential protection and confidence to perform.



Isuru Balapatabendi
Chairman

22nd May 2023
Colombo

CHIEF EXECUTIVE OFFICER'S REVIEW



“To enhance customer convenience and to streamline operations, we remained committed to our digital transformation journey throughout the year.”

Throughout 2022, our nation faced significant economic volatility and widespread uncertainty. We witnessed the country's vulnerability due to depleted foreign currency reserves, low inward remittances and below-par growth in the tourism sector. Additionally, the government implemented tighter fiscal controls, including broad-based import restrictions, to curb currency outflows. These measures combined with the rapid depreciation of the Rupee resulted in the shrinking of the agriculture and industry sectors, leading to unprecedented levels of inflation.

Despite these challenging circumstances, People's Insurance demonstrated strength and stability, achieving sustainable business growth. This success showcased the resilience of our team and their unwavering commitment to succeed. Our people are the cornerstone of our business, setting us apart from our competitors and providing us with a unique competitive advantage. Therefore, I would like to begin my message by expressing my gratitude to our team for their unwavering dedication during these difficult times. Their efforts have been and will continue to be our driving force as we navigate our journey towards further success and value creation.

Implications on the insurance sector

The Chairman's Message on page 15 of this annual report provides a comprehensive analysis of the intricate factors that contributed to Sri Lanka's socio-economic crisis in 2022. Within this context, the insurance sector faced significant headwinds, given the country's economic situation. A major concern arose from the reduced purchasing power of potential and existing policyholders due

to soaring levels of inflation. Additionally, escalating costs and intense competition added to the growing challenges within the business landscape.

Despite these obstacles, People's Insurance managed to achieve satisfactory growth and reported increased profitability for the year. This positive outcome can be attributed to revised premia aligned with the rising prices of vehicles spare parts and other assets.

Refining our strategy

Throughout the year, we underwent a strategic refinement process, contemplating how we can assume greater responsibility as a socially and environmentally conscious organisation. This allowed us to adapt to a changing landscape and ensure the continued relevance of our business. Our value creation model remained intact, anchored by six key strategic pillars: business and profit growth, excellence in customer service, efficient resource allocation, fostering a desirable workplace, compliance and a steadfast commitment to social and environmental causes.

To achieve these objectives, we placed a significant focus on expanding our direct business channel and capitalising on cross-selling opportunities within the People's Bank group. In addition, we bolstered our sales force by recruiting and training young school leavers, thereby expanding our regional network. Moreover, we reinforced our relationships with insurance brokers to attract more corporate clients and enhance penetration in the non-motor insurance segment.

Our dedication to innovation and product development remained unwavering. As a testament to this commitment, we

introduced the migrant workers insurance scheme, which we successfully marketed to employment agencies nationwide, increasing our visibility and market presence.

To enhance customer convenience and to streamline operations, we remained committed to our digital transformation journey throughout the year. This included implementing digital onboarding, online premium payment and claims settlement processes, among others.

Recognising the financial hardships faced by our customers amidst the challenging economic conditions, we introduced various relief measures. These included easy payment schemes, quarterly payment options and discounted premia for certain classes of business, aimed at easing their financial burdens. Additionally, we intensified our awareness campaigns for third-party policies, catering to individuals who were unable to afford comprehensive coverage.

Our conservative provisioning policy for claims positioned us well to absorb market shocks, such as the rising costs of motor spare parts. Our ongoing efforts to streamline processes and reduce operational costs paid dividends during the year. Establishing efficient communication channels and facilitating fast-track decision-making processes proved to be vital enablers.

We are also fortunate to be supported by a strong panel of reinsurers who provided us the required coverage for several innovative policies that were launched during the year.

Our Results

At the beginning of the year, we were optimistic that the challenges posed by the global pandemic in the previous two years would subside, and we would transition towards a more normalised operating environment. However, the reality turned out to be far from our expectations, making it one of the most demanding years in our organisation's history. Despite the volatile economic conditions, the Company's core strengths

CHIEF EXECUTIVE OFFICER'S REVIEW

and principles remained unwavering, enabling us to achieve a commendable performance. Our primary emphasis was on executing our refined strategic plan, aiming to achieve sustainable growth and safeguard our financial position in the face of prevailing macro-economic and geo-political uncertainties.

Embedding sustainability

In 2022, we approached the year with our vision and core values as our guiding principles, staying committed to our workforce and making strategic investments to enhance our customer service. Our focus extended to embedding sustainability as a company-wide practice, engaging various departments in social and environmental initiatives. To ensure the effective implementation of our sustainability goals, the Management appointed a dedicated executive committee responsible for developing and executing our sustainability policies and plans.

Our dedication to sustainability begins with our exceptional and inclusive team of dedicated individuals who remain our greatest asset in fulfilling our mission. Thus, we placed significant emphasis on their professional development and conducted numerous training programmes throughout the year to enhance their skills and knowledge. Moreover, we encouraged our staff to pursue professional qualifications by reimbursing their educational expenses, thereby supporting their career advancement. We continued to prioritise workplace diversity and inclusion, actively creating equal opportunities and implementing performance-based reward systems.

In terms of operational sustainability, we initiated a programme to reduce electricity consumption within our premises. Recognising and rewarding employees for their efforts in conserving energy played a crucial role in this initiative. Initially implemented at our corporate headquarters, we formed a committee to monitor costs, raise awareness and communicate progress through internal channels. Our aim is to extend this programme to all our branches in

the coming year, minimising our carbon footprint and reducing costs.

On the social front, our efforts were primarily focused on empowering women, improving access to healthcare in rural communities and enhancing educational standards. We contributed by donating sewing machines to women in the fishing community, enabling them to generate income. Moreover, we provided much-needed medicines to the Meth Sewa Foundation in Hadapanagala, Monaragala, in support of children's healthcare. Additionally, we extended assistance by donating books and school supplies to 46 students of Maussagolla Maha Vidyalaya in Badulla.

Looking ahead

The operating environment is expected to remain challenging, in the short to medium term. Despite the prevailing uncertainty, we recognise both opportunities and potential challenges on the horizon. Our swift response to the immediate crisis, coupled with our long-term strategic efforts, has positioned People's Insurance to proactively capitalise on the anticipated economic recovery. As we tread cautiously amidst high interest rates and ongoing vehicle import restrictions, our primary focus will be on expanding our direct sales channel, fostering cross-selling opportunities and strengthening our corporate client base.

To adapt to varying socio-economic factors, we will prioritise product innovation, offering enhanced protection to our customers. Emphasising digital capabilities will be integral to our strategy as we continuously strive to improve the customer experience and optimise internal processes to drive efficiency.

Our aspirations extend beyond business performance; we are also committed to becoming the preferred employer in our industry, with a strong focus on employee satisfaction and fostering an inclusive and a transparent culture that promotes equal opportunities.

Appreciations

I would like to extend my heartfelt appreciation to the Chairman and the esteemed Board of Directors for their unwavering support and confidence in my leadership during what has proven to be an immensely challenging year for the organisation. My gratitude is also extended to the Boards of People's Bank and People's Leasing & Finance PLC for their steadfast support in driving our strategic ambitions. Together, we will continue to harness our synergies and forge ahead with strong determination.

I am immensely grateful to the management team and employees of Peoples Insurance for their exceptional dedication, resilience and outstanding performance in the face of numerous hardships. Their courage and unwavering commitment have been truly inspiring, propelling the Company toward the attainment of its goals.

Furthermore, I would like to express my gratitude to the Insurance Regulatory Commission of Sri Lanka for their continuous support throughout the years. Their guidance and collaboration have played a pivotal role in our achievements.

Last but not least, I extend my sincere thanks to all our stakeholders, including our invaluable customers and business partners. Your steadfast trust in our capabilities serve as a constant source of inspiration for us.



Ms. Jeevani Kariyawasam
Chief Executive Officer

22nd May 2023
Colombo

STRATEGIC BLUEPRINT FOR SUCCESS

EMPOWERING

PATHWAYS TO DEVELOP
OUR VALUE PROPOSITION

VALUE CREATION PROCESS

CAPITALS

INPUTS

VALUE ADDING BUSINESS ACTIVITIES



Financial capital

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

- Equity : **Rs. 4,653 Mn**
- Operating cash flow : **Rs. 1,021 Mn**
- Investment portfolio : **Rs. 8,694 Mn**



Intellectual capital

Our intangible assets, including brand reputation, innovation, knowledge and expertise

- Brand strength
- Experience



Human capital

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

- **620** employees
- Remuneration and benefits
- Learning and development
- Team spirit



Manufactured capital

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

- **14** branches
- Investing in IT capabilities
- Digital solutions



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 : **550,729 kWh**
- Water consumption : **438,660 Litres**

Our Vision

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

Our 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.

Business lines



Motor



Fire



Marine



Miscellaneous

Value drivers:

Technology

VALUE ADDING BUSINESS ACTIVITIES

OUTPUTS

OUTCOMES

Our strategic pillars



BUSINESS AND PROFIT GROWTH



ENHANCE OPERATIONAL EFFICIENCY AND COMPLIANCE



DEVELOP A SKILLED WORKFORCE



INCREASE SOCIAL AND ENVIRONMENT RESPONSIBILITY

Insurance activities

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

Key enablers

Administration

Legal

Marketing & Sales

IT

HR

Finance

Supported by

Governance

Risk management

Financial capital

PAT : **Rs. 636 Mn**
ROE : **13.67%**
EPS : **Rs. 3.18**



Intellectual capital

Brand Value : **Rs. 706 Mn**
Fitch/ICRA rating: **A-(Ika)**



Human capital

Benefits paid : **Rs. 224.3 Mn**
Training hours : **15,776**
Staff promotions : **222**



Manufactured capital

Branches : **14**
Capital expenditure : **Rs. 6.3 Mn**



Social and relationship capital

Customer base : **188,360**
Supplier payments : **Rs. 46 Mn**
Investment in CSR : **Rs. 1.5 Mn**



Natural capital

Waste paper recycled : **2,132 kg**



Shareholders

- Prudent growth : **3%**
- NAV per share : **Rs. 23.27**
- Gross dividend : **Rs. 500 Mn**



Customers

- Multi-channel footprint
- Operational efficiency
- Customer satisfaction and convenience



Employees

- Valued organisational culture
- Efficient and safe working environment
- Engaged employees
- Career progression
- Empowerment



Government and regulators

- Taxes paid : **Rs. 1,216 Mn**
- Compliance with regulatory requirements



Communities

- Improvement in quality of life



Environment

- **75%** Reuse of paper archived
- **35** trees saved through paper recycling/digitisation



Talent retention in turbulent times

Regulatory developments

Implications of climate change

OUR SUSTAINABILITY AMBITION

We strive to position ourselves better year on year in terms of building stronger, more resilient communities, taking climate action and conducting ourselves as a sustainable business. As stakeholders place increasing importance on Environmental, Social and Governance (ESG) issues and regulations continue to strengthen, People's Insurance has sought to embed ESG considerations as an organisation-wide discipline, underpinned by a holistic Sustainability Policy that sets out the Company's sustainability objectives, governance structures and reporting mechanisms.



Sustainable business operations

We act to embed sustainability into every part of our business. This includes how we make decisions, act and communicate. We have incorporated good governance practices within our workplace that ensure respect for all and ethics and integrity across all our functions and dealings with stakeholders.

KPI's

44% of women in senior management	Diverse workforce	Compliance with laws and regulations
-----------------------------------	-------------------	--------------------------------------

Goal

Ensuring that our Gender Policy addresses the equal representation and facilitates equal opportunity



Stronger communities

Helping our customers, communities and partners be more secure today is a significant element of our sustainability ambition. At a time when the cost of living is on a rising trajectory helping build financial resilience and protection has never been more relevant.

KPI's

Estimated number of people made more resilient	Amount of community investment	Investment in infrastructure
--	--------------------------------	------------------------------

Goal

Making our products widely available in order to reduce inequality and greater access while ensuring that our CSR agenda addresses reducing inequalities through meaningful interventions



Climate action

We work hand-in-hand with our people, our customers and our partners, to bring our influence to bear on tackling climate change. Climate crisis is at present one of the biggest threats facing our planet and as a responsible corporate citizen we aim to reduce our climate impact year on year.

KPI's

Estimated number of people made more resilient	Amount of community investment	Investment in infrastructure
--	--------------------------------	------------------------------

Goal

A comprehensive agenda on environment with specific initiatives aims to encourage and adopt the responsible consumption of resources



Sustainability Agenda

We contribute to United Nations Sustainability Development Goals (SDG's) through our value creation process as below.



Financial Capital

- Achieved a GWP of **Rs. 6,132 Mn**
- Generating PAT tax of **Rs. 636 Mn**
- Developing new products to cater emerging customer needs



Social and Relationship Capital

- Continuous investment on product development
- Work closely with relevant government bodies to improve societal well-being



Human Capital

- 393 Employment opportunities for youth
- Provision of comprehensive range of health and other benefits
- Providing flexible earning opportunities
- Providing equal opportunity work environment



Manufactured Capital

- Enabling widest possible reach through operational footprint
- Investment on green infrastructure and innovative supply chain expansion



Natural Capital

- Solid waste management
- Energy management
- Waste water management



Intellectual Capital

- Use of data analytics to improve performance



RELATIONSHIPS WITH OUR STAKEHOLDERS

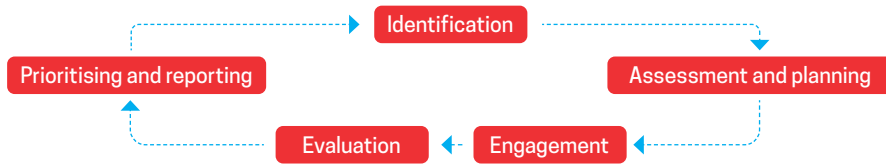
Stakeholder feedback helps us to gauge the expectations of the stakeholders and perceived gaps in value delivered to them. Engaging with stakeholders is a responsibility shared across the organisation with multiple channels for obtaining feedback which is a key input to PI's strategic planning processes. We group our material stakeholders by their level of influence and interest on us and are committed to understanding their individual concerns and applying their relevant inputs to our decision-making to ensure value creation.

The table below sets out our approach to stakeholder engagement during 2022.

STAKEHOLDER	SHAREHOLDERS/INVESTORS ●●●●●	EMPLOYEES ●●●●●	CUSTOMERS ●●●●●
	Parent entity - PLC Ultimate parent - People's Bank Retail investors - 3,486	Total employees - 620 Male/Female - 497/123 Permanent - 620 Field staff - 120	Corporate clients - 2,342 Individual clients - 186,018
HOW WE ENGAGE	<ul style="list-style-type: none"> Annual General Meeting Annual Report Monthly Board papers Quarterly financial results Investor meetings as and when required Networking events Disclosures to the CSE 	<ul style="list-style-type: none"> Performance appraisal (annual) Engagement through digital platforms Multi-level staff meetings Year-round event calendar CSR activities Training programmes Quarterly newsletter Intranet 	<ul style="list-style-type: none"> Face to face interaction Engagement through digital platforms Communication materials 24-hour call centre Road shows Customer complaint procedure Media
KEY CONCERNS	<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 	<ul style="list-style-type: none"> Maintaining motivation while working remotely Attractive remuneration and rewards Opportunities for skill development Career progression Job security Dynamic work environment Fair employee practices 	<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 CREATION INDICATORS AND ACTIVITIES	<ul style="list-style-type: none"> EPS of Rs. 3.18 (-35%) Return on equity of 13.67% Well attended AGM Proactive involvement in strategy formulation with 14% Board members representing PLC and 14% representing People's Bank 50% contribution from captive business of the Group 	<ul style="list-style-type: none"> Payments to employees of Rs. 0.7 Bn (24%) Remuneration per employee of Rs. 1.12 Mn (24%) Investment in training: Rs. 7.8 Mn Employee retention rate of 73% 	<ul style="list-style-type: none"> Claims settled Rs. 3.6 Bn (21%) 3% claim payments made through digital platforms Customer retention rate of 68% Customer complaints received and resolved: 59 solved: 49
STRATEGIC RESPONSE	<p><i>Continued to maintain focus on a timely strategy centring portfolio diversification through cross selling and innovation in order to address the impacts on motor insurance, following the restrictions on vehicle imports.</i></p>	<p><i>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.</i></p>	<p><i>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 premia in view of higher cost of claims.</i></p>

Stakeholder engagement process

Stakeholder engagement involves five phases including identification, assessment and planning, engagement, evaluation, prioritisation and reporting. Upon identifying our main stakeholders and based on the respective stakeholder group's importance and impact on PI, we carry out our assessment and planning to determine the scope and objectives as well as the resources to be allocated to address their needs. The mode of engagement is a vital factor which enables us to effectively evaluate their concerns and formulate our strategies. Monitoring and review is continuously carried out and findings are duly reported.



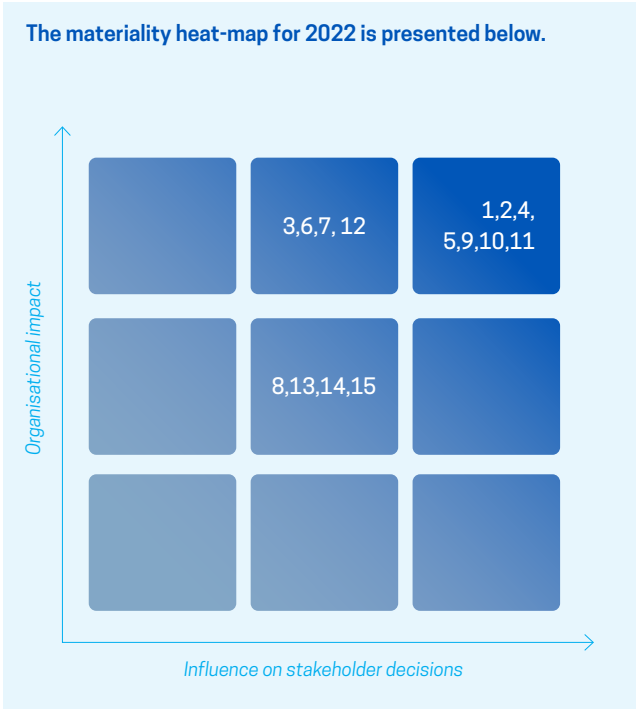
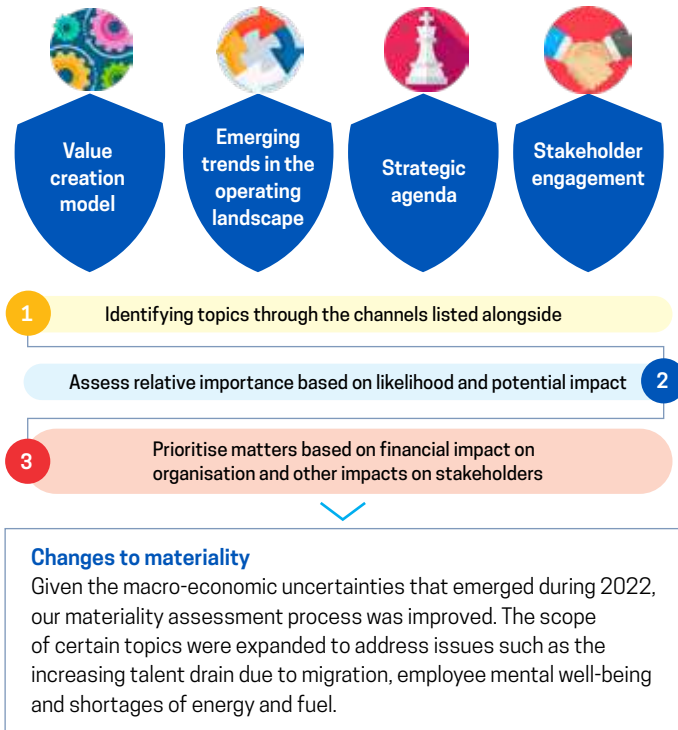
Strength of relationship | Strong ●●●●● | Good ●●●● | Moderate ●●●


BUSINESS PARTNERS Suppliers - 155 Reinsurers - 15 Brokers - 60	REGULATORS Insurance Regulatory Commission of Sri Lanka Colombo Stock Exchange Department of Inland Revenue	COMMUNITIES Society within which we operate and the natural resources we consume within our business process
<ul style="list-style-type: none"> Meetings Training programmes Reinsurance declarations 	<ul style="list-style-type: none"> Meetings Regulatory reporting Written communications 	<ul style="list-style-type: none"> CSR engagements Meetings Branch level engagement
<ul style="list-style-type: none"> Opportunities for business growth Prompt payment Ease of doing business Good business practices Timely disclosure of relevant information 	<ul style="list-style-type: none"> Compliance Continuity of operations Timely payment of taxes Good governance Good business practices 	<ul style="list-style-type: none"> Job creation Good business practices Community service projects Preserving the environment
<ul style="list-style-type: none"> Commissions paid Rs. 688 Mn (+15%) Payments to suppliers Rs. 46 Mn New business generated: Rs. 1,254 Mn Retention: 68% 	<ul style="list-style-type: none"> Payment of taxes Rs. 1,216 Mn (+114%) Fully compliant with all relevant regulations 	<ul style="list-style-type: none"> Investment in CSR Rs. 1.5 Mn Volunteer hours directed towards the community Maintained harmonious relationships with communities we operate in
<p><i>Strengthened relationships to ensure continuity of mutual value creation.</i></p>	<p><i>Maintained proactive engagement with the regulator to ensure continuity of sector operations and create a conducive environment for businesses to operate.</i></p>	<p><i>CSR activities continued in a controlled manner given the external environmental conditions that prevailed for most part of the year.</i></p>

FOCUSING ON WHAT MATTERS



We consider an issue to be material if it can potentially impact the Company’s financial performance and sustainability and our ability to generate value for our stakeholders. Material issues are identified based on the feedback received through ongoing stakeholder engagement, changes in the operating landscape and global trends which impact our operations. Material topics are reassessed on an annual basis to evaluate their relevance and to ensure that the significant economic, social and environmental aspects that impact the Company are addressed proactively.

The Company’s material issues represent internal and external factors and the below mentioned topics were prioritised in alignment with our sustainability ambitions in 2022. The process for determining material issues is as follows:



Sustainability ambition	Material topic	Level of materiality		Topic boundary	Link to strategy	Link to management approach
		Company	Stakeholder			
 Sustainable business operations	1. Profitable growth Ensures sustainable returns to shareholders while achieving consistent business growth.	H	H	Internal/ External	Business growth and profitability	Financial Capital – page 44 to 48
	2. Managing macro-economic vulnerabilities Implications of rising inflation, depreciation of the Sri Lankan Rupee and a deteriorating external position could significantly impact performance.	H	H	Internal/ External	Business growth and profitability	Operating environment – page 36 to 43
	3. Product innovation and diversification Importance in reducing dependence on our captive business and motor class.	H	M	Internal/ External	Business growth and profitability	Building customer loyalty – page 61 to 66
	4. Efficiency Critical in driving consistent reductions in our combined ratio and achieving profitability targets.	H	H	Internal	Optimise resource utilisation	Financial review – page 44 to 48
	5. Digital capabilities Expanding customer reach and enhance customer experience.	H	H	Internal/ External	Optimise resource utilisation	Building customer loyalty – page 61 to 66
	6. Group synergies Leveraging on the distribution network and brand name of the parent and the ultimate parent.	H	M	Internal/ External	Business growth and profitability	The strength of our brand – page 59 to 60
	7. Responsible business As a responsible corporate citizen, we are committed to maintaining the highest level of integrity and accountability in our operations.	H	M	Internal/ External	Compliance	Governance – page 83 to 120
	8. Brand identity Strengthening the Company's brand identity in the insurance industry will enable it to achieve growth in the direct business while acquiring new customers.	M	M	Internal/ External	Customer service excellence	The strength of our brand – page 59 to 60
	9. Talent management Attracting and retaining the right talent is critical in driving our strategic aspirations and facilitating the customer experience.	H	H	Internal	Preferred workplace	Our people – page 52 to 58
	10. Health and safety Given the outbreak of the pandemic, health and safety emerged as a key priority during the year.	H	H	Internal	Business growth and profitability	Our people – page 52 to 58

FOCUSING ON WHAT MATTERS

Sustainability ambition	Material topic	Level of materiality		Topic boundary	Link to strategy	Link to management approach
		Company	Stakeholder			
 Stronger communities	11.Customer centricity Delivering best-in-class customer experience and sharpening our competitive edge.	H	H	Internal/ External	Customer service excellence	Building customer loyalty – page 61 to 66
	12.Distribution channels Expanding customer reach and increasing contributions from direct business.	H	M	Internal/ External	Business growth and profitability	Strengthening business partnerships – page 61 to 66
	13.Relationships with business partners Maintaining co-operative relationships with business partners will enable us to strengthen our market position through expanding our customer reach.	M	M	Internal/ External	Business growth and profitability	Strengthening business partnerships – page 61 to 66
	14.Community engagement Driving meaningful change in the communities we operate in, is an important part of our sustainability agenda.	M	M	Internal/ External	Social and environmental commitment	Commitment to build sustainable communities – page 61 to 66
 Climate action	15.Minimising environmental impacts We are committed to consistently reducing our carbon footprint and contributing to the achievement of the SDGs.	M	M	Internal/ External	Social and environmental commitment	Commitment to build sustainable communities – page 61 to 66

STRATEGY AND RESOURCE ALLOCATION

Our strategy gives us a clear view on where we want to focus as a purpose-led organisation and what we strive to achieve. Through our strategy we seek to create value by improving performance and increasing the levels of productivity, both strongly enabled by technology, while maintaining world-class risk and capital management metrics. To grow, we are entrenching and building on our strengths, while investing in areas that are critical to win. We are focussing on ensuring that we deliver positive client experiences that will help us to attract new customers and to deepen our relationships among existing clients. To boost our productivity and improve operational efficiency, we are building on and accelerating existing efforts in optimising our operating model in a more digital world, by leveraging the technology platforms we have put in place.

Short-term priorities

During the year, the company focused on laying a strong foundation to turnaround the company toward sustainable positive growth in GWP and profits. The company will also focus on internal processes aiming to enhance operational efficiency and compliance.

Medium to long-term priorities (2023 to 2033)

- Identify areas with untapped market potential and establish a presence
- Introduce new insurance products
- Consider offering coverage for emerging risks areas
- Identify and target specific customer segments that are underserved
- Form strategic partnerships
- Engage in corporate social responsibility activities

Strategic priorities 2022

- | | |
|--|--|
| <ul style="list-style-type: none"> ■ Increase captive business volume through the People's Bank ■ Focus on cross selling business ■ Creating a cost effective and strong sales structure ■ Introduction of innovative products ■ Moving to value based selling instead of price competition | <ul style="list-style-type: none"> ■ Establishing a performance driven culture ■ Development of technical and selling skills of staff ■ Re-allocation of job responsibilities based on their capabilities ■ Enhancing operational efficiency through automation ■ Enhance customer convenience through digitisation |
|--|--|

Our strategy is responsive to our material themes and the matters that they comprise. Our value creation sections on pages 31 to 34 detail how we are managing these material matters. In line with the changing business environment our strategic priorities were updated as demonstrated below.

 BUSINESS AND PROFIT GROWTH	 ENHANCE OPERATIONAL EFFICIENCY AND COMPLIANCE	 DEVELOP A SKILLED WORKFORCE	 INCREASE SOCIAL AND ENVIRONMENT RESPONSIBILITY
--	---	--	--

STRATEGY AND RESOURCE ALLOCATION



BUSINESS AND PROFIT GROWTH

Focus in 2022

Maintain the claim ratio at pre-COVID level (67%)

- Maintaining efficient pricing strategy.
- Improve the selling skills of marketing officers for value-based selling.
- Allow the entire sales force to canvas businesses through all banks including People's Bank.
- Increase the non-motor businesses volume to 23% of total GWP.
- Closely monitoring of the claims ratio of individual sales officers and directly link to their monthly allowances and incentives.
- Portfolio cleansing at renewals.

Maintain expense ratio at 37%

- Linking allowances of sales staff to their performance.
- Segregation of the agency force from the sales officers' achievement.
- Action on non-performing branches.
- Introduction of low-cost sales structure.
- Introduce cost efficient marketing campaigns mainly focusing BTL campaigns.
- Attract businesses with fronting arrangements to bridge the performance gap of the existing sales force.
- Introduce an incentive scheme for non-sales staff.

Resource allocation

- Rs. 117.3 Mn in sales and marketing expenses
- 196 sales and marketing officers
- Relationship with parent, ultimate parent and business partners

Performance

	2022	2021	2020
GWP growth	103%	99%	100%
Non-motor GWP growth	35%	22%	10%
New customers acquired	23,476	38,483	37,818
Net claims ratio	73%	58%	51%

2023 focus

- Expand Bancassurance channel and drive increased cross-selling through People's Bank.
- New products catering to the increased price consciousness of customers.
- Leverage partnerships with government organisations to acquire new business.
- Maintain a healthy product mix in the motor-segment to optimise premium and loss ratios.



ENHANCE OPERATIONAL EFFICIENCY AND COMPLIANCE

Focus in 2022

Automation and the digital drive

- Automation of all possible manual processes across the company ensuring the inter-functional alignment through the change management committee.
- Improve process efficiencies and reduce stationery usage through digital signatures and e-memos.
- System modifications for IFRS 17 implementation.

Improve control environment and compliance

- Segregation of the agency force from the marketing officers and streamline the agency management process.
- Introduction of incentive schemes for direct business and tender business.
- Introduction of salary adjusted targets.
- Clear all pending audit issues and streamline the processes with required internal controls.
- Strengthen the control environment by introducing standard operating procedures and policies.
- Strengthen proper credit control procedures.

Resource allocation

- 52 marketing officers added to the team
- Insights on customer behaviour
- Capable and skilled Board of Directors and leadership team
- Culture of integrity, accountability and transparency

Performance

	2022	2021	2020
Customer retention	68%	70%	72%
Compliance with regulations	100%	100%	100%
Operating margin	-7%	6%	13%

2023 focus

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

STRATEGY AND RESOURCE ALLOCATION

DEVELOP A SKILLED
WORKFORCE

Focus in 2022

- Inculcate a performance driven culture.
- Building essential skills and competencies.
- Introduction of industry par pay structure.
- Employee recognition and relations.

Resource allocation

- Rs. 695 Mn payments to employees
- Rs. 7.8 Mn investment in training and development
- Rs. 9.6 Mn investment in implementing safety guidelines

Performance

	2022	2021	2020
Employee retention level	73%	81%	84%
Profits per employee	1.0 Mn	1.6 Mn	1.9 Mn

2023 focus

- Increased focus on value-for-money offerings catering to price conscious customers.
- Continued emphasis on strengthening digital platforms to drive improved service delivery.
- Building essential skills and competencies
- Succession planning and building the next generation of leaders.

INCREASE SOCIAL AND ENVIRONMENT
RESPONSIBILITY

Focus in 2022

- Ongoing efforts to drive energy efficiency.
- Strive towards paperless operations through increased digital adoption.
- CSR initiatives to uplift living standards.

Resource allocation

- Investment in CSR: Rs. 1.5 Mn
- No of environment saving initiatives: 4

Performance

	2022	2021	2020
Electricity saving	-4%	-16%	-2%
Fuel saving	-21%	7%	8%

2023 focus

- Continue our efforts to optimise the use of natural resources.
- Increasingly engage in community development projects

SUSTAINABLE VALUE CREATION

EMPOWERING

TO CREATE A DISTINCTIVE VALUE
PROPOSITION

OUR OPERATING CONTEXT AND PI'S STATURE IN NAVIGATING THE CHALLENGES

The operating context within which we functioned continued to be a VUCA world, defined as vulnerable, uncertain, complex and ambiguous. These arose from the global arena and more pronouncedly from the domestic front with severe stresses on economic, social and political aspects. The performance of the insurance sector and that of People's Insurance were considerably shaped by such landscape.

Such volatile operating environment continued to demand heightened focus on PI's intrinsic strengths and weaknesses and external opportunities and threats (SWOT). We expended considerable resources and time in the SWOT analysis and constantly aligned our strategic responses to such developments so as to stay relevant and thrive in spite of the challenges.

Uncertain geopolitical and socio-economic conditions

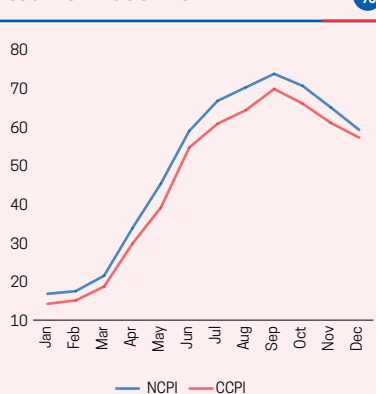
Global context

- 2022 was one of the most challenging years across the globe on multiple fronts of geo-political tension, economic meltdowns, continued threat of the COVID-19 pandemic and climate catastrophes
- Economic growth for 2022 projected at 3.4%, with global economic activity having experienced broad-based and sharper-than-expected slowdown
- Russia's invasion of Ukraine set commodity prices to soar across multiple economies, causing severe distress in economic performance
- A cost of living crisis caused by steep inflation also impacted during the year, propelling central banks across the globe to adopt a tightening monetary policy, which further dampened economic growth
- Inflation rose to 8.8% in 2022 from 4.7% in 2021 – one of the highest inflation levels ever recorded
- China experienced a surge in COVID-19 cases, followed by frequent lockdowns under their zero COVID policy taking a toll on their economy as well as the global economy
- With regards to global economic outlook, the global economy is set to grow at 2.9% in 2023, with inflation expected to fall to 6.6%

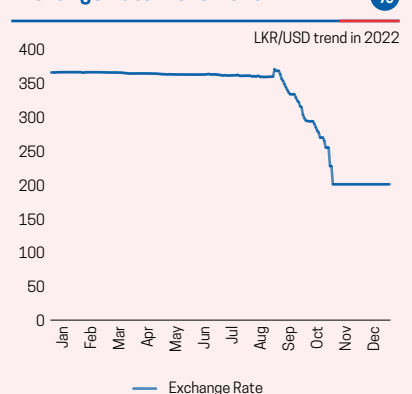
Source: World Economic Outlook of the International Monetary Fund, January 2023

Sri Lanka's economic distresses, political instability and social unrest created a very challenging operating context.

Headline Inflation 2022



Exchange Rate Movement



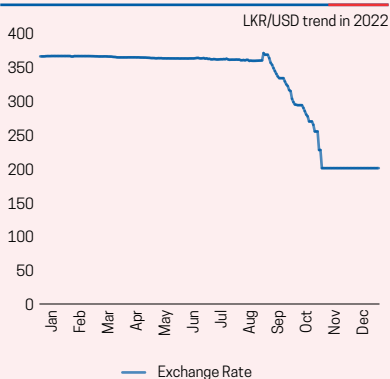
Sri Lankan context

Sri Lanka's economic distresses, political instability and social unrest created a very challenging operating context. The effects of these cascaded to all sectors of the economy, having a significant negative impact on the country's economic growth and development achieved thus far.

- Inflation:** Recorded an exponential increase during the year, exceeding the targeted single digit levels maintained and recorded historically. Inflation peaked in September 2022 as measured by the Colombo Consumer Price Index and the National Consumer Price Index for headline inflation at 69.80% and 73.70% before gradually declining for the remainder of the year. Despite the decline, inflation still remained at over the 50% level and was fuelled by both supply side shocks and demand side pressures.
- Rupee instability:** The Sri Lankan Rupee depreciated by over 80% during 2022, with the Central Bank of Sri Lanka abandoning a peg of Rs. 203 against the US dollar in March 2022, causing severe uncertainty over the rupee which also contributed to rising inflation.
- Foreign currency liquidity:** With the depletion of the Government's official foreign reserves, exacerbated by low tourist arrivals, channelling of foreign remittances through grey markets to avoid the artificially maintained low exchange rate before allowing a free float, adversely affected exports, etc., Sri Lanka's foreign currency liquidity heavily suffered. This led to wide spread restrictions imposed on import items, leading to the scarcity of fuel, essential consumer commodities, medicines, inputs in production processes, etc.
- Interest rates:** To address the many economic challenges, the Central Bank of Sri Lanka adopted a contractionary monetary policy. Accordingly, key Central Bank policy rates of Standing Deposit Facility Rate and Standing Lending Facility Rate increased by 950 bps during 2022. Key market interest rates moved steeply up. (1 yr T Bill rate FY 2022 29.27% vs FY 2021 8.24% / AWPR FY 2022 27.24% vs FY 2021 8.61%)
- Increasing taxes:** Taxes were revised up to arrest critically low fiscal revenue and to fund the budget deficit. VAT increased from 8% to 15%, corporate taxes from 24% to 30% and the new Social Security Contribution Levy of 2.5% was introduced.
- Effects on Sri Lanka's economic growth:** All four quarters of 2022 posted negative GDP growth, with the GDP for the year set to have contracted between 8-9%.

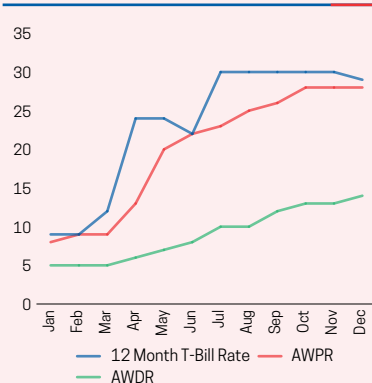
Exchange Rate Movement

%



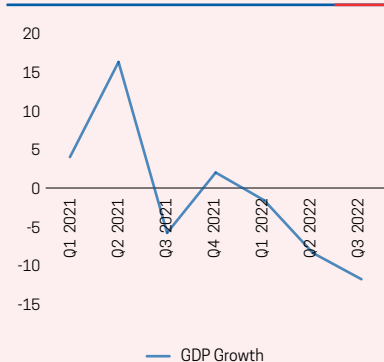
Interest Rate Movements

%



GDP Quarterly Growth

%



OUR OPERATING CONTEXT AND PI'S STATURE IN NAVIGATING THE CHALLENGES

Sri Lankan context

PI's stature in navigating the challenges - SWOT Analysis



STRENGTHS

- PI's market position powered by the strength and stature of the People's Bank group
- Stability affirmed in credit rating of A- by Fitch
- Strong product portfolio covering all general insurance aspects
- Strong presence across the island through the sales force



OPPORTUNITIES

- Under-penetrated insurance market offering upside potential for growth
- New market opening up in Sri Lankan migrants



WEAKNESSES

- Attrition in sales and other teams due to mass-migrations
- Less visibility of the brand in certain areas



THREATS

- Dampened economic growth with adverse movement in all key economic indicators such as inflation, rupee stability, interest rates and reduced business activities across multiple sectors
- Power outages and acute fuel shortage disrupting business as usual
- Continued restrictions on motor vehicle imports in response to low official foreign reserves, affecting the insurance industry's largest segment of motor insurance
- Increase in spare part prices due to high foreign exchange rates

How this affects our strategy

- Need for innovative insurance solutions together with diversification of the portfolio away from motor insurance to ensure stability and resilience in the prevailing challenges
- Resorting to new ways of client engagements, such as through virtual modes, when physical movement was restricted
- Cost effective process improvements

Technological changes

Adoption of technology in the insurance sector took a new turn triggered by the COVID 19 pandemic and augured well for Sri Lankan insurers through the challenges grought about by the economic melt-down. Artificial intelligence (AI), Robotic Process Automations (RPA), workflow solutions, big data, machine learning, etc., have brought dual pronged benefits to companies that stay ahead in the technology adoption curve as follows;

1. Enhancement in internal operational processes resulting in speedier, more efficient and cost effective processes
2. Enhancement in customer experience through real time, seamless experiences

PI's stature in navigating the challenges - SWOT Analysis



STRENGTHS

- PI's market position powered by the strength and stature of the People's Bank group
- Stability affirmed in credit rating of A- by Fitch
- Strong product portfolio covering all general insurance aspects
- Strong presence across the island through the sales force



OPPORTUNITIES

- Under-penetrated insurance market offering upside potential for growth
- New market opening up in Sri Lankan migrants
- Increase in demand for health insurance and long-term protection benefits from the aging population



WEAKNESSES

- Attrition in sales and other teams due to mass-migrations



THREATS

- Dampened economic growth with adverse movement in all key economic indicators such as inflation, rupee stability, interest rates and reduced business activities across multiple sectors
- Power outages and acute fuel shortages disrupting business as usual
- Continued restrictions on motor vehicle imports in response to low official foreign reserves, affecting the insurance industry's largest segment of motor insurance High foreign exchange rates

How this affects our strategy

- Digital and technology centric strategic approach to growth
- Elevated and strengthened governance and control mechanisms to manage cyber security threats

OUR OPERATING CONTEXT AND PI'S STATURE IN NAVIGATING THE CHALLENGES

Adaptability to evolving customer needs

Customers are increasingly becoming well equipped with information on new product, features and pricing knowledge, multiple options to choose from, etc., in the current information and digital era. These have shaped them to be more demanding in terms of convenience, customised solutions and superior service quality. A lag in keeping up with changes in customer demographics will also adversely affect competitiveness and market share growth.

PI's stature in navigating the challenges - SWOT Analysis



S

STRENGTHS

- Dynamic product portfolio
- Data analytical capabilities in identifying evolving customer needs

O

OPPORTUNITIES

- Potential to introduce innovative and sophisticated insurance products

W

WEAKNESSES

- Internal system incompatibility to meet the changing customer demands

T

THREATS

- High investments required in improving customer servicing channels, technologies, etc.
- Potential loss of market share if not kept up to evolving customer needs

How this affects our strategy

- Strong alignment to customer service excellence
- Dedicated resources and intelligence to track evolving customer needs
- Product innovation in strengthening product features

Regulatory developments

Continued regulatory developments have enhanced the resilience and stability of the insurance sector, amid the challenges created through negative macro-economic variables. Complexity and the frequency with which new regulations are introduced have demanded agility and swiftness of insurers in adopting to such new regulations, with an elevated cost of compliance included.

PI's stature in navigating the challenges - SWOT Analysis



<p>S</p> <p>STRENGTHS</p> <ul style="list-style-type: none"> ■ Full compliance with all applicable laws ■ Strong governance framework 	<p>W</p> <p>WEAKNESSES</p> <ul style="list-style-type: none"> ■ Information system incompatibility to cater to the changing regulatory requirements
<p>O</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ■ Fortification of the resilience of the sector through relevant new regulations 	<p>T</p> <p>THREATS</p> <ul style="list-style-type: none"> ■ Possible non-compliance with the complexity of the requirements of the regulation

How this affects our strategy

- Strategic investments allocated for enhancements in related infrastructural upgrades
- Sharpened compliance and governance structures

Managing for sustainability/ climate change

The significance of corporate social responsibility has never been more pronounced with much social and economic development achieved by the world undone in the recent past by the Russian invasion of Ukraine and economic meltdown in many countries. This dire state is exacerbated by devastating effects on economies and day to day life of people caused by catastrophic climate events. As such corporates are continuing to elevate their contribution as responsible corporate citizens, including the adoption of climate change responsive actions.

PI's stature in navigating the challenges - SWOT Analysis **S W O T**

<p>S</p> <p>STRENGTHS</p> <ul style="list-style-type: none"> ■ Strong CSR agenda aligned to our sustainability policy ■ Product portfolio empowering people 	<p>W</p> <p>WEAKNESSES</p> <ul style="list-style-type: none"> ■ Limited resources spent on sustainability related initiatives
<p>O</p> <p>OPPORTUNITIES</p> <ul style="list-style-type: none"> ■ Nationally critical areas to conduct sustainability initiatives on ■ Scope to launch products which cover climate risk 	<p>T</p> <p>THREATS</p> <ul style="list-style-type: none"> ■ Absence of reliable precedents in covering evolving climate risks ■ Potential escalations in claims, stemming from natural disasters, disruptions to agricultural supply chains and other implications of climate change

How this affects our strategy

- Strategic commitment to corporate social responsibility
- Integration of social and environmental considerations to new business decisions

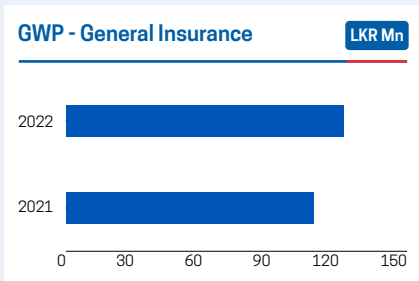
OUR OPERATING CONTEXT AND PI'S STATURE IN NAVIGATING THE CHALLENGES

Insurance sector performance and outlook

Amidst the afore mentioned macro-economic backdrop together with socio-political challenges, the insurance sector demonstrated satisfactory performance, made possible by the sector's resilience and strength. Although continued restrictions on the importation of motor vehicles limited growth in the motor insurance segment, the high interest rates resulting from a tightening monetary policy from the Central Bank of Sri Lanka supported the sector in securing enhanced income from the investment portfolio.

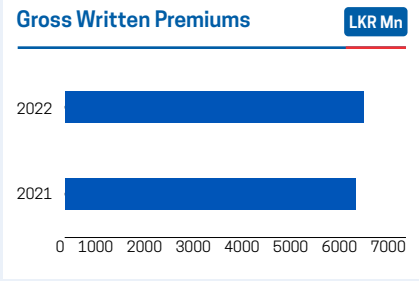
Threat of New Entrants	Threat of Substitutes	Bargaining power of Suppliers	Bargaining power of Buyers	Competitive rivalry
Moderate	Low	Moderate	High	High
A new player in the industry cannot develop as much brand awareness and brand equity as an established player. However, barriers of entry are low in case and so are individual customer switching costs, so overall threat is considered to be moderate.	Not many substitutes per se, but there is always a risk in terms of the potential alternatives the customers can invest in instead of insurance such as stocks, land, gold, etc.	There are a decent number of competitors available for the same value proposition in the industry, Higher switching costs for organisations.	Due to the scarcity of expertise in actuarial valuers and higher human resource suppliers their bargaining power is high.	Even though PI has a good brand equity, there are equally large companies at play in the market causing high price competition in the industry.

Gross Written Premiums



What drove GWP ?

All general insurance sectors grew in 2022, with the exception in health insurance, which saw a marginal drop. Motor continued to be the largest contributor, with a 54% share followed by Health and Fire.



Performance of general insurance sectors - YoY growth

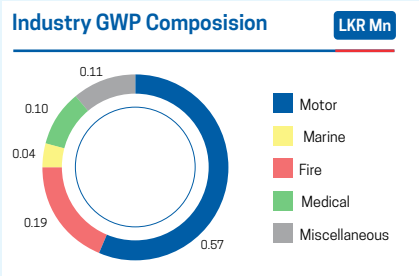
Sector	YoY growth
Motor	10%
Fire	76%
Marine	39%
Miscellaneous	2%
Health	-8%

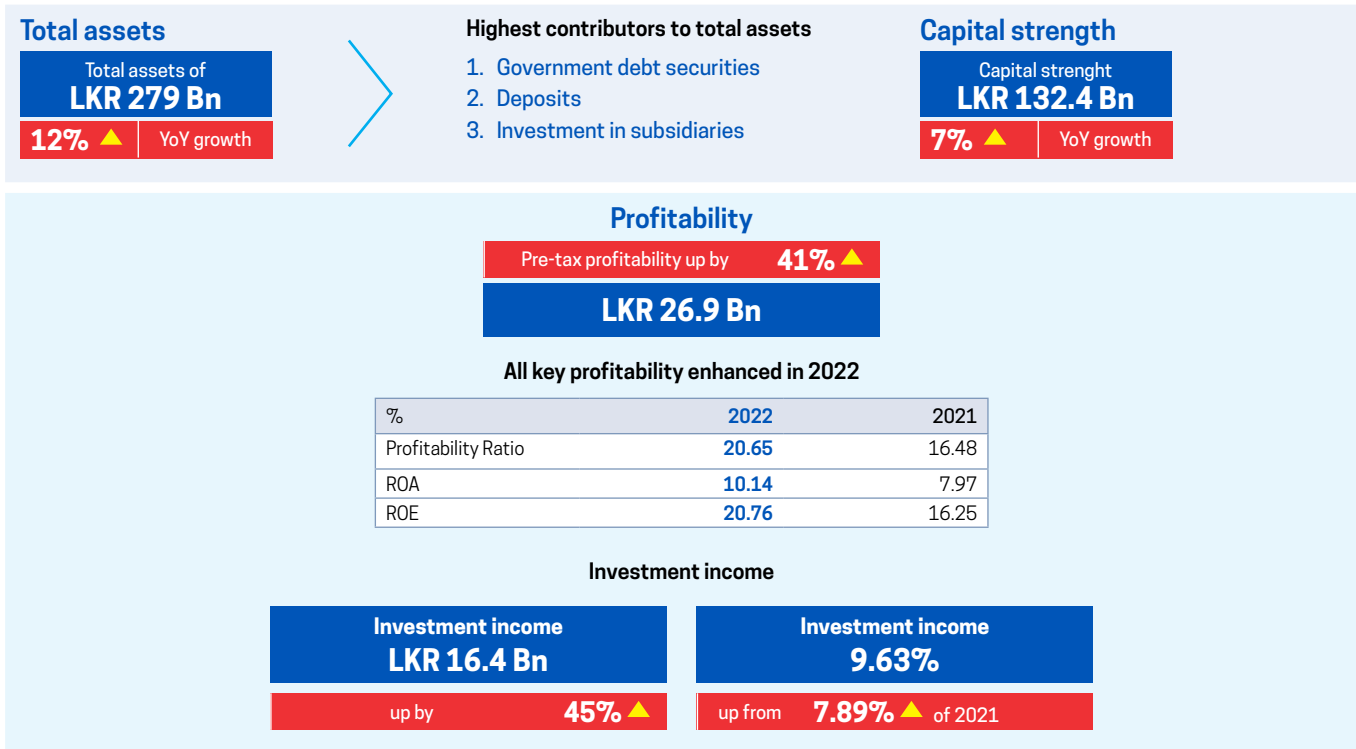
Claims performance

27% ▲ increase YoY

Which sectors drove claims?

Sector	YoY growth
Motor	33%
Fire	-14%
Marine	-24%
Miscellaneous	170%
Health	5%





Source: Industry Highlights, Insurance Regulatory Commission of Sri Lanka



Outlook

With the finalization of the Extended Fund Facility (EFF) from the International Monetary Fund (IMF), Sri Lanka's economy has converged on the right path of economic recovery. Rectification of chronic economic anomalies as a part of the IMF programme is expected to expedite and sustain such recovery. That being in the medium to long run, we anticipate challenges to persist in the near term.

Given the uncertainty on any possible relaxations around the importation of vehicles to Sri Lanka, motor insurance segment, which comprises over 50% of the industry's Gross Written Premium will continue to be under stress. Upside in marine insurance is anticipated with gradual relaxation of restrictions on other importations. Fire segment is also expected to be lacklustre given exorbitant construction costs, which have dampened growth in the sector. High inflation and high taxes which have eroded purchasing powers will adversely affect all segments.

In light of the historically low penetration and lack of sophisticated insurance solutions that characterise the Sri Lankan insurance industry, it is imperative that the sector drives more sustained growth and dynamism in insurance solutions offered.

The insurance sector also possesses considerable upside in driving digitization in responding to evolving customer needs and in optimising costs of operations.

ENHANCING VALUE CREATION

BUILDING ON FINANCIAL STRENGTH

Our financial capital includes the monetary resources of the Company contributed by the shareholder and being enhanced by the value creation activities. Our financial capital mainly includes share capital, retained earnings, other reserves, insurance contract liabilities, financial investments and other sources of funds.

INPUT

Share Capital
Rs. 1,350 Mn

Retained Earnings
Rs. 3,346 Mn

TRANSFORMATION OF VALUE

Investment Management

Sales Management

Budgetary Control, expense containment and optimization

Cash flow, Solvency and Liquidity Management

Sound risk Management, Compliance Framework and Internal Policies and Procedures

OUT PUT

GWP growth
3%

Investment Yield
15.22%

PAT
Rs. 636 Mn

Dividend per share
Rs. 2.5

Capital Adequacy Ratio
270%

Key Financial Risk encountered during the year

Negative impact on revenue targets

Revenue targets of the company have been negatively impacted by the deteriorating revenue disposable income of people and negative macro-economic environment.

Responses

- Implementing more focused reward and recognition strategy
- Revision of product strategy to cater the needs of the changing macro environment

Increased claim ratio

Claim payments were limited in previous years due to restrictions of movements caused by the COVID-19 pandemic. However, with the ease movement the increased volume of claim payments can be seen.

Responses

- Repriced some of the insurance solutions to improve competitiveness
- Improve efficiency of the claim payment process

Increased Overhead Expenses

Higher overhead expenses caused by USD crisis, import restrictions high inflation and devaluation of rupee.

Responses

- Implementation of strong budgetary control
- Scrutinization of Payment through expense rationalization
- Stress on Capital Adequacy Ratio

The negative impact on CAR created by higher risk free rates

Responses

- Performance of scenario analysis to project the CAR on different circumstances and implementation of different remedial actions.

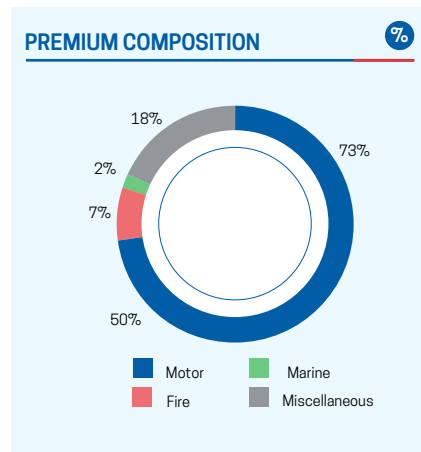
- Close engagement with the regulator to address the issues on high interest rates and impact on the CAR computation

Financial Performance Analysis

Company has grown worthily amid the challenges caused by the negative macro-economic environment variables. We have maintained our stable base and generated a Profit After Tax Rs. 636 Mn. This is however, 35% drop from 2021 profit.

Gross Written Premium/ Net Earned Premium

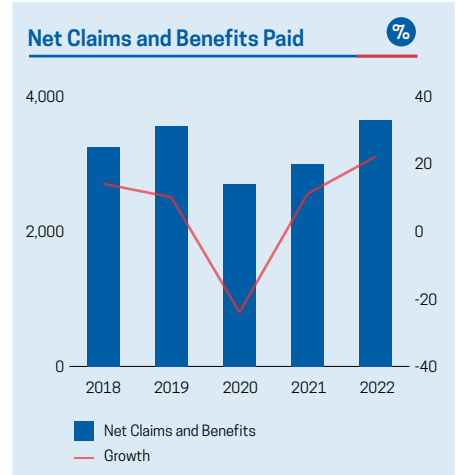
The Company has reported Rs. 6.2 Bn of GWP which is a 3% growth compared to 13% growth in the General Insurance industry. This growth is mainly supplemented by the growth of non-motor sector, issuing a specially designed product for inbound travelers of country. Motor sector reported an 8% drop, while contribution to 73% of the total GWP reported for the year.



Reinsurance premiums ceded increased by 55% to Rs. 1,429 Mn during the year caused by the increased growth in miscellaneous class business. Overall, net earned premium declined by 3% to Rs. 4,992 Mn in 2022.

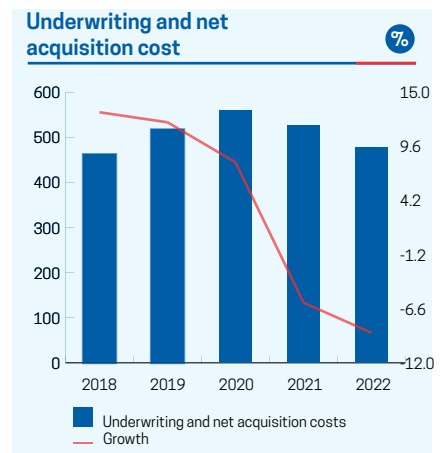
Net Claims and Benefits Paid

Claim expense of the Company has grown by 22% to Rs. 3.6 Bn which is in line with the normal industry standards. This is mainly caused by the increase in motor claims by 26% and increased mobility of people and cost of spare parts.



Underwriting and net acquisition cost

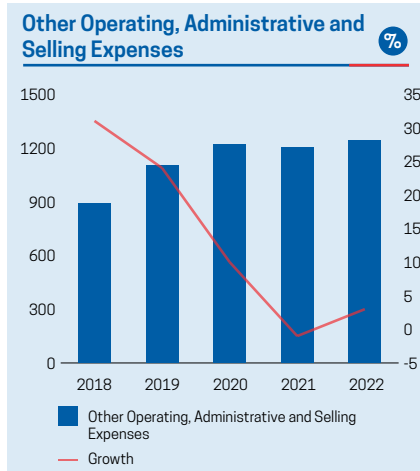
Acquisition costs are direct costs incurred by the company to acquire businesses. This is the amount of commissions and incentives paid to intermediaries to acquire business less any commission income due to reinsurers for placing business with them. During the year this cost has been reduced by 9% to Rs. 477 Mn. The reduction is mainly caused by the reinsurance commission income receipts from miscellaneous class business.



ENHANCING VALUE CREATION

Other Operating, Administrative and Selling Expenses

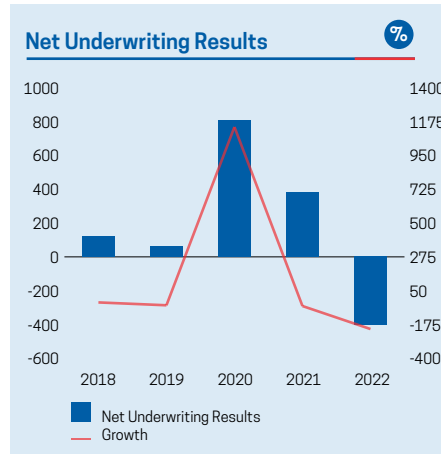
Costs that are incurred to manage day to day business and generate current and future revenues. Operating expenses increased by 3% to Rs. 1,240 Mn compared to Rs. 1,204 Mn in 2021. This is mainly occurred as a result of cost increase brought in by external forces such as rupee depreciation, increase in taxes and continued inflationary pressures. However, prudent cost management initiatives enabled company to maintain the increase at the minimum and limit the impact on the profitability.



The net combined ratio which is an addition of the claims ratio and the expense ratio increased to 108% (2021 - 93%) with the increase in claims. The increase is mainly caused by higher claim ratio of which was low due to COVID-19 lockdowns.

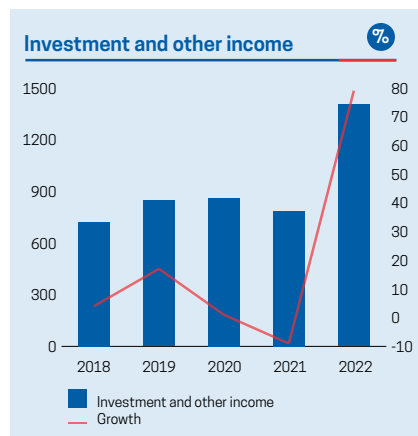
Net underwriting results

The underwriting loss declined by 205% during the year to Rs. 403 Mn (2021: Rs. 384 Mn) mainly due to increase in claim frequency and severity with the reopening of the country after COVID lockdowns and increase in spare part prices.



Investment and other income

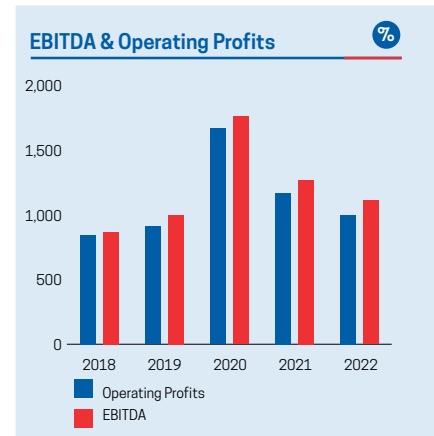
Pl's investment & other income comprised of fee income, interest & dividend income, net fair value gains/ losses and other income. This has increased by 79% to Rs. 1,403 Mn for the year mainly owing to high interest rate environment and efficient fixed income management strategy implemented by the Company. The strategy focused on reallocating assets to maximize yields in a high interest environment while managing risks within tolerance levels.



Operating Profits and EBITDA

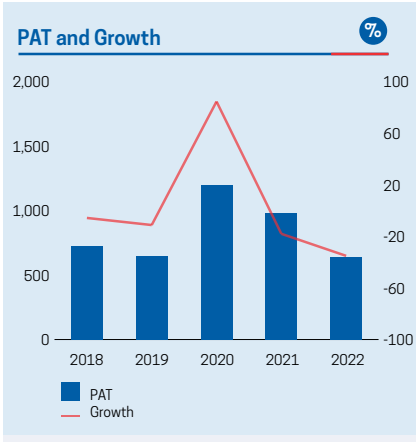
The profit before tax for the year was Rs. 1,000 Mn; a 14% decrease compared to Rs. 1,169 Mn in 2021. The decrease is mainly due to underwriting loss of Rs. 403 Mn. However, this loss is partly offset by the outstanding increase in Net investment income and curtailment of expenses. The increase in investment income is due to efficient asset allocation to high yielding instruments and increase interest rate trajectory.

EBITDA for the year has witnessed a de-growth of 13% amounting to Rs. 1,111 Mn compared to Rs. 1,270 Mn in 2021.



Profit After Tax

The company reported a PAT of Rs. 636 Mn in 2022 compared to Rs. 980 Mn in 2021. This is not in line with the movement of the PBT which is due to increase in tax expense as a result of increase in income tax rate from 24% to 30% which was charged at 50:50 basis on total tax liability.



Other Comprehensive Income

Other comprehensive income during the year amounted to Rs. 34 Mn and included losses arising from Fair Value Through Other Comprehensive Assets (FVTOCA) of the Company.

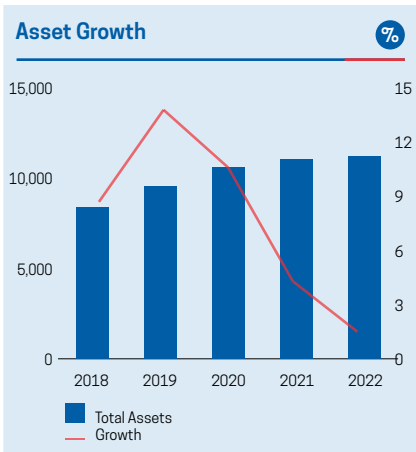
Financial Position Analysis

Total Assets

The total asset base grown to Rs. 11 Bn as at 31.12.2022 reflecting a growth of 1.5% against the last year showcasing the stability of Company's financial position.

Composition of Assets

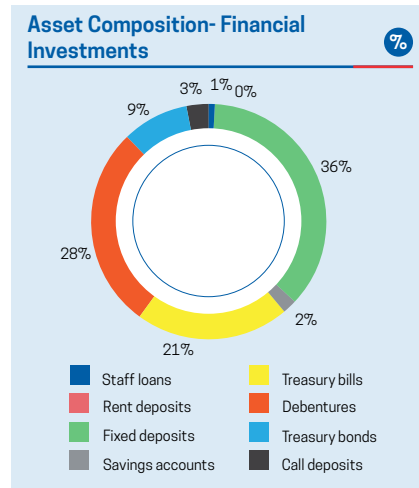
Financial investment account for 78% of total assets and balance 22% includes property plant and equipment, lease assets, RI and Premium receivables, cash and cash equivalents etc.



Financial Investment

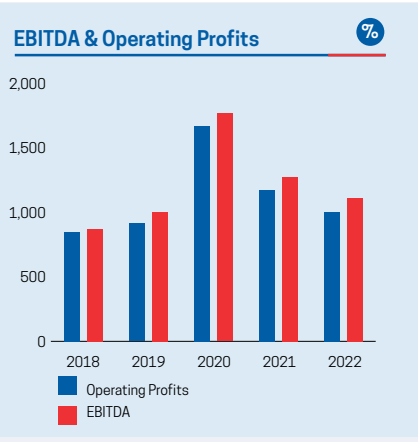
Total value of financial investments amounted to Rs. 8.7 Bn and decreased marginally by due to payment of super gain tax and dividend. The total financial investment comprises a prudently managed, well diversified asset mix which is managed by segregating into different funds. A larger percentage of the of the fund is invested in the counterparties with high quality credit ratings. The key assets held under these funds are fixed deposits (36%), corporate debt (28%), treasury bills (28%), treasury bonds (9%) and other assets (6%).

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. 4,653 Mn has enabled us to maintain a CAR well above the minimum capital requirements of the RBC regime. PI maintained a CAR of 270%, well above the industry average of 210% for general insurers.



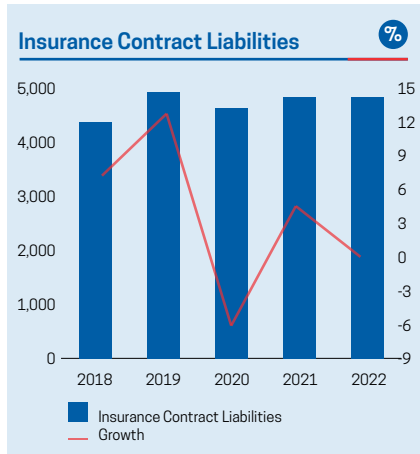
Liabilities

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 43% of liabilities and increased by marginally 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 2022. 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 2022.

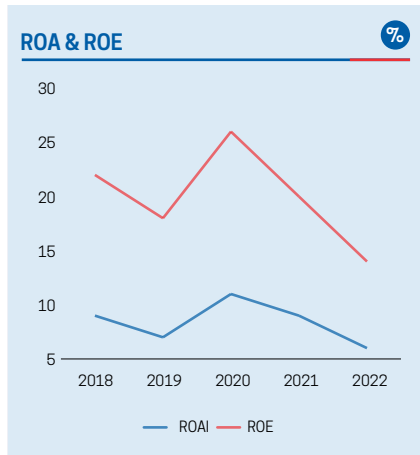
At the end of each reporting period, insurance companies are required to carry out a Liability Adequacy Test (LAT) according to Sri Lanka Financial Reporting Standards (SLFRS) 4 - Insurance Contracts. LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). 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 2022.

ENHANCING VALUE CREATION



Return on Assets (ROA) and Return on Equity (ROE)

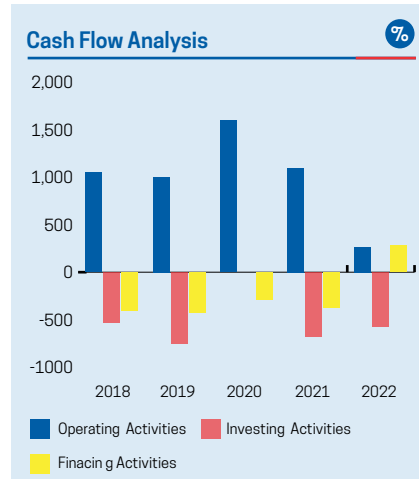
ROA and ROE during the year stood at 6% and 14% respectively compared to 9% and 20% in 2021. The movement is in line with the business growth. Decrease is due to low loss ratios in 2021 due to COVID lock downs.



Analysis of Cash flow statements

Cash flow analysis represents company capacity to repay its obligations, ability to adapt and survive in changing circumstances and generate sufficient cash for future expansions.

The Company's cash and cash equivalents decreased by Rs.42 Mn. Cash flows from operating activities decreased by 77% to Rs.267 Mn reflecting the increase in reinsurance receivable payments and higher surcharge tax payments. Excess cash was utilized to invest in financial instruments and other liquid investments. The cash flow from investing activities has resulted in Rs. 283 Mn and Net cash outflows from financing activities increased to Rs.572 Mn, reflecting a relatively higher dividend payout during the year.



Way forward

Enhancing our financial capital is key to ensuring sustainable value creation for our shareholders while also accomplishing the needs of our other stakeholders. While remaining optimistic about the Sri Lankan economy, we are implementing a prudent and agile financial strategy to ensure strong financial performance and stability in years to come.

MANUFACTURED CAPITAL

DIGITAL AND BRANCH INFRASTRUCTURE

CREATING CUSTOMER-CENTRIC PLATFORMS

Manufactured capital consists of our branch network, digital infrastructure, plant and machinery and other physical infrastructure that the organization possesses, leases or controls in contributing toward production and service provision. These tangible assets play an important role in the sustainability of the organization, supporting flexibility, responsiveness to market or societal needs, innovation and efficient service delivery, while also encouraging effective resource usage for enhanced productivity.

Investment in PPE during
2022

Customer touch points
142

Revenue per branch
Rs. 43 Mn




Maintenance expense as a % of GWP	1.64%
Investment in maintenance	Rs. 2.5 Mn

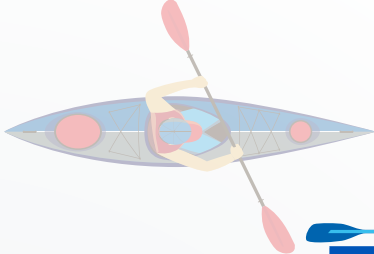
Our presence

As part of a larger Group, People's Insurance benefits from a low-cost distribution mode as it is able to leverage the extensive branch network of both its parent and the ultimate parent. With a network comprising of 142 customer touch points 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.

DIGITAL AND BRANCH INFRASTRUCTURE

Operational Footprint

-  No of Sales Officers
-  Regional Office
-  Window office at People's Leasing & Finance PLC branch network



North Western Province

34 1 10

North Central Province

24 1 6

North & Eastern Province

23 3 13

Western Province

66 3 35

Central Province

40 1 11

Uva Province

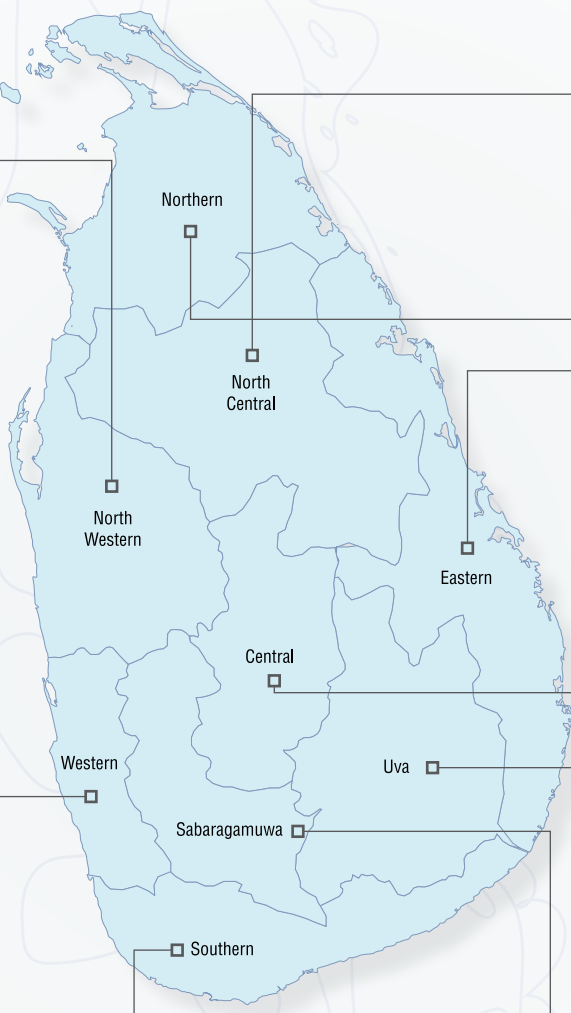
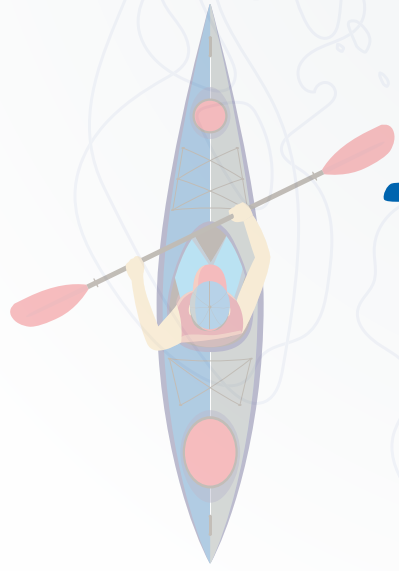
13 1 6

Southern Province

53 3 14

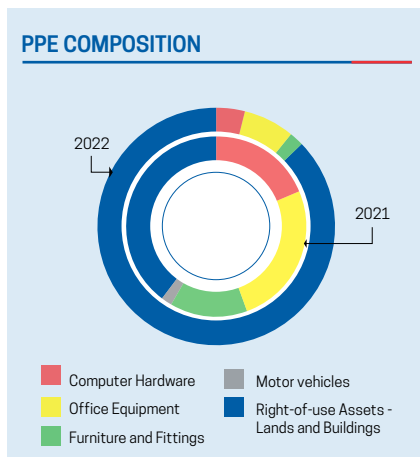
Sabaragamuwa Province

24 1 8



Investment in manufactured capital

Our manufactured capital amounted to Rs. 382 Mn as at the end of the year, accounting for 3% of total assets. Physical infrastructure accounted for 96% of the Company's PPE, while digital infrastructure accounted for 4%. Capital expenditure for the period under review amounted to Rs 6.3 Mn, consisting of new investments and regular maintenance carried out to the existing manufactured capital. Given the uncertainty and volatility in the domestic economy, upgrades to our manufacturing capital were very marginal this year.



Digital infrastructure

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.

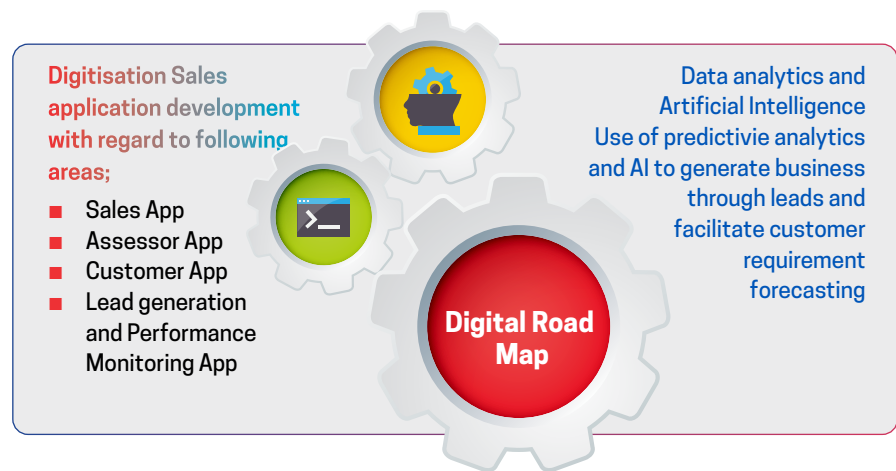
Our digitisation journey places increasing reliance on IT systems to process personal information. Thus, it is imperative that we safeguard our information assets and protect personal information in our day-to-day business operations. Our challenge is to ensure that our IT systems and data are adequately secured without impeding access to customer information. Our cybersecurity and privacy frameworks ensure that we can effectively monitor, govern and enforce best practice policies, comply with applicable privacy and data protection laws, and appropriately respond to and recover from cyber-related incidents and prevent or minimise data loss.

Key Technology investments during the year

- Offering Online Travel Insurance policy for Workers traveling abroad
- Issuing Online Covid-19 Insurance Policy
- Automated reminder process through SMS for outstanding payments
- Management information system improvements to ensure availability of quality information for decision making

Key security improvements

- Net work security enhancement
- Strengthen the Firewall through version upgrade and Implementation of new cloud-based virus guard
- Performance of annual ISO audit to enhance quality and compliance
- Improvement of existing role-based access rights mechanism



Way forward

In this challenging context, our focus is to invest wisely and strengthen our manufactured capital base, elevating our capabilities to the next level. 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. We will also continue on our journey towards advancing our digital infrastructure which help us remain resilient through the challenging times.

OUR PEOPLE

OUR MOST VALUED ASSET

The employees of People's Insurance are a vital asset in developing the business. As we endured many challenges during the year, the unwavering support and commitment of our team were the oars that steered the company forward. Thus, we focused our efforts on appreciating their hard work through a comprehensive value proposition, and supporting them in return, through the tough times to the best of our ability.



KEY HUMAN CAPITAL PRIORITIES OF 2022

Inculcate a performance driven culture:

- New incentive schemes to reward high performers.
- Salary adjusted targets.
- Addressing poor performers via Individual Development Plans/ Job Rotations/ Demotions/ Exit strategies.
- System driven annual KPIs linked to performance evaluation grading and rewards.

Building Essential Skills and Competencies:

- Bridge the identified training gaps through rolling out the training calendar for 2022.
- Track the development of sales staff through monthly performance/ KRAs achievement and take necessary actions.
- New induction process in place.

Cultivating Future Leaders:

- Identification of successors for key positions.
- Development of Individual Development Plans (IDP) for identified successors.
- Promotion Policy and career paths.

HR Business Partner**Industry par Pay structure:**

- Fix the salary anomalies of existing staff to increase retention.
- Attract a better candidate pool for hiring right talent.

Employee Recognition and Relations:

- Quarterly appreciation for top performers.
- Annual awards ceremony.
- Annual get-together, New Year celebrations, Wesak celebrations, Christmas Carols, Welfare society initiatives.

KEY CAPITAL TRADE-OFFS

Rs. 695 Mn
worth employee benefits
and welfare

Rs. 7.8 Mn
worth investments
in training

Rs. 1.4 Mn
investment on
new recruits

Our management approach

Understanding the HR function's contribution to business growth, we continue to improve our people-related strategies as well as governance structures. Our method of managing human resources is consistent with that of the Group. The current human resource policies and practices have been set up in accordance with all legal requirements and best practices in the sector and a comprehensive policy framework is in place that aids the management of personnel.

In order to ensure enhanced professionalism and the ability to handle future problems, the aforementioned HR-related policies are supported by a clearly defined governance structure that is frequently evaluated and updated. In accordance with the Board's instructions, various HR positions were restructured throughout the year.

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Attraction & retention

- Recruitment policy
- Communication policy
- Bonus policy
- Grading, title matrix and benefits policy
- Certificate of appreciation

Development

- Training and development policy
- Succession planning
- Career progression and promotion policy
- Performance management policy

Diversity & inclusivity

- Nondiscrimination 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

Behavior

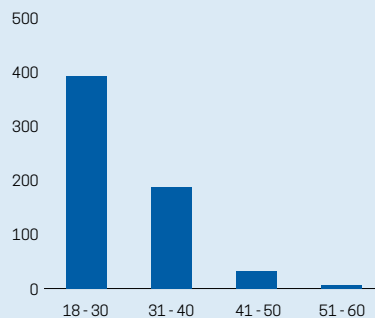
- Employee handbook
- Employee code of conduct
- Disciplinary code
- Anti-fraud policy
- Anti-bribery policy
- Code of ethics

The 620 employees that comprise our talent pool come from a variety of religious, geographical and cultural origins across the nation.

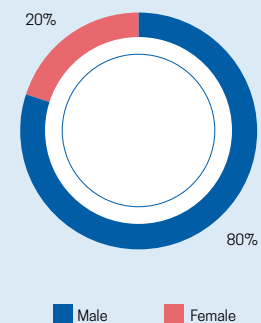
Team Profile

We endeavor to establish a pleasant workplace that respects and values each employee as we are an equal opportunity company. The 620 employees that comprise our talent pool come from a variety of religious, geographical and cultural origins across the nation. All employees work full-time at People's Insurance.

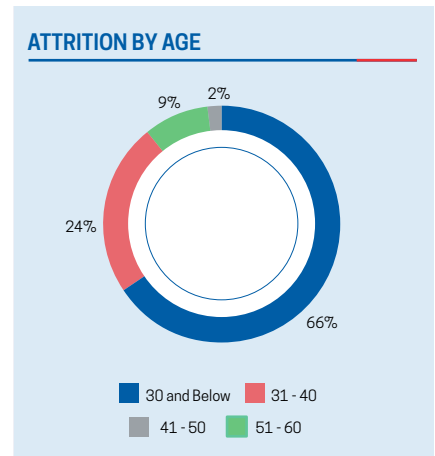
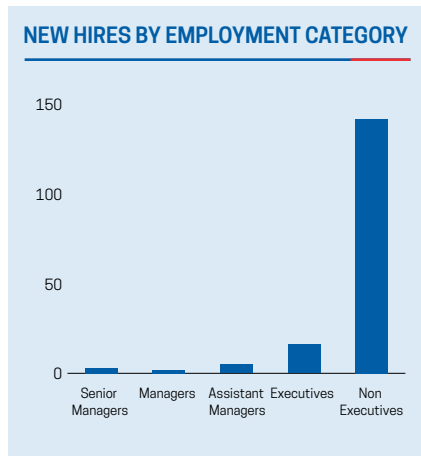
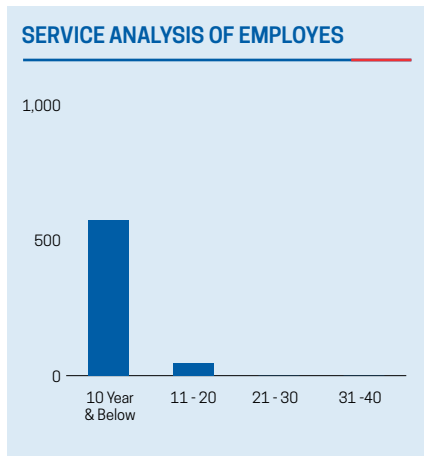
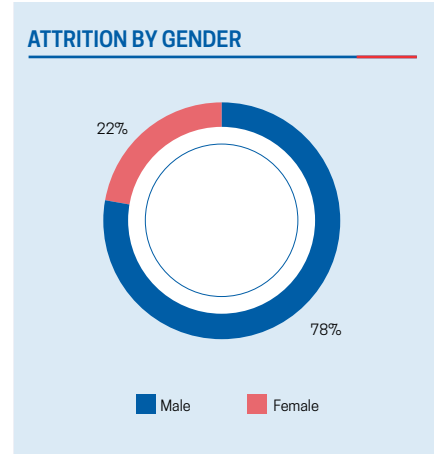
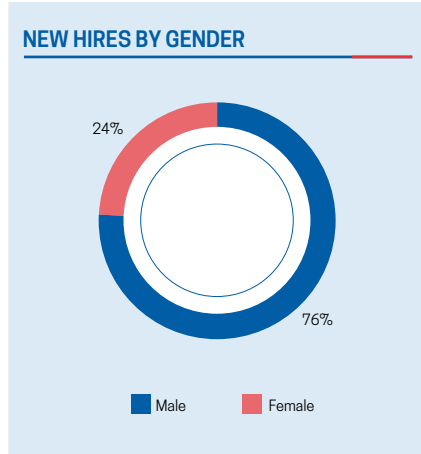
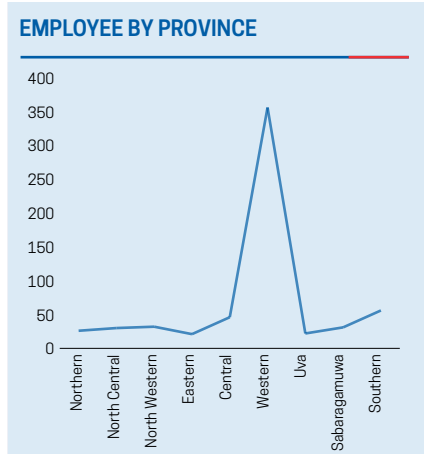
EMPLOYEES BY AGE



EMPLOYEES BY GENDER

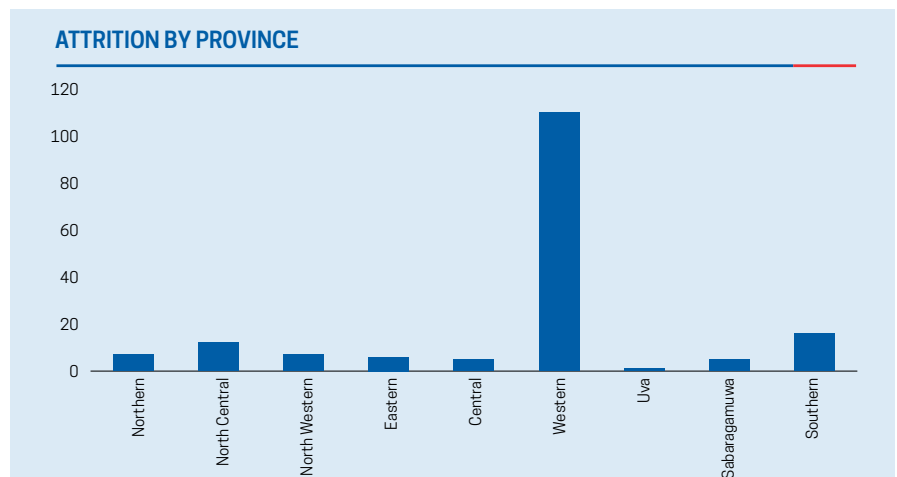


OUR PEOPLE



Movements in our team

Our hiring policies ensure that exceptional people with the necessary qualifications are identified and hired after a thorough selection process that aims to give everyone an equal chance at every step. During the year there were 168 replacements from all over the country.



26.2%
Attrition Rate

Our HR strategy

The company's human resources strategy is aligned with the overall corporate plan. In order to hasten the deployment of automation and introduce new working practices, the HR function played a key role throughout the year.



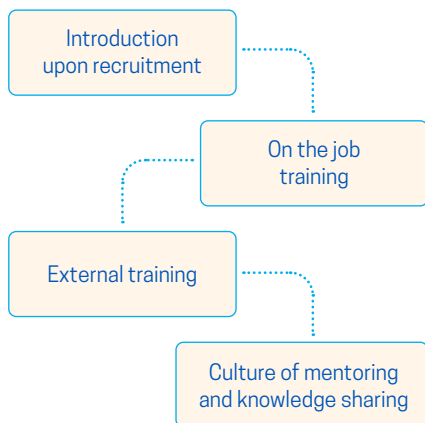
To develop and provide value for our people, the HR division undertook the following key initiatives:

1. Training and development opportunities

A key component of our employee value proposition is to offer opportunities for training and development. We kept improving our talent pool with the goal of giving employees the ability to lead organizational success. Performance appraisals identify training needs, which are then addressed and provided by our specialized training and development center.

A total of Rs. 7.8 Mn. was spent on training and development throughout the year, accounting for 15,776 hours of training for 620 employees.

The following elements form our training agenda.



Area of Training

Grooming session for Head office staff	Product Refresher	Motor Claims
Call Handling Etiquette	Happiness for life	Selling Skills Training for Sales Staff
Benefit based Sales Training	Management Development Programme	Fire and Miscellaneous

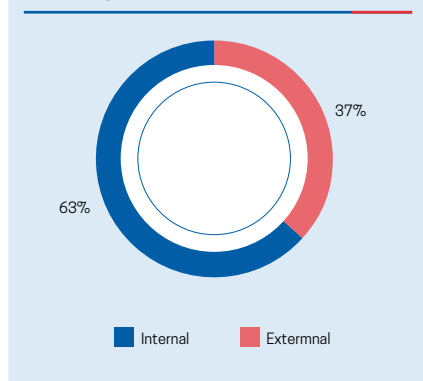
Inhouse training programs

3

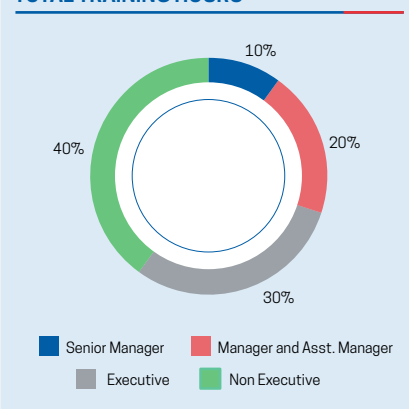
Number of external training programs

8

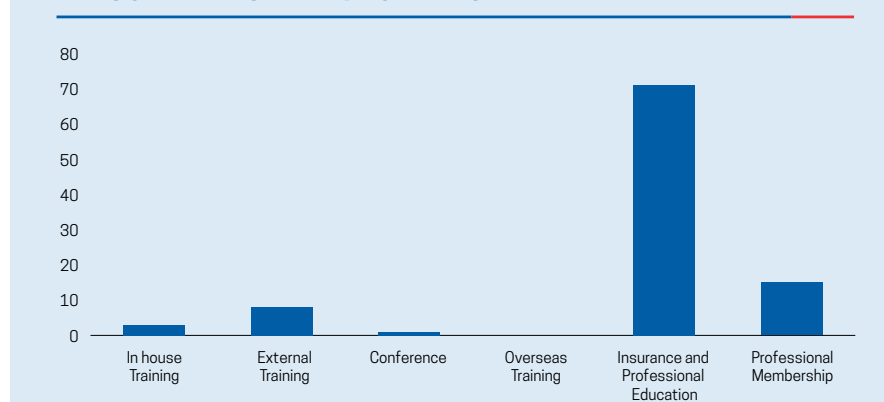
INTERNAL AND EXTERNAL HOURS OF TRAINING



TOTAL TRAINING HOURS



AREAS OF LEARNING AND DEVELOPMENT SPEND



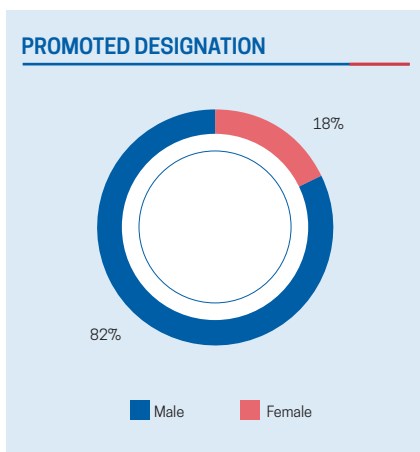
OUR PEOPLE



2. Career progression

We are dedicated to building a secure and supportive work setting which enables employees to fulfill their responsibilities while advancing their careers. By encouraging our staff to increase their knowledge and credentials, we help them realize their full potential. The company also encourages lifelong learning by paying all expenses for professional insurance, marketing and finance certifications, professional subscriptions and MBAs, the company also encourages its employees to continue studying throughout their careers.

No. of promotions given during the year: **222**



3. Remuneration, Recognition and Rewards

To encourage and motivate high performers, the organization promotes a performance-based culture where employees are evaluated based on system-driven key performance indicators. Individual KPIs are linked to the larger corporate business plan and employees are rewarded through performance-based bonuses, promotions and increments.

To attract and retain brilliant people, we provide an appealing pay plan. Our pay system is comparable to industry standards and includes both fixed and variable components. The variable component is determined by annual performance reviews and is related to employee performance. Total staff costs for the entire year amounted to Rs. 695 Mn, an increase of 24% over the previous year. Permanent employees of the company are subject to two performance reviews each year, during which both individual and group performance are evaluated.

A. Remuneration and benefits

Statutory benefits

- EPF 12%
- ETF 3%

Loans

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

Insurance

- Medical insurance cover
- Personal accident
- Life insurance cover

Other

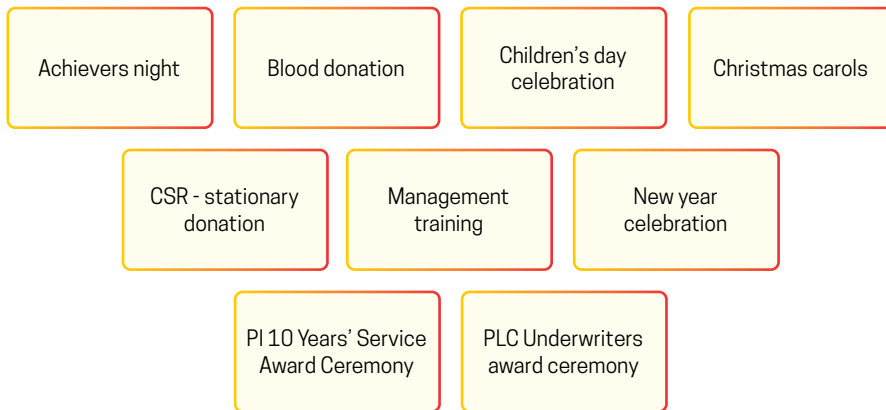
- Travelling reimbursements
- Gymnasium and sports facilities
- Staff welfare society benefits
- Professional subscription reimbursement
- Reimbursement of mobile phone cost
- Leave encashment
- Higher education aid

B. Employee Recognition

Employee morale is raised via employee appreciation programs, which can match individual career aspirations with business objectives. The appreciation program, which was launched last year, rewards the staff for their great service, hard work, and dedication. Also, in recognition of their contributions to the organization, employees who have worked for the company for ten years are given a plaque, certificate, and hotel voucher.

4. Active engagement

Our open-door approach encourages staff members to voice their complaints at any time, and they can also use a formal grievance redressal procedure that is independently run by the HR department. Effective involvement is ensured by regular staff and team meetings, which also help workers feel heard, appreciated, and valued. We also advocate for work-life balance, which is essential for maintaining a happy workforce. To encourage togetherness among the workforce, several welfare events are typically held each year.



5. Relationships with trade unions

40% of all of our employees are represented by a trade union, and we respect their freedom of association and collective bargaining. Throughout the year, good ties with the union representatives were maintained, and there were no instances of work interruptions due to labor conflicts. Besides the unavailability of collective bargaining agreements at the company, appropriate notice is always given for any important operational changes to guarantee employee buy-in.

6. Gender parity at PI

We believe that a varied and inclusive workplace enhances decision-making by integrating various abilities, concepts, and viewpoints. As an equal opportunity employer, we are committed to making sure that our policy framework, employee practices, and processes reflect this perspective. Driving gender equality is a major element of our HR strategy. Our workplace is open to both male and female employees and offers possibilities for career advancement while upholding a healthy work-life balance.

PI is dedicated to creating an inclusive workplace and offering chances for talented people, regardless of gender. The overall gender representation is still biased toward men due to the nature of our firm, which frequently hires men for marketing and field officer responsibilities. The high amount of female representation in management, however, demonstrates our dedication to creating an inclusive work environment.

Male : **497**

Female : **123**

Gender diversity

Male : **80%**

Female : **20%**

No. of female staff who received bonus during the year: **104**

Training programs

Male : **75%**

Female : **25%**

Ratio of basic salary and remuneration

Male : **73%**

Female : **27%**

Diversity & inclusion

Equal opportunity employer

Remuneration

No gender based discrimination

Sexual harassment

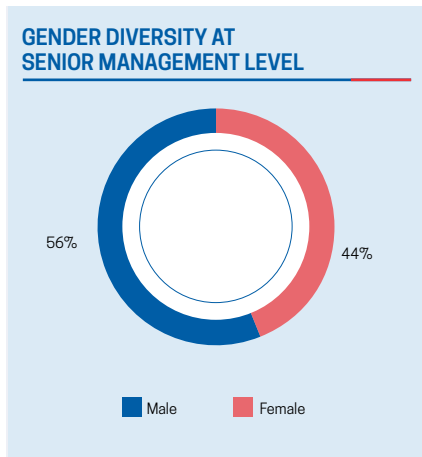
Anti sexual harassment policy

Training opportunities

Equal opportunity for training and development

OUR PEOPLE

Parental Leave	2022	2021 (Maternity Leave continue to year 2022)
Employees entitled to parental leave	7	5
Employees that took Parental leave	7	5
Total number of employees that returned to work in the reporting period after parental leave ended	5	4
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	5	4



7. Work Life Balance

Greater work-life balance has been made possible by offering the remote working option for our staff. With the required infrastructure, technology and training, we have helped our staff seamlessly make the switch to working remotely.

Way forward

We continue to develop the skills and capabilities of our employees to meet the evolving needs of our customers while exploring innovative recruitment modes to source and develop the right skill set. Further, we are committed to explore new work models that guarantee work-life balance, higher levels of productivity and greater job satisfaction.

INTELLECTUAL CAPITAL

THE STRENGTH OF OUR BRAND

EMPOWERING A RESILIENT NATION



Our brand is one of the most trusted in the country, evolving with the times to ensure that it remains relevant to a new generation of stakeholders. It appeals to people from all walks of life portraying the company's inherent caring persona. Prior to the rebranding, the company's brand was built on a foundation of love and trust. However, in 2022, we embarked on a journey to revamp our brand positioning to reflect our strength and stability as well as our desire to contribute to the Sri Lankan economy, particularly during these challenging times. Thus, our brand promise is now focused on empowering a resilient nation.

During the year we spent a significant amount of time to ensure that our systems support our promise and that our team is on board with the brand values and promise. This has made it possible for the brand to venture into prioritisation of channels such as the importance of new media entering the picture and the use of concepts such as social listening to identify what our customers and target groups have to say within the current economic momentum.

This has also sparked a variety of new and innovative initiatives, such as collaborations, to understand the brand's improved visibility. With the growing brand visibility, especially in the urban and non-urban areas we have also been able to successfully launch new products targeting specific industries such as tourism, that support Sri Lanka's economy.

Thus, it is a shift to a more contemporary brand image that will resonate with the customer of tomorrow.

People's Insurance currently holds the largest follower base of specifically general insurance platforms with a high Page Performance Index (PPI) of 30% and a significant follower growth of 6.3%. We have an average Unique Account Reach (UAR) of around over 3.5 million with an average monthly impressions total of nearly 6 Million Digital Impressions.

Highlights of 2022

Restructuring our brand image in line with the needs and desires of the new-age customer – Rs. 25 Mn investment in brand building.

Persistent improvements in efficiencies will lead to long-term growth in financial capital.

Rs. 2.9 Bn GWP generated through captive channels.

Expense ratio of 35% considerably better than the industry average

THE STRENGTH OF OUR BRAND

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. Operating in the insurance business, trust is an integral element of our business transactions. As part of the People's Bank Group, we have inherited a culture, values and a governance system that have remained resilient over decades in managing the finances of people and businesses. The Company has capitalised 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. These elements combine to create a unique brand value that is nurtured within the organisation through structured communication processes including actioning feedback received wherever appropriate.

1. Generation of Rs. 2,886 Mn of GWP through captive business channel
2. Cost effective distribution 103 window offices at PLC & 25 at People's bank
3. Economies of scale for bulk purchases
4. Cross-sell opportunities
5. Joint market efforts leveraging on the People's brand
6. Shared ICT services

Tacit knowledge

Operating in a service industry, knowledge and skills of our employees and our sales force plays a crucial role as these create the differentiation element for customers. The tacit knowledge of PI is sharpened by its established track record in the insurance industry and a culture of continuous learning and mentoring which supports knowledge sharing. It provides a definite 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

Systems and processes established to cater to our stakeholder needs form a vital part of our Intellectual Capital. In a highly volatile operating landscape, the company's robust systems and processes facilitated the smooth shift to new working models to ensure uninterrupted business operations. During the year we continued to re-engineer and automate our processes with the aim of simplifying transactions and providing our customers a seamless experience.

Way forward

We will continue to invest in the best talent and tools to meet the strategic goals of our business while helping to drive brand recognition. As we focus on expansion and sustainable growth, our new brand positioning will enable us to better leverage our underwriting acumen, market expertise and consistency of appetite as we enhance the ease of doing business across the nation. In this continuous journey of strengthening our brand our main focus for 2023 will be directed towards,

- Addressing all our customers' concerns, which goes beyond simply offering them a product but also involves taking a comprehensive approach to insurance.
- Capitalizing on group synergies, including the customers of People's Bank.
- Forming alliances with governmental organizations to promote further penetration.
- Taking advantage of client information to create a number of new goods with a low premium focus.

ENDURING RELATIONSHIPS

STRENGTHENING BONDS



The way we collaborate with our customers, suppliers, communities and other stakeholders is defined as our social and relationship capital. This is not just important to our success, it ensures we add value for all of them and that, together, we add value to society. Over the years, PI has built strong partnerships with its stakeholders based on mutual trust and respect. Our commitment to ESG and value enhancing growth drives all the efforts we make to cater to stakeholders' expectations.

COMPOSITION OF OUR SOCIAL AND RELATIONSHIP CAPITAL

Over **188,360**
customers

120 agents

155 suppliers and
business partners

15 reinsurers

Community
Relationships

OUR FOCUS AREAS

Fostering stronger customer
relationship

Responsible
supply chain

Strengthening ties with
communities

ENDURING RELATIONSHIPS

Building Customer Loyalty

Our reputation and level of trust have been built on the foundation of shared values, commitments and knowledge. The ever-strengthening bond between the customers and the Company, and their eagerness to keep doing business with us is a testament to the quality of service we offer. Thus, customer capital management is always considered of high importance and adequate resources are allocated to ensure we achieve our mission of creating sustained value for all our customers in line with strategic priorities.

Highlights of 2022

No. of policies renewed:
137,750

No. of policies issued:
242,019

Investment in marketing communications:
Rs. 30.3 Mn

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. Customer reach and accessibility have been our strengths over the years and we continued to enhance customer convenience during the year under review.

People's Insurance operates with a low-cost distribution model as it has the ability to capitalise on the extensive branch network of both its parent as well as the ultimate parent. With a network comprising 142 customer touch points 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.

One corporate office and 14 regional branches	103 window offices at PLC	180 Insurance brokers and agents
25 representatives at People's Bank	196 marketing staff	Digital delivery through People's Bank branches

Accessibility

Every stage of the customer's relationship with us is defined by our intense customer centricity. This is underpinned by proactive customer engagement, a yearly plan of marketing and promotional initiatives, a methodical procedure for managing complaints, and reliable tools for gauging customer satisfaction levels.

Digital innovations

We made online channels available for engagement in order to improve client convenience and accessibility.

- Online solutions enabled customers to purchase new insurance policies.
- Facilitating online payment methods.
- Customer claims are settled online through SLIP transfers, and claim forms are uploaded digitally.
- The release of the Assessor app enables smooth operations.

Service excellence

Managing customer relationships is integral to sustain growth and value creation in our business. Our value proposition to customers is built on four main pillars: product portfolio, accessibility, ethical business conduct and customer engagement. These pillars enable us to meet customer expectations, which is essential for the long-term viability of our business. Our standards for employees while engaging in business with third parties are outlined in our "Policy on Business Ethics."

Any customer grievances are taken into consideration and handled by a dedicated customer grievance unit.

- Customer retention: **68%**
- Customer complaints resolved: **83%**
- Claims incurred: **Rs. 3,638 Mn**

Social media is another key platform which we heavily use to connect with customers. People's Insurance currently holds the largest follower base of specifically general insurance platforms with a high Page Performance Index (PPI) of 30% and a significant follower growth of 6.3%. We have an average Unique Account Reach (UAR) of around over 3.5 million with an average monthly impressions total of nearing 6 million digital impressions.

To ensure that we have a greater presence and performance in terms of communication, we embarked on digitizing our customer communication channels. We do this by engaging with clients and other prospective stakeholders through our platforms, and we optimize the website so that people can interact with it, learn more about our products and services, and even get insurance quotes directly from the site. The entire sales process has been converted to a digital platform, and moving forward, search engine marketing will take priority.

Certifications

Given the major obstacles that persisted over the course of the year, the Company's strong frameworks of systems and processes have enabled the transition to new working patterns. The systems and organizational framework already in place have provided a strong base for this transformation, ensuring that the foundations stayed the same while allowing for the flexibility to adopt new working methods.

■ ISO 9001: 2005 Quality Management Certification

The national body for quality management systems, Sri Lanka Standards Institution, awarded us this certification, making us the first general insurer to achieve this. The certification covers the provision of services related to the underwriting of insurance policies, claim resolution and supportive services for general insurance covering fire, engineering, marine, motor vehicle, employer's liability and miscellaneous insurance business, as well as arranging reinsurance and co-insurance services.

■ 5S in collaboration with the National Productivity Secretariat

Customer privacy

At People's Insurance, sensitive personal data that customers supply during routine business transactions are handled with utmost care. We have always valued customer privacy as it has the potential to negatively affect our brand, interfere with the customer experience, and damage our reputation. We take every effort to safeguard the customers' private information that we have access to and have made significant investments in cutting-edge IT infrastructure and stringent process controls to guarantee that customer privacy is always preserved. There were zero complaints about the loss of customer data or privacy during the year.

Product pricing and information

With the use of good actuarial and underwriting practices, we apply fair pricing policies which give us the value we deserve for the goods we offer. Inflation and current market trends are taken into account when pricing is reviewed which guides us in terms of the investments required for growth while ensuring the right return on investments. There have been no instances of legal action brought about by anti-competitive, anti-trust or monopolistic behaviour.

Seasonal marketing initiatives, monthly media releases, road shows and promotions on digital and print media are used to provide information on our products. Our insurance proposals containing information on the products such as insured values, premium payments and terms and conditions are available in all three languages facilitating better decision making for customers. Furthermore, our sales officers are well equipped to explain the product details to the customers at the point of sale including all inclusions and exclusions to the policy terms and conditions. All marketing communications are conducted in an open, courteous manner without gender bias. Over the course of the year, there were no incidents of non-compliance with any laws, voluntary rules or other standards relating to marketing communications.

ENDURING RELATIONSHIPS

STRENGTHENING BUSINESS PARTNERSHIPS

With a wide range of business partners, we work to develop positive working relationships that will help us realize our strategic and operational goals. As we work to build our brand equity and expand our reach, these connections are vital in connecting us with customers. The following provides an overview of how these partners helped the company create value:

Key partnerships

	Reinsurers and reinsurance brokers	Motor related business partners	Suppliers	Insurance agents and brokers
Profile	15 reinsurers are based in Sweden, the UK, Singapore, and India. We only work with reinsurers rated B+ and above, as required by Sri Lanka's Insurance Regulatory Commission.	Vehicle agents, assessors, valuers, and motor garages are included in the stakeholder group since they are essential to the growth of our automotive insurance business.	We work with 153 general vendors to buy things like furniture, IT hardware and office supplies.	There are 120 licensed insurance agents in Sri Lanka that are registered with the Insurance Regulatory Commission of Sri Lanka.
Value creation/ Value delivery	<p>Creation: By offering financial security and risk diversification, these stakeholders allow the company to underwrite more business.</p> <p>Delivery: generates reinsurance premiums, which provide a consistent flow of cash.</p>	<p>Creation: A chance for corporate growth that makes it easier to monitor and process claims.</p> <p>Delivery: Offering valuation officials with thorough training on customer service, regulations, their role in insurance inspection, etc.</p>	<p>Creation: facilitating the prompt delivery of a variety of office supplies and consumables to ensure the efficient operation of our business.</p> <p>Delivery: Possibilities for business growth</p>	<p>Creation: By establishing a solid connection between the Company and potential customers, agents and brokers help us increase our reach and solidify our market position.</p> <p>Delivery: We offer in-depth training on a wide range of subjects, including, among others, products, procedures, professional conduct and customer relationship management.</p>
KPIs	<p>Reinsurance premium: Rs. 1,429 Mn (+ 55%)</p> <p>Reinsurance ratio: 23%</p>	<p>Payments to motor related business: Rs. 494 Mn (- 7%)</p>	<p>Payments to suppliers: Rs. 46 Mn (+9%)</p> <p>Local suppliers: 100%</p>	<p>Premium income: Rs. 6,132 Mn (+ 3%)</p> <p>Commissions paid: Rs. 688 Mn (+ 15%)</p>

CAPACITY BUILDING

During the year company initiated number of capacity building initiatives including followings;

- Strengthening the governance structure and internal control environment through developing number of policies with regard to business functions.
- Investment on Computer Hardware and Software development
- Provision of training to employees to enhance internal skills and abilities
- Implementation of sustainable modes of business operations

COMMITMENT TO BUILD SUSTAINABLE COMMUNITIES

Our ESG policy

We work to integrate ESG considerations into our strategy, operations and day-to-day decisions. This is accomplished through our sustainability roadmap, which outlines our social and environmental goals and how they relate to our company.

Our Corporate Sustainability Committee (CSC), which is made up of the CEO, CFO and senior management, oversees the sustainability process and reports to the Board. By incorporating ethical, social and environmental responsibility into everyday business operations and strategic decisions, the CSC assists stakeholders in the value creation process. The Board is frequently informed about ESG advancements that may have an impact on PI's performance and sustainability.

Focusing on PI's sustainability plan is the responsibility of the Sustainability Coordinator appointed by the CSC. Periodic updates are provided to the Board by the sustainability coordinator.



Uplifting the community

The emphasis on corporate social responsibility fits with the new brand promise of building a resilient nation. Whatever we do in terms of our CSR initiatives, it is crucial to make sure that it fosters a resilient spirit that boosts the economy. Our CSR committee comprises of 10 members of the corporate management. The marketing team is responsible for carrying out the CSR-related projects, while the CSR committee provides the required strategic direction.

Rs. 1.5 Mn

Investment in CSR



Education

Donation of books and school supplies to Maussagolla Maha Vidyalaya, Badulla

Impact: 46 schoolchildren received school bags, a full set of books, an instrument set and shoes.



ENDURING RELATIONSHIPS

Healthcare	<p>Blood donation campaign</p> <p>Impact: The Jaffna regional branch extended its commitment to the country on the occasion of its third anniversary by organizing a blood donation drive. The event took place on 11th October 2022.</p> 
	<p>Donation of medicines</p> <p>Impact: Peoples' Insurance provided essential medicines Meth Sewa Foundation - Moneragala and the Wellawaya Divisional Secretariat.</p> 

Compliance

We fulfil all legal, economic, philanthropic, and societal responsibilities to all stakeholders. Our main focus is to:

- Give back to the community and protect the ecological environment,
- Maintain a positive and constructive engagement with the regulators by duly paying all the taxes to the government,
- Maintain full compliance with all the regulatory requirements and,
- Ensure appropriate participation in industry forums.

Way forward

We are determined to take all the effort to mitigate the impact of the challenging economic conditions with the support of our stakeholders via effective communication and engagement. Furthermore, we will continue to foster healthy relationships with all our stakeholders in the year ahead by upholding our values and delivering a superior service to meet their expectations.

Commitment to anti-corruption

As a service provider in a highly regulated sector, the comprehensive policies and governance structures in place together with various formal and informal engagement platforms, ensure that we maintain pro-active relationships with all stakeholders. By upholding high standards of honesty and transparency in all of our interactions, we invest in strengthening our relationships with stakeholders, promoting the creation of mutually beneficial value. During the year under review, there were no fines or penalties for breaking rules and regulations relating to socio-economic compliance, nor were there any documented instances of corruption and/or fraud.

Our customer base is diverse, including individuals, corporates, and small and medium-sized enterprises (SMEs) from every region of the nation. The captive business of the company accounted for 65% of our revenue. Our competitive advantage continues to depend heavily on our ability to comprehend and meet customer needs.

The company concentrated primarily on consolidating its existing customer base by improving the customer experience and service levels due to the difficult operating environment that existed. In order to better serve our customers, who are at the centre of everything we do, we have kept working to develop a comprehensive approach.

NATURAL CAPITAL

SUSTAINABLE OPERATIONS

NURTURING NATURAL RESOURCES

People's Insurance places great emphasis on environmental sustainability as one of the core pillars in our triple bottom line approach to business. As a financial services organisation, the Company's environmental implications are relatively low. However, given the globally increasing implications of climate change, as a responsible corporate citizen PI 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.

Environmental impact management

ENVIRONMENTAL IMPACT MANAGEMENT

Resource
Conservation

Waste
Management

Minimising
supply chain impacts

Resource conservation

We strive to minimise our consumption of non-renewable resources including materials, energy and water. Our goal is to increase energy efficiency and minimise withdrawal of natural resources through recycle and reuse measures. We adopt the 3R approach- reuse, reduce and recycle in propagating a culture of resource consciousness in the organisation.

Energy management

Electricity from the national grid and fuel used for transportation, such as for staff travel, training, and marketing activities are the two main energy sources that the company uses for its operations within branches.

Using energy-efficient lighting and cooling systems, encouraging staff to practice energy conservation, and using a sophisticated building management system at our corporate office to analyse and monitor energy usage are a few of the company's initiatives to boost energy efficiency.

SUSTAINABLE OPERATIONS

	2022	2021	Change (Year on Year)
Direct Consumption	550,729	527,793	4%
Electricity (kWh)			
Energy intensity- electricity consumption per employee (kWh)	888	854	4%
Indirect consumption			
Fuel consumption (Ltr)	14,253	11,817	20%

Key Energy Savings Initiatives:

Organising company-wide programs to improve employee awareness

Implementing more rational branch relocation strategy

Optimizing floor layouts to utilize natural lighting

Water management

Planning, developing, and managing water resources in terms of both water quantity and quality across all water applications is commonly referred to as water resources management (WRM). Setting water management as a top priority helps prevent water waste and maintains the infrastructure's efficiency.

Waste management

Paper waste	As paper is the main waste form in our organisation, we take measures to promote a 'paper-less environment'. Several initiatives were taken in this regard: <ul style="list-style-type: none"> ■ We are dedicated to sustainably minimizing the amount and type of waste produced by our operations. ■ Used paper is sent to an approved third-party recycler, thereby minimising the landfill waste of our operations.
E-waste	Electronic waste was recycled through external suppliers according to the rules and regulations of the environment authority.

Minimizing supply chain impacts

Disruptions in the supply chain have a detrimental impact on the economy and environment. Thus, we continuously collaborate with our supply chain partners to reduce risks and environmental consequences throughout our value chain.

Environmental compliance

We complied with all relevant environmental laws, certifications, standards and guidelines and there were no significant fines or monetary sanctions for non-compliance during the year.

Way forward

We will continue to explore ways in which we can certainly impact the environment through responsible usage of resources and proactive efforts to drive environmentally friendly practices. As part of these efforts, we will clearly specify resource usage targets to guide behaviour at company, business unit, team and individual level.

RESILIENT PERFORMANCE
THROUGH STABILITY

EMPOWERING

TO CREATE TANGIBLE VALUE AND
FINANCIAL STRENGTH

BOARD OF DIRECTORS



**Mr. Lakshman
Abeysekera**
Non-executive,
Independent Director

**Mr. Rohan
Tennakoon**
Non-executive,
Non-independent
Director

**Mr. Shamindra
Mercelline**
Non-executive,
Non-independent
Director

Mr. Isuru Balapatabendi
Non-executive, Non-independent
Director
Chairman



Mr. Azzam Ahamat
Non-executive, Non-independent
Director

Mr. Johnson Fernando
Non-executive, Independent
Director

Dr. Kasun Wijetilleke
Non-executive, Independent
Director

Ms. Nadhra Zanoon
Company Secretary

BOARD OF DIRECTORS



MR. ISURU BALAPATABENDI

Non-executive, Non-independent
Director

Chairman

Attorney at Law, LL.M (Pittsburgh)

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 Pittsburgh, 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 on the Director Boards of Sri Lanka Insurance Corporation, Seylan Bank and the Bank of Ceylon, Ports Authority and Colombo West International Terminal (pvt) Ltd, prior to being appointed as Member of the Board of People's Insurance PLC.

He currently serves on the Boards of People's Bank, BL Global Logistics (Pvt.) Ltd and Celio Naturals (Pvt.) Ltd in the capacity of Director.

He was elected as Secretary of the Bar Association of Sri Lanka (BASL) for the year 2022/2023 and re-elected uncontested, as the Secretary of the BASL for the year 2023/2024 as well. He was also appointed the Chairman of the Junior National Law Conference in 2007 and as the Convener of the National Law Conference 2020.



MR. SHAMINDRA MARCELLINE

Non-executive, Non-independent
Director

Mr. Marcelline was appointed as a Non-executive, Non-independent Director in March 2020. 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 counts 25 years of multifaceted experience in Corporate and Global Banking, Investment Banking, Retail Banking, Credit Administration and Operations Management.

He has held several senior positions within DFCC Bank including the positions of Senior Vice President / Head of Corporate Banking and Member of the DFCC Bank, Executive Management Committee (EXCO).

In addition to working overseas for the HSBC Group, he brings with him unique industry insights so as to contribute towards the strategic direction of the Company. He has held the position of Country Manager of HSBC Maldives, Head of Financial Institutions Group & Public Sector and the position of Manager - Wealth Management and Insurance at HSBC Sri Lanka.

His experience extends to Product Development, Advisory, Structuring & Financing, Credit & Operations relating to the branch and cross border business within HSBC Group entities. Further he has experience in designing and implementing new business initiatives, systems/procedures to enhance the overall efficiency of organizations in line with corporate business goals.

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 growth of the economy embracing all adversities'.

He is currently the CEO of People's Leasing and Finance PLC and serves on the Boards 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 in the capacity of Director. He also serves as the Vice President of the Financial Houses Association of Sri Lanka.

Under his leadership, People's Leasing and Finance PLC, won The European Award for Best Practices 2022 in Brussels, Belgium. PLC was Sri Lanka's sole recipient of this award.

He has also been bestowed with the award 'CEO of the Year 2022' from Sri Lanka Best Employer Brands Award 2022, the award, certified by the World Federation of Human Resources Professionals and endorsed by CHRO Asia, recognizes leaders of organizations who have contributed towards the strategic direction of the Company.



MR. LAKSHMAN ABEYSEKERA

Non-executive, Independent Director
FCA, FMAAT, MBA(SriJ)

Mr. Abeysekera, 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 Jaywardenepura. Mr. Abeysekera 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 Abeysekera is the former Chairman of SDB Bank.



MR. JOHNSON FERNANDO

Non-executive, Independent Director

Mr. Fernando, was appointed as a Nonexecutive, 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 and 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, People's Merchant Finance PLC, Expo Cargo Links (Pvt) Ltd, Expo Regional Holdings (Pt) Ltd., Waters Edge Recreation Ltd., Lanka Rest House Ltd and Shore to Shore (pvt) Ltd Mr. Fernando at present serves as a Director of Expo Industrial Engineering (Pvt) Ltd. and Expo Property Developers (Pvt) Ltd Expo Printers Pvt Ltd, Expo Trade Links (Pvt) 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", Advisory board member of the LASALLIAN COMMUNITY EDUCATION SERVICES, a Committee Member of the National Hospital of Sri Lanka and Vice Chairman of the International Chamber of Commerce Sri Lanka



DR. KASUN WIJETILLEKE

Non-executive, Independent Director
PhD (CP), PhD - Econ (Reading), Hon. MD (CP), M Sc CP, MBA - CMU (UK), MBA - UOW (UK), M.Com (Ind), BCA (Ind), A.Dip TTT (UK - C&G), A. Dip TOT (UK- C&G), H.Dip Coun, Dip Psy, Dip SE, Dip MM, FCIM (UK), FCPM (UK), MSLID, MIM (SL), MIPC (SL), CCPA, AAPC, APA, SIOP, ACA, CMSLIM, CIM, CMA, CGBA (AUS), TMAAT (SL), TMI/DTM, OPA, CCC, TOYP

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

BOARD OF DIRECTORS

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

*MBA - (UoC), MSc -Management (USJ),
BSc- Business Administration (USJ),
FSLICMy, AIB(SL), Licentiate (CA)*

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.



MR. AZZAM AHAMAT
Non-executive, Non-independent
Director

*FCMA(UK), FCCA (UK), CPA (AUS), SIRM
(UK), MCICM(UK)*

Mr. Azzam Ahamat, was appointed Non-executive Non-independent Director of People's Insurance PLC on 23rd February 2023, he also serves on the Board of People's Leasing & Finance PLC and Lankan Alliance Finance Ltd. as Non-executive, Non-independent Director. He is currently the Head of Finance at People's Bank, and has close to 20 years of experience both locally and internationally across strategic financial management, alternate investments, and risk. His prior employers include some of the largest multinational professional service firms and other Tier I service providers across respective market spaces. He is a Fellow Member of the Chartered Institute of Management Accountants (UK), a Fellow Member of the Association of Chartered Certified Accountants (UK) and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. He is also a Certified Practicing Accountant (Aust.) ,a Certified Member of the Chartered Institute for Securities & Investment (UK) the Chartered Institute of Credit Management (UK) and a Technical Specialist of the Institute of Risk Management (UK).

**MS. NADHRA ZANOON****Company Secretary***Attorney at Law, ACMA, CGMA,
MBA (PIM-USJ)*

Ms. Zanoon was appointed as Company Secretary of People's Insurance PLC on the 20th of December 2022. Prior to joining People's Insurance PLC, she was employed at People's Leasing & Finance PLC and prior to that she was employed at Varners a leading Law firm in the country. She has experience in the field of Law, Management and Compliance.

She is an Attorney at Law (called to the bar in December 2007), an Associate Member of the Chartered Institute of Management Accountants (CIMA) UK and holds a Masters in Business Administration (MBA) from the Post Graduate Institute of Management (PIM), University of Sri Jayawardenepura.

CORPORATE MANAGEMENT TEAM



Left to right

Ms. Thanuja Fernando - Chief Financial Officer, **Mr. Channa Abeywickrema** - Head of Operations,
Ms. Jeevani Kariyawasam - Chief Executive Officer, **Mr. Dhanushka Hettiarachchi** - Head of Sales,
Mr. Sanjaya Mallawarachchi - Head of Internal Audit,



Left to right

Mr. Hareendra Dissanayaka - Head of Motor Claims, **Mr. Sashika Jayathilake** - Head of Motor Underwriting and Captive Chanel,

Mr. Uvindu Pathirana - Head of Non Motor Underwriting, **Mr. Dulinda Perera** - Head of Marketing,

Ms. Sumudu Bandara - Head of Non Motor Claims, **Mr. Sampath Digamadulla** - Head of Contact Centre and Customer Relationship

CORPORATE MANAGEMENT TEAM

MS. JEEVANI KARIYAWASAM

Chief Executive Officer

BSc (Hons), ANZIIF, ACII

(Chartered Insurer)

Ms. Kariyawasam was appointed as the Chief Executive Officer and the Principal Officer of People's Insurance PLC on February 1, 2022. Prior to assuming the role of CEO, she served as the Chief Operating Officer from April 2021 to January 2022. Ms. Kariyawasam has been associated with People's Insurance since its establishment in October 2009, initially as the Head of Operations. With over 25 years of industry experience in Sri Lanka, she brings valuable expertise to her position.

Throughout her career, Ms. Kariyawasam has held various roles in Underwriting and Claims Management at institutions such as HNB Assurance and the National Insurance Corporation.

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

Ms. Kariyawasam has actively contributed to the Insurance profession in Sri Lanka. She served as the Membership Secretary at the Association of Chartered Insurance Professionals (Sri Lanka) from 2016 to 2019 and was a Council Member of the Sri Lanka Insurance Institute from 2011 to 2014.

MS. THANUJA FERNANDO

Chief Financial Officer

MBA (PIM-SJP), FCA, ACMA, CGMA, ATII,

BBA(UOC)

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 11 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 a Fellow 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. CHANNA ABEYWICKREMA

Head of Operations

BSc. ACII (Chartered Insurer)

Mr Abeywickrema is a Chartered Insurer with over 16 years of experience in the insurance industry. He has been with People's Insurance since September 2017 and prior to that he has held managerial positions at Allianz Insurance Lanka Ltd. & Amana Takaful PLC. Currently he is working in the capacity of Head of Operations and the Specified Officer of the Company.

Mr. Abeywickrema holds a BSc. Degree in Physical Science from the University of Peradeniya and he is an Associate of the Chartered Insurance Institute, UK. Mr Abeywickrema is a Chartered Insurer with over 16 years of experience in the insurance industry. He has been with People's Insurance since September 2017 and prior to that he has held managerial positions at Allianz Insurance Lanka Ltd. & Amana Takaful PLC. Currently he is working in the capacity of Head of Operations and the Specified Officer of the Company. He has also been the Membership Secretary of the Association of Chartered Insurance Professionals (Sri Lanka) between 2019 - 2021.

MR. DHANUSHKA HETTIARACHCHI

Head of Sales

MBA - UK, Cert CII, PgDip in Strategic Management

Career background: Possesses over 17 years of experience in the insurance industry as a sales and underwriting professional. He has worked in multinational companies such as AVIVA NDB PLC and Allianz Insurance Lanka Ltd.

Academic and professional qualifications:

Possesses an MBA from the University of Gloucestershire, (UK). He is a 'Cert CII' certificate holder of the Chartered Insurance Institute (UK), and a Level 7 diploma holder in Strategic Management and Leadership Development at 'Othm' (UK).

MR. SANJAYA MALLAWARACHCHI

Head of Internal Audit

MBA, B.Com

Career background: Prior to joining the company served DFCC Bank PLC as Senior Manager Group Internal Audit and has held managerial positions at Bank Muscat Saudi Arabia and Group Internal Audit at NDB Bank PLC. He possesses over 20 years of experience in the financial services sector specialised in banking, finance, auditing, and risk management.

Academic and professional qualifications:

Possesses an MBA from Cardiff Metropolitan University, UK and also holds B. Com (Accounting & Finance) 1st class honors degree from Annamalai University, India. He is a Diploma in Information Systems Security Control and Audit (DISSCA) from Chartered Accountants of Sri Lanka and is also member of the Institute of Internal Auditors (IIA) Sri Lanka.

MR. HAREENDRA DISSANAYAKA

Head of Motor Claims

AIII

Career background: Commenced his career at HNB Assurance PLC and counts over 20 years of experience in the insurance industry.

Academic and professional qualifications:

He is an Associate of the Insurance Institute of India and holds a Diploma in Insurance from the Chartered Insurance Institute, UK.

MR. SASHIKA JAYATHILAKA

Head of Motor Underwriting and Captive Channels

BSc (Physical), ACII, AIII
(Chartered Insurer)

Career background: Prior to joining the Company, served as Assistant Manager at National Insurance Trust Fund (NITF) and Ceylinco Takaful Ltd. He has over 15 years of experience in the insurance industry.

Academic and professional qualifications:

Holds a BSc Degree in Physical Science from University of Colombo - Faculty of Science. He is an Associate of the Insurance institute India (AIII) and Chartered Insurance institute, UK (ACII)

MR. UVINDU PATHIRANA

Head of Non-Motor Underwriting

MBA UK, AIII, ANZIIIF, ACII
(Chartered Insurer)

Career background: A Chartered Insurer with over 12 years of experience. Commenced his insurance career at People's Insurance PLC. He has since become the Head of Non-motor Underwriting.

Academic and professional qualifications:

Holds an MBA in Human Resources from Cardiff Metropolitan University. He is a Senior Associate of the Institute of Insurance and Finance (Australia and New Zealand) and is an Associate of the Insurance Institute of India and the Chartered Insurance Institute UK.

Mr. Pathirana is an active member of the Association of Chartered Insurance Professionals in Sri Lanka.

MR. DULINDA PERERA

Head of Marketing

MBA - UK (Reading), BSc (Hons)
Engineering (UOM), ACMA, CGMA, MCIM,
MCPM

Career background: Mr. Perera is a career marketer and brand strategist. He served as the Chief Executive Officer/ Founder of the local digital marketing powerhouse Ikon Group of Companies and as a consultant to multiple MNCs and local conglomerates while being a recognised lecturer in multiple disciplines. Mr. Perera counts multiple years of expertise in brand growth hacking, new media communications and corporate communications.

Academic and professional qualifications:

Engaged in an MBA from University of the West of Scotland, Mr. Perera holds a Bachelors in Chemical and Process Engineering from Faculty of Engineering, University of Moratuwa. He is a Chartered Global Management Accountant and an Associate Member of the Chartered Institute of Management Accountants (CIMA -UK). Furthermore, he is also a Member of Chartered Institute of Marketing (CIM - UK) and a Member of the Chartered Institute of Professional Managers (CPM).

CORPORATE MANAGEMENT TEAM

MS. SUMUDU BANDARA

Head of Non-Motor Claims

AIII

Career background: Possesses 25 years of experience in the insurance industry. Prior to joining the Company, she held the position of Assistant Manager – General Underwriting at Union Assurance PLC.

Academic and professional qualifications:

An Associate Member of the Insurance Institute of India and possesses a Diploma in Insurance from the Chartered Insurance Institute, UK.

MR. SAMPATH DIGAMADULLA

Head of Contact Center & Customer Relationship

MBA (University of West London)

Career background: Possesses over 16 years of experience in the insurance industry with experience in contact center & customer relations. Previously served Sri Lanka Insurance Corporation and Bell Vantage (Pvt) Ltd. He is presently served as the Head of Contact Center & Customer Relationship.

Academic and professional qualifications:

Holds a Master's degree in Business Administration (MBA) from University of West London, UK. Possesses a Diploma in Diplomacy & World Affairs from the Bandaranaike International Diplomatic Training Institute (BIDTI) and Diploma in International Relations in Bandaranaike Centre for International Studies (BCIS).

MANAGEMENT TEAM



Ms. Nadee Perera - Senior Manager
(Finance)



Ms. Thushari Baddevithana - Manager
(Motor Claims)



Mr. Suresh Wickrama - Manager
(HR Development)



Mr. Kosala Jayarathne - Senior Manager
(Motor Engineer)



Mr. Malinda Wickramasinghe - Manager
(Broker Business Development)



Mr. Priyantha Yatawarage - Zonal Manager
(National Sales Coordinator)



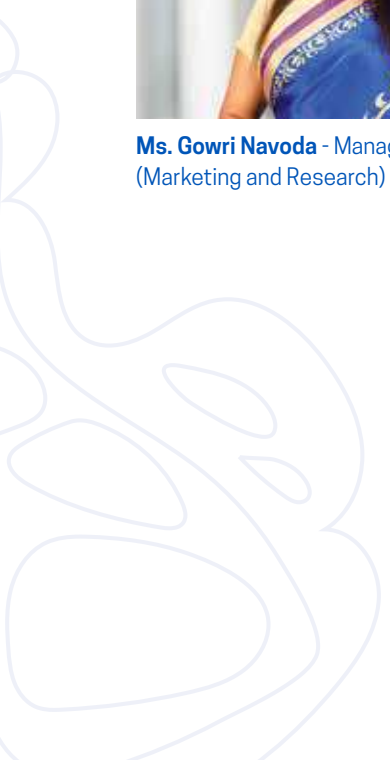
Ms. Gowri Navoda - Manager
(Marketing and Research)



Ms. Asanga Opatha - Manager
(Administration)



Ms. Sanjeevani Madarasinghe - Manager
(Legal)



CLUSTER HEADS



Mr. Kalana Udawatta
Cluster Head (Kaluthara)



Mr. Dhanushka Sampath
Cluster Head (Out of Colombo)



Mr. Sampath Jayawardana
Cluster Head (Polonnaruwa)



Mr. Mahesh Wijenarayana
Cluster Head (Kurunegala & Vavuniya)



Mr. Suranga Gunathilake
Cluster Head (Anuradhapura)



Mr. Chamil Bogahawatte
Cluster Head (Matara)



Mr. Tharanga Liyanage
Cluster Head (Embilipitiya)



Mr. Sasanka Athapaththu
Cluster Head (Colombo Inner)



Mr. Ishara Sandaruwan
Cluster Head (Rathnapura North)



Mr. Sachith Dharmapala
Cluster Head (Rathnapura South)



Mr. Dinesh Sampath
Cluster Head (Tender Unit)

CORPORATE GOVERNANCE

The Chairman's Statement on Corporate Governance

Attitude Towards Governance

The highest level of transparency, reliability and ethical business are well established guiding principles of the Company articulated through comprehensive policy framework and through code of conduct. This is communicated to well understood by the employees. The company is governed by well established guiding principles which are articulated in a comprehensive policy framework and code of business conduct, ensuring high standards of transparency, reliability and ethics. Additionally, this paves the way to the adherence of international best practices and voluntary practices. This provides a solid foundation for performance and effective risk management. The governance structure serves to ensure judicious empowerment and maintain an appropriate balance of power and responsibility within the company.

Structure and Leadership

The Company functions within a clearly defined governance structure, this enables Board to provide proper strategic guidance and risk oversight while complying with the regulatory requirements. This structure ensures effective delegation of authority while maintaining control. The Board delegates authority to Board Sub Committees and Management Committees while maintaining accountability.

Culture and Ethics

The Company's culture is molded by the Code of Conduct and ethics which is applicable to both The Board of directors and employees. This code is updated time to time based on the changes in the operating environment

Accountability and Risk

Establishing a strong system of internal control and risk management process is a key responsibility of the Board. The Board Audit Committee plays an important role in monitoring the Company's risk and assurance systems, and regularly reviews the efficiency and effectiveness of internal controls. Please refer to the report of the BAC on pages 97 to 99.

Engagement with Stakeholders

The Company's stakeholder engagement mechanisms are structured and comprehensive, providing valuable insights into stakeholder concerns and allowing us to provide appropriate responses, while balancing different stakeholder interests.

Governance through negative macro-economic conditions

The Board of directors ensure good governance principle while maintaining resilience amid the crisis created by the negative socio-economic conditions and economic downturn impacting all key sectors of the economy.

Way Forward

We will continue to monitor the macro-economic developments and remain pro-active to drive growth and improve returns, while continuing to invest in our people.

Statement of Declaration

I am pleased to state that there were no departures from any of provisions of the Code of Business Conduct and Ethics in the Code of Best Practice on Corporate Governance, significant jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.



Isuru Balapatabendi

Chairman

22nd May 2023

Key Corporate Governance Initiatives for the year 2022

- Effective integration of "goAML" reporting requirement in line with the direction of the Financial Intelligence Unit of Sri Lanka in compliance with the United Nations Anti-money-laundering system.
- The internal audit division together with the support of the cross functional teams continued to make a significant contribution towards making substantial contribution in order to strengthening the control environment of the company. During the year division has conducted number of audits to ensure to enhance the control environment of the company.
- Strengthening the independence of the Board Audit Committee by including a Non-executive, Non-independent Director to the Committee
- Change in the composition of the Related Party Transaction Review Committee to strengthen the independence of the Committee
- Revision and update of several policies including Anti-corruption, Anti-bribery, Customer Complaints and Disciplinary Code

CORPORATE GOVERNANCE

Our Approach to Corporate Governance

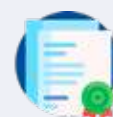
We consider our approach to governance and leadership as an enabler to the business and consequently a contributor to value creation. Our governance structure, internal policies and processes, risk and sustainability oversight and remuneration approach, support the overall value creation process and ensures that the company is effectively and ethically led, well managed and controlled.

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4. Compliance		

1. Statement of Compliance

This report is prepared in accordance with the integrated reporting framework published by the International Integrated Reporting Council and the Global Reporting Initiatives published by the Global Reporting Initiatives. The audited financial statements for the year ended 31st December 2022 provided on the pages 141 to 215 and the Independent Auditors Report is provided on page 136 to 140.

The Board wishes to confirm that the company has complied with the relevant sections of the of the rules and regulations as depicted below;



Companies
Act No. 07

Rule No. 7.6, 7.10 and 9 of
Listing Rules of CSE of 2007

Integrated Reporting/
GRI Reporting guidelines

Recommended Best
Practice - Corporate Governance

Regulation of Insurance Industry
(RII) Act No. 43 of 2000

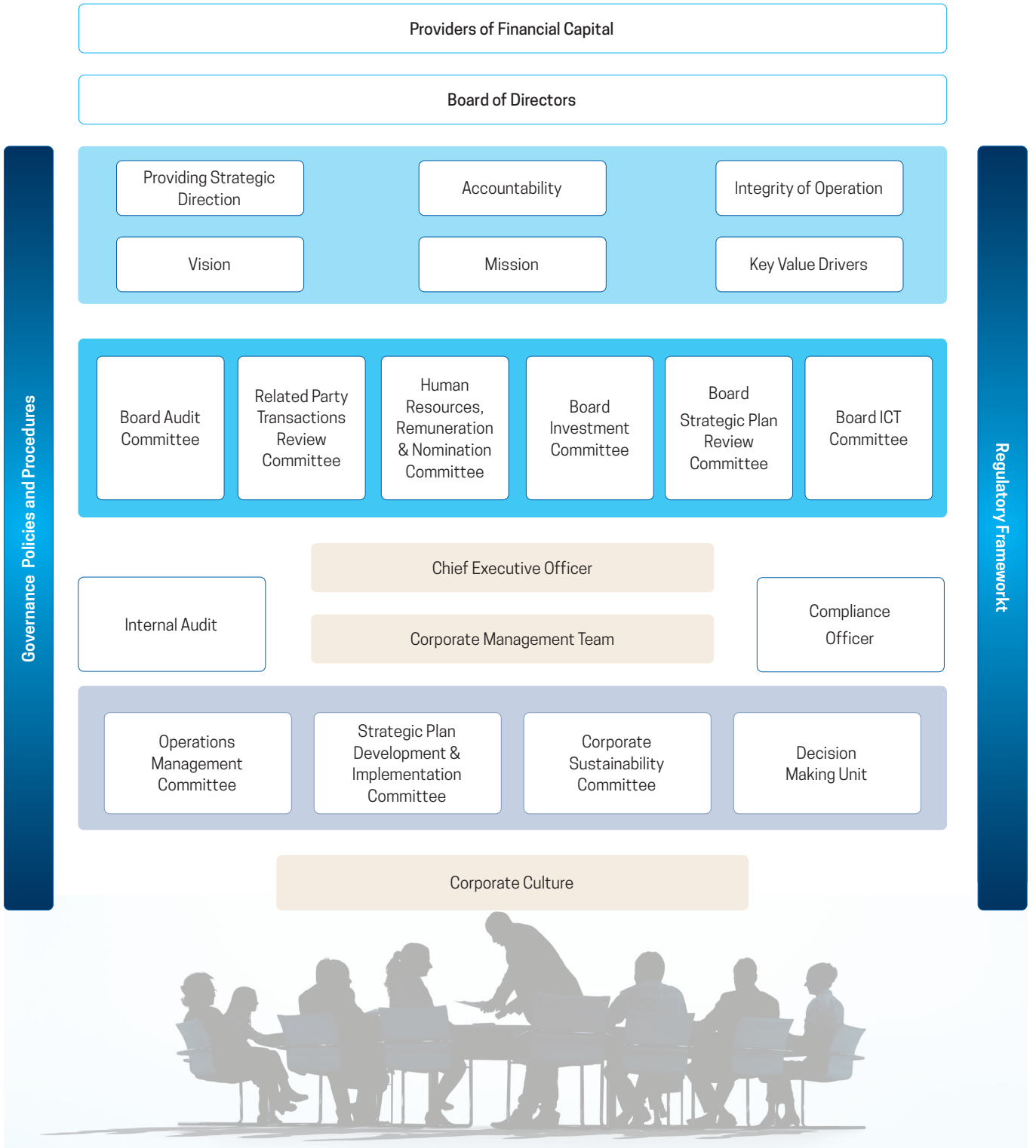
Direction 17- on Corporate
Governance Framework for
Insurance Companies by IRCSL

Code of Best Practice on
Corporate Governance of
CA Sri Lanka

Financial Transaction Reporting
Act No. 06 of 2006 and Circular
No. 03/13 issued by FIU of
Central Bank of Sri Lanka

2.1 Internal governance structure

The internal governance structure in place focuses on the responsibility of the Board of Directors, Board sub-committees and Senior Management of the company who formulate, execute and monitor the Company's business objectives. The company governance structure is indicated as follows;



CORPORATE GOVERNANCE

2.2 Board composition, skills and diversity

The Board of People's Insurance consists of seven directors which is a combination of both independent and non-independent directors. Their diverse set of skills, experience and vision enable them to discharge overall responsibility towards goals achievement of the organization. The Board is entirely represented by the non-executive directors out of whom three are independent. The key responsibilities of the Board include the following;

- Setting and monitoring overall strategic direction of the company
- Maintaining good governance and compliance
- Maintain stakeholder engagement and accountability
- Ensure integrity of internal control
- Provision of strong leadership to the company and making decisions on matters that have a significant financial and strategic implications on the company
- Ensuring that the Management maintain a proper balance between promoting long term growth and delivering short term objectives.
- Assessing the Board's effectiveness through a comprehensive self-assessment mechanism

Maintaining balance of Power

The composition of the Board and segregation of duties clearly demonstrate an appropriate balance of power, which can be considered as vital for good performance and effectiveness of control. 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;

2.3 Board roles and responsibilities

Strategic Direction

- Establishing strategic direction and targets to the company
- Reviewing and approving company's long term business plan and integrating sustainable business development
- Deciding on the risk appetite and review of the company's risk governance process
- Integrating substantial level of business development to the company strategy and promoting more sustainable growth

Governance and Risk

- Make sure that the operations are carried out in manner which is in line with the enterprise risk management process
- Ensure proper monitoring system of governance and compliance
- Appointment of CEO and continuous review of performance of the CEO, the Board and the sub committees
- Review of policies and procedures
- Reviewing and making adjustments to the delegation of authority

Continuous Monitoring

- Monitoring of proper execution of the strategic plan and the risk faced by the company
- Assessing the effectiveness of the performance of the Board and the sub-committees
- Continuous performance monitoring

Engagement with Stakeholders

- Ensure that all stakeholder interest and perspectives are considered for the business decision making

Reporting and Compliance

- Complying with all the applicable rules and regulations and ethical standards
- Ensuring the integrity of the financial information reported
- Reviewing and approving interim and annual financial statements for the publication

2.4 Chairman and Chief Executive Officer

Chairman

Provides leadership to the Board and ensures its effectiveness, preserving order and maintaining good corporate governance.

Responsibilities

- Ensure effective participation of directors at the Board meetings
- Maintains and promotes good governance, sets the Board's agenda and encourages open & constructive discussion at Board meetings
- Maintain open line of communication with key management personnel
- Initiate self-assessment of the Board to further improve the effectiveness of the board
- Promotes and carries out the responsibilities in the best interest of the corporate governance

Chief Executive Officer

Leads the company towards the achievement of the strategic objectives and ensures that the Board receives timely and accurate information on the company's position and the performance.

Responsibilities

- Execution of the strategies set by the Board
- Develops operational proposals & policies for Board approval
- Promotes positive PI culture and standards
- Ensure day to day efficient management of business operations
- Implementation of succession plan for senior management

Senior Independent - Non-executive Director

Responsibilities

- Provide a sounding Board to chair, giving them support in the delivery of their objectives and discussing with them confidential matters relating to governance, Board performance, the performance of individual directors and concerns raised by directors, shareholders or employees.
- Be available for confidential discussions with other non executive Directors of the Board acting as the trusted intermediary when necessary.
- Provision of unbiased opinion to the Board and acts as an element of independence
- Contribution contributes towards improving governance standards
- Chair the Board in the absence of the Chairm
- Provision of corporate credibility

2.5 Board Meetings

Board meetings are conducted with adequate time and effort allocation to address the company matters. As a practice Board meetings are conducted on a monthly basis and additional meetings are conducted based on the company requirements. During the year 2022, Board met on 12 occasions.

The agenda of the Board is prepared by the Board secretary, reviewed and approved by the chairman. The agenda and the Board papers are circulated a 7 days prior to the meeting enabling adequate time to review the same.

Key matters discussed during the 2022

- Strategy and performance
- Finance
- Governance
- Human capital management
- Other areas

Board meeting attendance

Name of the director	Date of Appointment	Eligibility	Attendance
Non-Executive Directors			
Mr. Isuru Balapatabendi	08.06.2020	12	12
Mr. Ranjith Kodituwakku	08.06.2020	12	12
Mr. Rohan Tennakoon	17.03.2021	12	12
Mr. Shamindra Marcelline	17.03.2021	12	11
Independent Non-Executive Directors			
Mr. Lakshman Abeysekera	20.10.2015	12	11
Mr. Johnson Fernando	08.06.2020	12	10
Dr. Kasun Wijetilleke	08.06.2020	12	12

2.6 Board Appointment & Re-election

The appointment to the Board follow a well-structured formal process in line with the guidance of the Nomination Committee. The terms of reference with regard to Nomination Committee can be found on page 102 to 103.

In accordance with the Articles of the Association of the company, one third of the directors retire from office at each Annual General Meeting (AGM). The directors shall be those who being subject to retirement by rotation, have been the longest in office since their last election, or appointment of a retiring Director who would be eligible for re-election by the Shareholders.

The directors who have been appointed to the company Board during the year will hold the office till the next Annual General Meeting and will be eligible for re-election by the Shareholders.

- During the year 2022, there were no new appointments, resignations or retirements
- Re-elections
 - Mr. Isuru Balapatabendi
 - Dr. Kasun Wijetilleke
 - Mr. Azzam Ahamt

CORPORATE GOVERNANCE

Key areas of consideration when appointing directors to the board

- Skills, expertise and experience required to meet the strategic vision of the company
- Ways to improving performance of the board
- Skills, experience and expertise is not adequately represented in the board

- Process followed to ensure that the selection process is adequate

2.7 Board Independence

All the directors of the Company are non-executive directors and they are free from business dealings and independent from company management. They are free to provide independent judgement. They submit annual declaration to this

effect, which are evaluated to ensure compliance with criteria for determining the independence and in line with the regulatory requirements.

Director	Employment in the Company A	Material Business Relationship B	Close Family Member is a Director or CEO C	Carrying not Less than 10% of Voting Rights D	Continuously Served for more than Nine Years E	Business Connection F	Business Connection G & H
Mr. Lakshman Abeysekara	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Mr. Johnson Fernando	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Dr. Kasun Wijetilleke	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

How we determine Board Independence

- Has not been employed by the Company during the period of two years immediately preceding appointment as a Director
- Currently has no material business relationship with the Company directly or indirectly, nor had any such relationship during the period of two years immediately preceding appointment as a Director
- Does not have any close family member/s who is a Director or CEO or part of the Key Management Personnel in the Company
- Does not have a significant shareholding in the Company (shareholding carrying 10% or more of voting rights in the Company)
- Has not served on the Board of the Company for a period exceeding nine years from the date of first appointment.
- Self or close family member is not a Director or employee of another Company or a trustee, which is materially connected to the Company in terms of shareholding or business relationship

- Not a Director of another Company in which majority of the other Directors are employed/Directors have a significant shareholding.
- Does not have any material business relationship or a significant shareholding in another Company, in which majority of the other Directors are employed/Directors have a significant shareholding.

Details of directorship by Board Members

The below table indicates the details on the Board seats held by the directors on the listed and unlisted companies;

Name of the director	Total Number of Directorships held in other companies	Number of Board seats held in Listed Companies		Number of Board seats held in Unlisted Companies
		Executive Capacity	Non-Executive Capacity	
Mr. Isuru Balapatabendi	3	-	3	3
Mr. Lakshman Abeysekara	2	-	2	2
Mr. Johnson Fernando	3	-	3	3
Mr. Azzam Ahamat	2	-	2	1
Dr. Kasun Wijetilleke	1	-	1	1
Mr. Rohan Tennakoon	-	-	-	-
Mr. Shamindra Marcelline	5	-	5	5

2.8 Supply of Information

The completed Board information pack is circulated at least seven days in advance and provides detailed information on issues to be discussed at the meeting, ensuring robust discussions, informed considerations and effective decision making.

The Chairman ensures that all the directors are briefed on the same by requiring the members of the Senior Management to be present at the meeting as required. Directors have unrestricted access to company Senior Management and company information and resources to discharge the duties. The Senior Management conduct regular presentations to Board on important matters arising with regard to strategy, updates by the regulator and risk management.

2.9 Access to Independent Professional Advice

The Board is encouraged to seek independent advice in order to preserve Board independence and effective performance at the expense of the company. Such act is coordinated through company Secretary.

2.10 Board Induction & Training

On appointment directors undergo comprehensive induction program where they are briefed on company values and culture, operating model, policies, governance framework and processes, the Code of Conduct and the operational strategies of the company. In addition, they are provided with the access to key management personnel, internal and external advisors, visits to areas of operations in order to get an understanding.

The Board of directors identify the need for continuous training and expansion of knowledge. They will undertake professional development when considered necessary which facilitates them to carry out duties as Directors effectively.

2.11 Board Appraisal

The annual appraisal process to evaluate the effectiveness of the Board was carried out in February 2023 using a questionnaire on the operations of the Board and its Committees.

2.12 Appraisal of CEO

The Board discuss the set of financial and non-financial targets at the beginning of the financial year with CEO developed based on short, medium and long term targets of the company. The performance is reviewed at the periodically and at the end of the financial year considering the development in the operating environment.

2.13 Fair Remuneration

The Company has established a robust remuneration procedure which allows the Company to attract and retain valuable insight and input of the Directors, in realizing goals of the company. The Company has established a formal and transparent procedure for the remuneration for individual Directors. No director is involved in deciding his/ her remuneration.

Due care has been given to ensure that remuneration paid to Board of directors are in line with the knowledge, skills, competencies and involvement in the Board activities. Director's fees are determined based on Government Circular. Also, additional fees are paid for Directors being a member of a Board sub-committee.

2.14 Board Sub-Committee Reports

The Company maintains six Board Sub-Committees consisting delegated functions, responsibilities and powers of the Board. The respective sub-committee Chairman is responsible for effective functioning of the relevant committee and reports to the Board. The details of these committees are as follows;

CORPORATE GOVERNANCE

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 the pleasure in presenting this report to the shareholders together with the Audited Financial statements for the year ended 31st December 2022 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 12th April 2023.

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 22. 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 page 83 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 contravenes 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 11 of this Annual Report.

2.4 Branch network

The total branch network of the Company as at 31st December 2022 comprised of 14 regional offices and 103 window offices at People's Leasing & Finance PLC branches.

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 14 to 17), Chief Executive Officer's Review (pages 18 to 22) and Performance and Value Creation (pages 22 to 23). 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 14 to 17), Chief Executive Officer's Review (pages 18 to 20) and Performance and Value Creation (pages 22 to 23).

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 2022 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 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 132 to 133 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. 636 million for the year. A synopsis of the Company's performance is presented below.

	2022	2021
	Rs. '000	Rs. '000
Profit After Taxation	635,959	979,669
Profit brought forward from the previous year	3,650,684	3,271,015
Profit available for appropriation	4,286,643	4,250,684
Appropriations		
Surcharge Tax Payment	(440,583)	-
Final dividend paid in respect of the previous year	(500,000)	(600,000)
Un-appropriated profit carried forward	3,346,060	3,650,684

3.3 Provision for taxation

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

3.4 Property, plant and equipment and market value of properties

The company does not possess any freehold land or building as at 31.12.2022. 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 166 to 167).

3.6 Reserves

The movement in reserves during the year is set out in the Statement of Changes in Equity on page 142.

3.7 Investments

Details of investments held by the Company are disclosed in Note 27 (pages 172 to 180) to the Financial Statements.

3.8 Turnover

The Company underwrote an amount of Rs. 6,132 Million in 2022 (Rs. 5,968 Million in 2021) as gross written premium. Gross written premium for the year by major classes of business is given on page 155.

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 2022 amounted to Rs. 1,350 Million (Rs. 1,350 Million in 2021).

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 138.

4.2 Auditor's report

The Report of the Auditor General on the Financial Statements of the Company is provided on pages 136 to 140.

4.3 Auditor's remuneration

A sum of Rs. 2,229,000 (2021 - Rs. 2,006,000) was payable to Auditors as audit fees during the year under review and a sum of Rs. 1,248,000 (2021 - Rs. 200,610) 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 at 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 70 to 75 of this Annual Report.

CORPORATE GOVERNANCE

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

Mr. Ranjith Kodituwakku resigned from the Board with effect from 31st December 2022.

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.

6.5 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 211, under related party transactions.

6.6 Loans to Directors

The Company has not granted any loan to the Directors.

6.7 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 2022 and 31st December 2021 are given below.

Name of Director	Number of Shares	
	As at 31 st December 2022	As at 31 st December 2021
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 31.12.2022.

6.8 Remuneration to Directors

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

	2022	2021
	Rs. '000	Rs. '000
Non-executive, Non-independent Directors' fees and emoluments	3,525	2,492
Non-executive, Independent Directors' fees and emoluments	2,500	1,415
Total	6,025	3,907

6.10 Directors' meetings

Details of Directors' meetings are presented on page 87.

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 222.

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 228. 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 222.

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 222 and 224.

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. 2.50 per share totaling to Rs. 500 Mn in respect of the Financial Year ended 31st December 2022 was paid on 13th December 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 the IRCSL immediately after the payment of the said interim dividends. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors

in respect of the interim dividend proposed further, the Directors declaration was submitted to the IRC SL and their consent was obtained prior to making the dividend journey, thereby strictly conforming to the above statutory provision.

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

Information that requires disclosures as per Rule 7.6 (xi) of the Listing Rule of the CSE are given in the Section on 'Shareholder Information' on page 222.

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. 1,545,781 (2021 - Rs. 50,000) 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 67 to 68.

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 (2017). The measures taken in this regard and information to fulfil disclosure requirements of the above code, Directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set out on pages 112 to 120 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 Subcommittees have been constituted by the Board.

Board Sub-committees	Committee Report Reference
Board Audit Committee	Page 97
Board Human Resources, Remuneration and Nomination Committee	Page 102
Related Party Transactions Review Committee	Page 100
Board Investment Committee	Page 104
Board Information Technology Committee	Page 107
Board Strategic Plan Review Committee	Page 166

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

The composition of each Board Subcommittee and Directors' attendance at meetings are given on pages 97, 100, 102, 104, 106 and 107.

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 210 to 214 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.

CORPORATE GOVERNANCE

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 Board Human Resources, Remuneration and Nomination Committee are given on pages 102 to 103 of this Annual Report.

Board Audit Committee

All the members of the Board Audit Committee are Non-executive Directors. The Chief Executive Officer, Chief Financial Officer and Head of Operations attend the meetings by invitation. The report of the Board Audit Committee is given on pages 97 to 99.

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 the Board Audit Committee. In addition, a group level Risk Management Committee is in place with Company representatives.

A detailed overview of the process is outlined in the Enterprise Risk Management report on pages 121 to 130.

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 page 65.

9.7 Internet of Things

Group IT policies by which the Company is governed, comprehensively covers the process to identify connections to the Company's network, Cyber Security Risk Identification and 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 109.

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, 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 the 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, reinsurance payment timelines, liquidity of the investment portfolio and the ability to continue providing services to ensure businesses continues as least impacted as possible.

10. STAKEHOLDER MANAGEMENT AND INTEGRATED REPORTING

The Company has taken several measures to manage its valued stakeholders in the value creation process. Economic, Environment and Social Aspects are adequately addressed in the reporting process. Relevant details are presented in Stakeholder Value on pages 26 to 30 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 LITIGATION

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 214) 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 12th June 2023 at 10.00 a.m. The Notice of the Meeting relating to the 14th Annual General Meeting is given on page 235.

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

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	✓	87
7.6 (ii)	Principal activities of the Company and its subsidiaries during the year	✓	147
7.6 (iii)	Information on 20 largest shareholders at the end of the year	✓	225
7.6 (iv)	The public holding percentage	✓	224
7.6 (v)	Directors' and Chief Executive Officer's holding in shares	✓	224
7.6 (vi)	Information pertaining to material foreseeable risk factors	✓	121-130
7.6 (vii)	Details of material issues pertaining to employees and industrial relations	✓	26-30
7.6 (viii)	Information on buildings/land holdings and investment properties as at the end of the year	✓	49-51
7.6 (ix)	Number of shares representing the stated capital as at the end of the year	✓	184
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and related information	✓	223
7.6 (xi)	Ratios and market price information on equity, debt, change in credit rating	✓	7
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	✓	223
7.6 (xvi)	Related party transactions exceeding 10% of the Equity or 5% of the total assets of the entity	✓	210

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

[Section 168 (1) (k)]

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



Isuru Balapatabendi
Chairman



Lakshman Abeysekera
Director



Nadhra Zanoon
Company Secretary

12th April 2023
Colombo

CORPORATE GOVERNANCE

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

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 financial information or losses.

The Board has established an on-going process to ensure that 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 relevant recommendations were reported by the Board Audit Committee and other subcommittees and directed appropriate actions to strengthen the internal control environment.

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 on the recommendation of the respective Board Sub Committees. Such policies are reviewed and approved periodically.
- The Internal Audit department reviews for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes in accordance with the audit plan which is drawn based on the level of risk assessed and 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 System, by internal auditors, external auditors and regulatory authorities, and evaluates the adequacy and effectiveness of the risk management processes and the 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 and summary of the Key Risk Indicators are included in the Risk Dash Board 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 97 to 99.
- In assessing the Internal Control System, the Company continued to review and update procedures and controls that are connected with

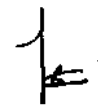
significant accounts and disclosures of the Financial Statements of the Company. The Internal Audit department continues to verify the suitability of design and effectiveness of these procedures and controls on an on-going basis.

- 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.

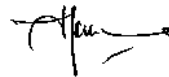
Confirmation Statement

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

22nd May 2023
Colombo

BOARD AUDIT COMMITTEE REPORT (BAC)

COMPOSITION

The Board Audit Committee appointed by the Board comprised of the following Non-executive Directors (as at the balance sheet date), majority of whom are independent.

- **Mr. Lakshman Abeysekera**
(Non-executive, Independent Director)
- **Dr. Kasun 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 2022 are given on pages 72 to 75 of this Annual Report.

Subsequent to the resignation on Mr. Ranjith Kodituwakku, Mr. Azzam Ahamat, (Non-executive Non-independent Director) was appointed to the Committee in his place, with effect from 23rd February 2023.

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 of 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 enables 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.

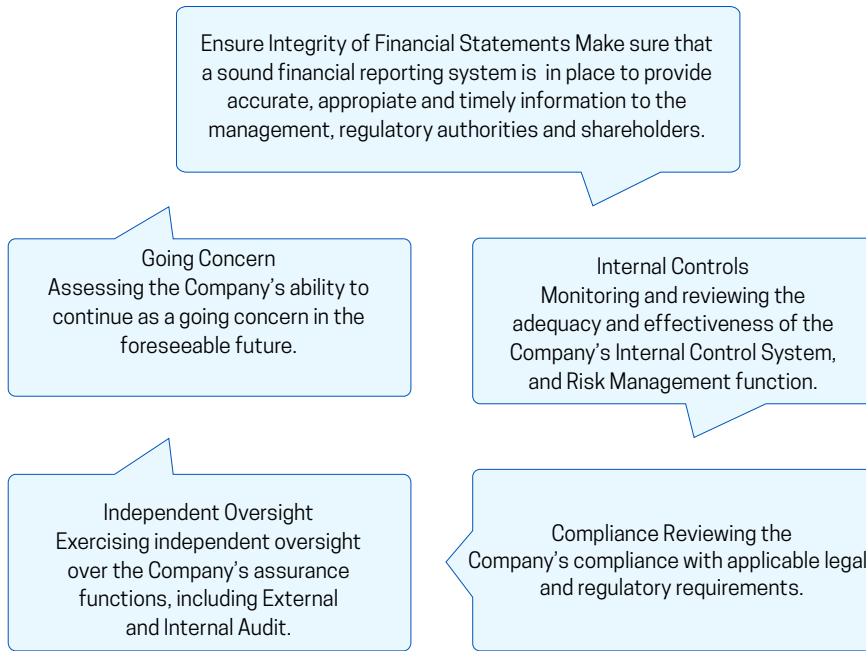
THE OBJECTIVE AND ROLE

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 a 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

CORPORATE GOVERNANCE

Key Responsibilities of the BAC



BAC Meetings

Six (06) meetings were held during the year. Minutes of the BAC meetings are regularly reported to the Board.

Name of Committee Member	Eligibility to attend/ Attended
Mr. Lakshman Abeysekera	6/6
Mr. Ranjith Kodituwakku	6/5
Dr. Kasun Wijetilleke	6/6
Mr. Johnson Fernando	3/2

ACTIVITIES IN 2022

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

reviews the Financial Statements on a quarterly basis 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 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 which are monitored by the Committee on a quarterly basis.

Internal Audit

The Committee monitors the effectiveness of the 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

The 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 2022 as per the constitution.

During the year committee approved the Non audit services policy for the company and implementation of guidelines for engagement of external auditor to provide non-audit services as per requirements stipulated in the Companies Act No. 07 of 2007 and the continuing listing requirements issued by Colombo Stock exchange.

Committee reviews the non-audit service engagements of the External Auditor to ensure that provision of such services does not impair the auditor's independency and the objectivity.

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 such concerns. Concerns raised are investigated by independent parties and overseen by the Board 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

22nd May 2023
Colombo

CORPORATE GOVERNANCE

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT (RPTRC)

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 comprised of the following Non-Executive Directors whose brief profiles are given on pages 72 to 75 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)
- **Mr. Ranjith Kodituwakku**
Member
(Non-executive, Non-independent Director)

Mr. Ranjith Kodituwakku stepped down and Dr. Kasun Wijetilleke was appointed as member of the Committee on 30.03.2022 to enhance the independence of the Committee.

RPTRC Meetings

Three meeting were held during the year.

Name of Committee Member	Eligibility to attend/ Attended
Mr. Johnson Fernando	3/2
Mr. Lakshman Abeysekara	3/3
Mr. Ranjith Kodituwakku	1/1
Dr. Kasun Wijetilleke	2/2

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 Three meetings during the year 2022 and details of attendance of the Committee members are set out above. 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 monitor 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 listing rule 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 90 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 2022.



Johnson Fernando
Chairman - Related Party Transactions
Review Committee

22nd May 2023
Colombo

CORPORATE GOVERNANCE

BOARD HUMAN RESOURCES, REMUNERATION & NOMINATION COMMITTEE REPORT (HRRNC)

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 72 to 75 of this Annual Report.

- **Mr. Isuru Balapatabendi**
Chairman of the Committee
(Non-executive, Non-independent Director)
- **Mr. Johnson Fernando**
Member
(Non-executive, Independent Director)
- **Dr. Kasun Wijetilleke**
Member
(Non-executive, Independent Director)
- **Mr. Shamindra Marcelline**
Member
(Non-executive, Non-independent Director)
- **Mr. Lakshman Abeysekera**,
Member
(Non-executive, Independent Director)
Was appointed to the Committee on 19th April 2023.

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 KMPs below the main Board.

BHRRNC Meetings

During the year Two meetings of the Committee were held

Name of the Committee Member	Eligibility to Attend
Mr. Isuru Balapatabendi	2/2
Mr. Shamindra Marcelline	2/1
Mr. Johnson Fernando	2/2
Dr. Kasun Wijetilleke	2/2

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.

- 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 KMPs below the Board.
- Recommend to the Board on the remuneration and incentive framework (inclusive of equity incentives and terminal benefits) for KMPs below the Board.
- Review of objectives and key performance indicators of the KMPs, Management Development Plans and succession planning of the Company.
- Formalise the strategic human resource policy.

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 recognize 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 164 of this Annual Report.



Isuru Balapatabendi

Chairman – Board Human Resources,
Remuneration and Nomination Committee

22nd May 2023
Colombo

CORPORATE GOVERNANCE

INVESTMENT COMMITTEE REPORT (IC)

Charter of the Committee

The Investment Committee of People's Insurance PLC is appointed by and reports 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. Shamindra Marcelline**
Member
(Non-executive, Non-independent Director)
- **Mr. Johnson Fernando**
Member
(Non-executive, Independent Director)
- **Dr. Kasun Wijethilleke**
Member
(Non-executive, Independent Director)
- **Ms. Jeevani Kariyawasam**
Member
(Chief Executive Officer)
- **Ms. Thanuja Fernando**
Member
(Chief Financial Officer)

The Board Secretary of The Company functions as the Secretary to the Investment Committee and Assistant Manager Investments attends meetings by invitation.

On 23.02.2023 the committee was reconstituted with the inclusion of Mr. Azzam Ahamat and Mr. Rohan Tennakoon in place of Mr. Johnson Fernando & Dr. Kasun Wijethilleke.

IC Meetings

During the year there were 2 meetings conducted.

Name of Committee Member	Eligibility to attend/ Attended
Mr. Isuru Balapatabendi	2/2
Mr. Shamindra Marcelline	2/2
Mr. Johnson Fernando	2/1
Dr. Kasun Wijethilleke	2/2

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 and macro-economic environment. However, 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 is commendable.



Isuru Balapatabendi
Chairman - Investment Committee

22nd May 2023
Colombo

CORPORATE GOVERNANCE

BOARD STRATEGIC PLAN
REVIEW COMMITTEE
(BSPRC)

Charter of the Committee

The BSPRC is established to serve as a committee in order to strengthen strategic direction of the Company via evaluating the progress of each function and ensuring the accomplishment of strategic initiatives of functions in line with the smooth implementation of objectives cited in the strategic plan.

Composition

The Board Strategic Plan Review Committee comprises of the Chairman of the Company and two Directors of the Board. The Chief Executive Officer, Manager Finance & Strategy were present at the meeting on invitation.

Members of the Committee are as follows;

- **Mr. Isuru Balapatabendi**
(Non-executive, Non-independent)
Chairman
- **Mr. Shamindra Marcelline**
(Non-executive, Non-independent
Director)
- **Mr. Ranjith Kodituwakku**
(Non-executive, Non-independent
Director)

Mr. Azzam Ahamat was appointed to the committee on 23rd December 2023 in replacement of Mr. Ranjith Kodituwakku who resigned on 31st December 2022

BSPRC Meetings

During the year there were 2 meetings conducted

Name of the Committee Member	Eligibility to Attend	Attended
Mr. Isuru Balapatabendi	2	2
Mr. Shamindra Marcelline	2	2
Mr. Ranjith Kodituwakku	2	1

Objectives

- To review the key points highlighted and discussed at the strategic planning quarterly progress review meetings and to recommend corrective measures.
- To develop the policies based on recommendations made by Strategic Plan Development and Implementation Committee.
- To provide guidance and direction for strategic plan implementation process.

Activities Carried out During the Year

- Recommendation of the strategic corporate plan.
- Review strategic plan, processes, progress and recommend corrective action.
- Review performance against strategic objectives.
- Provided Strategic Direction to the company.

Conclusion

The activities and views of the Committee are communicated to the Board of Directors quarterly, through verbal briefings and by tabling the minutes of the Committee meetings.


Isuru Balapatabendi

Chairman - Board Strategic Plan Review Committee

22nd May 2023
Colombo

BOARD IT COMMITTEE (BITC)

Charter of the Committee

The Board IT Committee of People's Insurance (PI) has been formed with the aim of better aligning IT investments with business strategies whilst provisioning the IT services effectively across the company. The committee plays one of the key ICT governance roles in PI and should be given appropriate status within the corporate planning and management environment.

Composition

- **Mr. Johnson Fernando**
Member
(Non-executive, Independent Director)
- **Dr. Kasun Wijethilleke**
Member
(Non-executive, Independent Director)
- **Mr. Rohan Tennakoon**
Member
(Non-executive, Non-independent Director)
- **Ms. Jeevani Kariyawasam**
Member
(Chief Executive Officer)
- **Mr. Channa Abeywickrema**
Member
(Head of Operations)
- **Ms. Thanuja Fernando**
Member
(Chief Finance Officer)
- **Mr. Prabath Gunasena**
Member
(DGM IT Group)
- **Mr. Indika Edirisinghe**
Member
(Head of ICT - People's Insurance)

BITC Meetings

During the year there were 2 meetings were conducted

Name of the Committee Member	Eligibility to Attend	Attended
Mr. Johnson Fernando	2	2
Mr. Rohan Tennakoon	2	2
Dr. Kasun Wijetilleke	2	1

Objectives

- 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.

Activities Carried out During the Year

- Ensured that the IT strategic plan is realistic and achievable within the agreed budget and schedule.
- Ensured the alignment between IT strategies and corporate strategies of the Company and business priorities.
- Ensured the improvement of quality and management of business systems and information.
- Prioritized strategies in order to indicate the areas that need an early attention.

- Ensured that all IT strategies and projects have a responsible person.
- Considered new products or services which are outside the IT strategic plan and examined the advantages, and impact on other implementation projects, budget etc.
- Reviewed and approved Information Security Policies, Procedures and Information Security Management System. (ISMS).
- Reviewing and approving the Risk Assessments, corrective and preventive actions.
- Provided senior management with regular progress reports and advices on current concerns.
- Ensured the IT related documentations are up to date and obtained proper approvals.

Conclusion

The activities and views of the Committee are communicated to the Board of Directors quarterly, through verbal briefings and by tabling the minutes of the Committee meetings.



Johnson Fernando
Chairman - Board ICT Committee

22nd May 2023
Colombo

CORPORATE GOVERNANCE

2.15 Management Sub Committees

The below specific Committees comprising of Senior Management personnel have been set up to ensure efficient management of PI. Their objectives and functions are depicted below;

1. Operation Management Committee (OMC)

The purpose of the Operations Management Committee is to have a common platform to discuss and make collective decisions on day-to-day operations of the Company which are directed towards achieving the objectives of the Company. The committee may take decisions on followings;

- Decide on matters pertaining to the operations of the Company within the purview of the management and make recommendations to the Board of Directors if necessary
- Recommend to the Board, for matters outside the scope of the Manual of Delegation of Authority
- Make decisions on other non-investment matters

2. Decision Making Unit (DMU)

DMU is responsible for and vested with the powers to act as a team to approve the procurement of the goods and services of PI. The purpose of the DMU is to ensure that the purchasing decisions are made in the best interest of PI. The objectives of DMU are as follows;

- Maximizing economy, efficiency and effectiveness.
- Adhering to prescribed standards, statutory requirements and policies of PI
- Fair, equal and maximum opportunity for interested parties to participate in the procurement
- Expedient execution of projects and delivery of goods and services

- Compliance with tax laws
- Ensuring transparency and consistency in the evaluation and selection of suppliers
- Ensure continuous practice of ethics in procurement

2.16 Company Secretary

All Directors have access to the advice and services of the Company Secretary. The shareholders may contact the company secretary, Ms. Nadhra Zanoon on 011-2126656 during working hours from 8.00 a.m. to 4.45 p.m. for any company related information requirements.

Key responsibilities of the secretary includes following;

- Guiding the Board and all individual Directors in the proper discharge of their duties and responsibilities
- Acting as a central source of supervision on matters of ethics and governance
- Ensuring compliance of the Board with relevant rules and regulations
- Maintaining and retaining minutes, registers and similar records of the company
- Induction of new directors
- Assisting the Chairperson and the CEO in determining the Annual Board plan
- Making necessary disclosure on Related Party Transactions, as required by the laws and regulations
- Operating as a channel of communication with the shareholders
- Ethics, Integrity and other business practices

3. Disciplinary Committee

The purpose of the Disciplinary Committee is to ensure that the staff of the Company will follow proper office decorum, conduct themselves in an exemplary manner in

enhancing the image and reputation of the Company. The Committee is governed by the Disciplinary Code where the performance is guided by the terms and conditions set out in the Code.

3.1 Risk Management & 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 121 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)

Ethical Conduct for Employees

The Company orientation program also includes comprehensive coverage of 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
- Managing Conflicts of interest
- Resolution and reporting of violations

Code of Conduct

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

3.2 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 Committee 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.

3.3 Succession Planning

Jobs at risk and successors for the respective jobs are identified during the performance appraisal process of the Company. Further, selected employees are trained and developed over a period for future leadership in the organization.

3.4 Business Continuity Plan

The Business Continuity Plan (BCP), is a vital component of PI's response planning. It sets out how the business will be resilient in the face of extreme events, how it will operate following an incident and how it expects to return to 'Business as usual' in the quickest possible time.

The BCP is designed to be in compliance with the Disaster Recovery Institute International's professional practices, ISO 22301: 2019 International Standard and Business Continuity Guidelines of the Insurance Regulatory Commission of Sri Lanka.

3.5 IT Governance & Cyber Security

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. 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.

3.6 IT Controls over Financial Reporting

The reliability of financial reporting is significantly dependent on a well-controlled IT environment.

Therefore, the following IT controls over financial reporting are in place to ensure the quality of information used for financial reporting;

1. Data Center operation controls such as job setup and scheduling, operator actions and data backup/recovery procedures.
2. System software controls over the effective acquisition, implementation and maintenance of system, security and utility software.
3. Availability of system development life cycle to define processes that should be followed in application system development and availability of software change management document to define the process to change the processes.
4. Implementation of security controls that prevent inappropriate and unauthorized use of systems.

3.7 Innovation

PI continues to adopt and innovate to remain ahead of the competition. The Company operates in a very dynamic business landscape characterized by digital technology that shapes customer experiences, challenging market conditions and increasing regulations which requires continuous investment on innovation and technology.

CORPORATE GOVERNANCE

3.8. Maintaining the integrity of the Employees

Our employees play a vital role in achieving goals, objectives and long term strategies of the business. The activities performed to inspire employees are highlighted in The Human Capital Management Review under pages 52 to 58.

3.9 Stakeholder Engagement

The Company has robust procedures in place to engage with various stakeholders. Feedback obtained from stakeholder engagement mechanisms form a key input in strategy formulation, ensuring that the Company's growth is responsible and sustainable. Our stakeholder engagement mechanisms are well structured and comprehensive, providing valuable insights into stakeholder concerns and enabling us to provide appropriate responses, while balancing multiple stakeholder interests.

3.10 Channel of Communication

Employee Communication

Company has adopted number of effective communication channels to ensure that every employee is aware of its strategic direction, policies and procedures, the standards and the corporate values each must display in their day to day interactions with internal and external stakeholders.

Shareholder Communication

Company uses following communication channels to communicate information on timely manner;

- Shareholder meetings including the Annual General Meeting (AGM)
- Integrated Annual Report
- Financial and other notices as and when required through the Colombo Stock Exchange
- Corporate website
- Press notices

Further, Shareholders can contact the Company Secretary, whose details are given below, on matters relating to them, Ms. Nadhra Zanoon, The Company Secretary, People's Insurance PLC, No. 7, Havelock Road, Colombo 05, Sri Lanka. Tel: 011 - 2126126, Fax: 011 - 2126109

3.11 The Annual General Meeting

The Board uses the AGM to communicate with Shareholders and encourages their participation. The AGM provides a forum for the Board to inform Shareholders of the Company's business and how it has performed during the year. Investors have an opportunity to ask questions from the Directors and to use their votes responsibly. Notice of the meeting and related documents are circulated 15 working days prior to the AGM. The Chairman ensures that the Chairman of the Board Audit and Directors, Senior Management and representatives of the External Auditors are available to answer questions at the AGM, if required.

3.12 Gender Parity

We appreciate the positive impact on productivity and competitiveness in engaging a gender diverse workforce. The Company has adopted policies that ensure equal opportunity and a safe workplace further, company has implemented practices that support female employees to fulfill their career aspirations. Please refer the Human Capital report on pages 52 to 58 for polices, practices and gender representative data.

3.13 Charters & Policies

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.

3.14 Systems, Controls & Assurance

Corporate Management together with the guidance of the Board Audit Committee, periodically reviews the adequacy of internal controls for process optimization and efficacy. During the year, the internal assurance process was reviewed and further strengthened. Key areas of process controls are as follows;

1. Compliance Assurance

Compliance Assurance is developed through a bottom-up sign-off process. The Internal Audit division closely oversees the bottom-up compliance process of the Company and reports on the same to the BAC.

2. Employee Participation in Assurance

This has been ensured through formal channels such as exit interviews, employee surveys and Whistle Blower policy which provides an opportunity for employee to report on good faith.

3. Financial Resource Management

The Board has delegated certain Financial Authority to the CEO and divisional heads through Memorandum of Delegation of Financial Authority (MOFA) which clearly indicates the duties and responsibilities of the employees who enter into financial transactions on behalf of the Company.

4. Assessment of Fraud Risk and Internal Audits

Company has evaluated fraud risk and any other customer complaints through customer feedback and reports them accordingly.

5. IT Governance

IT Governance plays a significant role in maintaining a sustainable business model. For more details, please refer pages 109 to 110 of the Corporate Governance Report.

3.15 Related Party Transactions and Conflict of Interest

All Directors act in the best interests of the Company, avoiding any kind of conflicts of interest. Directors declare their business interests at appointment, at the beginning of every financial year and in Financial Statements. Details are maintained in a Register by the Company Secretary. The Register is available for inspection in terms of the Companies Act.

3.16 Assurance by Internal Auditors

Company has an in-house Internal Audit division whereas there are clear processes for monitoring and following up on corrective actions for control weaknesses or failures reported. These audit findings together with the Management responses are reviewed by the BAC and the Board.

3.17 Assurance by External Auditors

National Audit Department performed an audit at the year end to obtain assurance that the internal controls and processes are in place for the preparation and presentation of the Financial Statements.

4. COMPLIANCE

Compulsory Governance Codes and Voluntary Governance Codes

The Company is compliant with all relevant statutory and regulatory requirements. PI has respective checks and controls in place to ensure it complies with all laws, rules and regulations that govern the Company.

4.1 Compliance Framework and Self-Regulation Checklists

Compliance statements are signed off on a monthly basis for ensuring compliance with regulatory requirements and internal policies. Changes to regulations are updated in the checklists on a regular basis, with relevant evidence of compliance.

4.2 Statutory and Regulatory Compliance

Requirement	Compliance
As required by the IRCSL, the Company submits Compliance Certificates (A) and (B) to IRCSL on a quarterly basis signed off by the Chief Executive Officer (in her capacity as the Company's Principal Officer (PO) and the CFO on behalf of the Board of Directors of the Company	<p>Compliance Certificate A - Certifies that the Company has;</p> <ul style="list-style-type: none"> ▪ Complied with all provisions in the Regulation of Insurance Industry (RII) Act No. 43 of 2000, rules, regulations, determinations, directions issued by IRCSL; Complied with all orders made by the Ministry of Finance and Planning under the RII Act, No. 43 of 2000. ▪ Complied with terms and conditions pertaining to re-insurance placements issued by IRCSL in terms of section 31(1) of the RII Act, No. 43 of 2000. ▪ Complied with conditions pertaining to co-insurance issued by IRCSL and complied with all applicable circulars issued by IRCSL. <p>Compliance Certificate B - Certifies that the Company has;</p> <ul style="list-style-type: none"> ▪ Complied with all applicable provisions in the Financial Transactions Reporting Act No. 6 of 2006. ▪ Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 6 of 2006. ▪ Complied with guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL.
Compliance with Regulations Governing Investments	The General Insurance Fund is adequately backed by 'approved investments' as per Section 25 (1) of the RII Act and subsequent determinations.
Ability to Meet Policyholder Obligations	An Insurance Company's ability to meet its obligations to policyholders is measured by the Capital Adequacy Ratio (CAR). CAR reflects PI's Total Available Capital (TAC) as against Risk Capital required at a particular date. The CAR as of 31 st December 2022 is 270% and the minimum regulatory requirement is 120%.
Actuarial Valuation of Insurance Liabilities	General Insurance liabilities have been valued by an independent External Actuary in accordance with the RII Act. Refer Actuarial Report on page 135.
Re-Insurance Arrangements	The IRCSL has stipulated that Insurance Companies must enter into re-insurance arrangements with companies which at a minimum have a rating of BBB. As per details on page 200 all of our re-insurance arrangements are with companies that have been assigned a healthy credit rating by international rating agencies.
Capital Structure	As of 31 st December 2022, the Company's Stated Capital of Rs. 1,350 Mn exceeds the minimum share capital requirement set by the IRCSL for a Life Insurance Company of Rs. 500 Mn.

CORPORATE GOVERNANCE

COMPLIANCE SUMMARY

Corporate Governance Framework for insurers issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) under Section 96 (A) of the Regulation of Insurance Industry Act No. 43 of 2000.

Requirement	Complied	Reference	Pages
A. Recommended to Adhere to the Code of Best Practice on Corporate Governance, 2017 (the Code), issued by the Institute of Chartered Accountants of Sri Lanka.	Compliant with almost the entire 2017 Code	Corporate Governance Report	117 to 118
B. 1. The Board must comprise a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka.	Yes	Corporate Governance Report	88
2. The total period of service of a Director other than an Executive Director, shall not exceed nine years (except major Shareholder Director and Technical Director), and such period in office shall be inclusive of the total period of service served by such Director.	Yes	Board of Directors	88
3. (i) The age of a person who serves as Director shall not exceed 75 years.	Yes	Corporate Governance Report	88
(ii) Notwithstanding above, a person who serves as a director and is over 75 years or above as at 1 st July 2019, such director may continue to serve as a director only until 30 th June, 2022, and shall be deemed to have vacated office on 30 th June, 2022	N/A	N/A	N/A
4. The Board must adhere to Section 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance.	Yes	Corporate Governance Report	114 to 115
5. A person shall be disqualified to be a Director of an Insurer if such person is a Director of more than 20 companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	Yes	Corporate Governance Report	88
6. Insurers are required to demonstrate compliance with the IRCSL Direction No. 17 on Corporate Governance Framework for insurers by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE.	Yes	Corporate Governance Report	114 to 115
7. The Insurer shall rectify its non-compliance in respect of items B1 to 6 above within three months from the date of non-compliance and inform IRCSL immediately after 3 months.	N/A	N/A	N/A
8. a) The Insurer should provide a certification from the Company Secretary to the IRCSL, that 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 the Companies Act No. 7 of 2007.	N/A	N/A	N/A
b) The Insurer shall also provide a written confirmation from the Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years is not prohibited by the Articles of Association.	N/A	N/A	N/A

STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURE

Requirement	Complied	Reference	Pages
(i) Names of persons who during the financial year were Directors of the entity	Yes	Board of Directors	87
(ii) Principle activities of the entity and its subsidiaries during the year and any changes therein	Yes	Notes to the Financial Statements - Note 1	147
(iii) The names and the number of shares held by the 20 largest shareholders of voting and non-voting shares and the percentage of such shares held	Yes	Share Information	225
(iv) Public holding percentage	Yes	Share Information	224
(v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Yes	Share Information	224
(vi) Information pertaining to material foreseeable risk factors of the Company	Yes	Enterprise Risk Management	121 to 130
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Human Capital	52 to 58
viii) Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	N/A	N/A	N/A
(ix) Number of shares representing the entity's Stated Capital	Yes	Notes to the Financial Statements - Note 33	184
(x) A distribution schedule of the number of shareholders in each class of equity securities and the percentage of their total holdings in the given categories	Yes	Share Information	223
(xi) List of ratios and market price information	Yes	Share Information	226
(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 as at end of the year	N/A	N/A	N/A
(xiii) Detail of fund raised either through a public issue, Rights Issue and private placement during the year	N/A	N/A	N/A
(xiv) Employee Share Option Schemes and Employee Share Purchase Scheme	N/A	N/A	N/A
(xv) 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 Listing Rule.	Yes	Corporate Governance Section	114 to 115

CORPORATE GOVERNANCE

Requirement	Complied	Reference	Pages
(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.	Yes	Notes to the Financial Statements - Note 48	210 to 214
There were no material transactions during the year with related parties.			

Statement of Compliance under Section 7.10 of the Continuing Listing Requirements of the Colombo Stock Exchange (CSE)

Requirement	Complied	Reference	Pages
7.10 COMPLIANCE WITH CORPORATE GOVERNANCE RULES			
7.10.1 Non-Executive Directors (NED)			
(a) The Board of Directors of a Listed Entity shall include at least, - two NEDs; or - such number of NEDs equivalent to one-third of the total number of Directors, whichever is higher.	Yes	Board Composition	86
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.	Yes	Board Composition	86
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	N/A	N/A	N/A
7.10.2 Independent Directors			
(a) Two or one-third of NEDs, whichever is higher, should be independent.	Yes	Board Composition	
(b) The Board shall require each NED to submit signed declaration of independence/non-independence annually.	Yes	Corporate Governance Report	88
7.10.3 Disclosures Relating to Directors			
(a) Names of Independent Directors should be disclosed in the Annual Report.	Yes	Board of Directors	88
(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.	N/A	N/A	N/A
(c) A brief resume of each Director should be published in the annual report including the areas of expertise.	Yes	Board of Directors	72 to 75
(d) A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public.	N/A	Corporate Governance Report	72 to 75

Requirement	Complied	Reference	Pages
7.10.4 Criteria for Defining Independence			
(a to h) Requirements for meeting the criteria to be an Independent Director.	Yes	Corporate Governance	88
7.10.5 Remuneration Committee (HRCC)			
A Listed Entity shall have a Remuneration Committee.	Yes	BHRRNC Report	102
(a) The Remuneration Committee shall comprise of NEDs a majority of whom shall be independent.	No	Rectified on 19th April 2023	-
(b) Functions of the RC shall be to recommend the remuneration of the CEO and the Executive Directors.	Yes	BHRRNC Report	102
(c) The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee. BHRRNC Report 141 A Statement of Remuneration Policy. Aggregate remuneration paid to Executive and Non-Executive Directors.	Yes	BHRRNC Report Notes to the Financial Statements - Note 21	102 102
7.10.6 (A) Composition and Role of the Audit Committee			
7.10.6 A listed Company shall have an Audit Committee.	Yes	BAC Report	97 to 99
(a) The Audit Committee shall comprise Non-Executive Directors a majority of whom shall be independent.	Yes	BAC Report	97 to 99
The Chairperson or one member of the Committee should be a member of a recognised professional accounting body.		BAC Report	97 to 99
7.10.6 (B) Audit Committee - Functions			
(b) The functions of the Audit Committee shall include; Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Overseeing the compliance with financial reporting and information requirements as per laws and regulations. Overseeing the process to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards. Assessing of the independence and performance of the External Auditors and make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Yes	BAC Report	97 to 99

CORPORATE GOVERNANCE

Requirement	Complied	Reference	Pages
c) The Annual Report shall set out; the names of the Directors who comprise the Audit Committee. The Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination. A report by the Audit Committee setting-out the manner of compliance of the functions set out in above, during the period to which the annual report relates.	Yes	BAC Report	97

Statement of Compliance under Code of Best Practice on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)

Requirement	Complied	Reference	Pages
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements - Note 48	210 to 214
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	100 to 101
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions or a negative statement otherwise	Yes	Annual Report of the Board of Directors on the affairs of the Company	90

Content of the Annual Report as per Section 168 of the Companies Act no. 7 of 2007

Requirement	Complied	Reference	Pages
168 (1) (a) The nature of the business together with any change thereof	Yes	Notes to the Financial Statements - Note 1	147
168 (1) (b) Signed Financial Statements of the Company	Yes	Financial Statements	141 to 215
168 (1) (c) Auditors' Report on Financial Statements	Yes	Independent Auditors' Report	136 to 140
168 (1) (d) Accounting policies and any changes therein	Yes	Notes to the Financial Statements	147 to 215
168 (1) (e) Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the affairs of the Company	90
168 (1) (f) Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements - Note 48	104
168 (1) (g) Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the affairs of the Company	90

Requirement	Complied	Reference	Pages
168 (1) (h) Information on Directorate of the Company at the end of the accounting period	Yes	Board of Directors	72 to 75
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements - Note 20	164
168 (1) (j) Auditors' relationship or any interest with the Company	Yes	BAC Report	97 to 99
168 (1) (k) Acknowledgment of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the affairs of the Company	90

Code of Best Practice on Corporate Governance (2017) Jointly Issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka

Code ref	Requirement	Complied	Reference	Pages
A. DIRECTORS				
A.1	Effective Board	Yes	Corporate Governance Report	85 to 87
A.1.1	Regular meetings	Yes	Corporate Governance Report	87
A.1.2	Role and responsibilities of the Board	Yes	Corporate Governance Report	86
A.1.3	Act in accordance with laws of the country. Obtain professional advice, when required	Yes	Corporate Governance Report	86 and 87
A.1.4	Access to advice and services of Company Secretary	Yes	Corporate Governance Report	108
A.1.5	Independent judgement	Yes	Corporate Governance Report	89
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Corporate Governance Report	87
A.1.7	One-third of the Directors can call for a resolution	Yes	Corporate Governance Report	87
A.1.8	Board induction and training	Yes	Corporate Governance Report	89
A.2	Division of responsibilities between Chairperson and CEO	Yes	Corporate Governance Report	86
A.3	Chairperson's role in preserving good Corporate Governance	Yes	Corporate Governance Report	86
A.4	Availability of financial acumen	Yes	Corporate Governance Report	86
A.5	Board balance	Yes	Corporate Governance Report	88

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Code ref	Requirement	Complied	Reference	Pages
A.6	Supply of timely information	Yes	Corporate Governance Report	88
A.7	Appointments to the Board	Yes	Corporate Governance Report	88
A.8	Re-election	Yes	Corporate Governance Report	87
A.9	Appraisal of Board performance	Yes	Corporate Governance Report	89
A.10	Disclosure of information in respect of Directors	Yes	Board of Directors	72 to 75
A.11	Appraisal of the Chief Executive Officer (CEO)	Yes	Corporate Governance Report	89

* In compliance with most of the requirements

Code ref	Requirement	Complied	Reference	Pages
B. DIRECTORS REMUNERATION				
B.1	Remuneration procedure	Yes	HRRNC Report	102
B.2	The level and make up of remuneration	Yes	Corporate Governance Report Notes to the Financial Statements	102 to 103
B.3	Disclosure of remuneration	Yes	Notes to the Financial Statements - Note 20	64
C. RELATIONS WITH SHAREHOLDERS				
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	Yes	Notice of Meeting Corporate Governance Report	235
C.2	Communication with Shareholders	Yes	Corporate Governance Report	110
C.3	Major and material transactions	Yes	During the year, there were no major or material transactions, that required disclosure. Notes to the Financial Statements - Note 50	214

Code ref	Requirement	Complied	Reference	Pages
D. ACCOUNTABILITY AND AUDIT				
D.1	Financial and Business Reporting Management Discussion and Analysis Annual Report of the Board of Directors Statement of Compliance Statement of Directors' Responsibility	Yes		14 to 68
	Statement of Going Concern of the Company is set out in the Statement of Directors' Responsibility			132 to 133
	Directors' Statement on Internal Control over Financial Reporting			132 to 133
	Independent Auditors' Report			136 to 140
	Managing Director's and Chief Financial Officer's Statement of Responsibility			134
	Related Party Transactions disclosure of the Statement of Compliance. Note 48 in the Financial Statement			210 to 214
	Process in place is described in the Report of the Related Party Transaction Review Committee			100-101
D.2	Risk Management and Internal Control	Yes	Enterprise Risk Management	121 to 130
			BAC Report	97 to 99
			Directors Report on Internal Controls	96
D.3	Audit Committee	Yes	BAC Report	97 to 99
D.4	Related Party Transaction Review Committee	Yes	RPTRC Report	100 to 101
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Report	108
D.6	Corporate Governance Disclosure	Yes	Corporate Governance Report	83 to 120

CORPORATE GOVERNANCE

Code ref	Requirement	Complied	Reference	Pages
E. INSTITUTIONAL INVESTORS				
E.1	Shareholder Voting	Yes	Corporate Governance Report	223
E.2	Evaluation of Governance Disclosure Institutional investors are kept apprised of the Company's governance practices through the Annual Report and new initiatives are highlighted at regular meetings to ensure that due weightage is given to good Corporate Governance	Yes	Stakeholders Relationship	26 to 30
F. OTHER INVESTORS				
F.1	Investing/Divesting decisions	Yes	Stakeholder Engagement Communication	26 to 30
F.2	Shareholder voting	Yes	Corporate Governance Report	223
G. INTERNET OF THINGS AND CYBER SECURITY				
G	Internet of things and Cyber Security	Yes	Corporate Governance Report	94
H. ENVIRONMENT, SOCIETY AND GOVERNANCE				
H.1	Environment, Social and Governance (ESG) reporting	Yes	Management Discussion and Analysis	14 to 68
			Corporate Governance Report	109

*In compliance with most of the requirements

RISK MANAGEMENT

Enterprise Risk Management

At PI we recognise that our ability to manage our risks and opportunities is key to business sustainability and delivering on our strategic objectives. 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.

THE OUTCOME OF RISK OVERSIGHT

The effective management of risks and opportunities is key to the achievement of our business sustainability and our strategy. ERM is the systematic application of management policies, procedures and practices to the tasks of communication, consultation, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risks. Our ERM framework aligns our strategy, processes, people, technology and knowledge with the purpose of evaluating and managing the uncertainties we face in protecting and creating value.

Our Approach in managing Key Risk Indicators

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.

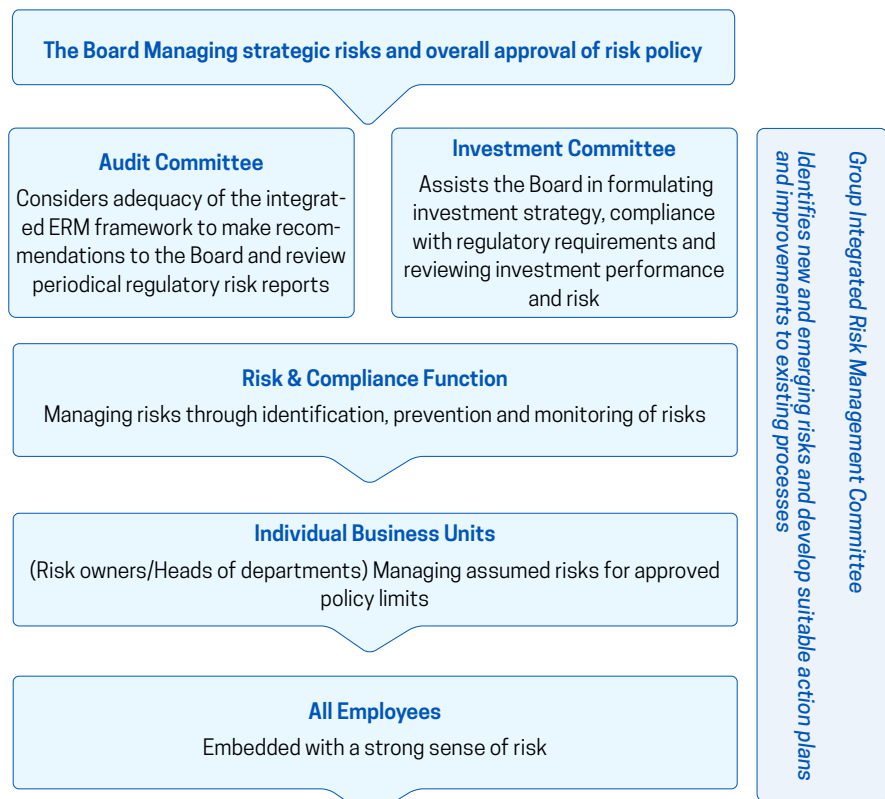
Integrated Risk Management Framework

The ERM framework comprises the following major elements:

- Risk Governance and Risk Reporting
- Risk Appetite Framework
- Key Risk Management Principles/Processes

Risk Governance and Risk Reporting

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 Policies. 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

The Company has further adopted the Three Lines of Defense model to provide a consistent, transparent and clearly documented allocation of accountability.

1st Line Defense

Business Line Management

- Achievement of business objectives
- Implementation of effective internal risk control environment
- Ensure compliance with applicable regulations

2nd Line Defense

CEO and Corporate Management Team

- Risk and Compliance function
- Develop policies and standards
- Set roles and responsibilities
- Develop risk management processes and controls
- Monitor and report on risks

3rd Line Defense

Independent Assurance Function

- Provides independent objective assurance
- Confirmation of compliance with prescripts
- Provides assurance to governance structures

Risk Appetite Framework

This refers to the aggregate level and type of risk that PI is willing to accept to meet strategic objectives. The risk appetite can be used as a monitoring yardstick of identified risk events which includes following;

- Type of risk
- Capacity
- Tolerance

Key Risk Management Principles/ Processes

Company's diverse set of processes (including risk models, stress testing and scenario testing) enables to identify, measure, manage, monitor and confirm that it remains within the approved risk appetite. This will facilitate dynamic risk-based decision-making and effective day-to-day risk management.

KEY RISK INDICATORS

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 capital position are described in detail on page 184 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.

	2022	2021
Capital adequacy ratio	270%	317%
Total available capital (Rs. Mn)	4,093	4,549
Risk based capital required (Rs. Mn)	1,516	1,437

Risk Landscape

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 Committee on a quarterly basis.

External Risk

1. Macro-economic risk
2. Interest rate risk
3. Policy and regulatory risk
4. Exchange rate risk

Internal Risks

1. **Strategic Risk** - The risks associated with our corporate strategy and the industry including compliance with regulatory requirements.
2. **Insurance Risk** - Most significant risks arise from natural disasters, climate changes, civil commotion and terrorist activities.
3. **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.
4. **Operational Risk** - Risks and hazards arising from daily business activities such as breakdowns in internal processes, people and systems.

Detailed Risk Landscape

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	KPIs	
				Target	Actual
<p>Business Risk</p> <p>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.</p>	<ul style="list-style-type: none"> Strategic focus on expanding non-motor businesses over the short-to-medium term 	■	ROE	>15%	13.67%
	<ul style="list-style-type: none"> Leverage relationships with parent and ultimate parent entities to enhance non-motor businesses 	■	Return on Assets	>6%	5.67%
	<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
<p>Regulatory Risk</p> <p>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.</p> <p>Key regulatory developments include:</p> <ul style="list-style-type: none"> Prohibition of promotion/advertising of 3rd party insurance Prohibition of providing codes to persons other than insurance agents. 	<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%	270%
	<ul style="list-style-type: none"> A comprehensive regulatory checklist is signed off by relevant officials monthly. 	■	Total available capital	>Rs.500Mn	4,093
	<ul style="list-style-type: none"> People's Insurance is strongly represented at industry forums and works closely with regulators. This ensures that the Company is well versed on changes to laws and regulations and its concerns are voiced. 				

■ Achieved ■ Not Achieved ■ Moderately Achieved

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 ■ Alerting regulatory authorities if set limits on approvals of underwriting amounts and risks are exceeded 	<p>■</p> <p>■</p>	Underwriting results (Rs. Mn)	388	(403)
			Combined ratio	104%	108%
<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>	Number of new products /revamped introduced	>2	0

■ Achieved ■ Not Achieved ■ Moderately Achieved

	Mitigating/Managing Risk	Risk Rating	KPIs		
				Target	Actual
<p>Claim Settlement Risk 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> <ul style="list-style-type: none"> Motor Fire Marine Miscellaneous Title Net combined ratio 	<ul style="list-style-type: none"> 66% 52% 40% 100% 10% 104% 	<ul style="list-style-type: none"> 72% 20% 22% 104% -11% 108%
<p>Claims Reserving Risk 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>

■ Achieved ■ Not Achieved ■ Moderately Achieved

RISK MANAGEMENT

	Mitigating/Managing Risk	Risk Rating	KPIs		
<p>Reinsurance Risk</p> <p>Reinsurance risk 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 ■ Globally 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 ensuring that all reinsurers 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 of 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%	19%

■ Achieved
 ■ Not Achieved
 ■ Moderately Achieved

Investment Risks

Link to Strategic Goals: Business and Profit Growth

Link to Materiality: Profitable Growth

Concentration Risk	Mitigating/Managing Risk	Risk Rating	KPIs		
			Target	Actual	
<p>Insufficient diversification of the investment portfolio such as concentration in one industry, geographical area or type of security.</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 	<p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p>	Government securities	Upto 100%	30%
			Fixed deposits	<65%	41%
			Listed equity	<30%	-
			Corporate debt	<65%	29%
			Unit trusts/ mutual funds	<30%	-
			Commercial paper	<30%	-
			<p>CONCENTRATION RISK</p> <p>A donut chart titled 'CONCENTRATION RISK' showing the distribution of investment assets. The segments are: Government Securities (30%, blue), Fixed deposits (41%, red), and Corporate Debt Securities (29%, green).</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 mentioned on page 169, Note 47 to the Financial Statements - Liquidity Risk.</p>	<p>■</p>	Cheque returns due to non-availability of funds	Zero	Zero
			<p>MATURITY PROFILE</p> <p>A donut chart titled 'MATURITY PROFILE' showing the distribution of investment maturities. The segments are: 0-6 Months (31.51%, blue), 7-12 Months (24.93%, red), 1-2 Years (15.00%, green), Over 2 Years (26.50%, grey), and No stated Maturity (2.06%, yellow).</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> <div data-bbox="435 491 857 945" data-label="Figure"> <p>CREDIT RATING OF INVESTMENT</p> <table border="1"> <caption>CREDIT RATING OF INVESTMENT</caption> <thead> <tr> <th>Rating</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Risk Free</td> <td>30.04%</td> </tr> <tr> <td>AAA to AA-</td> <td>34.41%</td> </tr> <tr> <td>A+ to A-</td> <td>32.34%</td> </tr> <tr> <td>BBB+ to BB-</td> <td>2.89%</td> </tr> <tr> <td>Non-Rated</td> <td>0.32%</td> </tr> </tbody> </table> </div>	Rating	Percentage	Risk Free	30.04%	AAA to AA-	34.41%	A+ to A-	32.34%	BBB+ to BB-	2.89%	Non-Rated	0.32%	■	Investments rated A and above as a percentage of total investments	>90%	87%
Rating	Percentage																
Risk Free	30.04%																
AAA to AA-	34.41%																
A+ to A-	32.34%																
BBB+ to BB-	2.89%																
Non-Rated	0.32%																
<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>	■	Price sensitive investments as a percentage of total investments	<30%	-												

■ Achieved
 ■ Not Achieved
 ■ Moderately Achieved

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		
			Target	Actual	
<p>Socio/Economic/Political Risk 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 	■	Revision of environment analysis and SWOT analysis	Revise annually	Revised annually
<p>Environmental Risk The actual or potential adverse impacts on operations and product responsibility with respect to emissions, waste and resource depletion.</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 This refers to the risk of failure or breakdown of systems that results in interruptions to operations, loss or exploitation of data and Cyber Security Risks.</p>	<ul style="list-style-type: none"> ■ Group IT policies followed by People's Insurance, 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 related to IT including Cyber Security are reviewed by the Audit Committee and the Board 	■ ■	Availability of back ups	Available	Available
			Availability of a business continuity plan	Available	Available

■ Achieved ■ Not Achieved ■ Moderately Achieved

RISK MANAGEMENT

	Mitigating/Managing Risk	Risk Rating	KPIs		
Information Technology Risk (Contd.)	<ul style="list-style-type: none"> ■ Ensuring all staff are familiar with the information security policy. ■ A 'back up' system is maintained at an off-site location to prevent data losse. ■ Controls such as Unified Threat Management (UTM) and Sophos Endpoint Security and Control are used 				
Human Resources Risk Shortage of professionally qualified/skilled personnel, demotivation and loss of staff form part of this risk.	<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 rates. ■ Performance based incentive schemes such as bonuses. ■ Initiation of succession planning. 	■	Staff turnover	<5%	27%
Reputational Risk The risk of an event or incident damaging the image of the Company.	<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 be up to date and compliant with regulatory matters. 	<div style="display: flex; flex-direction: column; align-items: center;"> ■ ■ </div>	Compliance - Breaches reported - Fines imposed	Zero Zero	Zero Zero

■ Achieved ■ Not Achieved ■ Moderately Achieved

FINANCIAL INFORMATION

EMPOWERING

STRATEGIC PATHWAYS TO ACHIEVE STRIDES
OF FINANCIAL PROGRESS TO DELIVER
CONSISTENT RETURNS.

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 2022, 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 2022; and
2. The Financial Performance of the Company for the financial year then ended.

The Financial Statements for the year 2022, 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 2022 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 section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors wish to confirm that they have authorized 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. 07 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, 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



Nadhra Zanoon
Company Secretary

22nd May 2023

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 (IRC SL);
- 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 IRC SL. 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 136 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 noncompliance;
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 2022 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 IRC SL 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

12th April 2023
Colombo

IBNR AND LAT CERTIFICATION



28th April 2023

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 2,541,883,298 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 2022, 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 Society of Actuaries ('SOA') professional standards; in particular, the relevant Code of Professional 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 'Ryan Wong'.

Ryan Wong

Fellow of the Society of Actuaries (FSA)

For and on behalf of NMG Consulting

28th April 2023

INDEPENDENT AUDITOR'S REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය } INF/A/ 07/PI/AR/2022
எனது இல. }
My No. }

මගේ අංකය }
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Your No. }

දිනය } 25 April 2023
திகதி }
Date }

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 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Insurance PLC (the "Company") for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022, and the 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. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

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

1.3 Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in 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. 4,831,701,872 (note 37) represent 74 per cent of total liabilities of the company as of 31 December 2022. Such Insurance Contract Liabilities consist of provision for reported claims, provision for Incurred But Not Reported & Incurred But Not Enough Reported (IBNR & IBNER) and provision for unearned premiums which are determined as described in note 37.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> • materiality of the reported Non-Life Insurance Contract Liabilities; • the degree of assumptions, judgements and estimation of uncertainty associated with the actuarial valuation of Non-Life Insurance Contract Liabilities; and liability adequacy carried out to ensure the adequacy of the carrying value of Life Insurance Contract Liabilities. <p>Key areas of significant judgments, estimates and assumptions used in the valuation of the Non-Life Insurance Contract Liabilities included the following:</p> <ul style="list-style-type: none"> • the determination of historical experience and business expectations 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 calculations. 	<p>To assess the reasonableness of the Non-Life Insurance Contract Liabilities, my audit procedures included the following, based on the best available information up to the date of my report:</p> <ul style="list-style-type: none"> • Assessed the competency, capability and objectivity of the management specialist engaged by the Group. • Obtained an understanding of the liability valuation process. • Checked the completeness and accuracy of the data used in the valuation of Non-Life Insurance Contract Liabilities by agreeing key information to source documents and accounting records. • Engaged expert resources to assess the reasonableness of the assumptions used in the actuarial valuations of the non-life insurance contract liability and Liability Adequacy Test with reference to the industry data and considering both historical experience and business expectations. • Test-checked the unearned premium calculations. • Assessed the adequacy of the disclosures in note 37 to the financial statements.

1.4 Other information included in the Company's 2022 Annual Report

The other information comprises the information included in the Company's 2022 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.

INDEPENDENT AUDITOR'S REPORT

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 2022 Annual Report, if I conclude that there 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either 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:

- 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

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 07 of 2007 include specific provisions for following requirements.
- 2.1.1 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. 07 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- 2.1.2 The Financial Statements of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.
- 2.1.3 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.

INDEPENDENT AUDITOR'S REPORT

- 2.1.4 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of the section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.
- 2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;
- 2.2.1 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 cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- 2.2.2 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.
- 2.2.3 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.
- 2.2.4 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

Year ended 31 December	Notes	Page	2022	2021
			Rs.	Rs.
Revenue	6	155	6,394,664,067	5,905,722,477
Gross written premium	7	156	6,132,056,844	5,967,950,074
Change in reserve for unearned insurance premium	8	156	189,882,548	18,029,670
Gross earned premium			6,321,939,392	5,985,979,744
Premium ceded to reinsurers	9	156	(1,428,950,775)	(923,799,562)
Change in reserve for unearned reinsurance premium	10	157	98,781,451	58,446,056
Net earned premium			4,991,770,068	5,120,626,238
Claims and expenses				
Net claims	11	157	(3,638,292,318)	(2,994,318,525)
Underwriting and net acquisition costs	12	160	(477,367,976)	(527,064,090)
Other operating and administrative expenses	13	161	(1,239,844,352)	(1,203,691,140)
Finance cost	14	162	(38,883,616)	(11,560,267)
			(5,394,388,262)	(4,736,634,022)
Underwriting results			(402,618,194)	383,992,216
Other revenue				
Fee income	15	162	74,521,525	54,300,338
Interest and dividend income	16	162	1,305,872,320	657,536,885
Net realised gains/(losses)	17	163	17,753,974	18,243,944
Net fair value gains/(losses)	18	163	-	55,008,314
Other income	19	163	4,746,180	6,758
			1,402,893,999	785,096,239
Profit before tax	20	164	1,000,275,805	1,169,088,455
Income tax expense	21	164	(364,316,905)	(189,419,106)
Profit for the year			635,958,900	979,669,349
Basic earnings per share	22	165	3.18	4.90

The notes to the financial statements as set out on pages 147 to 215 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December	Notes	Page	2022 Rs.	2021 Rs.
Profit for the year			635,958,900	979,669,349
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	179	(54,633,405)	(11,503,415)
- Recycling to statement of profit or loss due to disposal of investments	27.4	179	-	-
- Deferred tax effect on above	21.2	164	16,801,341	2,946,743
			(37,832,064)	(8,556,672)
Other comprehensive income not to be reclassified to statement of profit or loss in subsequent periods:				
- Actuarial losses on defined benefit obligations	38.1.2	188	3,293,995	2,240,491
- Deferred tax effect on above	21.2	164	(450,481)	557,472
			2,843,514	2,797,963
Other comprehensive income for the year, net of tax			(34,988,550)	(5,758,709)
Total comprehensive income for the year, net of tax			600,970,350	973,910,640

The notes to the financial statements as set out on pages 147 to 215 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Notes	Page	2022 Rs.	2021 Rs.
Assets				
Intangible assets	24	166	5,426,182	8,197,904
Property, plant and equipment	25	168	381,714,419	123,149,959
Deferred tax asset	26	170	57,013,534	50,729,768
Financial investments	27	172	8,694,380,178	9,038,785,038
Reinsurance receivables	28	180	557,603,560	421,007,848
Insurance receivables	29	181	1,049,732,734	1,032,801,578
Deferred expenses	30	182	187,433,945	244,281,574
Other assets	31	183	129,086,430	67,443,627
Cash and cash equivalents	32	183	154,224,696	68,316,222
Total assets			11,216,615,678	11,054,713,518
Equity and liabilities				
Equity				
Stated capital	33	184	1,350,000,000	1,350,000,000
Retained earnings	34	184	3,346,059,980	3,650,684,688
Fair value reserve	35	184	(43,600,512)	(5,768,448)
Other reserves	36	184	1,023,257	(1,820,258)
Total equity			4,653,482,725	4,993,095,982
Liabilities				
Insurance contract liabilities	37	185	4,831,701,872	4,831,513,746
Employee defined benefit obligations	38	188	54,075,334	50,647,614
Other financial liabilities	39	189	965,279,156	641,281,309
Other liabilities	40	190	63,539,441	40,911,526
Reinsurance payables	41	191	180,790,719	244,382,102
Income tax payable	42	191	268,977,692	183,557,270
Bank overdrafts	43	191	198,768,739	69,323,969
Total liabilities			6,563,132,953	6,061,617,536
Total equity and liabilities			11,216,615,678	11,054,713,518

The notes to the financial statements as set out on pages 147 to 215 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

The notes to the financial statements as set out on pages 147 to 215 form an integral part of these financial statements.

12th April 2023
Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December	Note	Page	Stated capital Rs.	Retained earnings Rs.	Fair value reserve Rs.	Other reserves Rs.	Total Rs.
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	184	-	(600,000,000)	-	-	(600,000,000)
Other comprehensive income	35,36	184	-	-	(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
Adjustment for Surcharge tax levied under the Surcharge Tax Act No. 14 of 2022			-	(440,583,608)	-	-	(440,583,608)
Adjusted balance as at 31 December 2021			1,350,000,000	3,210,101,080	(5,768,448)	(1,820,258)	4,552,512,376
Profit for the year			-	635,958,900	-	-	635,958,900
Dividends paid during the year	34	184	-	(500,000,000)	-	-	(500,000,000)
Other comprehensive income	35,36	184	-	-	(37,832,064)	2,843,514	(34,988,550)
Balance as at 31 December 2022			1,350,000,000	3,346,059,980	(43,600,512)	1,023,256	4,653,482,726

The notes to the financial statements as set out on pages 147 to 215 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December	Notes	Page	2022 Rs.	2021 Rs.
Operating activities				
Premium received from customers			6,196,932,802	6,034,125,598
Reinsurance premium paid			(1,492,542,170)	(744,915,651)
Claims paid	11	157	(3,727,883,356)	(3,018,940,387)
Reinsurance receipts in respect of claims			451,180,205	287,154,767
Interest received			1,013,146,419	687,721,776
Dividends received	16.2	163	-	-
Other operating cash flows			(1,419,295,680)	(1,687,880,051)
Cash flows from operating activities	A		1,021,538,220	1,557,266,052
Gratuity paid	38.1	188	(5,892,581)	(954,555)
Income tax paid	42	191	(268,829,389)	(447,608,859)
Surcharge tax levied paid under Surcharge Act			(440,583,608)	-
Interest paid on lease liability	46.4	197	(38,883,616)	(11,560,267)
Net cash flows from operating activities			267,349,026	1,097,142,369
Investing activities				
Purchase of liquid investments			(3,984,463,219)	(19,821,163,975)
Purchase of other investments			(16,827,511,044)	(11,194,401,958)
Sale of liquid investments			3,984,463,219	19,833,763,299
Sale of other investments			17,117,282,517	10,835,326,827
Purchase of intangible assets			-	-
Purchase of property, plant and equipment			(6,298,792)	(30,706,720)
Net cash flows used in investing activities			283,472,681	(377,182,510)
Net cash flows before financing activities			550,821,707	719,959,859
Financing activities				
Ordinary dividends paid	34	184	(500,000,000)	(600,000,000)
Payment of lease liabilities	46.4	197	(72,413,614)	(77,747,922)
Net cash flows used in financing activities			(572,413,614)	(677,747,922)
Net increase/(decrease) in cash and cash equivalents during the period	B		(21,591,908)	42,211,937

The notes to the financial statements as set out on pages 147 to 215 form an integral part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

Year ended 31 December	Notes	Page	2022 Rs.	2021 Rs.
A. Cash flows generated from operating activities				
Profit before tax			1,000,275,805	1,169,088,455
Adjustments for:				
Net fair value gains/losses	18	163	-	(55,008,314)
Provision for employee defined benefit obligations			12,615,023	11,108,955
Depreciation and amortisation expenses			107,795,034	103,882,534
Provision for impairment			(80,442,595)	34,253,040
Interest paid on lease liability	46.4	197	38,883,616	11,560,267
Profit before working capital changes			1,079,126,883	1,274,884,937
Changes in working capital				
(Increase)/decrease in reinsurance receivables			(136,595,620)	(209,864,230)
Increase in insurance receivables and other assets			3,232,972	112,536,748
Increase/(decrease) in deferred expenses			56,847,627	31,937,758
Increase/(decrease) in insurance liabilities			188,128	208,078,468
Increase/(decrease) in other liabilities			18,738,225	139,692,371
Cash flows from operating activities			1,021,538,220	1,557,266,052
B. Increase in cash and cash equivalents				
Cash and cash equivalents	32	183	305,277,172	197,424,295
Bank overdraft	43	191	(198,768,738)	(69,323,969)
Net cash and cash equivalents as at 31 December			106,508,434	128,100,326
Less: Net cash and cash equivalents as at 1 January			128,100,326	85,888,389
Net decrease/(decrease) in cash and cash equivalents during the period			(21,591,908)	42,211,937

The notes to the financial statements as set out on pages 147 to 215 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 234 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 132 to 133 in this Annual Report.

1.5 Number of employees

Staff strength of the Company as at 31st December 2022 is 620 (2021 - 618).

1.6 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31st December 2022 were approved and authorised for issue on 12th April 2023 in accordance with the resolution of the Board of Directors on 12th April 2023.

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. 07 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 141 to 142);
 - a statement of financial position providing information on the financial position of the Company as at the year-end (page 143);
 - a statement of changes in equity depicting all changes in shareholders' equity (page 144);
 - 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 145 to 146);
- and
- notes to the financial statements comprising accounting policies and other explanatory information (pages 147 to 215).

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	185
Employee defined benefit obligations	Actuarially valued and recognised at present value	38	188
Financial assets at fair value through profit or loss (FVPL)	Fair value	27.1	173
Debt instruments measured at fair value through other comprehensive income (FVOCI)	Fair value	27.3	179

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 31st 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

In determining the basis of preparing the financial statements for the year ended 31st December 2022, based on available information. In addition to that, 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, reinsurance payment timelines, liquidity of the investment portfolio and the ability to continue providing services to ensure businesses continue as least impacted as possible.

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

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 170 to 172 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 claims cost 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 188.

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.ii.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.ii.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%.

NOTES TO THE FINANCIAL STATEMENTS

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. 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 2023, effective for annual periods beginning on or after 1st January 2025, 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 1st 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 commenced and finalised preliminary work on implementation of IFRS 17 with the support of a consultant. Based on the initial work carried out, the Company believes significant portion of the Company's products will be qualified to be measured under the simplified Premium Allocation Approach. The Company is in a process of carrying out the second phase of impact assessment to assist key commercial and change decisions, with consideration of strategic aspirations with the approval of the Board.

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING SEGMENTS

Basis of Segmentation

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

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

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

Reportable Segments	Details of Operating Segments
Motor insurance	Provides cover for motor vehicles against loss or damage caused by accidents, fire and theft and legal liability to third parties in the event of physical injuries or property damage
Marine insurance	Provides the insured with indemnity and financial protection for loss of or damage to cargo during transit
Fire insurance	Provides property cover for damage and losses caused by fire another 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 - 2022

Description	Note	OPERATING SEGMENTS				Total
		Motor	Fire	Marine	Miscellaneous	
Gross written premium	7	4,501,463,483	453,108,768	96,294,056	1,081,190,537	6,132,056,844
Change in reserves for unearned insurance premium	8	242,190,260	12,132,502	(3,908,226)	(60,531,988)	189,882,548
Gross earned premium		4,743,653,743	465,241,270	92,385,830	1,020,658,549	6,321,939,392
Reinsurance premium	9	(169,128,677)	(368,785,763)	(84,601,140)	(806,435,195)	(1,428,950,775)
Change in reserves for unearned reinsurance premium	10	-	(8,680,945)	10,035,241	97,427,155	98,781,451
Net earned premium		4,574,525,066	87,774,562	17,819,931	311,650,509	4,991,770,068
Net claims	11	(3,305,118,969)	(17,806,163)	(3,880,782)	(311,486,404)	(3,638,292,318)
Underwriting and net acquisition costs	12	(531,952,122)	27,595,492	(1,553,145)	28,541,800	(477,367,975)
Underwriting results before other operating and administrative expenses		737,453,975	97,563,891	12,386,004	28,705,905	876,109,775
Other operating and administrative expenses and finance cost						(1,278,727,968)
Underwriting results						(402,618,194)
Investment income						1,323,626,294
Other income						79,267,705
Profit before tax						1,000,275,805
Income tax						(364,316,905)
Profit after tax						635,958,900

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 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
Net profit before tax						1,169,088,455
Income tax						(189,419,106)
Net profit after tax						979,669,349

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	31.12.2022 Rs.	31.12.2021 Rs.
Net earned premium	4,991,770,068	5,120,626,238
Other revenue	1,402,893,999	785,096,239
	6,394,664,067	5,905,722,477

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	31.12.2022			31.12.2021		
	Basic Rs.	*SRCC/TC Rs.	Total Rs.	Basic Rs.	*SRCC/TC Rs.	Total Rs.
Motor	3,537,578,655	963,884,828	4,501,463,483	3,780,450,774	983,958,122	4,764,408,896
Fire	242,515,649	210,593,119	453,108,768	273,984,189	210,895,978	484,880,167
Marine	95,014,362	1,279,694	96,294,056	117,702,461	1,374,757	119,077,218
Miscellaneous	1,069,594,377	11,596,160	1,081,190,537	587,512,778	12,071,015	599,583,793
	4,944,703,043	1,187,353,801	6,132,056,844	4,759,650,202	1,208,299,872	5,967,950,074

* 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	31.12.2022 Rs.	31.12.2021 Rs.
Class-wise		
Motor	242,190,260	110,490,438
Fire	12,132,502	(8,936,367)
Marine	(3,908,226)	(30,609,955)
Miscellaneous	(60,531,988)	(52,914,446)
	189,882,548	18,029,670

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	31.12.2022 Rs.	31.12.2021 Rs.
Class-wise		
Motor	(169,128,677)	(168,729,891)
Fire	(368,785,763)	(392,704,227)
Marine	(84,601,140)	(89,980,166)
Miscellaneous	(806,435,195)	(272,385,278)
	(1,428,950,775)	(923,799,562)

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Payee-wise		
National Insurance Trust Fund		
Compulsory reinsurance cessions	(326,944,687)	(174,414,851)
Strike, Riot, Civil Commotion and Terrorism cover	(339,135,152)	(342,416,725)
Foreign reinsurers	(762,870,936)	(406,967,986)
	(1,428,950,775)	(923,799,562)

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	31.12.2022 Rs.	31.12.2021 Rs.
Class-wise		
Fire	(8,680,945)	5,704,551
Marine	10,035,241	23,992,992
Miscellaneous	97,427,155	28,748,513
	98,781,451	58,446,056

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Claims paid	11.1	(3,727,883,356)	(3,018,940,387)
Claims recovered from reinsurers	11.2	241,847,534	99,311,825
Net change in contract liabilities	11.3	(152,256,496)	(74,689,963)
		(3,638,292,318)	(2,994,318,525)

11.1 Claims paid

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Class-wise		
Motor	(3,192,532,164)	(2,592,933,884)
Fire	(140,280,966)	(97,019,523)
Marine	(16,672,496)	(9,383,967)
Miscellaneous	(378,397,730)	(319,603,013)
	(3,727,883,356)	(3,018,940,387)

11.2 Claims recovered from reinsurers

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Class-wise		
Motor	8,361,572	-
Fire	108,217,921	42,701,791
Marine	6,611,968	4,099,477
Miscellaneous	118,656,073	52,510,557
	241,847,534	99,311,825

11.3 Net change in contract liabilities

For the year ended	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Gross change in insurance claims outstanding	11.3.1	(288,852,120)	(284,554,190)
Change in reinsurance recoverable on claims outstanding	11.3.2	136,595,624	209,864,227
		(152,256,496)	(74,689,963)

11.3.1 Gross change in insurance claims outstanding

For the year ended	31.12.2022		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(43,426,252)	(240,771,335)	(284,197,587)
Fire	9,990,726	40,902,319	50,893,045
Marine	(14,701,619)	18,571,795	3,870,176
Miscellaneous	(104,043,306)	44,625,552	(59,417,754)
	(152,180,451)	(136,671,669)	(288,852,120)

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)

11.3.2 Change in reinsurance recoverable on claims outstanding

For the year ended	31.12.2022		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	139,894,039	23,355,171	163,249,210
Fire	4,380,887	(41,017,050)	(36,636,163)
Marine	18,065,944	(15,756,374)	2,309,570
Miscellaneous	65,828,826	(58,155,819)	7,673,007
Total	228,169,696	(91,574,072)	136,595,624

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

NOTES TO THE FINANCIAL STATEMENTS

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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Acquisition cost	12.1	(539,770,266)	(597,785,447)
Change in deferred acquisition cost		(53,672,893)	(32,094,814)
		(593,443,159)	(629,880,261)
Reinsurance commission	12.1	119,249,918	102,018,585
Change in unearned commission reserve		(3,174,735)	797,586
		116,075,183	102,816,171
		(477,367,976)	(527,064,090)

12.1 Class-wise

For the year ended	31.12.2022				
	Acquisition cost Rs.	Change in deferred acquisition cost Rs.	Reinsurance commission Rs.	Change in unearned reinsurance commission Rs.	Total- underwriting and net acquisition cost Rs.

Class-wise

Motor	(494,104,125)	(37,847,998)	-	-	(531,952,123)
Fire	(33,838,675)	(6,929,486)	67,668,746	694,907	27,595,492
Marine	(7,316,396)	(546,024)	6,837,455	(528,180)	(1,553,145)
Miscellaneous	(4,511,071)	(8,349,387)	44,743,717	(3,341,459)	28,541,800
	(539,770,267)	(53,672,895)	119,249,918	(3,174,732)	(477,367,976)

For the year ended	31.12.2021				
	Acquisition cost Rs.	Change in deferred acquisition cost Rs.	Reinsurance commission Rs.	Change in unearned reinsurance commission Rs.	Total- underwriting and net acquisition cost Rs.

Class-wise

Motor	(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)

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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Staff expenses	13.1	(694,745,774)	(558,752,283)
Administrative expenses		(519,247,397)	(507,761,573)
Amortisation and depreciation		(107,795,034)	(103,882,534)
Impairment loss		81,943,853	(33,294,750)
		(1,239,844,352)	(1,203,691,140)

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	31.12.2022 Rs.	31.12.2021 Rs.
Wages and salaries	(408,807,095)	(324,326,138)
Staff benefit expenses	(224,298,840)	(177,259,834)
Contributions made to the EPF	(39,219,852)	(36,845,885)
Contributions made to the ETF	(9,804,964)	(9,211,471)
Defined benefit plan expenses	(12,615,023)	(11,108,955)
	(694,745,774)	(558,752,283)

NOTES TO THE FINANCIAL STATEMENTS

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	31.12.2022 Rs.	31.12.2021 Rs.
Interest expense on lease liability	38,883,616	11,560,267

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	31.12.2022 Rs.	31.12.2021 Rs.
Policy fees	44,550,286	36,744,022
Administration fees	29,971,239	17,556,316
	74,521,525	54,300,338

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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Interest income from debt instrument	16.1	1,305,872,320	657,536,885
Dividend income	16.2	-	-
		1,305,872,320	657,536,885

16.1 Interest income

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Interest income from FVOCI investment		
Treasury bonds	105,515,149	70,638,237
Debt instrument at amortised cost		
Treasury bills	431,231,959	45,203,721
Debentures	282,526,372	305,778,801
Fixed deposits	429,073,724	186,888,940
Reverse repurchase agreements	4,463,219	18,121,714
Staff loans	6,304,670	6,517,826
Call Deposits	24,672,004	-

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Securitized	9,410,137	-
Others	12,675,086	24,387,646
	1,305,872,320	657,536,885

16.2 Dividend income

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Dividend income from financial assets at fair value through profit or loss		
Listed equity securities	-	-

17. NET REALIZED 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	31.12.2022 Rs.	31.12.2021 Rs.
Net realised gains/(losses) from financial assets at fair value through profit or loss		
Realised gains		
Unit trust	17,691,472	17,217,944
Treasury Bonds/bills	62,502	1,026,000
Realised losses		
Listed equity shares securities	-	-
	17,753,974	18,243,944

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	31.12.2022 Rs.	31.12.2021 Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
Listed equity shares securities	-	-
Unit trust	-	55,008,314
	-	55,008,314

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	31.12.2022 Rs.	31.12.2021 Rs.
Unclaimed other liabilities written back	-	-
Miscellaneous income	4,746,180	6,758
	4,746,180	6,758

NOTES TO THE FINANCIAL STATEMENTS

20. PROFIT BEFORE TAX

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

For the year ended	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Auditors' remuneration - statutory audit services		2,229,000	2229,000
- other services		1,248,000	334,350
Amortisation of intangible assets	24	2,771,742	2,771,742
Depreciation of property, plant and equipment	25	105,023,290	101,110,793
Office equipment disposal		-	-
Directors' emoluments		5,900,008	3,906,600

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

	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Current income tax			
Income tax on current year's profits		(246,940,488)	(279,726,852)
Over/(under) provision for income tax in respect of previous year		(107,309,324)	83,284,058
		(354,249,812)	(196,442,794)
Deferred tax			
Reversal/(charge) of deferred tax liability	26.3	(1,309,685)	5,607,369
Origination of deferred tax asset	26.3	(8,757,409)	1,416,319
Deferred taxation charge/(reversal)		(10,067,094)	7,023,688
Income tax expense		(364,316,905)	(189,419,106)

21.2 Tax recognised in statement of comprehensive income

For the year ended	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Change in deferred tax asset due to actuarial loss	26.3	(450,481)	557,472
Change in deferred tax asset due to fair value gains	26.3	16,801,341	2,946,743
		16,350,860	3,504,215

21.3 Reconciliation of effective tax rate

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Profit for the year	635,958,900	979,669,349
Income tax expense	354,249,812	196,442,793
Deferred taxation	10,067,093	(7,023,688)
Profit before income tax	1,000,275,805	1,169,088,454
At the statutory income tax rate of 24% & 30 % (2021 - 24%)		
Income exempt from income tax	(8,514,536)	(54,944,981)
Aggregate allowable expenses	(227,210,113)	(150,498,739)
Aggregate disallowable expenses	180,371,672	201,883,816
Non-Taxable Income	(69,569,184)	-
	875,353,644	1,165,528,550
Statutory tax rate (2021 - 24%)		
First half of the year	24% (62,662,424)	(279,726,852)
Second half of the year	30% (184,278,064)	-
Tax at applicable rate	(246,940,488)	(279,726,852)
Deferred taxation reversal	(10,067,094)	7,023,688
Over/(under) provision for income tax in respect of previous year	(107,309,324)	83,284,058
Income tax expense	(364,316,904)	(189,419,106)

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. 45 of 2022, the applicable income tax rate for the Company has been increased from 24% to 30 % with effect from 1st October 2022. Accordingly, income tax and deferred tax were calculated at the rate of 30 %.

22. BASIC EARNINGS PER SHARE (EPS)
ACCOUNTING POLICY

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Profit for the year (Rs.)	635,958,900	979,669,349
Number of shares	200,000,000	200,000,000
Basic earnings per share (Rs.)	3.18	4.90

As at	31.12.2022 Rs.	31.12.2021 Rs.
Number of Shares	200,000,000	200,000,000
Issued Ordinary shares	200,000,000	200,000,000

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	31.12.2022 Rs.	31.12.2021 Rs.
Interim dividends		
Interim dividend paid (Rs.)	500,000,000	300,000,000
Number of ordinary shares	200,000,000	200,000,000
Interim dividend per share (Rs.)	2.50	1.50
Final dividend		
Final dividend proposed (Rs.)	-	-
Number of ordinary shares	200,000,000	200,000,000
Final dividend per share (Rs.)	-	-

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.

For the year ended	Software Rs.
Cost	
As at 1 January 2021	77,739,812
As at 31 December 2021	77,739,812
Additions during the year	-
As at 31 December 2022	77,739,812
Accumulated amortisation	
As at 1 January 2021	66,770,166
Amortisation during the year	2,771,742
As at 31 December 2021	69,541,908
Amortisation during the year	2,771,742
As at 31 December 2022	72,313,650
Carrying amount	
As at 31 December 2021	8,197,904
As at 31 December 2022	5,426,182

NOTES TO THE FINANCIAL STATEMENTS

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	31.12.2022	31.12.2021
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 no intangible assets purchased. (2021 - Nil).

24.4 Capitalisation of borrowing costs

There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year 31st December 2022 (2021 - Nil).

24.5 Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31st December 2022. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

25. PROPERTY, PLANT AND EQUIPMENT**ACCOUNTING POLICY**

Property, plant and equipment (PPE) are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year. Property, plant and equipment include computer hardware, office equipment, furniture and fittings and motor vehicles.

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

The Company applies the cost model to plant and equipment and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Repairs and maintenance

Repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred. Cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Depreciation charge begins when an assets is available for use. The estimated useful lives are as follows;

Asset Class	Useful Life
Computer hardware	5 years
Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years

De-recognition

Carrying amount of an item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from it. Gain or loss arising from the de-recognition of an item of property, plant and equipment is included in the statement of profit or loss when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is de-recognised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is de-recognised.

	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 2021	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
Additions during the year	-	5,686,242	372,549	240,000	357,288,910	363,587,701
As at 31 December 2022	75,851,790	94,198,311	59,060,743	18,244,201	697,717,199	945,072,244
Accumulated depreciation						
As at 1 January 2021	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
Depreciation during the year	8,503,685	11,648,431	8,246,770	2,147,939	74,476,465	105,023,290
As at 31 December 2022	60,869,119	68,599,852	50,236,507	18,048,200	365,604,197	563,357,875
Carrying amount						
As at 31 December 2021	23,486,356	31,560,648	16,698,458	2,103,940	49,300,557	123,149,959
As at 31 December 2022	14,982,671	25,598,459	8,824,236	196,001	332,113,002	381,714,419

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	31.12.2022	31.12.2021
Motor vehicle	18,004,200	-
Computer hardware	38,929,355	23,636,455
Office equipment	42,356,854	25,498,597
Furniture and fittings	39,390,457	2,513,358
	138,680,866	51,648,410

NOTES TO THE FINANCIAL STATEMENTS

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. 6,298,791 (2021 - Rs. 30,706,721). Cash payments amounting to Rs. 6,298,791 (2021 - Rs. 30,706,721) 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 31st December 2022 (2021 - 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 31st December 2022 (2021 - Nil).

25.6 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at the year ended 31st December 2022 (2021 - Nil).

25.7 Assessment of impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31st December 2022. 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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Deferred tax assets	26.1	66,626,528	59,033,078
Deferred tax liabilities	26.2	(9,612,995)	(8,303,310)
		57,013,534	50,729,768

As at	STATEMENT OF FINANCIAL POSITION			
	31.12.2022		31.12.2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
26.1 Deferred tax asset				
Employee benefits	57,369,329	17,210,799	52,888,103	12,693,145
Debtors impairment recognised in statement of profit or loss	106,524,373	31,957,312	188,468,225	45,232,374
Actuarial loss recognised in other comprehensive income	(3,293,995)	(988,199)	(2,240,491)	(537,718)
Fair value gains recognised in other comprehensive income	(61,488,727)	18,446,616	6,855,321	1,645,277
	99,110,980	66,626,528	245,971,158	59,033,078
26.2 Deferred tax liability				
Property, plant and equipment	(32,043,316)	(9,612,995)	(34,597,125)	(8,303,310)
	(32,043,316)	(9,612,995)	(34,597,125)	(8,303,310)
Recognised net deferred tax asset	67,067,664	57,013,533	211,374,033	50,729,768

NOTES TO THE FINANCIAL STATEMENTS

26.3 Change in deferred tax asset/liability

For the year ended 31 December	STATEMENT OF PROFIT OR LOSS		STATEMENT OF OTHER COMPREHENSIVE INCOME	
	2022	2021	2022	2021
	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	4,517,654	(367,482)	-	-
Debtors impairment	(13,275,062)	1,783,801	-	-
Actuarial loss	-	-	(450,481)	557,472
Fair value gains	-	-	16,801,341	2,946,743
	(8,757,408)	1,416,319	16,350,860	3,504,215
Deferred tax liability				
Property, plant and equipment	(1,309,685)	5,607,369	-	-
	(1,309,685)	5,607,369	-	-
Total	(10,067,093)	7,023,688	16,350,860	3,504,215

26.4 Reconciliation of deferred tax asset

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Balance as at 1 January	50,729,768	40,201,865
Amounts recorded in the statement of profit or loss	(10,067,093)	7,023,688
Amounts recorded in other comprehensive income	16,350,860	3,504,215
Balance as at 31 December	57,013,535	50,729,768

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	
		31.12.2022 Rs.	31.12.2021 Rs.	31.12.2022 Rs.	31.12.2021 Rs.
Financial assets at FVPL	27.1	-	859,054,715	-	859,054,715
Debt instruments at amortised cost	27.2	8,294,863,177	7,876,303,689	7,909,475,313	7,864,081,208
Debt instruments at FVOCI	27.3	399,517,001	303,426,634	399,517,001	303,426,634
		8,694,380,178	9,038,785,038	8,308,992,314	9,026,562,557

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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Equity securities at FVPL	27.1.1	-	-
Unit trusts	27.1.2	-	859,054,715
		-	859,054,715

NOTES TO THE FINANCIAL STATEMENTS

27.1.1 Investments in listed equity securities

As at	31.12.2022				31.12.2021			
	No. of shares	Cost of the investment	Market Value	Fair value gain/(loss)	No. of shares	Cost of the investment	Market Value	Fair value gain/(loss)
Sector and Company								
Bank, finance and insurance								
Commercial Bank of Ceylon PLC (Non-voting)	-	-	-	-	-	-	-	-
Sector total	-	-	-	-	-	-	-	-
Beverage, food and tobacco								
Ceylon Tobacco Company PLC	-	-	-	-	-	-	-	-
Sector total	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

27.1.2 Investments in listed unit trusts

As at	31.12.2022				31.12.2021			
	No. of Units	Cost of the investment	Market Value	Fair value gain/(loss)	No. of Units	Cost of the investment	Market Value	Fair value gain/(loss)
Name								
Guardian Acuity Money Market Fund	-	-	-	-	-	-	-	-
NDB Wealth Money Plus Fund	-	-	-	-	6,027,382	137,219,311	149,359,719	12,140,408
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

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 3.4 for further details on ECL policy.

As at	Note	CARRYING VALUE		FAIR VALUE	
		31.12.2022 Rs.	31.12.2021 Rs.	31.12.2022 Rs.	31.12.2021 Rs.
Repurchase agreements	27.2.1	-	-	-	-
Staff loans	27.2.2	46,907,118	59,114,722	56,168,213	63,722,001
Rent deposits		29,023,818	79,952,995	28,997,416	79,952,995
Fixed deposits	27.2.3	3,166,590,309	2,880,738,509	3,031,311,529	2,881,621,799
Savings accounts		151,052,466	129,108,073	151,052,453	129,108,073
Treasury bills	27.2.4	1,820,271,227	1,794,533,918	1,774,840,904	1,794,680,857
Debentures	27.2.5	2,450,972,613	2,554,513,192	2,296,153,033	2,526,101,515
Treasury bond	27.2.6	377,854,444	378,342,280	317,924,049	388,893,968
Call deposit		252,191,182	-	252,133,723	-
		8,294,863,177	7,876,303,689	7,909,475,313	7,864,081,208

NOTES TO THE FINANCIAL STATEMENTS

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 5% - 13.60% 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 31st December 2022. (2021 - 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 5 year. The interest rates for fixed deposits fluctuate between the range of 5.12% - 29.50% based on the tenures and the risk of institutions.

As at	Note	CARRYING VALUE	
		31.12.2022 Rs.	31.12.2021 Rs.
Licensed commercial banks	27.2.3.1	2,196,611,162	1,736,886,656
Registered finance companies	27.2.3.2	970,130,519	1,144,341,381
		3,166,741,681	2,881,228,037
Less : Allowance for expected credit losses		(151,371)	(489,528)
		3,166,590,310	2,880,738,509

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	
	31.12.2022 Rs.	31.12.2021 Rs.
People's Bank	1,277,260,995	563,211,075
Other banks	919,350,167	1,173,675,581
	2,196,611,162	1,736,886,656

27.2.3.2 Registered finance companies

As at	CARRYING VALUE	
	31.12.2022 Rs.	31.12.2021 Rs.
People's Leasing & finance PLC	970,130,519	518,981,202
Other finance companies	-	625,360,179
	970,130,519	1,144,341,381

27.2.4 Treasury bills/bonds

The Company has invested in treasury bills/bonds through People's Bank and Commercial Bank primary dealers. The treasury bill /bonds rates for the outstanding balances were in the range of between 8.00% - 33% . 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	
	31.12.2022 Rs.	31.12.2021 Rs.
Institution.		
Listed debentures		
People's Leasing & Finance PLC		
12.8% 1,257,800 debentures redeemable on 18.04.2023	136,966,530	136,963,094
Sampath Bank PLC		
12.50% 1,000,000 debentures redeemable on 20.03.2023	103,447,780	103,446,362
13.90% 1,000,000 debentures redeemable on 24.02.2024	111,563,650	111,564,359
National Development Bank PLC		
13.95% 2,000,000 debentures redeemable on 30.03.2024	220,815,714	220,816,955
DFCC Bank PLC		
12.75% 1,000,000 debentures redeemable on 09.11.2023	101,776,206	101,776,227
13.00% 844,500 debentures redeemable on 29.03.2025	92,682,815	92,683,594
13.50% 1,000,000 debentures redeemable on 28.03.2024	110,152,465	110,153,923
Seylan Bank PLC		
12.85% 750,000 debentures redeemable on 29.03.2023	77,393,583	77,418,062
MTD Walkers PLC		
11.75% 254,624 debentures redeemable on 30.09.2019	26,954,137	26,954,137

NOTES TO THE FINANCIAL STATEMENTS

As at	CARRYING VALUE	
	31.12.2022 Rs.	31.12.2021 Rs.
Commercial Bank PLC		
10.75% 2,000,000 debentures redeemable on 08.03.2021	-	-
12.00% 421,900 debentures redeemable on 27.10.2021	-	-
12.00% 881,700 debentures redeemable on 22.07.2023	92,849,405	92,850,630
Hatton National Bank PLC		
11.25% 2,000,000 debentures redeemable on 01.11.2023	-	-
13.00% 193,300 debentures redeemable on 01.11.2023	19,729,343	19,729,359
12.30% 413,300 debentures refeembale on 22.09.2024	42,657,586	42,663,260
Nations Trust Bank PLC		
12.65% 2,000,000 debentures redeemable on 09.11.2023	-	-
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	105,204,769	105,210,685
Siyapath Finance PLC		
13.33% 1,500,000 debentures redeemable on 08.08.2024	157,672,658	157,695,334
LOLC Holdings PLC		
10.25% 3,000,000 debentures redeemable on 24.02.2026	325,907,608	325,908,979
Ceylon Electricity Board		
9.35% 4,000,000 debentures redeemable on 15.04.2026	426,189,632	426,194,959
Unlisted debentures		
DFCC Bank PLC		
11.00% 1,190,000 debentures redeemable on 12.06.2025	126,122,846	126,130,757
National Savings Bank		
11.00% 1,000,000 debentures redeemable on 10.09.2022	-	103,251,111
	2,478,614,493	2,581,939,994
Less : Allowance for expected credit losses	(27,641,879)	(27,426,802)
	2,450,972,613	2,554,513,192

Total allowance for expected credit loss stemmed from 12 months ECL and Lifetime ECL

27.2.6 Treasury bond

As at	CARRYING VALUE		FAIR VALUE	
	31.12.2022 Rs.	31.12.2021 Rs.	31.12.2022 Rs.	31.12.2021 Rs.
Treasury bond	377,854,444	378,342,280	317,924,049	388,893,968
	377,854,444	378,342,280	317,924,049	388,893,968

No expected credit losses (ECL) were recognised for government securities since those are rated as risk free investments.

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	
	31.12.2022 Rs.	31.12.2021 Rs.	31.12.2022 Rs.	31.12.2021 Rs.
Treasury bond	399,517,001	303,426,634	399,517,001	303,426,634

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 2022	859,054,715	7,904,253,736	303,426,634	9,066,735,086
Purchases/acrued interest	88,171,101	20,012,884,261	518,573,772	20,619,629,134
Maturities/sales	(947,225,816)	(19,594,471,801)	(367,850,000)	(20,909,547,618)
Fair value losses recorded in statement of profit or loss	-	-	-	-
Fair value gains recorded in statement of comprehensive income	-	-	(54,633,405)	(54,633,405)
Allowance for expected credit losses	-	(27,803,016)	-	(27,803,016)
As at 31 December 2022	(0)	8,294,863,180	399,517,000	8,694,380,180

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.

NOTES 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	31.12.2022 Rs.	31.12.2021 Rs.
Reinsurance receivables on outstanding claims as at 1 January	421,007,848	211,143,617
Change during the year	136,595,712	209,864,231
Reinsurance receivables on outstanding claims as at 31 December	557,603,560	421,007,848

As at	31.12.2022 Rs.	31.12.2021 Rs.
Payee-wise		
National Insurance Trust Fund	167,281,068	126,302,354
Foreign reinsurers	390,322,492	294,705,494
	557,603,560	421,007,848

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.ii. for risk management measures taken relating to reinsurance.

29. INSURANCE RECEIVABLES

ACCOUNTING POLICY

Insurance receivables

Insurance receivables satisfy the contractual cash flow characteristic test (SPPI test) as the return solely represent capital and interest. Even though there were no interest charge for insurance receivables, they satisfy the SPPI test as they are considered to be short term and credit risk doesn't exist to charge interest. Upon completion of the SPPI test, management elected the business model of hold to collect the contractual cash flows and measure the instrument at amortised cost as these are short term in nature. Since these are short term balances without a financing component, amortised cost will be equal to carrying value. Based on the three stages; performing (stage 1), under-performing (stage 2), non-performing (stage 3), the Company provides ECL on 12 months ECL and lifetime ECL weighted among several scenarios.

De-recognition due to substantial modification of terms and conditions

The Company de-recognises premium receivables, when the terms and conditions have been re-negotiated to the extent that, substantially, it becomes a new insurance contract, with the difference recognised as a separate asset or liability. The newly recognised insurance contracts are classified as stage 1 for ECL measurement purposes.

When assessing whether or not to de-recognise a insurance premium receivable, amongst others, the Company considers the following factors:

*Loss of insurable interest

*Change in counterparty

Assessment of impairment of insurance receivables

The Company assessed the impairment provision based on the ECL method. The analysis of the impairment provision under three categories is provided below.

As at	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Insurance receivables		1,128,436,501	1,193,312,458
Less: Allowance for expected credit losses/impairment	29.1	(78,703,767)	(160,510,880)
Insurance receivables net of impairment		1,049,732,734	1,032,801,578

29.1 Impairment movement

	31.12.2022 Rs.	31.12.2021 Rs.
Opening balance	160,510,880	126,744,001
Allowance made during the year for expected credit losses/impairment	(81,807,113)	33,766,879
Closing balance	78,703,767	160,510,880

The carrying value of insurance receivables approximates the fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

29.2 Analysis of impairment provision on insurance receivables

As at	31.12.2022		31.12.2021	
	Exposure Rs.	ECL allowance for impairment Rs.	Exposure Rs.	ECL allowance for impairment Rs.
Performing (Stage 1)	540,991,658	963,307	527,400,951	2,024,014
Under-performing (Stage 2)	304,926,516	6,538,784	303,008,413	10,353,570
Non-performing (Stage 3)	282,518,326	71,201,642	362,903,094	148,133,296
	1,128,436,501	78,703,733	1,193,312,458	160,510,880

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.

	31.12.2022 Rs.	31.12.2021 Rs.
Reserve for deferred acquisition expenses		
As at 1 January	279,481,516	311,576,330
Increase/(decrease) in deferred acquisition expenses	(53,672,894)	(32,094,814)
As at 31 December	225,808,622	279,481,516
Reserve for deferred reinsurance commission		
As at 1 January	35,199,942	35,356,998
Increase/(decrease) in deferred reinsurance commission	3,174,735	(157,056)
	38,374,677	35,199,942
As at 31 December	187,433,945	244,281,574

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	31.12.2022 Rs.	31.12.2021 Rs.
Non-financial assets		
Advances, deposits and prepayments	108,140,580	49,420,268
Inventory	13,827,750	3,131,733
Tax receivable	41,355	41,355
Other receivables	7,076,745	14,850,271
	129,086,430	67,443,627

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	31.12.2022 Rs.	31.12.2021 Rs.
Cash in hand	1,676,560	218,057
Balances at bank	152,548,136	68,105,485
	154,224,696	68,323,542
Less: Allowance for expected credit losses	-	7,320
	154,224,696	68,316,222

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	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Cash in hand and balances at bank		154,224,696	68,316,222
Saving accounts		151,052,476	129,108,073
Cash and cash equivalents		305,277,172	197,424,295
Bank overdrafts	43	(198,768,738)	(69,323,969)
		106,508,434	128,100,326

NOTES TO THE FINANCIAL STATEMENTS

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.

As at	2022		2021	
	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

	31.12.2022 Rs.	31.12.2021 Rs.
Balance as at 1 January	3,650,684,688	3,271,015,339
Profit for the year	635,958,900	979,669,349
Dividends paid	(500,000,000)	(600,000,000)
Surcharge tax Paid	(440,583,608)	-
Balance as at 31 December	3,346,059,980	3,650,684,688

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.

	31.12.2022 Rs.	31.12.2021 Rs.
Balance as at 1 January	(5,768,448)	2,788,224
Other comprehensive income for the year	(37,832,064)	(8,556,672)
Balance as at 31 December	(43,600,512)	(5,768,448)

36. OTHER RESERVES

Other reserves comprises the actuarial gains/(losses) arising from valuation of gratuity liability as required by LKAS 19 - Employee Benefits.

	31.12.2022 Rs.	31.12.2021 Rs.
Balance as at 1 January	(1,820,258)	(4,618,221)
Other comprehensive income for the year	2,843,513	2,797,963
Balance as at 31 December	1,023,256	(1,820,258)

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.

NOTES TO THE FINANCIAL STATEMENTS

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium.

As at	Notes	31.12.2022 Rs.	31.12.2021 Rs.
Provision for net unearned premium	37.2	2,729,317,244	3,017,981,242
Provision for gross outstanding claims	37.3	1,238,091,406	1,085,910,957
Provision for gross incurred but not reported (IBNR) claims	37.4	864,293,222	727,621,547
		4,831,701,872	4,831,513,746

37.1 Insurance contract liabilities

As at	31.12.2022			31.12.2021		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
Provision for net unearned premium	3,088,137,405	(358,820,161)	2,729,317,244	3,278,019,949	(260,038,707)	3,017,981,242
Provision for gross outstanding claims	1,238,091,406	(429,365,748)	808,725,658	1,085,910,957	(201,196,051)	884,714,906
Provision for gross IBNR claims	864,293,222	(128,237,725)	736,055,497	727,621,547	(219,811,797)	507,809,750
	5,190,522,033	(916,423,634)	4,274,098,399	5,091,552,453	(681,046,555)	4,410,505,898

37.2 Provision for net unearned premium

	2022			2021		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	3,278,019,949	(260,038,704)	3,017,981,245	3,296,049,615	(201,592,650)	3,094,456,965
Premium earned during the year	6,132,056,841	(1,428,950,775)	4,703,106,066	5,967,950,077	(923,799,562)	5,044,150,515
Premium earned during the year	(6,321,939,392)	1,330,169,324	(4,991,770,068)	(5,985,979,744)	865,353,506	(5,120,626,238)
As at 31 December	3,088,137,405	(358,820,153)	2,729,317,243	3,278,019,948	(260,038,706)	3,017,981,242

37.3 Provision for gross outstanding claims

As at	2022			2021		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	1,085,910,957	(201,196,051)	884,714,906	964,975,606	(86,520,422)	878,455,184
Claims incurred during the year	3,880,063,805	(470,017,231)	3,410,046,574	3,139,875,738	(213,987,454)	2,925,888,284
Claims paid during the year	(3,727,883,356)	241,847,534	(3,486,035,822)	(3,018,940,387)	99,311,825	(2,919,628,562)
As at 31 December	1,238,091,406	(429,365,748)	808,725,658	1,085,910,957	(201,196,051)	884,714,906

37.4 Provision for gross IBNR claims

	2022			2021		
	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January	727,621,547	(219,811,797)	507,809,750	564,002,707	(124,623,201)	439,379,506
Provision charged/ (reversed) during the year	136,671,675	91,574,072	228,245,747	163,618,840	(95,188,596)	68,430,244
As at 31 December	864,293,222	(128,237,725)	736,055,497	727,621,547	(219,811,797)	507,809,750

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 31st December 2022 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 31st December 2022 (2021 - 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 31st December 2022.

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 31st December 2022. 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 31st December 2022.

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 15th 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 31st December 2022.

37.8 Reconciliation between insurance provision and technical reserves

As at	2022 Rs.	2021 Rs.
Insurance contract liabilities	4,831,701,872	4,831,513,746
Reinsurance on case reserves	(429,365,748)	(201,196,051)
Reinsurance on IBNR provision	(128,237,725)	(219,811,797)
Deferred expenses	(187,433,945)	(244,281,574)
Technical reserves	4,086,664,454	4,166,224,324

NOTES TO THE FINANCIAL STATEMENTS

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

	31.12.2022 Rs.	31.12.2021 Rs.
Present value of unfunded obligation	54,075,334	50,647,612

Movement in the present value of the employee benefits

	Notes	31.12.2022 Rs.	31.12.2021 Rs.
As at 1 January		50,647,612	42,733,705
Expenses recognised in statement of profit or loss	38.1.1	12,614,298	11,108,955
Payments during the year		(5,892,581)	(954,555)
Actuarial loss recognised in statement of comprehensive income	38.1.2	(3,293,995)	(2,240,491)
As at 31 December		54,075,334	50,647,614

38.1.1 Expenses recognised in statement of profit or loss

	31.12.2022 Rs.	31.12.2021 Rs.
For the year ended		
Interest cost	5,317,999	2,991,359
Current service cost	7,296,299	8,117,596
	12,614,298	11,108,955

38.1.2 Expenses recognised in statement of comprehensive income

	31.12.2022 Rs.	31.12.2021 Rs.
For the year ended		
Actuarial loss	(3,293,995)	(2,240,491)

38.1.3 Valuation of employee benefit obligations

As at 31st December 2022, gratuity liability was actuarially valued under the Projected Unit Credit method by Smiles Global (Private) Limited, a firm with actuarial expertise as required by LKAS 19 - Employee Benefits.

38.1.4 Principal actuarial assumptions used

	2022	2021
Actuarial information		
(a) Discount rate	19%	10.5%
(b) Salary increase	10%	8%
(c) Incidence of withdrawal	21%	18%
(e) Mortality rates	A67/70	A67/70
(g) Disability rates	Rates	Rates
Employee information		
(a) Average age	30	30
(b) Average service period (years)	4.16	3.88
(c) Expected future working life time (years)	4.69	5.42
(d) Number of employees	596	618

38.1.5 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	31.12.2022		31.12.2021	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate 1%	(1,532,519)	1,632,349	(2,186,759)	2,397,970
Future salary growth 1%	1,999,816	(1,900,496)	2,666,576	(2,469,699)

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.

NOTES TO THE FINANCIAL STATEMENTS

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	31.12.2022		31.12.2021	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Other creditors including accrued expenses	39.1	449,846,933	449,846,933	393,862,690	393,862,690
Lease liability	46	343,243,028	343,243,028	59,194,215	59,194,215
Commission payable		138,692,088	138,692,088	176,509,179	176,509,179
Amounts due to related parties	39.2	33,497,107	33,497,107	11,715,225	11,715,225
		965,279,156	965,279,156	641,281,309	641,281,309

39.1 Other creditors including accrued expenses

As at	31.12.2022 Rs.	31.12.2021 Rs.
Other creditors	332,094,468	300,040,337
Accrued expenses	117,752,465	93,822,353
	449,846,933	393,862,690

39.2 Amounts due to related parties

As at	31.12.2022 Rs.	31.12.2021 Rs.
People's Leasing & Finance PLC	33,182,107	10,851,988
People's Leasing Fleet Management Limited	315,000	863,237
	33,497,107	11,715,225

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	31.12.2022 Rs.	31.12.2021 Rs.
Value Added Tax (VAT) payable	55,406,043	30,946,722
CESS payable	4,462,079	4,668,925
Other government levies payable	3,671,317	5,295,879
	63,539,439	40,911,526

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	31.12.2022 Rs.	31.12.2021 Rs.
Domestic reinsurer - National Insurance Trust Fund (NITF)	94,279,053	77,227,303
Foreign reinsurers	86,511,666	167,154,799
	180,790,719	244,382,102

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.

	31.12.2022 Rs.	31.12.2021 Rs.
Balance as at 1 January	183,557,269	435,327,639
Provision for the year	246,940,488	279,726,852
Under/(over) provision of taxes in respect of prior years	107,309,324	(83,284,058)
Self-assessment payments	(268,829,389)	(447,608,859)
Tax credits	-	(604,304)
Balance as at 31 December	268,977,692	183,557,270

43. BANK OVERDRAFT

As at	31.12.2022 Rs.	31.12.2021 Rs.
Bank overdraft	198,768,739	69,323,969

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 (2021 - Rs. 75,000,000).

NOTES TO THE FINANCIAL STATEMENTS

44. MATURITY ANALYSIS OF ASSETS AND LIABILITIES BASED ON THE REMAINING MATURITIES AT THE REPORTING DATE

As at	31.12.2022			31.12.2021		
	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	5,426,182	-	5,426,182	8,197,904	-	8,197,904
Property, plant and equipment	381,714,419	-	381,714,419	123,149,959	-	123,149,959
Deferred tax asset	57,013,534	-	57,013,534	50,729,768	-	50,729,768
Financial investments	8,694,380,178	5,076,109,066	3,618,271,112	9,038,785,038	5,079,656,034	3,959,129,004
Reinsurance receivables	557,603,560	557,603,560	-	421,007,848	421,007,848	-
Insurance receivables	1,049,732,734	1,049,732,734	-	1,032,801,578	1,032,801,578	-
Deferred expenses	187,433,945	187,433,945	-	244,281,574	244,281,574	-
Other assets	129,086,430	129,086,430	-	67,443,627	67,443,627	-
Cash and cash equivalents	154,224,696	154,224,696	-	68,316,222	68,316,222	-
Total assets	11,216,615,678	7,154,190,431	4,062,425,247	11,054,713,518	6,913,506,883	4,141,206,635
Liabilities						
Insurance contract liabilities	4,831,701,872	4,760,330,118	71,371,754	4,831,513,746	4,760,144,771	71,368,975
Employee defined benefit obligations	54,075,334	-	54,075,334	50,647,614	-	50,647,614
Other financial liabilities	965,279,156	951,588,136	13,691,020	641,281,309	627,590,289	13,691,020
Other liabilities	63,539,441	63,539,441	-	40,911,526	40,911,526	-
Reinsurance payables	180,790,719	180,790,719	-	244,382,102	244,382,102	-
Income tax payable	268,977,692	268,977,692	-	183,557,270	183,557,270	-
Bank overdrafts	198,768,739	198,768,739	-	69,323,969	69,323,969	-
Total liabilities	6,563,132,953	6,423,994,845	139,138,108	6,061,617,536	5,925,909,929	135,707,607

45. ACCOUNTING CLASSIFICATION AND FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either;

- In the principal market for the asset or liability or ;
- In the absence of the principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. For units in unit trusts, fair value is determined by reference to published bid-values. If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument i.e. without modification or re-packaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable is not recognised in the statement of profit or loss immediately, but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable. Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counter party where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Company believes a third-party market participant would take them into accounting pricing a transaction.

Financial assets and liabilities based on the accounting classification with their carrying values and fair values are tabulated below.

As at	31.12.2022					
	Note	Equity instruments through profit or loss Rs.	Debt instruments at amortised cost Rs.	Debt instruments through FVOCI Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets						
Financial investments	27					
Measured at fair value		-	-	399,517,001	399,517,001	399,517,001
Measured at amortised cost		-	8,294,863,177	-	8,294,863,177	7,909,475,313
Reinsurance receivables	28	-	557,603,560	-	557,603,560	557,603,560
Insurance receivables	29	-	1,049,732,734	-	1,049,732,734	1,049,732,734
Cash and cash equivalents	32	-	154,224,696	-	154,224,696	154,224,696
Total		-	10,056,424,167	399,517,001	10,455,941,168	10,070,553,304
Financial liabilities						
Other financial liabilities (excluding government levies)	39	-	965,279,156	-	965,279,156	965,279,156
Reinsurance payables	41	-	180,790,719	-	180,790,719	180,790,719
Bank overdraft	43	-	198,768,739	-	198,768,739	198,768,739
		-	1,344,838,614	-	1,344,838,614	1,344,838,614

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As at	31.12.2021					
	Note	Equity instruments through profit or loss Rs.	Debt instruments at amortised cost Rs.	Debt instruments through FVOCI Rs.	Total carrying amount Rs.	Fair value Rs.
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 overdrafts	43	-	69,323,969	-	69,323,969	69,323,969
		-	954,987,380	-	954,987,380	954,987,380

45.1 Determination of fair value and fair value hierarchy

Valuation of fair value of financial instruments.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- **Level 1:** Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

45.2 Fair value measurement

The following table analyses financial investment measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

As at 31st December	2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value;				
Equity instruments at fair value through profit or loss				
Unit trusts	-	-	-	-
Debt instruments at FVOCI				
Treasury bonds	-	399,517,001	-	399,517,001
Assets measured at amortised cost and fair values are disclosed*;				
Debt instruments at amortised cost				
Repurchase agreements	-	-	-	-
Staff loans	-	56,168,213	-	56,168,213
Rent deposits	-	28,997,416	-	28,997,416
Fixed deposits	-	3,031,311,529	-	3,031,311,529
Savings accounts	-	151,052,453	-	151,052,453
Treasury bills	-	1,774,840,904	-	1,774,840,904
Debentures	-	2,296,153,033	-	2,296,153,033
Treasury bonds	-	317,924,049	-	317,924,049
Commercial papers	-	-	-	-
Call Deposit	-	252,133,723	-	252,133,723
Total financial assets	-	8,308,098,320	-	8,308,098,320

As at 31st December	2021			
	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	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 bond	-	388,893,968	-	388,893,968
Commercial papers	-	-	-	-
Total financial assets	859,054,715	8,167,507,842	-	9,026,562,557

* Fair values are determined based on the assumptions given in Note 45.1.

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

	2022 Rs.	2021 Rs.
Land and building		
Balance as at 1 January	49,300,557	108,202,024
Depreciation charged for the year	(74,476,465)	(66,976,407)
Additions to right-of-use assets	357,288,910	8,074,940
Balance as at 31 December	332,113,002	49,300,557

46.2 Amounts recognised in profit or loss

	2022 Rs.	2021 Rs.
Interest on lease liabilities	38,883,616	11,560,267

46.3 Lease liability

	2022 Rs.	2021 Rs.
Balance recognised as at 1 January	59,194,213	128,867,196
New lease agreements	357,288,910	8,074,941
Payments	(72,413,614)	(77,747,922)
Balance as at 31 December	344,069,509	59,194,215

*Maturity analysis of lease liability is disclosed in Note 47.E in page 203.

46.4 Amounts recognised in statement of cash flows

	2022 Rs.	2021 Rs.
Total cash outflow for leases		
Interest paid on lease	38,883,616	11,560,267
Payment on lease liability	72,413,614	77,747,922
	111,297,230	89,308,189

NOTES TO THE FINANCIAL STATEMENTS

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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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 121 to 130 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 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	31.12.2022 Rs.	31.12.2021 Rs.
Total shareholders' funds as per financial statements	4,653,482,725	4,993,095,982
Adjustments based on regulatory requirements	86,180,796	(30,391,551)
Deductions based on regulatory requirements	474,506,865	474,289,518
Total available capital	4,092,795,064	4,549,198,015

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 31st December 2022 at TAC 4,092,795,064 (2021 - Rs. 4,549,198,015) and CAR 270% (2021- 317%) 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.

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Types of credit risk	Risk respond
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* Insurance receivables

Risk of customers failing to settle their outstanding dues.	<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
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* Reinsurance Receivables

Risk of not receiving reinsurance receivables.	<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.
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List of reinsurers and the ratings with the issuing agency as at 31st December 2022.

Reinsurer	Country of Origin	Rating	Issuing Agency
Lloyds (AXA / XL Insurance Company SE)	Singapore	aa-	AM Best
Zurich Insurance PLC Uk	London	aa- (Excellent)	A.M. Best
Lloyds (Liberty Singapore)	Singapore	a (Excellent)	A.M. Best
QBE Insurance Company - Australia	Australia	a+	AM Best
Lloyds (Atrium/Travelers)	UK	a+	AM Best
Lloyds (AXA / XL Insurance Company SE)	Singapore	aa-	AM Best
Lloyds (Syndicate No: 4472 LIB)	London	a+ (Excellent)	A.M. Best
General Insurance Corporation of India	India	B+	A.M. Best
Ocean International Reinsurance Company Limited	Barbados	A	A.M. Best
Asian Reinsurance Corporation (Thailand)	Thailand	B+	A.M. Best
New India Assurance	India	B+	A.M. Best
Best Meridian Insurance (Oman re)	USA/Cayman Island	A	A.M. Best
Best Meridian Insurance (CICA re)	USA/Cayman Island	A	A.M. Best
MIS RE	Egypt	B+	A.M. Best
National Insurance Trust Fund	Sri Lanka	AA-	Fitch

* Financial investments

Risk of borrowers failing to repay or meet contractual obligation.	<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.
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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 1 (performing) : 12-month expected credit losses

Stage 2 (under-performing) : Lifetime expected credit losses - Not-credit impaired

Stage 3 (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 2022					
Cash and cash equivalents	-	-	-	154,224,696	154,224,696
Financial investments	8,242,999,286	-	26,954,137	-	8,269,953,424
Reinsurance receivables	-	-	-	557,603,560	557,603,560
Insurance receivables	540,028,350	509,697,377	-	-	1,049,725,728
Other non-financial assets	-	-	-	760,674,510	760,674,510
Total assets	8,783,027,637	509,697,377	26,954,137	1,472,502,766	10,792,181,917
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

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.

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c) **Generating the term structure of probability of default (PD)**

Date past due has been taken as the primary input into the determination of the term structure of PD for insurance receivables. The Company collects performance and default information about its credit risk exposures analysed by customer segments. For investment portfolio, information gathered from external credit agencies is used (debt instruments).

The Company employs statistical models to analyse the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors.

Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables (GDP growth and effect) as well as a representative range (best case and worst case) of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

d) **Incorporation of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Using variety of external actual and forecasted information, the Company formulates a base case view of the future direction of relevant economic variables as well as a representative range (best case and worst case) of other possible forecast scenarios.

This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by both local and international sources.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

e) **Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

Probability of default (PD)

PD estimates are estimates at a certain date which are calculated based on statistical models and assessed using various categories based on homogenous characteristics of exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties.

Loss given default (LGD)

LGD 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 LGD 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.

Movement in allowance for expected credit losses (Stage transition)

Company	31.12.2022			
	Stage 1: 12 month ECL Rs.	Stage 2: Lifetime ECL non-credit-impaired Rs.	Stage 3: Lifetime ECL credit-impaired Rs.	Total ECL Rs.
Balance as at the beginning of the year	8,677,157,259	507,424,641	27,950,001	9,212,531,901
Change during the year	105,870,378	2,272,736	(995,864)	107,147,250
Balance as at the end of the year	8,783,027,637	509,697,377	26,954,137	9,319,679,151

Company	31.12.2021			
	Stage 1: 12 month ECL Rs.	Stage 2: Lifetime ECL non-credit-impaired Rs.	Stage 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

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	399,517,000	-	-	-	-	399,517,000
Treasury Bonds	377,854,445	-	-	-	-	377,854,445
Fixed deposits	-	2,141,026,065	1,025,715,616	-	-	3,166,741,681
Savings accounts	-	50,337,585	85,893,973	14,830,673	-	151,062,232
Treasury bills	1,820,271,227	-	-	-	-	1,820,271,227
Listed debentures	-	531,394,402	1,559,077,309	235,066,241	26,954,137	2,352,492,088
Unlisted debentures	-	-	126,122,846	-	-	126,122,846
Unit Trusts at FVPL	-	-	-	-	-	-
Reinsurance receivables	-	-	488,158,160	38,694,507	12,283,916	539,136,583
Insurance receivables	-	-	-	-	1,049,732,734	1,049,732,734
Cash and cash equivalents	-	120,010,495	31,065,946	1,489,284	1,676,560	154,242,284
Total	2,597,642,672	2,842,768,546	3,316,033,850	290,080,705	1,090,647,347	10,137,173,120

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.

NOTES TO THE FINANCIAL STATEMENTS

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 2022	0-6 Months	7-12 Months	1-2 Years	Over 2 Years	No stated maturity	Total
Financial Assets						
Financial assets at FVPL						
Unit Trusts	-	-	-	-	-	-
Debt instruments at FVOCI	-	-	-	399,517,000	-	399,517,000
Debt instruments at amortised cost						
Treasury Bonds	-	-	-	377,854,445	-	377,854,445
Fixed deposits	955,102,953	1,214,761,515	-	996,877,212	-	3,166,741,680
Staff loans and rent deposits	11,043,839	8,925,365	13,114,522	23,495,347	-	56,579,073
Savings accounts	-	-	-	-	151,052,466	151,052,466
Treasury bills	1,199,615,762	620,655,465	-	-	-	1,820,271,227
Listed debentures	-	-	-	2,325,537,951	26,954,137	2,352,492,088
Unlisted debentures	-	-	-	126,122,846	-	126,122,846
Insurance receivables	1,049,732,734	-	-	-	-	1,049,732,734
Reinsurance receivables	557,603,560	-	-	-	-	557,603,560
Cash and cash equivalents	154,241,446	-	-	-	-	154,241,446
Total	3,927,340,294	1,844,342,344	13,114,522	4,249,404,802	178,006,603	10,212,208,566
Financial liabilities						
Insurance contract liabilities	4,760,650,428	5,748,697	15,858,349	49,444,399	-	4,831,701,873
Reinsurance payables	180,790,719	-	-	-	-	180,790,719
Other financial liabilities	622,036,128	-	-	-	-	622,036,128
Lease liabilities	24,478,787	27,243,136	64,490,830	227,030,274	-	343,243,028
Bank overdrafts	198,768,739	-	-	-	-	198,768,739
Total	5,786,724,801	32,991,833	80,349,179	276,474,673	-	6,176,540,487

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 Variabls	2022		2021	
	Impact on PBT* Rs.	Impact on equity Rs.	Impact on PBT* Rs.	Impact on equity Rs.
.+ 100 basis Points	(6,877,000)	(6,877,000)	(2,464,357)	(2,464,357)
.- 100 basis Points	7,043,000	7,043,000	2,521,693	2,521,693
.+ 200 basis Points	(13,592,500)	(13,592,500)	(4,907,507)	(4,907,507)
.- 200 basis Points	14,256,500	14,256,500	5,065,693	5,065,693

* PBT - Profit before tax

NOTES TO THE FINANCIAL STATEMENTS

Following table summarises the exposure to the interest rate risks by the Company.

As at 31 December 2022	Variable interest Rs.	Fixed interest Rs.	Non-interest bearing Rs.	Total Rs.
Financial assets				
Financial assets at FVPL	-	-	-	-
Debt instruments at FVOCI	-	399,517,000	-	399,517,000
Debt instruments at amortised cost				
Repurchase agreements	-	-	-	-
Treasury bonds	-	377,854,445	-	377,854,445
Staff loans	-	46,626,431	9,952,642	56,579,073
Rent deposits	-	-	29,023,818	29,023,818
Fixed deposits	-	3,166,741,680	-	3,166,741,680
Savings accounts	-	151,052,466	-	151,052,466
Treasury bills	-	1,820,271,227	-	1,820,271,227
Listed debentures	-	2,352,492,088	-	2,352,492,088
Unlisted debentures	-	126,122,846	-	126,122,846
Commercial papers	-	-	-	-
Total	-	8,440,678,184	38,976,460	8,479,654,644

As at 31 December 2021	Variable interest Rs.	Fixed interest Rs.	Non-interest bearing Rs.	Total 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

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.

However, no material foreign currency denominated liability was reported during the financial year ended 31st December 2022

	2022		2021	
	Amount in USD	Amount in Rs.	Amount in USD	Amount in Rs.
Fixed deposits	368,911	132,757,575	344,112	67,400,937
Savings accounts	138,830	49,958,271	37,422	6,814,169
Total	507,742	182,715,847	381,534	74,215,106

	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
5% strengthening of Rupee	(9,135,876)	(9,135,876)	(3,710,755)	(3,710,755)
5% weakening of rupee	9,135,876	9,135,876	3,710,755	3,710,755

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 31st December 2022.

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	2022		2021	
	Rs.	%	Rs.	%
Treasury bonds	777,371,445	9.2	681,768,914	7.8
Treasury bills	1,820,271,227	21.4	1,794,533,918	20.5
Repurchase agreements	-	-	-	-
Listed equity securities	-	-	-	-
Listed corporate debentures	2,352,491,647	27.7	2,325,151,322	26.5
Unquoted corporate debentures	126,122,846	1.5	229,361,869	2.6
Unit trusts	-	-	859,054,715	9.8
Fixed deposits	3,166,741,681	37.3	2,880,738,509	32.8
Call Deposit	252,191,182	3.0	-	-
Total	8,495,190,027	100	8,770,609,248	100

G. Strategic Risk

Strategic risk addressing business risk and regulatory risk is described in detail along with risk mitigation strategies on pages 121 to 130 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 pages 121 to 130 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 pages 121 to 130 in the Risk Management Report.

NOTES TO THE FINANCIAL STATEMENTS

The table below sets out the concentration of insurance claim liabilities by type of the contract

	31.12.2022			31.12.2021		
	Gross liability	Reinsurance receivables	Net liabilities	Gross liability	Reinsurance receivable	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor	723,974,885	179,857,539	544,117,346	680,548,633	39,963,500	640,585,133
Marine	46,457,622	37,668,543	8,789,079	31,756,003	19,602,599	12,153,404
Fire	142,216,793	99,494,385	42,722,408	152,207,519	95,113,498	57,094,021
Miscellaneous	325,442,107	112,345,281	213,096,826	221,398,801	46,516,455	174,882,346
Total	1,238,091,407	429,365,748	808,725,659	1,085,910,957	201,196,052	884,714,905

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 2022

(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	2022		
2022	(1,253)	(5,240)	(4,004)	560	8,045	(7,319)	(9,297)	(2,855)	(11,824)	(5,845)	53,369	347,744	3,517,983		
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	223,987	1,460,669	1,883,894	2,057,037	2,097,294	2,241,433	2,694,330	2,909,182	3,282,865	3,817,262	2,858,713	3,362,039	3,517,983	32,406,688	

Accident period	CUMULATIVE PAYMENTS TO DATE														Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
2022	(650)	(387)	(10,807)	(11,439)	(10,011)	6,738	10,175	(3,340)	1,316	(7,386)	(24,130)	(846,549)	(2,831,414)		
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	(223,187)	(1,420,439)	(1,863,916)	(2,039,867)	(2,069,834)	(2,219,360)	(2,652,162)	(2,850,880)	(3,237,161)	(3,743,114)	(2,773,605)	(3,243,658)	(2,831,414)	(31,168,598)	
Total Gross claims outstanding	800	40,230	19,978	17,170	27,460	22,073	42,168	58,302	45,704	74,148	85,108	118,381	686,569	1,238,091	

Net non-life insurance outstanding claims provision for 2022

(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	2022	
2022	(2,589)	(16,234)	(37,642)	(24,812)	(10,677)	72,430	(12,733)	(3,403)	(17,256)	(9,480)	(1,385)	420,682	3,067,091	
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	219,909	1,283,962	1,794,028	2,024,093	2,048,573	2,252,069	2,614,230	2,820,256	3,210,724	3,496,998	2,721,334	3,140,079	3,067,091	30,693,346

Accident period	CUMULATIVE PAYMENTS TO DATE													Total
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
2022	(650)	(387)	(10,807)	(11,439)	(10,011)	6,738	10,190	(3,340)	1,316	(3,707)	(23,120)	(774,441)	(2,666,268)	
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	(219,109)	(1,246,832)	(1,774,523)	(2,007,922)	(2,022,112)	(2,230,496)	(2,574,063)	(2,762,954)	(3,165,619)	(3,431,040)	(2,677,358)	(3,106,193)	(2,666,268)	(29,884,491)
Total net claims outstanding	800	37,130	19,505	16,170	26,460	21,573	40,168	57,302	45,105	65,958	43,976	33,885	400,823	808,855

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		1,392,525	-
Claim handling expenses (CHE)	10%	1,397,881	5,356
Claim handling expenses (CHE)	-10%	1,387,169	(5,356)
Accident year-2020 ultimate loss ratio (ULR)	10%	1,735,129	342,604
Accident year-2020 ultimate loss ratio (ULR)	-10%	1,049,921	(342,604)
Provision for adverse deviation (PRAD)	Double	1,531,897	139,372
Provision for adverse deviation (PRAD)	Halve	1,322,839	(69,686)

NOTES TO THE FINANCIAL STATEMENTS

Table 2: Impact on premium liability to changes in key variables

Variable	Change in variable	URR at 75% confidence level	Premium liabilities (PL)	Change in premium liabilities
Original		2,491,364	3,017,981	-
Unexpired risk reserves (URR)	10%	2,735,320	3,017,981	-
Unexpired risk reserves (URR)	-10%	2,247,408	3,017,981	-
Claim handling expenses (CHE)	10%	2,505,927	3,017,981	-
Claim handling expenses (CHE)	-10%	2,476,801	3,017,981	-
Provision for adverse deviation (PRAD)	Double	2,809,272	3,017,981	-
Provision for adverse deviation (PRAD)	Halve	2,292,671	3,017,981	-

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	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium in respect of their own policies	289,116,254	246,355,166
Insurance premium in respect of customers introduced	110,995,304	138,238,851
Service charge expense	13,850,176	18,397,038
Claims expense	55,097,511	25,802,041
Investment in repurchase agreements (including reinvestments made during the year)	3,780,000,000	19,136,122,467
Settlement of repurchase agreements (including settlement for reinvestments)	3,784,463,219	19,149,559,538
Investment income from overnight repurchase agreements	4,463,219	13,073,586
Treasury bills purchased	5,734,687,950	3,410,674,450
Treasury bills matured	6,141,113,000	1,900,000,000
Interest income from fixed deposits	210,997,428	29,811,409
Interest income from special foreign currency savings account	374,961	77,381
Building rent expense	-	225,000

Outstanding balances

As at	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium receivable in respect of their own policies	3,542,209	1,631,109
Insurance premium receivable in respect of customers introduced	34,763,706	26,039,366
Service charge expense payable	754,887	1,784,188
Claims outstanding	212,808,483	196,832,940
Fixed deposits	1,529,452,177	563,211,075
Special foreign currency savings account	30,409,206	6,814,168
Building rent expenses payable	-	-
Cash at bank	113,093,871	53,564,915
Bank overdraft	199,772,721	42,150,791
	2,124,597,260	892,028,552

48.1 Transactions and outstanding balances with the immediate parent - Peoples' Leasing & Finance PLC

Transactions

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium in respect of their own policies	203,045,593	1,293,918,382
Insurance premium in respect of customers introduced	2,700,553,340	2,938,847,486
Service charges	481,563,446	501,105,560
Support service expense	10,417,188	9,125,076
Computer maintenance expense	77,410,859	55,929,319
Debenture interest	16,103,276	16,152,202
Interest income from savings accounts	3,283,279	2,891,254
Interest income from fixed deposits	78,285,576	37,584,243
Building rent expenses	19,386,261	21,412,188
Vehicle yard expenses	9,777,327	1,142,800
Claims expenses	215,637,082	155,987,312
Dividend paid	225,000,000	450,000,000

Outstanding balances

As at	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium receivable in respect of their own policies	2,984,655	12,928,464
Insurance premium receivable in respect of customers introduced	563,372,395	591,919,002
Service charges payable	127,800,620	146,652,737
Claims outstanding	13,112,154	18,389,131
Support service charges payable	6,843,807	1,520,846
Computer maintenance expense payable	21,013,171	10,230,279
Debentures	136,966,530	136,963,094
Savings accounts	85,893,973	110,490,915
Fixed deposits	970,130,519	518,981,202
Building rent expenses payable	2,299,432	3,258,698
Inter-company current account payable	30,211,510	4,084,435
	1,960,628,766	1,555,418,803

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	31.12.2022 Rs.	31.12.2021 Rs.
Short-term employment benefits	37,648,016	19,122,113

NOTES TO THE FINANCIAL STATEMENTS

b) **Other transactions with key management personnel**

Transactions

	31.12.2022	31.12.2021
For the year ended	Rs.	Rs.
Insurance premium	2,425,515	598,027

48.3 Transactions and outstanding balances with other related companies

People's Leasing Fleet Management Limited

Transactions

	31.12.2022	31.12.2021
For the year ended	Rs.	Rs.
Insurance premium in respect of their own policies	2,694,421	10,252,733
Vehicle hiring expenses	-	1,062,000
Claims expenses	7,480,260	6,841,568
Assessor's fees	9,644,722	11,316,803

Outstanding balances

	31.12.2022	31.12.2021
As at	Rs.	Rs.
Insurance premium receivable	771,508	1,390,057
Inter company current account payable	315,000	863,236
Claims expenses	150,000	1,570,000
	1,236,508	3,823,293

People's Leasing Property Development Limited

Transactions

	31.12.2022	31.12.2021
For the year ended	Rs.	Rs.
Insurance premium in respect of their own policies	2,203,649	2,475,728
Claims expense	353,865	500,449

Outstanding balances

	31.12.2022	31.12.2021
As at	Rs.	Rs.
Insurance premium receivable in respect of their own policies	614,569	20,256
Claims outstanding	208,750	123,750
	823,319	144,006

People's Micro-commerce Limited

Transactions

	31.12.2022	31.12.2021
For the year ended	Rs.	Rs.
Insurance premium in respect of their own policies	3,578,082	6,680,940
Insurance premium in respect of customers introduced	89,382,353	97,744,395
Service charges	13,086,728	14,408,184
Rent income receivable on Galle branch	4,664,115	3,308,443

Outstanding balances

As at	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium receivable in respect of their own policies	1,412,021	2,033,565
Insurance premium receivable in respect of customers introduced	39,640,074	30,965,990
Service charges payable	5,080,435	4,847,764
Claims expense	470,000	233,379
	46,132,530	37,847,318

People's Merchant Finance PLC

Transactions

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium in respect of their own policies	-	1,556,699
Insurance premium in respect of customers introduced	-	5,286,912
Service charges	-	778,065
Claims expense	-	183,642

Outstanding balances

As at	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium receivable in respect of their own policies	-	1,086,039
Insurance premium receivable in respect of customers introduced	-	142,308
Service charges payable	-	36,145
	-	1,264,492

People's Leasing Havelock Properties Limited

Transactions

For the year ended	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium in respect of their own policies	2,234,638	2,240,261
Building rent expenses	104,302,500	102,090,000
Claims expense	116,774	94,600

Outstanding balances

As at	31.12.2022 Rs.	31.12.2021 Rs.
Insurance premium receivable in respect of their own policies	-	-
Rent paid in advance	87,000,000	87,000,000
Rent payable	10,000,000	
Claims outstanding	2,134,224	
	99,134,224	87,000,000

NOTES TO THE FINANCIAL STATEMENTS

48.4 Transactions with the Other related parties

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

There are no balances with other related entities which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

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 31st December 2022 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	31.12.2022	31.12.2021
		Rs.	Rs.
Government of Sri Lanka	Investment balance	1,529,452,177	2,476,292,601
	Investment income	541,210,326	133,963,899
Other Government related banks	Investment balance	1,528,390,411	563,211,075
	Investment income	210,882,323	29,811,409

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 in the year ended 31st December 2022 are as follows:

Nature of transaction	31.12.2022	31.12.2021
	Rs.	Rs.
Premium income from the Government and other Government related entities	541,076,214	232,032,618
Claims paid to the Government and other Government related entities	127,500,683	84,793,318
Reinsurance premium (net of commission)	416,594,742	402,767,726
Taxes paid	1,236,337,223	811,225,354
Regulatory charges	8,355,130	28,522,432
Utility expenses	1,012,314	717,399

49. ASSETS PLEDGED

The following assets have been pledged as a security for liabilities.

Nature of asset	Nature of liability	CARRING VALUE		Classification
		2022	2021	
		Rs.	Rs.	
Fixed deposit at People's Bank		75,000,000	75,000,000	Loans and receivables
Fixed deposit at People's Bank		14,000,000	14,000,000	Loans and receivables

50. EVENTS AFTER THE REPORTING DATE**ACCOUNTING POLICY**

Events after the reporting period are those events, favourable and unfavourable that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

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 (2021 - 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

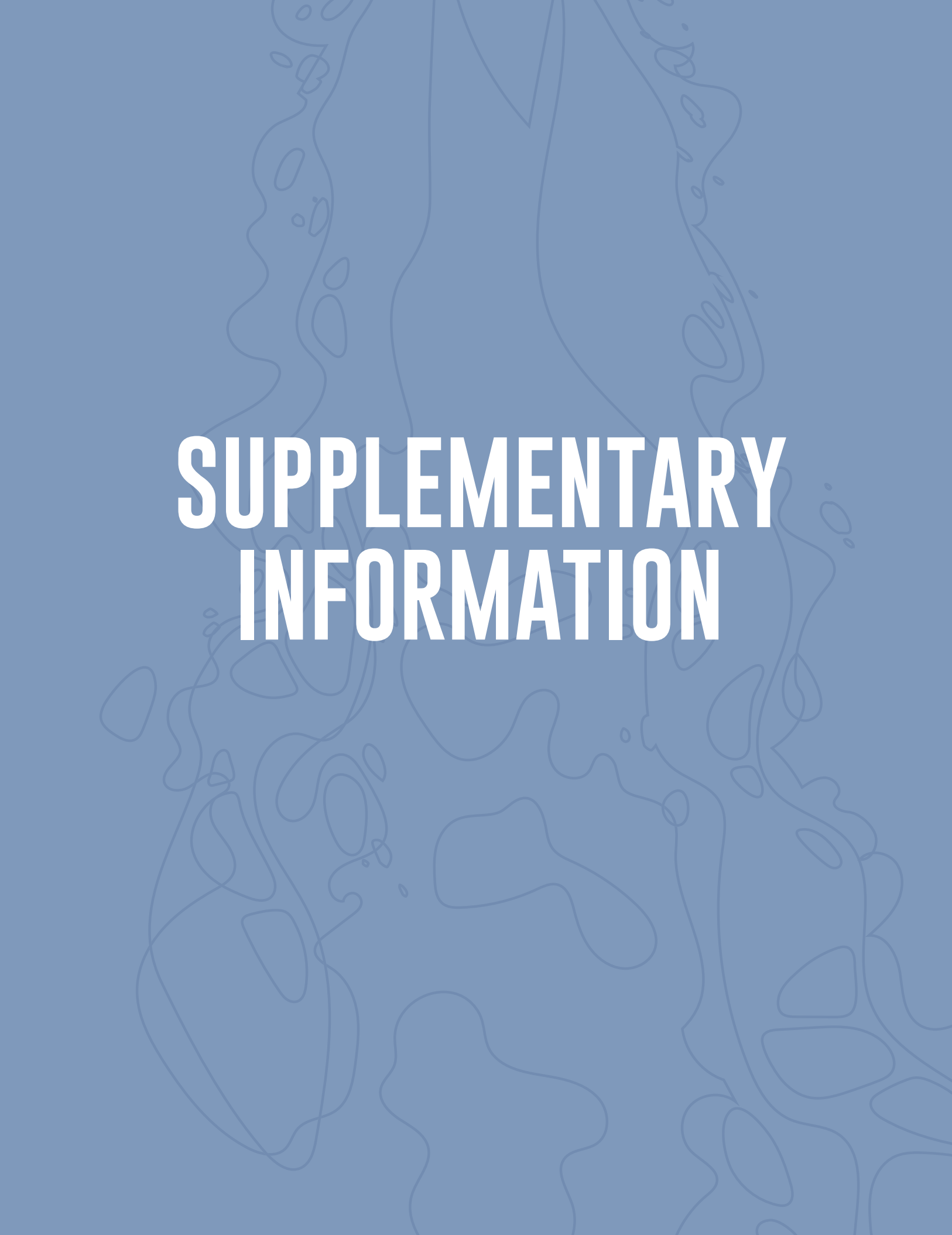
51.3 Assessment on VAT and NBT on Financial Services

The Company received a determination on VAT and NBT on Financial Services for the taxable period from 01.01.2016 to 31.12.2019 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	Penalty	Total
			Rs.	Rs.	Rs.
01.01.2016 - 31.12.2016	Pending decision from appeal commission	VAT	9,928,843	5,560,152	15,488,995
01.01.2017 - 31.12.2017	Pending determination of appeal	VAT	17,352,632	8,676,316	26,028,948
01.01.2018 - 31.12.2018	Pending process of hearing the appeal	VAT	16,983,144	8,491,572	25,474,716
01.07.2019 - 30.09.2019	Pending process of submitting the appeal	VAT	1,099,901	824,926	1,924,827
01.01.2019 - 31.12.2019	Pending process of Submitting the appeal	VAT	22,103,995	-	22,103,995
01.04.2018 - 31.03.2019	Pending decision from appeal commission	Income Tax	27,711,300	-	27,711,300
01.01.2016 - 31.12.2016	Pending decision from appeal Commission	NBT	1,600,048	800	1,600,848
01.01.2017 - 31.12.2017	Pending Process of Submitting the appeal	NBT	2,313,684	1,156,840	3,470,524
Total			99,093,547	24,710,606	123,804,153

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

GRI CONTENT INDEX

“Statement of use“	People’s Insurance has reported the information cited in this GRI content index for the period 1st January 2022 to 31st December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021	2-1 Organizational details	234
	2-2 Entities included in the organization’s sustainability reporting	4
	2-3 Reporting period, frequency and contact point	4-5
	2-4 Restatements of information	5
	2-5 External assurance	5
	2-6 Activities, value chain and other business relationships	11-12
	2-7 Employees	52-58
	2-8 Workers who are not employees	52-58
	2-9 Governance structure and composition	85-87
	2-10 Nomination and selection of the highest governance body	102-103
	2-11 Chair of the highest governance body	86-87
	2-12 Role of the highest governance body in overseeing the management of impacts	86
	2-13 Delegation of responsibility for managing impacts	86
	2-14 Role of the highest governance body in sustainability reporting	94
	2-15 Conflicts of interest	111
	2-16 Communication of critical concerns	110
	2-17 Collective knowledge of the highest governance body	72, 75
	2-18 Evaluation of the performance of the highest governance body	89
	2-19 Remuneration policies	102 - 103
	2-20 Process to determine remuneration	102 - 103
	2-21 Annual total compensation ratio	57
	2-22 Statement on sustainable development strategy	65
	2-23 Policy commitments	96
	2-24 Embedding policy commitments	96
	2-25 Processes to remediate negative impacts	96
	2-26 Mechanisms for seeking advice and raising concerns	110
	2-27 Compliance with laws and regulations	87
	2-28 Membership associations	96
	2-29 Approach to stakeholder engagement	26-27
	2-30 Collective bargaining agreements	57

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
GRI 3: Material Topics 2021	3-1 Process to determine material topics	28
	3-2 List of material topics	29-30
	3-3 Management of material topics	29-30
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	9
	201-2 Financial implications and other risks and opportunities due to climate change	25
	201-3 Defined benefit plan obligations and other retirement plans	56
	201-4 Financial assistance received from government	No assistance received
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	100% we reach local community to hire employees for the senior management
GRI 203: Indirect Economic Impacts 2016	204-1 Proportion of spending on local suppliers	the senior management position
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	66
	205-2 Communication and training about anti-corruption policies and procedures	64
	205-3 Confirmed incidents of corruption and actions taken	66
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	63
GRI 207: Tax 2019	207-1 Approach to tax	134
	207-2 Tax governance, control, and risk management	134
	207-3 Stakeholder engagement and management of concerns related to tax	134
GRI 301: Materials 2016	301-1 Materials used by weight or volume	68
	301-2 Recycled input materials used	68
	301-3 Reclaimed products and their packaging materials	68

GRI STANDARD	DISCLOSURE	LOCATION
GRI 302: Energy 2016	302-1 Energy consumption within the organization	67-68
	302-2 Energy consumption outside of the organization	67-68
	302-3 Energy intensity	67-68
	302-4 Reduction of energy consumption	67-68
	302-5 Reductions in energy requirements of products and services	67-68
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	68
	303-2 Management of water discharge-related impacts	68
	303-3 Water withdrawal	68
	303-4 Water discharge	68
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	68
	306-2 Management of significant waste-related impacts	68
	306-3 Waste generated	68
	306-4 Waste diverted from disposal	68
	306-5 Waste directed to disposal	68
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	64
	308-2 Negative environmental impacts in the supply chain and actions taken	64

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	54
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	58
	401-3 Parental leave	58
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	57
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	56
	403-3 Occupational health services	56
	403-4 Worker participation, consultation, and communication on occupational health and safety	56
	403-5 Worker training on occupational health and safety	56
	403-6 Promotion of worker health	56
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56
	403-8 Workers covered by an occupational health and safety management system	56
	403-9 Work-related injuries	No work related entries
	GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee
404-2 Programs for upgrading employee skills and transition assistance programs		55-56
404-3 Percentage of employees receiving regular performance and career development reviews		55-56
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	57
	405-2 Ratio of basic salary and remuneration of women to men	57

GRI STANDARD	DISCLOSURE	LOCATION
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	57
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	57
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	65-66
	413-2 Operations with significant actual and potential negative impacts on local communities	65-66
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	64
	414-2 Negative social impacts in the supply chain and actions taken	64
GRI 415: Public Policy 2016	415-1 Political contributions	company has made no political contributions
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	100% Assessments
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents of non-compliance
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Zero non-compliance
	417-3 Incidents of non-compliance concerning marketing communications	Zero non-compliance
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Zero non-compliance

SHAREHOLDER INFORMATION

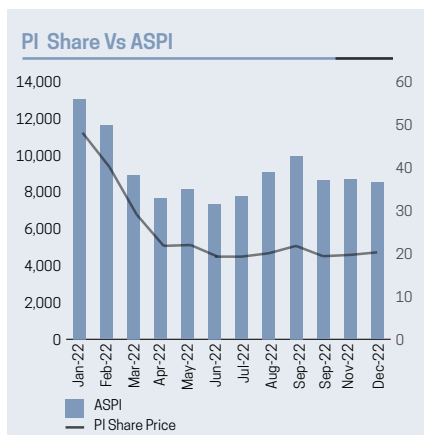
VALUE CREATED FOR SHAREHOLDERS

People's Insurance PLC continued to deliver value to shareholders despite the prevailing extremely challenging operating context. The following measures depict the values thus created.

SHARE PERFORMANCE

PI is listed on the CSE (PINS.N0000) with a market capitalization of Rs. 4.04 Bn as of 31 December 2022. The number of shares in issue is 200,000,000

share performance are depicted below;



PI's share price declined by 41% in 2022 to close at Rs. 20.20 and traded between the year with a highest price of Rs 50.00 and lowest price of Rs.18.00.



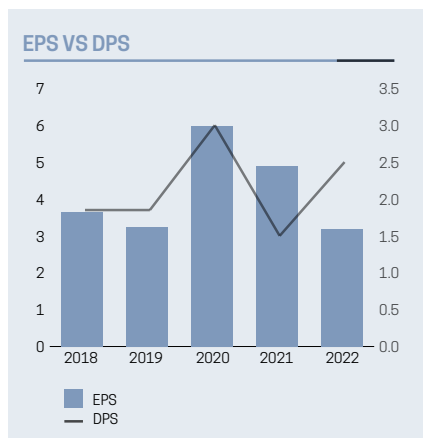
TRADING STATISTICS

During the year 15,091,645 PI shares traded through 16,528 trades. The average daily turnover of the PI shares was Rs. 2,281,534 in 2022 in comparison to Rs. 3,651,388 recorded in the previous year.

	2022	2021
Number of transactions	16,528	21,210
Number of shares traded	15,091,645	26,878,028
Value of shares traded	529,315,796	876,333,066
Shares traded as a percentage of total shares in issue (%)	7.5%	13.4%
Market Capitalization (Rs. Mn)	4,040	6,860
Percentage of Market Capitalization (%)	0.11%	0.13%
Gross Dividend (Rs. Mn)	500	300

EPS VS. RETENTION PER SHARE

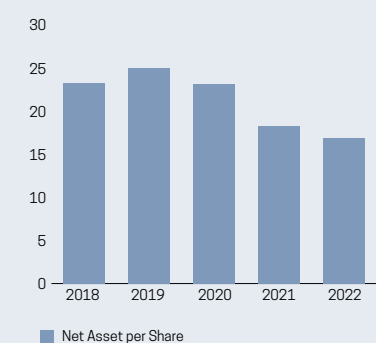
The Earnings per share (EPS) for the financial year decreased by 35% to Rs.3.18 per share [2021: Rs. 4.90) due to lower of PAT. The company reported a PAT of Rs. 636 Mn in 2022 compared to Rs. 980 Mn in 2021. During the year Company has paid as interim dividend of Rs. 500 Mn to the shareholders.



NET ASSETS PER SHARE (NPS)

Net Assets per of the company Rs.23.27 in 2022 compared to Rs. 24.97 in 2021 in 2022 this is a 7% of decrease compared to 2021. due to decline profit after tax.

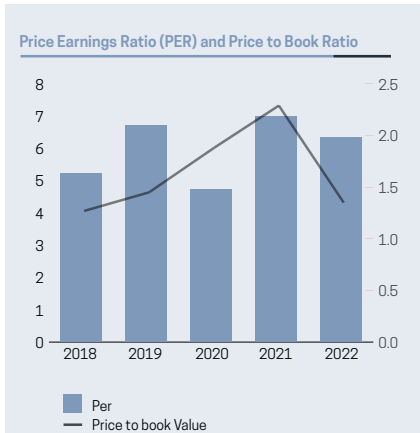
NET ASSET PER SHARE



PRICE EARNINGS RATIO (PER) AND PRICE TO BOOK RATIO

PER stood at 6.35 times as of 31st December 2022. It was lower than the 7 times recorded in 2021. The sector and market PE stood at 6.99 times and 4.95 times respectively.

The price to book value ratio as of 31st December 2022 was 1.35 times compared to 2.29 times the previous year due to drop in market value. The sector and market price to book value stood at 0.98 times and 0.91 times respectively.



SHAREHOLDINGS

Distribution and Composition of Shareholding

There were 3,489 Shareholders as at 31st December 2022, The distribution of composition of shareholders are given as follows;

As at 31st December 2022

Share holding	Resident			Non Resident			Total		
	No of Share Holders	No of Share	% of Total No of Shares	No of Share Holders	No of Share	% of Total No of Shares	No of Share Holders	No of Share	% of Total No of Shares
1 to 1000 Shares	2,113	641,076	0.32%	6	4,094	0.00%	2,119	645,170	0.32%
1001 to 10,000 Shares	1,076	4,115,711	2.06%	3	14,055	0.01%	1,079	4,129,766	2.07%
10,001 to 100,000 Shares	251	6,822,936	3.41%	3	104,000	0.05%	254	6,926,936	3.46%
100,001 to 1000,000 Shares	26	8,414,003	4.21%	-	-	-	26	8,414,003	4.21%
Over 1,000,000 Shares	11	179,884,125	89.94%	-	-	-	11	179,884,125	89.94%
	3,477	199,877,851	99.94%	12	122,149	0.06%	3,489	200,000,000	100%

As at 31st December 2021

Share holding	Resident			Non Resident			Total		
	No of Share Holders	No of Share	% of Total No of Shares	No of Share Holders	No of Share	% of Total No of Shares	No of Share Holders	No of Share	% of Total No of Shares
1 to 1000 Shares	1,831	557,411	0.28%	9	7,004	0.00%	1,840	564,415	0.28%
1001 to 10,000 Shares	865	3,533,770	1.77%	4	18,055	0.01%	869	3,551,825	1.78%
10,001 to 100,000 Shares	212	5,924,451	2.96%	3	134,000	0.07%	215	6,058,451	3.03%
100,001 to 1000,000 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%
	2,948	199,840,941	99.92%	16	159,059	0.08%	2,964	200,000,000	100%

SHAREHOLDER INFORMATION

PUBLIC SHAREHOLDING

The Company is listed on the Colombo Stock Exchange and the percentage of shares held by the public, the number of public Shareholders and the float adjusted market capitalization is as given below;

Composition	31.12.2022			31.12.2021		
	No of Shareholders	No of Shares	% of Total Holding	No of Shareholders	No of Shares	% of Total Holding
Public Shareholding	3,486	49,992,400	25%	2,962	50,000,000	25%

DIRECTORS' SHAREHOLDINGS

Name of the Director	No of Shares	
	As at 31 December 2022	As at 31 December 2021
Mr. Isuru Balapatabendi	-	-
Mr. Ranjith Kodituwakku	-	-
Mr. Shamindra Marcelline	-	-
Mr. Lakshman Abeysekera	-	-
Mr. Johnson Fernando	-	-
Dr. Kasun I. Wijetilleke	-	-
Mr. Rohan Tennakoon	1000	1000

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

As at	No of Shares	
	31.12.2022	31.12.2021
Ms. Jeevani Kariyawasam (w.e.f 01.02.2022)	6,600	6,600

TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 31st December 2022 and 31st December 2021 are given in the in the following table;

Name of the shareholder	As at 31 December 2022		As at 31 December 2021	
	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%	11,886,362	5.94%
Employees Trust Fund Board	3,867,841	1.93%	5,252,759	2.63%
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,934,413	1.47%	2,934,413	1.47%
Confab Steel (Pvt) Ltd	2,477,111	1.24%	-	0.00%
Mr. Dayanand Pathmanathan, Joint-Mrs. Ranmali Saumya Pathmanathan	2,274,658	1.14%	2,672,000	1.34%
Askold (Private) Limited	1,594,089	0.80%	2,000,000	1.00%
Mr. Divale Jayampathi Bandaranayake, Joint-Dr.Vasantha Bandaranayake/ Miss. Ishani Bandaranayake	1,260,213	0.63%	1,260,213	0.63%
Mr. Divale Jayampathi Bandaranayake, Joint-Miss.Niluka Bandaranayake/ Dr.Vasantha Bandaranayake	1,249,138	0.62%	1,249,138	0.62%
Mr. L. C. A. Lankeshwara/DFCC Bank PLC	1,181,000	0.59%	805,000	0.40%
Jafferjee Brothers (Exports) Limited	1,159,300	0.58%	1,159,300	0.58%
J. B. Cocoshell (Pvt) Ltd	990,760	0.50%	1,989,860	0.99%
Mr. Murtaza Ali Jafferjee	800,467	0.40%	1,025,467	0.51%
Mr. Palliya Guruge Nadeeshan Danidu Gunathilake	800,000	0.40%	620,000	0.31%
Bank of Ceylon A/C NDB Wealth Growth Fund	775,000	0.39%	775,000	0.39%
ACL Plastics Ltd.	585,500	0.29%	585,500	0.29%
Maskeliya Tea Export (Pvt) Ltd/DFCC Bank PLC	420,799	0.21%	-	0.00%
Mr. Kulappuarachchige Don Harindra Perera	400,000	0.20%	400,000	0.20%
Mr. Addara Pathirana Somasiri	400,000	0.20%	400,000	0.20%
Dr. Walimuni Sunil Elton Fernando	200,000	0.10%	323,600	0.16%
	185,256,651	92.63%	185,338,612	92.67%
Others	14,743,349	7.37%	14,661,388	7.33%
	200,000,000	100.00%	200,000,000	100.00%

QUARTERLY ANALYSIS 2022

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	1,506,022,109	1,585,778,654	1,684,483,674	1,618,379,630	6,394,664,067
Gross written premium	1,991,780,866	1,163,484,542	1,648,542,898	1,328,248,538	6,132,056,844
Change in reserve for unearned insurance premium	(456,968,581)	411,825,617	(37,736,168)	272,761,680	189,882,548
Gross earned premium	1,534,812,285	1,575,310,159	1,610,806,730	1,601,010,218	6,321,939,392
Premium ceded to reinsurers	(556,088,778)	(369,668,931)	(290,470,538)	(212,722,528)	(1,428,950,775)
Change in reserve for unearned reinsurance premium	277,676,978	73,842,729	(65,853,046)	(186,885,210)	98,781,451
Net earned premium	1,256,400,485	1,279,483,957	1,254,483,146	1,201,402,480	4,991,770,068
Claims and expenses					
Net claims	(1,043,651,729)	(830,466,770)	(877,628,492)	(886,545,327)	(3,638,292,318)
Underwriting and net acquisition costs	(131,813,930)	(116,325,456)	(117,783,303)	(111,445,287)	(477,367,976)
Other operating and administrative expenses	(254,237,665)	(312,954,501)	(334,892,094)	(376,643,708)	(1,278,727,968)
	(1,429,703,324)	(1,259,746,727)	(1,330,303,889)	(1,374,634,322)	(5,394,388,262)
Underwriting results	(173,302,839)	19,737,230	(75,820,743)	(173,231,842)	(402,618,194)
Other revenue					
Fee income	15,273,607	11,449,682	24,671,250	23,126,986	74,521,525
Interest and dividend income	213,098,920	287,335,053	399,578,718	405,859,629	1,305,872,320
Net fair value gains/(losses)	21,248,356	7,018,526	-	(10,512,908)	17,753,974
Other income	741	491,436	5,750,560	(1,496,557)	4,746,180
	249,621,624	306,294,697	430,000,528	416,977,150	1,402,893,999
Profit before tax	76,318,785	326,031,927	354,179,785	243,745,308	1,000,275,805
Income tax expense	(16,567,004)	(87,196,165)	(75,692,969)	(184,860,767)	(364,316,905)
Profit for the period	59,751,781	238,835,762	278,486,816	58,884,541	635,958,900
		Rs	Rs	Rs	Rs
Share performance					
Net asset value per share as at end of the quarter		23.75	22.71	23.95	23.27
Highest price per share for the interim period		50.00	34.00	25.30	50.00
Lowest price per share for the interim period		28.00	19.00	18.20	18.00
Last traded price per share as at end of the quarter		30.10	19.20	21.90	20.20

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 income	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

FIVE YEAR SUMMARY

	2022	2021	2020	2019	2018
STATEMENT OF INCOME (RS.)					
Revenue	6,394,664,067	5,905,722,477	6,162,735,846	6,108,525,950	5,432,668,375
Gross written premium	6,132,056,844	5,967,950,074	6,011,567,761	6,029,273,270	5,591,815,141
Net earned premium	4,991,770,068	5,120,626,238	5,303,392,494	5,261,735,878	4,709,485,620
Net claims	(3,638,292,318)	(2,994,318,525)	(2,699,553,389)	(3,552,575,189)	(3,237,226,440)
Underwriting and net acquisition costs	(477,367,976)	(527,064,090)	(559,530,485)	(517,151,047)	(461,795,813)
Other operating and administrative expenses	(1,239,844,352)	(1,203,691,140)	(1,216,195,647)	(1,100,691,791)	(886,630,201)
Finance Cost	(38,883,616)	(11,560,267)	(19,935,057)	(26,078,185)	
Underwriting results	(402,618,194)	383,992,216	808,177,916	65,239,666	123,833,166
Other revenue	1,402,893,999	785,096,239	859,343,352	846,790,072	723,182,755
Profit before tax	1,000,275,805	1,169,088,455	1,667,521,268	912,029,738	847,015,921
Income tax expense	(364,316,905)	(189,419,106)	(472,206,916)	(264,375,758)	(117,953,614)
Profit for the year	635,958,900	979,669,349	1,195,314,352	647,653,980	729,062,307

STATEMENT OF FINANCIAL POSITION (RS.)

Assets					
Intangible assets	5,426,182	8,197,904	10,969,646	1,876,389	2,388,131
Property, plant and equipment	381,714,419	123,149,959	185,479,090	238,214,775	82,008,927
Deferred tax asset	57,013,534	50,729,768	40,201,865	11,527,522	3,006,071
Financial investments	8,694,380,178	9,038,785,038	8,574,328,565	7,349,838,553	6,658,264,189
Reinsurance and insurance receivables	1,607,336,294	1,453,809,426	1,343,887,591	1,485,495,054	1,116,394,654
Deferred expenses	187,433,945	244,281,574	276,219,332	289,575,427	264,162,186
Other assets	129,086,430	67,443,627	113,804,834	75,200,225	69,952,648
Cash and cash equivalents	154,224,696	68,316,222	50,972,116	128,771,323	221,391,043
Total assets	11,216,615,678	11,054,713,518	10,595,863,039	9,580,499,268	8,417,567,849

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	3,303,482,725	3,643,095,982	3,269,185,342	2,292,648,972	2,025,147,268
Total equity	4,653,482,725	4,993,095,982	4,619,185,342	3,642,648,972	3,375,147,268

Liabilities

Insurance contract liabilities	4,831,701,872	4,831,513,746	4,623,435,278	4,923,641,866	4,367,565,525
Retirement benefit obligations	54,075,334	50,647,614	42,733,705	37,238,009	27,490,317
Financial and other liabilities	1,297,796,289	865,750,105	1,226,385,001	818,826,458	499,502,849
Reinsurance payable	180,790,719	244,382,102	65,498,172	7,527,409	61,807,635
Bank overdraft	198,768,739	69,323,969	18,625,541	150,616,554	86,054,255
Total liabilities	6,563,132,953	6,061,617,536	5,976,677,697	5,937,850,296	5,042,420,581
Total equity and liabilities	11,216,615,678	11,054,713,518	10,595,863,039	9,580,499,268	8,417,567,849

INVESTOR INFORMATION

Return on net assets (%)	12.46	20.38	28.97	18.27	22.55
Earnings per share (Rs.)	3.18	4.90	5.98	3.24	3.65
Dividend per share (Rs.)	2.50	1.50	3.00	1.85	1.85
Net assets per share (Rs.)	23.27	24.97	23.10	18.21	16.88
Last traded price per share as at end of the Year (Rs.)	20.20	34.30	28.20	21.70	19.10

OTHER INFORMATION

Number of employees	620	618	622	607	554
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.

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.

GLOSSARY OF INSURANCE TERMS

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.

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,

GLOSSARY OF INSURANCE TERMS

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.

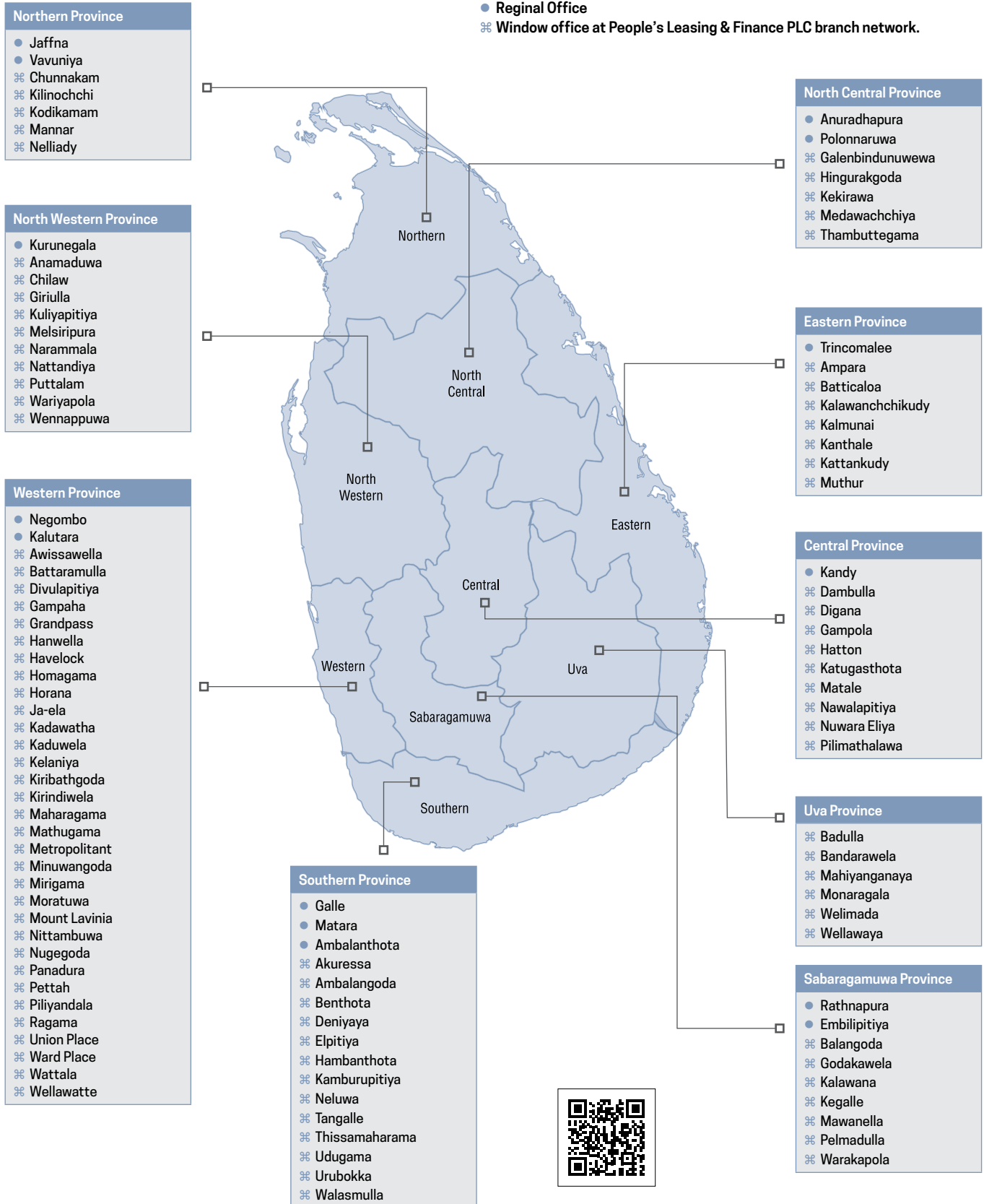
UNEARNED PREMIUM

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



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
Mr. Azzam Ahamat

PRINCIPAL OFFICER

Ms. J. Kariyawasam

COMPANY SECRETARY

Ms Nadhra Zanoon

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 fourteenth (14th) Annual General Meeting of People's Insurance PLC will be held on 12th June 2023 at 10.00 a.m , as a virtual meeting (the link will be provided upon registration) and the business to be brought before the meeting will be;

1. To receive, consider and adopt the Annual Report of the Board of Directors with the Financial Statements of the Company for the year ended 31st December 2022 together with the Report of the Auditors thereon.
2. To re-elect Director Mr. Himashe Isuru Balapatabendi (Chairman), who retires by rotation in terms of Article 27 (8) of the Articles of Association of the Company.
3. To re-elect Director, Dr. Kasun Indunil Wijetilleke who retires by rotation in terms of Article 27 (8) of the Articles of Association of the Company.
4. To re-elect Mr. Azzam Ahamat who was appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company.
5. To authorize 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 other person authorized by the Auditor General shall carry out the audit of the Company.

By order of the Board,



Nadhra Zanoon
Company Secretary

Notes

Notice of the meeting, Guidelines and Registration process for the AGM via online meeting platform are available on the corporate website of the Company.

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 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.

FORM OF PROXY

I/we
of being a member/s of People's Insurance PLC
hereby appoint Mr./Mrs./Miss
(holder of N.I.C. No) of failing him/her

- 1. Mr. Isuru Balapatabendi failing him
- 2. Mr. Lakshman Abeyssekera failing him
- 3. Mr. Shamindra Marcelline failing him
- 4. Mr. Johnson Fernando failing him
- 5. Dr. Kasun Wijethilleke failing him
- 6. Mr. Rohan Tennakoon failing him
- 7. Mr. Azzam A Ahamat failing him

As my/our proxy to represent me/us and vote on my/our behalf at the Fourteenth (14th) Annual General Meeting of the Company to be held on 12th June 2023 at 10.00 a.m virtually and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a "x" against the Resolution No.

		For	Against
1	To receive, consider and adopt the Annual Report of the Directors and the Financial Statements for the year ended 31 st December 2022 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Director Mr. Himashe Isuru Balapatabendi who retires by rotation in terms of Article 27 (8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-elect Director, Dr. Kasun Indunil Wijethilleke who retires by rotation in terms of Article 27 (8) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-elect Mr. Azzam Ahamat who was appointed to the Board since the last Annual General Meeting, in terms of Article 27 (2) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5	To authorize the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

AUDITORS OF THE COMPANY

According to Section 55 of the National Audit Act No. 19 of 2018, People's Insurance PLC falls under the definition of " Auditee Entity " and the Auditor General or any other person authorized by the Auditor General shall carry out the audit of the Company.

Signed this day of 2023

.....
Signature

.....
Shareholder's N.I.C./ P. P./Co. Reg. No.

- Notes:**
- 1. Proxy need not be a member of the Company
 - 2. Instructions as to the completion of this form of proxy are given below.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19(3) of the Articles of Association of the Company an 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 must be deposited at the officer of the Company Secretary, People's Insurance PLC at No. 07, Havelock Road, Colombo 05, not less than (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 shareholder's, 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,

Senior Manager -Finance
People's Insurance PLC,
No. 07, Havelock Road,
Colombo 05,
Sri Lanka.

Fax : 011-2126322
E-mail : nadeejp@plc.lk

Name :

Mailing address :

Contact number - Tel. :

Fax :

E-mail address :

Name of Company:

(If applicable)

Designation :

(If applicable)

Company address

(If applicable)

Comments/queries :

This Annual Report is
conceptualised, designed
and produced by
Redworks.



www.peoplesinsurance.lk

