

CELEBRATE THE BIG



PEOPLE'S INSURANCE LIMITED
ANNUAL REPORT 2014

This is an integrated report



PEOPLE'S INSURANCE LIMITED
ANNUAL REPORT 2014

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VISION

**TO BE APPRECIATED FOR BUILDING LASTING TRUST BASED
ON STRENGTH, STABILITY AND SUSTAINABILITY**

MISSION

WE WILL

- WORK WITH ALL OUR STAKEHOLDERS WITH INTEGRITY
AND FAIRNESS
- MAINTAIN HIGH STANDARDS IN SALES AND SERVICING
- RESPECT CREATIVITY AND COMMITMENT OF OUR STAFF
- OFFER SOUND INSURANCE SOLUTIONS TO OUR CLIENTS
FOR A SUSTAINABLE FUTURE

ABOUT THE REPORT

REPORTING SCOPE AND BOUNDARY

Following the first sustainability report published along with the annual report 2013, People's Insurance this year, attempts to present an integrated annual report. The reporting period is the financial year ended 31st December 2014. Relevant comparisons are drawn with the performance registered in the preceding financial year, benchmarking, wherever possible, against the industry trends. Targets are set out for the ensuing year, 2015.

The report is structured and designed on the theme 'celebrating five years'. The report takes on a cohesive approach, focusing on key stakeholder engagement and addressing their issues whilst detailing out the year's business environment, strategy and actions, operational and financial performance alongside risk management, governance and social responsibility initiatives. Future plans are discussed in relation to the industry developments. The audited financial statements and the related notes and requisite disclosures are set out in the report. There are no restatements of information applicable for the reporting year.

The report covers the overall operations, including the head office, regional offices, window offices located at the branch network of the Parent Company, People's Leasing & Finance PLC and representation at People's Bank branches.

METHODOLOGY

The information and data presented have been collected and compiled by the relevant departments, accessing the IT systems that are in place; whilst the financial information is taken from the audited financial statements and the related notes. Information regarding centralised functions including HR and IT has been gathered from the respective departments at the Parent Company's head office. Materiality and completeness of information and data are confirmed by the senior management.

The integrated approach to reporting is expected to be further improved in the ensuing years and we also seek to establish compliance with the guidelines set out by the Global Reporting Initiative (GRI).

The report herein has not met all the standard disclosures from the GRI-G4 Sustainability Reporting Guidelines and has not fulfilled the 'In accordance' option. However, the report contains some of the Standard Disclosures from the Guidelines. The list of such disclosures are given on pages 118 to 119 (Refer: 3.4 Note on Reports that are not Prepared 'In accordance' with the Guidelines; Reporting Principles and Standard Disclosures - G4 Sustainability Reporting Guidelines, GRI). The sustainability reporting is not externally assured.

Financial statements contained in this report complies with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. Financial and non-financial information presented, where applicable, conform to the requirements of the Companies Act No. 7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and rules and regulations issued by the Insurance Board of Sri Lanka.

The Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka form the basis for compliance on governance aspects.

INQUIRIES

Queries and clarifications, if any, on this integrated annual report along with sustainability measures are to be directed to:

Senior Manager - Finance
People's Insurance Limited
No. 53, Dharmapala Mawatha, Colombo 03, Sri Lanka
Telephone: +94 11 206406
Fax: +94 11 2206418

CELEBRATE

WE CELEBRATE...

OUR BEGINNINGS... IT IS WHAT HAS BROUGHT US THIS FAR.

OUR JOURNEY... IT HAS MOLDED US TO BE A WORTHY CONTENDER IN THE INDUSTRY

**OUR PEOPLE... THE CONFIDENCE PLACED IN US HAS MOTIVATED AND PROPELLED US TO
REACH GREAT HEIGHTS**

OUR DEDICATION AND HARD WORK... WE BELIEVE THAT THIS WILL TAKE US EVER FURTHER

OUR CHALLENGES... THEY HAVE MADE US STRONGER

OUR OPPORTUNITIES... FOR WHAT THEY HELP US ACCOMPLISH

OUR 5 YEARS IN THE INDUSTRY... FOR IT IS TRULY A STORY WORTH CELEBRATING.



5 YEARS THAT WE HAVE BEEN IN THE INDUSTRY, WE HAVE MADE GREAT STRIDES TO BECOME WHO WE ARE AT THIS POINT IN TIME. AS THE 5TH LARGEST NON-LIFE INSURANCE PROVIDER IN THE COUNTRY IN TERMS OF THE PREMIUM INCOME, WE HAVE OFFERED A WIDE VARIETY OF PRODUCTS TO CONSUMERS OF VARIOUS STRATA. WE CELEBRATE THE MILESTONES THAT HAS BROUGHT US THIS FAR...

MILESTONES

2010

Starting its journey, the Company commenced commercial operations in January with 15 employees as a non-life (general) insurer, following the Company's registration as non-life insurance provider with the Insurance Board of Sri Lanka (IBSL). A wide array of non-life insurance products with the main focus on motor insurance was offered in its first year of operations. Showing signs of becoming a top-player in the non-life insurance industry, the Company recorded a gross written premium (GWP) of Rs. 933 million in the very first year.

2011

The Company exceeded Rs. 1 billion of GWP and became the first company to achieve Rs. 1 billion annual GWP within the shortest period of time in the non-life insurance industry. To support this exceptional growth, the Company recruited its 100th employee in its second year of operations. The Company was also able to achieve its first profit with a profit after tax of Rs. 72 million for the year. The Company's total assets also exceeded the Rs. 1 billion mark in the first few months, to end the year with Rs. 2,541 million worth of total assets.

2012

Continuing its exceptional growth, the Company became the fifth largest non-life insurer in terms of market share by recording Rs. 1,762 million GWP during the first six months, ending the year with Rs. 2,944 million annual GWP. The Company also completed the implementation of the customised enterprise resource planning (ERP) system, providing the soft infrastructure for efficient and effective business operations. In view of providing an improved service to customers, a new call centre equipped with the latest technology and its first regional office in Galle were opened. The Company also recorded its first underwriting profit which is scarce in the non-life insurance industry, in its third year of operations.

2013

The second regional office was opened in Negombo. The Company entered into a bancassurance agreement with People's Bank in view of strengthening ties with the ultimate parent company for improving synergies. The Company developed and released its first annual report which won 'Industry Gold Award' and 'Top National Honours' at the LACP 2012 Vision Awards annual report competition held in Florida, USA and 'Insurance Companies Compliance Award' at the Chartered Accountants' Annual Report Awards 2013 organised by the Institute of Chartered Accountants of Sri Lanka. A new web site was launched while the first dedicated social project titled 'Towards Greenery in Sri Lanka' where plants and fertilizer were distributed to farmers and households. The Company also recruited its 200th employee in order to facilitate its rapid expansion. The Company's underwriting profit surpassed the Rs. 100 million mark and profit after tax reached Rs. 371 million.

2014

The Board of Directors took steps to re-constitute the Board Audit Committee to ensure a better balance in the Board Audit Committee. The Company carried out two main social projects; donation of drugs and injections to the cancer hospital in Maharagama and opening of savings accounts for children born on the children's day and distribution of gift packs for children at the Colombo South Teaching Hospital, Kalubowila. The Company implemented and launched the electronic Board papers application, 'Board PAC' solution which facilitates the Board of Directors to access Board and committee papers and supplementary information directly via their iPad devices. The Company's second annual report won three international awards, including the 'Gold Award' at the LACP 2013 Vision Awards annual report competition held in Florida, USA and 'Bronze Award' in the 'Non-traditional Annual Report Category - Insurance' at the 28th International ARC Awards competition held in New York, USA. The Company was also recognised as a recipient of the 'Insurance Companies Compliance Award' at the Chartered Accountants' Annual Report Awards 2014 organised by the Institute of Chartered Accountants of Sri Lanka. The Company continued its outstanding financial performance with an underwriting profit crossing Rs. 150 million mark and after tax profit reaching Rs. 450 million.

CELEBRATING

5

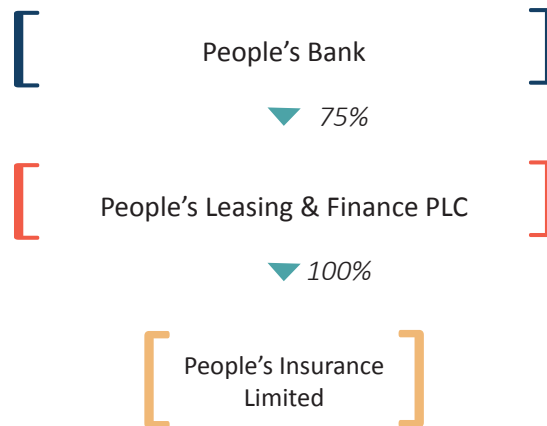
**YEARS OF
TEAMWORK**

ORGANISATIONAL PROFILE

People's Insurance commenced commercial operations in 2010 as a non-life (general) insurer, licensed by the Insurance Board of Sri Lanka (IBSL) and backed by reinsurers in line with the IBSL standards. We are supported by two of the largest financial entities in the country - People's Leasing & Finance (PLC) and People's Bank.

Within our short period of operations, we have already become Sri Lanka's 5th largest non-life insurer in terms of premium income and have grown our asset base from Rs. 918 million in 2010 to Rs. 4,758 million by 2014. We provide a wide range of insurance products, including motor, fire and marine insurance for both individuals and corporates under life-style and business products. Our island wide presence, through regional offices and window offices at PLC branches and trusted brand image, ensures strong market presence and growth opportunities in future.

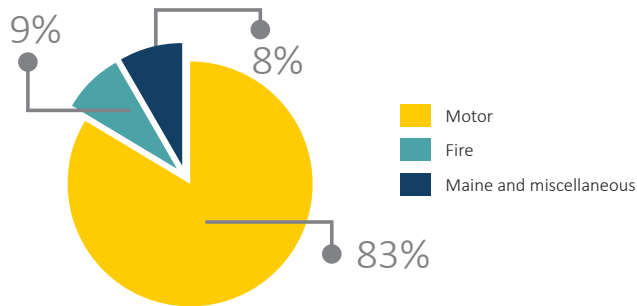
ORGANISATIONAL STRUCTURE



Associations and memberships

- Insurance Association of Sri Lanka
- Sri Lanka Insurance Institute
- The Institute of Chartered Accountants of Sri Lanka

FINANCIAL HIGHLIGHTS



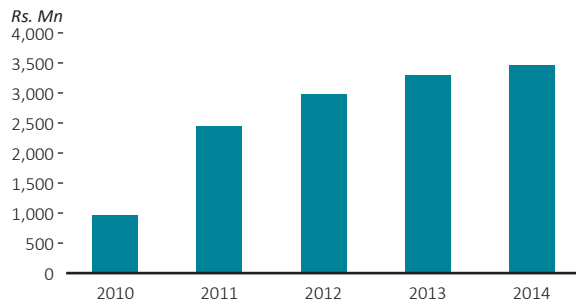
CLASS-WISE GROSS WRITTEN PREMIUM

COMPLETING YET ANOTHER SUCCESSFUL YEAR, THE COMPANY'S PROFIT AFTER TAX INCREASED BY 21% TO REACH RS. 450 MILLION, SUPPORTED BY THE OUTSTANDING GROWTH IN UNDERWRITING PROFIT AND SIGNIFICANTLY INCREASED FAIR VALUE GAINS FROM LISTED SHARES, DESPITE SIGNIFICANT DROP OF INVESTMENT INCOME AMID LOW INTEREST RATES. FINANCIAL POSITION WAS STRONG WITH TOTAL ASSETS OF RS. 4,758 MILLION AND NET ASSETS OF RS. 1,410 MILLION AS AT THE END OF THE YEAR UNDER REVIEW.

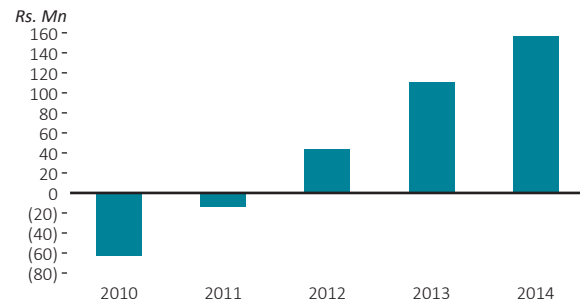
3,441 Mn
GROSS WRITTEN PREMIUM

152 Mn
UNDERWRITING PROFIT

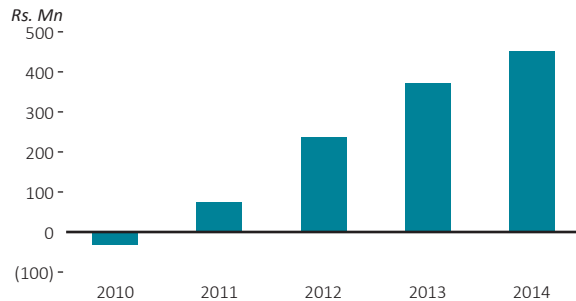
450 Mn
PROFIT AFTER TAX



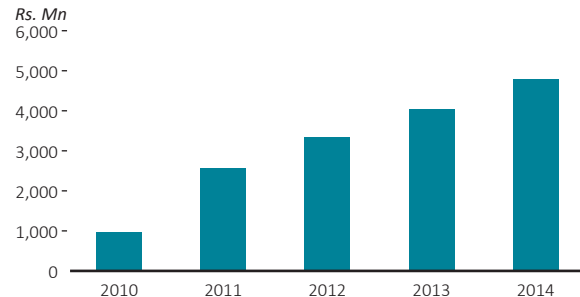
GROSS WRITTEN PREMIUM



UNDERWRITING RESULTS



PROFIT AFTER TAX



TOTAL ASSETS

CHAIRMAN'S MESSAGE



CHAIRMAN | JEHAN P. AMARATUNGA

PEOPLE'S INSURANCE LIMITED HAS STEERED ITS COURSE STEADILY OVER THE PAST FIVE YEARS, PAVING THE WAY FOR SOME KEY MILESTONES AND DEMONSTRATING POTENTIAL TO REACH GREATER SUMMITS IN THE NEXT PHASE OF OPERATIONS. IN OUR PATH, WE WERE CONSCIENTIOUS IN IMPLEMENTING OUR STRATEGY AND OPEN TO LEARNING AND INNOVATION.

Dear Stakeholder,

People's Insurance Limited has steered its course steadily over the past five years, paving the way for some key milestones and demonstrating potential to reach greater summits in the next phase of operations. In our path, we were conscientious in implementing our strategy and open to learning and innovation. We were committed to stand in good stead, with positive and principled engagement with our stakeholders; looking at making our operations lucrative, but, beyond short-term gains. It is in this backdrop that I take this honour on behalf of the Board of Directors to present the Annual Report 2014, along with the audited financial statements.

GLOBAL ECONOMY - INCONSISTENT PERFORMANCE

Rebounding from the slump that prevailed for over half a decade, the global economy moved on to steadier ground in the year 2014. Yet, distressed by geopolitical issues and dynamics within the financial markets, the global economy did not perform as anticipated, representing uneven growth patterns. The supply-led dip in oil prices from the latter part of the year, although supportive, especially for oil importing countries, could not off-set the lethargy at a broader level.

Amongst the advanced nations, the United States of America, more particularly and UK, held on to its growth stance spurred by the growing demand and the measures adopted on the fiscal and monetary policy front. In the euro zone, however, the deflationary trends combined with complacency in investments and consumption continued to restrict the economy from moving away from its inertia. Despite the stimuli policies, Japan's economy remained sluggish, short of expectations. The growth in the emerging and the developing economies led by China was still robust, yet, continued to slowdown from their impressive growth levels witnessed in the recent past.

The global economy is forecast to grow at 3.3% in 2014, keeping pace with the previous year whilst expected to improve to 3.5% by 2015 (World Economic Outlook, October 2014 and Update January 2015, IMF).

SRI LANKA - REACHING FOR STEADY GROWTH

In the domestic front, the macroeconomic landscape in 2014 remained relatively balanced; leading to a path of steady GDP growth, positive sectoral results and low unemployment as envisaged within the post conflict period. With inflation sustained at lower single digits, the monetary policy stance continued to be accommodative and the market rates in response gradually adjusted downwards. Fiscal consolidation remained firm whilst the country's external position continued to be healthy, with a balance of payment surplus and gross official reserves reaching to an equivalent of 5.2 months of imports. The Sri Lankan Rupee sustained its stability, depreciating marginally against the US Dollar (USD); whilst appreciating against some of the other major currencies.

Moving closer to the medium term aspirations of being an upper-middle income country, amidst the challenges in the macroeconomic backdrop including the political undertones, the economy in the year 2014 is expected to grow by 7.8% and the per capita income to increase to USD 3,654 (Roadmap 2015, Central Bank of Sri Lanka).

INSURANCE INDUSTRY - MODERATING TRENDS

Aside the uneven growth patterns still lingering on in the global economy, the insurance industry worldwide stood firm, sustaining a healthy performance, with growth in premium income, albeit, modestly.

The insurance industry in Sri Lanka has emerged progressively to take its due place within the financial arena as a key driver, in line with the country's development goals. Resilient in the face of macroeconomic adversities and business undercurrents, the industry led by the non-life sector continued to be well poised in its drive for growth, reaching for larger and diverse market segments. However, the penetration levels remained low at 1.1% of GDP as per the available statistics for 2014, well below the average level of 3% of our regional counterparts, South and East Asia.

Diverging from the trends witnessed in the recent past of double-digit growth, gross premium income within the non-life sector decelerated in its momentum to grow at single digit levels in 2013 at 7% and is further projected to dip to 4% in the reporting year. The higher tariff structure for motor vehicle imports together with the level of competition in the industry, even leading to price compromises by some insurers for short-term gains, did not support the growth anticipated for motor class, the leading sub-sector of the non-life insurance sector.

CORPORATE RESULTS - RESILIENT AND SOUND

We were focused in the year on our strategy and sought to make effective decisions growing the portfolio, improving the efficacy of settling claims, ensuring the best practices in underwriting and upholding professionalism in all operational endeavours. It is in this backdrop that we have to appreciate our stance within a difficult marketplace, in maintaining our positioning with healthy performance results.

Our gross written premium in 2014, surpassing the industry average increased by 6% whilst our underwriting result was remarkable with a 42% increase, touching Rs. 152 million. Profit after tax reached Rs. 450 million, up by 21% over the preceding financial year. Our financial position was sound and return on equity remained highly attractive. Given this robust performance, we propose to declare a final dividend of Rs. 2.00 per share, making the total dividend Rs. 3.50 per share for the year under review.

REGULATORY DYNAMICS - GEARING FOR THE TRANSITION

As the revised regulatory framework makes headway, insurers are increasingly gearing their operations, seeking to adopt the prescribed principles in compliance. Most composite insurers have effected the segregation as mandated with two separate entities - life and non-life, whilst

Chairman's Message

making preparations to go public and to convert to the risk based capital model. The complexities of the changes that are taking place and lay ahead in the immediate years, have brought in uncertainty into the industry, pressing on the profitability and returns and may even lead up to consolidation of the industry through mergers and acquisitions.

At People's Insurance, we are proactively looking at how best we could harmonise our operations to the changes that are taking place in the industry. Our agility, swiftness and the strong business fundamentals will support us in our efforts to steer in these challenging times. We are currently strengthening and placing the necessary operational structures, innovative improvements and systems to enable us to transition effectively to the risk based capital regime.

We continued in the year to build upon our governance structure, seeking to be more aligned to the rules of good governance prescribed for listed entities. We looked at strengthening the Board proceeding process; deliberating on bringing in two Independent Directors and reconstituting the Board Audit Committee, for a better balance. These initiatives will no doubt complement the on-going preparations that are being closely followed through in the listing, which is scheduled to take place by the end of the year.

FUTURE - DRIVING FOR SUSTAINABILITY

Ranking amongst the top-tier non-life insurers, we have navigated our operations on a solid footing over the past five years. As we gear to meet our aspirations for the years ahead, we are aware of the significance and the need to be more definite in our corporate path, reinforcing our core competencies and securing tangible benefits to our stakeholders in this emerging industry.

As will be discussed in detail in the management reviews, we will look at enhancing the depth and breadth of our operations essentially intertwined with our group values. We will focus on growing the market share, whilst being hands-on and proficient in underwriting and managing claims. Leveraging on the synergies present within our network, extending training opportunities for our employees and harnessing their talent, investing on modern technology, being more structured in managing risks, but above all, being a good corporate citizen will definitely give us the required edge to endure transitioning challenges in the present scenario and support us to be truly sustainable in the future.

STAKEHOLDERS - APPRECIATING THEIR SUPPORT

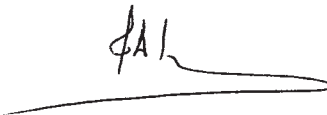
Completing five years, successfully so, ranking fifth in the non-life insurance industry is indeed a feat to celebrate and a time to appreciate all those stakeholders who were part of this journey.

To my Managing Director and fellow Board members, I am grateful for your guidance and direction extended in our mission of taking this promising organisation forward. My appreciation is also extended to the respective Boards of the parent companies and the PLC Group for their collaborative support.

I wish to recognise and appreciate the vitality and determination of our Chief Operating Officer and his team in working towards the organisational goals in such a demanding backdrop. Indeed a job-well-done and sincerely expect the same level of dedication in the following years.

I take this opportunity to place on record our gratitude to our regulator, the Insurance Board of Sri Lanka, for directing the industry on the right path - progressive and disciplined, on par with the current and best practices espoused by insurers worldwide.

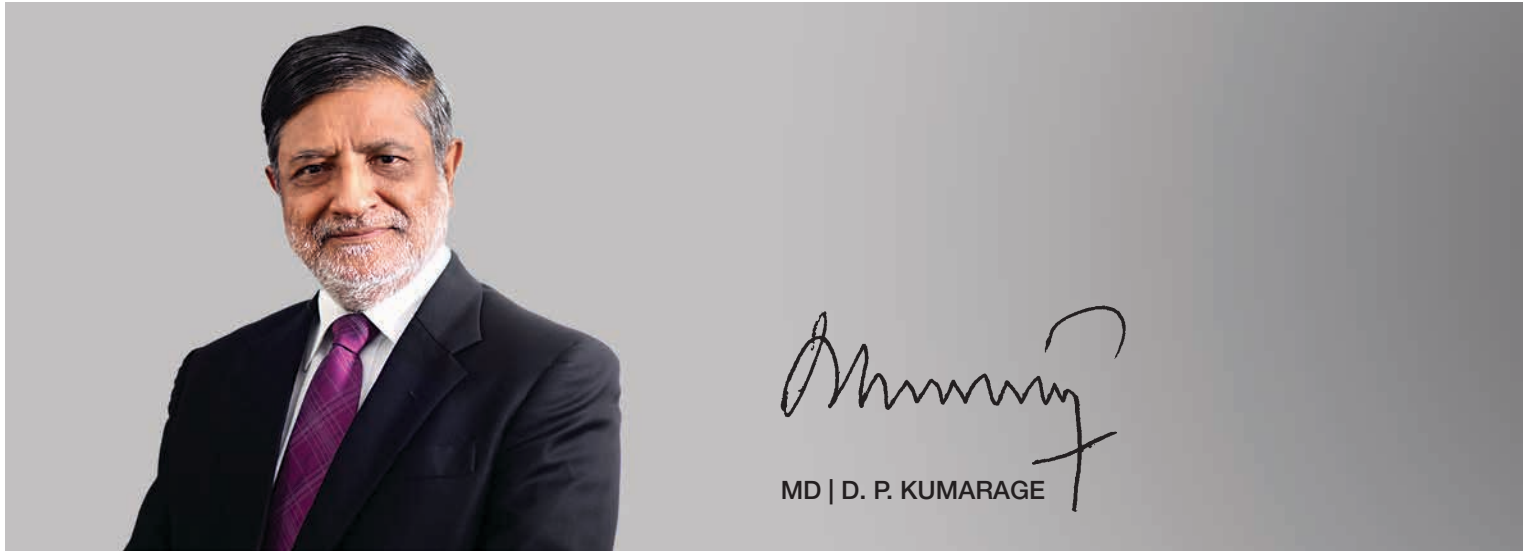
To all stakeholders, thank you.



Jehan P. Amaratunga
Chairman

23rd March 2015
Colombo

MANAGING DIRECTOR'S REVIEW



WE SOUGHT TO DELIVER A SOUND PERFORMANCE, CONSOLIDATING OUR TOP-LINE WHILST DRIVING STRONG UNDERWRITING AND BOTTOM-LINE RESULTS.

Five years in the making, People's Insurance has progressively moved on, navigating the volatilities in today's business landscape. During the reporting year, we looked at how best we could bring in an integrated strategy, combining and reshaping our operations with sustainable practices and highest ideals in business, to be at the forefront of the non-life insurance sector. We sought to deliver a sound performance, consolidating our top-line whilst driving strong underwriting and bottom-line results.

My review herein attempts to present an overview of the financial year 2014, highlighting our strategy, operational activities and financial results, along with my perspective on the outlook in the years to come.

INCLUSIVE APPROACH

As we strive to be compatible with a fast-paced world, it is increasingly clear that we have to be farsighted in our strategy to ensure our sustenance in the long term. We cannot rely on business decisions that are purely driven by commercial terms; we have to carefully consider the sensibilities of our stakeholders and integrate them into the decision making process, from the Board level to daily operations. Thus, guided by the Parent, we sought this year, to be increasingly comprehensive in our strategy and link operational viability with sustainability facets.

We were responsible in our product offer and extended best in customer service. We ensured employee productivity with fair compensation, training and performance based rewards and recognition. The emphasis was also on balancing risks vs. returns; we took pragmatic steps to safeguard our investment portfolio and maintained a sound reinsurance scheme. Good governance was reinforced through greater independence within the Board structure and adopting best prescribed practices. We also continued with our community service initiatives, especially targeting the underprivileged whilst adopting simple measures to be environmentally friendly in our operations.

Managing Director's Review

PERFORMANCE HIGHLIGHTS

The catalytic role that the insurance industry could play to support the country in following through its development agenda is more pronounced in the present day context. Yet, the uncertainties in the macroeconomic environment coupled with intense competition have impeded the industry from reaching out to its full potential. Being amongst the top-tier non-life insurers, we have the right mix of success factors to face the odds and better our prospects as the industry evolves.

This year under review, we remained firm in our endeavours to nurture our strengths and address the weaker areas to reinforce our positioning in the industry. We were diligent to improve on our market share, continuing to seek recourse in key top-line strategies including leveraging on the brand and group support, product mix and customer service; whilst being prudent in our underwriting and disciplined in cost management.

With a hands-on approach to deliver the output envisaged within our corporate action plan, we succeeded to sustain our rank at the fifth, amongst the top non-life insurers for the third successive year. Our gross premium income grew year-on-year, albeit, modestly, by 6% posting Rs. 3,441 million compared to Rs. 3,251 million in the prior year. This growth in premium income is projected to surpass the industry performance average, estimated to be around 4%. Our underwriting performance conversely to most other players in the industry was impressive at Rs. 152 million, whilst we achieved a profit after taxes of Rs. 450 million. Return on equity was noteworthy at 32% whilst the financial position of the Company was sound with a 18% increase in assets.

REINFORCING GROUP SYNERGIES

Having significant and pragmatic synergistic benefits of being a part of a successful financial institution, People's Leasing & Finance PLC (PLC), supported by the top-most inclusive bank in the country, People's Bank, we have with us an ideal platform to compete in a dynamic industry. The strength of the brand, standing and the financial prowess of our Parent companies have indeed reinforced our positioning within the industry and supported us to build our own brand and garner confidence and trust of our stakeholders.

In collaboration with the PLC branch network and representation at People's Bank, facilitated by the bancassurance agreement which we entered in the preceding year, we continued in the reporting year to be more inclusive in

our outreach, even reaching out to the periphery of the country. With this distribution structure combined with the centralised functions such as HR, ICT, logistics and internal audit, we were able to achieve efficiencies of scale and draw substantial cost savings to support our bottom-line and returns.

Besides the synergies with the parent companies, we remained strong in our strategic efforts to seek business opportunities with our sister companies in the PLC Group, leveraging on our expertise and working together for broader goals. We continued to work very closely with People's Leasing Fleet Management Limited in claims assessments, whilst liaising for new business with People's Leasing Property Development Limited.

DEVELOPING THE TEAM

Taking forward our corporate mission and achieving many feats within half a decade, our employees have been the cornerstone of our organisation. As directed by PLC, we remained focused in our actions and invested duly in the year on adopting the best practices in HR management. We strived to foster an inclusive work culture and engage employees, providing feedback on their performance, recognising their efforts and mapping their career path with the Company. We sought to strengthen our cadre mainly with young individuals who have potential to grow and succeed. We pursued to build a well-rounded team with pertinent skills, significant to empower them in their careers, guiding them to make effective choices in discharging their duties. Our training initiatives, focusing on both functional and soft skills, were well thought-out and structured including in-house and external programmes, on-the-job opportunities, cross placements within the Group, professional development and orientation for new recruits. Our compensation package and welfare measures remained fair and competitive, on par with the industry standards.

PRODUCT RESPONSIBILITY

We continued in the year to take steps to balance our product portfolio mix which is typically skewed to motor class, accounting for over 80% of the total premium income. Diversification bears more significance today in an overheated market where prospects for growth in motor class are susceptible to the vicissitudes of the macro environment. Whilst promoting our non-motor class policies including fire and health, this year, we made arrangements and set out the process for a new policy, travel, with international service arrangements for medical cover. The policy which was launched in February 2015 is targeted at the corporate clientele.

Apart from looking at a versatile product offer, we remained conscientious in claims settlements, upholding fair and transparent practices. This coupled with call centre facilities, streamlined processes and on-line platforms for most of the key transactions enabled speedy solutions, no doubt, leading to positive customer experience.

RESPONSIBLE REPORTING

Aspired by the PLC Group ethos, we sought to be responsible in our reporting initiatives to our stakeholders, driving transparency and accountability to support them to make informed decisions. It is indeed heartening to note that our efforts thus far, in this respect, have been well acclaimed by both domestic and international award institutions.

In this light, we were honoured to be recognised at the LACP Vision Awards 2014 held in Florida, in the United States of America, ranking 43rd amongst top 80 annual reports in the Asia-Pacific region, out of around 1,000 contenders; we received the insurance industry gold award for the second successive year whilst being acclaimed for the very first time with special honours for the best annual report narrative. Adding on, we were recognised with the 'World-wide Bronze Award' in the non-traditional annual report category - insurance, at the 28th International ARC Awards competition, amongst 2,000 entries. We also received the 'Insurance Companies Compliance Award' for the second consecutive year for our annual report, 2013 by the Institute of Chartered Accountants of Sri Lanka at the Annual Report Awards held in December 2014.

In the previous year, we attempted to include a sustainability report, detailing out our initiatives to engage our stakeholders along with our annual report. Going one step ahead, this year, we adopted a more integrated approach to reporting, presenting the operations combined with sustainability facets.

IN THE NEXT PHASE

In an emerging industry such as ours, the astuteness in strategy is critical, especially to lead the Company in the midst of the changes that are rapidly taking place within the regulatory environment, heightened by rivalry amongst the insurers. The trials to rise above are no doubt many, yet, we are excited by the opportunities present in this backdrop.

Broad basing the ownership through an initial public offer on the Colombo Stock Exchange will definitely be a milestone, which we intend to carry out by the end of 2015, giving us more openings to capital to grow our business,

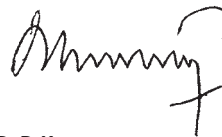
strengthen our practices in governance and risk management and thereby, give us a better standing in public. We are also in the process of making the necessary adjustments to implement the transition to the risk based capital model from the solvency regime as mandated. We intend to look into the gaps especially in developing in-house technical expertise capable of handling the demands of the new regime as well as to bring greater skill to the underwriting process, culminating in smart pricing.

We will continue to bolt on our strengths - our brand, group's synergistic support, the dynamism of the team and prudence in our management approach. We are confident that we could drive growth in gross written premium, gain on market share and achieve strong underwriting and profitability results in the ensuing years.

THANK YOU

As we complete five years, I remember with sincere appreciation the vitality and professionalism of our Chief Operating Officer and his team to follow through our corporate mission and sincerely hope they would continue to reach greater goals in the ensuing year. I am indeed grateful for the expert guidance and direction given by our Chairman and my colleagues at the Board, underscoring the solid foundation that supports our Company to be amongst the top-runners in the non-life insurance sector. My appreciation extends to the Chairman and the Boards of People's Bank and People's Leasing & Finance PLC for their synergistic role played in our operations. I wish to acknowledge the Insurance Board of Sri Lanka for timely and corrective regulatory initiatives, taking the industry to internationally acclaimed standards.

To all stakeholders, thank you for the trust placed in our journey as we move on towards the decade milestone.



D. P. Kumarage
Managing Director

23rd March 2015
Colombo

CHIEF OPERATING OFFICER'S REVIEW



AS WE COMPLETE FIVE YEARS OF OPERATIONS, I AM HAPPY TO REPORT THAT PEOPLE'S INSURANCE CAN CLAIM AN IMPRESSIVE RECORD; IT HAS BROUGHT GREAT BENEFIT TO CLIENTS, EMPLOYEES, THE ECONOMY AND OTHER STAKEHOLDERS AS A WHOLE AND NOT LEAST TO THE PARENT COMPANY.

As we complete five years of operations, I am happy to report that People's Insurance can claim an impressive record; it has brought great benefit to clients, employees, the economy and other stakeholders as a whole and not least to the Parent Company. The result obtained in 2014 is an important and visible step towards sustainable profitability.

Underlined by this success story, I am indeed pleased to set forth my review on the operations and financial performance for the financial year 2014, along with our plans for the way forward.

STRATEGIC OVERVIEW

Our focus remained on growing the top-line, but cautiously and sustainably. We sought to reinforce our positioning within an aggressively competitive industry and build a solid and quality portfolio of policies. We aimed at price optimisation through prudent underwriting; whilst keeping customer centric but cost effective claims management process to reduce expenses and leakages, thereby bolstering our bottom-line.

Accordingly, we were resolute in our efforts to leverage on our affiliations with our parent companies and the Group; avail benefits from the cost-effective distribution model, strengthen our customer-oriented service approach and build professionalism and confidence amongst our employees. We also concentrated and invested well on bringing in technology, appropriately, to streamline our work processes and bring in efficiency to our daily operations, leading up to positive customer experience.

CONSOLIDATING OUTREACH

In the reporting year, we continued to rely on our unique distribution model. We collaborated and coordinated effectively with our parent companies and attempted to reach out to a diverse customer base; building awareness and supporting them with their insurance needs.

We opened 12 new window offices within the Parent branch network, taking the total to 74 as at the year-end. The bancassurance agreement we formalised in the previous year with our ultimate parent, People's Bank, supported us to tap their diverse network, with People's Insurance staff in 24 branches of People's Bank. We also sought to strengthen our direct marketing network, spanning key locations in the country.

With respect to our regional offices in Galle and Negombo, we concentrated on introducing greater automation to enhance their operational performance and output. We sought to rationalise the work processes and strengthen communication with the head office, aiming especially to bring efficiency to the claims management process.

In the reporting year, we consolidated our market share at around 5.9% in terms of premium income and sustained our positioning, ranking fifth, amongst the top-tier non-life insurers in the industry.

BUILDING THE TEAM

With some of the best in the industry, our team of 245 employees has indeed been our strength in driving the organisation over the past five years. The hard work, dedication and professionalism of our team supported us to stand firm against the fierce competition in the industry and accomplish key milestones within this short span.

In the reporting year, we were committed to uphold best practices in HR, giving precedence to competence and performance. We strived to bring in a fair and transparent performance based culture within the workplace. Our structured performance appraisal scheme effectively underscored this task, ensuring that all promotions and rewards and even extending training opportunities were determined based on merit. This process also enabled us to engage our employees to obtain their feedback on the workplace culture, operational plans and address any grievances, if any, that would hinder their morale.

We also followed through with our focused training initiatives to foster employee skills. We encouraged our employees to avail the non-bonded financial assistance scheme to commence and continue their professional studies. This, we firmly believe will support us to bridge the gap in technical skills, much needed to meet the challenges of our time.

RELYING ON TECHNOLOGY

The growing competition heightened by the changes that are taking place in the industry's regulatory environment, further warranted us to seek support from technology as an enabler to improve our work processes, productivity levels, cost effectiveness and customer experience across the organisation. We continued in the reporting year to invest on holistic and best practice solutions, moving on to more on-line platforms and investing well on tactical improvements and updates to our existing systems.

This year, we introduced e-proposals and quotations, enabling customers to apply and process proposals on-line, on our official website. We initiated a new communication system to streamline transactions between the branches and head office and enabled SMS services to speed-up the communication process with assessors prior to inspection of claims and customers on premium payment receipts. The E-Board paper system also took off ground, internalising well within the Board proceedings process.

ROBUST OPERATIONS AND PROFITABILITY

The strategy we carved out proved to be sound for we were able to register a noteworthy overall performance, demonstrating our strength in the face of volatilities within the business environment we operated in. The financial results for the year ended 2014 lagged behind our target for premium income, yet, remained healthy and ahead of the industry averages in most of the key performance indicators.

Our motor class portfolio grew by 5%, whilst the non-motor segment including fire, marine and accident classes, however, was more robust, growing at 8% over the previous year. Our overall premium income in the year under review reached Rs. 3,441 million, growing by 6% over 2013 and is expected to top the industry average. Net earned premium after adjusting for reinsurance premium and unearned premium also posted a growth of 6%.

Chief Operating Officer's Review

As prioritised by our strategy, we remained unwavering in our efforts to be operationally efficient with disciplined underwriting and claims settlements. We managed to bring down our net claims ratio, by four percentage points over the preceding year to 72%. We succeeded to improve our net combined ratio by a percentage point to 95%, well below that of the ratio above 100% maintained by most of the other players in the industry.

The improved ratios supported the operations to post an outstanding increase of 42% in underwriting profits to Rs. 152 million, exceeding the mark witnessed in the preceding year of above Rs. 100 million. Although subdued by the low interest rate environment, investment income comprising interest and dividend income and fair value gains remained buoyant at Rs. 386 million, especially supported by the windfalls on the equity market which remained positive in the reporting year. Our bottom-line profit after taxes remained strong at Rs. 450 million, with a notable increase of 21% vis-à-vis the prior year. Return on net assets was healthy and commendable at 32%.

SOUND FINANCIAL POSITION

We maintained a healthy financial position as at year-end 2014. The asset base increased by 18% as against the position as the previous year-end to Rs. 4,758 million whilst upholding the quality of the composition. We cautiously sought to strike a good mix within our investment portfolio, balancing risks and returns in response to the challenges of an accommodative policy environment with shifting dynamics in the regulatory framework, especially in the context of the proposed risk based capital model. The investment position increased by 14% over the position in the preceding year to Rs. 3,645 million. Our liabilities increased as at the year-end by 14% to Rs. 3,348 million which was closely matched by the increased asset position. The solvency position was healthy with a solvency margin of Rs. 1,009 million, well exceeding the prescribed margin of Rs. 629 million with a solvency ratio of 1.60.

PLANS AHEAD

One of the most pressing issues in the present environment is to ensure stable profits by providing insurance solutions that sufficiently meet clients' needs. Premium rate and conditions are softening and competition for new business is becoming increasingly fierce. We are also mindful of the low interest rate environment.

As we celebrate the feats and the solid mainstay we have built over our five-year journey, we are deeply aware of the work yet to be accomplished in taking us to the next phase of our business. Perceptive strategy will no doubt underscore on how we will face the odds and be responsive to the opportunities present in an evolving industry, amidst volatilities within political and macro environment, markets and the regulatory framework. Decisive actions focused on delivering strategic targets, encompassing operational and financial performance, governance, risk management and social responsibility, will shape our corporate, position us apart from the competition and lead us into the future, sustainably.

To this end, we will continue with our top-line strategy - driving volumes and prudent pricing. We will expand on our existing distribution channels, particularly, exploring and tapping further into the bancassurance opportunities with People's Bank. In the medium term, we intend to expand the customer reach by setting up regional branches in strategic economic centres. To best-fit the evolving 'digital finance' environment, we will focus on developing our web presence with enhanced service features; an on-line payment mechanism is definitely a step forward in this direction. Claims management process will remain a top priority and we will seek to curb the expenses, without compromising on customer satisfaction. Greater reliance on sophisticated systems will ensure smooth end-to-end claims processing for necessary cost controls.

Intensified competition in the industry is not restricted to business, but seen in the talent arena as well. We have recognised the need for talent development in order to maintain a competent and productive team.

Besides the plans for financial viability, we intend to be more effective in our social responsibility initiatives, taking on projects and adopting measures that are more relevant to our line of business. Accordingly, we will seek to implement social responsible projects to create awareness on safe driving and road accidents.

In response to the changing regulatory and statutory requirements, we intend to broad base our ownership on the Colombo Stock Exchange by the end of 2015. We will also gear the operations to fully implement the risk based capital regime; specialised training programmes will be extended to

selected staff members on risk assessments to effectively transition to this model by 2016. These changes will also warrant us to build further on best practices in governance, risk management and ensure a prudent reinsurance scheme.

IN CLOSING

On behalf of my team, I wish to extend our deepest appreciation to our Chairman, Managing Director and the Board for leading and guiding our organisation to be at the forefront of the non-life insurance sector within just five years into operations.

The success we have achieved in 2014 would not have been possible if not for the expertise and dedication of all People's Insurance staff. I am proud of them and thank them for their efforts and their goodwill.

I take this opportunity to commend, the Insurance Board of Sri Lanka for their diligence and efforts to bring in internationally acclaimed best practices and standards to the betterment of the industry.

My sincere appreciation is also extended to our partners in this business, clients, intermediaries, reinsurers and all other business associates for their continued support over the past year. Your confidence in People's Insurance is well placed.



Nimal Perera
Chief Operating Officer

23rd March 2015
Colombo

AWARDS AND RECOGNITION



13th Vision Awards Annual Report Competition 2013 - Asia-Pacific Excellence Within the Insurance Industry - Gold Best Annual Report Narrative Honours Top 80 Annual Reports, Rank 43

'In Progress', Annual Report 2013 was recognised at the 13th Vision Awards Annual Report Competition organised by the League of American Communication Professionals (LACP). Nearly 1,000 corporates competed at this year's awards, representing 25 countries. This is the first time that People's Insurance received a special regional achievement honours for the best annual report narrative and as ranked 43rd within the Asia-Pacific region.

LACP, Florida, USA is an organisation established in 2001 to set up a forum to discuss the best-in-class practices within the profession and to recognise those who demonstrate exemplary communication capabilities.

28th International ARC Awards 2013

World-wide Bronze Award, Non-traditional Annual Report Category - Insurance

'In Progress' Annual Report 2013 was recognised with the World-wide Bronze Award in the non-traditional annual report category - insurance, at the 28th International ARC Awards competition. Over 2,000 entries from 31 countries across the world competed at this year's awards.

ARC Awards competition is organised by MerComm Inc. New York, USA, an independent awards organisation dedicated to defining the standards of excellence in communication and recognises individuals whose work has made an outstanding contribution to their organisations.



50 Years Reaches Gold, Annual Report Awards 2014

Certificate of Compliance

'In Progress' Annual Report 2013 was presented with a Certificate of Compliance at the 50th Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

CELEBRATING

5

**YEARS OF
INTEGRITY**

BOARD OF DIRECTORS AND PROFILES



1. MR. JEHAN P. AMARATUNGA

Chairman

Mr. Amaratunga assumed duties as the Chairman of People's Insurance Limited in July 2010. He presently serves as the Group Executive Deputy Chairman of MTD Walkers PLC Sri Lanka, which is a leading infrastructure development company that is listed on the Main Board of the Colombo Stock Exchange and also serves as a Director of People's Bank, People's Merchant Finance PLC and JAT Holdings (Pvt) Ltd. He is a Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Chartered Management Accountant. He was awarded First in Order of Merit Prize at the final level examination of the Institute of Chartered Accountants of Sri Lanka.

Mr. Amaratunga has over 30 years of extensive experience in finance and management and has been a Consultant and Director to a large number of corporations and private entities. Amongst his many achievements, he has presented a paper titled "Value for Money Accounting" at the National Conference of the Institute of Chartered Accountants of Sri Lanka in 1987. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka.

2. MR. N. VASANTHA KUMAR

Director

Mr. N. Vasantha Kumar was appointed as a Director of People's Insurance Limited in May 2011. He presently serves as the CEO/GM of People's Bank and is a Director of People's Leasing & Finance PLC, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Travels (Private) Limited, Credit Information Bureau, National Payment Council, Lanka Financial Services Bureau, Financial Ombudsman Sri Lanka (Guarantee) Limited and Sri Lanka Banker's Association (Guarantee) Limited. He is a member of the Governing Board in the Institute of Bankers of Sri Lanka.

He holds a Master's Degree in Business Administration and counts over 34 years of experience in treasury management. He was the past president of the Association of Primary Dealers and of the Sri Lanka Forex Association and served as Treasurer at ANZ Grindlays Bank, Colombo for many years.

3. MR. D. P. KUMARAGE

Managing Director

Mr. Kumarage was appointed as the Managing Director of People's Insurance Limited in July 2009. He has been functioning as the CEO/GM of People's Leasing & Finance PLC since September 1997. He is also the Managing Director of People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited and People's Microfinance Limited.

He has over 34 years' experience in banking and finance at People's Bank and retired as a Deputy General Manager. He holds a Postgraduate Diploma in Modern Banking and is a passed finalist of the Chartered Institute of Management Accountants UK. He is the Vice President of the Asian Leasing and Finance Association and Chairman of the Leasing Association of Sri Lanka. In addition, he serves as a Non-Executive Director of SANASA Development Bank and Lanka Ashok Leyland PLC.

4. MR. ROHAN PATHIRAGE

Company Secretary

Mr. Pathirage was appointed as the Company Secretary of People's Insurance Limited in July 2009. At present, he is the Secretary to the Board of Directors of People's Bank. He also serves as the Company Secretary of People's Leasing & Finance PLC, People's Leasing Fleet Management Limited, People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Microfinance Limited and People's Travels (Private) Limited.

He is an Attorney-at-Law with a Bachelor of Laws Degree from the University of Colombo. He holds an MBA in Bank Management from the Massey University in New Zealand.

SENIOR MANAGEMENT TEAM

Left to Right

Kanthi Kempitiya *Senior Manager - Motor Underwriting*, Nilushan Somarathna *Senior Manager - Finance*, Nimal Perera *Chief Operating Officer*, Jeevani Kariyawasam *Chief Manager - Operations*, Hareendra Dissanayaka *Senior Manager - Motor Claims*

NIMAL PERERA**Chief Operating Officer**

Nimal joined People's Insurance Limited in September 2009 as the Chief Operating Officer. Prior to his appointment, he served as General Manager - General at Asian Alliance Insurance PLC. He has over 45 years of experience in the insurance industry, both in Sri Lanka and overseas. He was CEO/General Manager of the National Insurance Corporation Limited, HNB Assurance PLC and Fide' Insurance Limited Malawi. Nimal is a Fellow of the Chartered Insurance Institute. He is a Member of the Asia-Pacific Risk and Insurance Association and Pan-Asia Risk and Insurance Management Association.

JEEVANI KARIYAWASAM**Chief Manager - Operations**

Jeevani joined People's Insurance in October 2009 and has been in charge of the operations of the Company since then. She counts over 20 years of experience in the insurance industry which includes the experience at National Insurance Corporation and HNB Assurance PLC. Jeevani holds a BSc. Honours Degree in Bio Science from the University of Colombo. She is an Associate of the Chartered Insurance Institute, UK.

NILUSHAN SOMARATHNA**Senior Manager - Finance**

Nilushan joined People's Insurance in August 2012 and has been heading the finance department since then. Prior to joining People's Insurance, he served as Manager - Finance at Union Assurance PLC. He altogether has over 11 years of finance and audit experience, including previous experience at Union Assurance PLC and PricewaterhouseCoopers. Nilushan has a BSc. Business Administration (Special) Degree from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and a prize winner of the intermediate examination conducted by CA Sri Lanka. He also holds a Master's Degree in Business Administration (MBA) from the University of Southern Queensland, Australia.

KANTHI KEMPITIYA**Senior Manager - Motor Underwriting**

Kanthi joined People's Insurance in October 2009. She has more than 32 years of experience in the insurance industry including the areas of underwriting, claims, administration and business development. Kanthi holds a BSc. Honours Degree in Physical Science from the University of Jaffna and a Post Graduate Diploma in Statistics from the University of Sri Jayewardenepura. She is an Associate of the Insurance Institute of India.

HAREENDRA DISSANAYAKA**Senior Manager - Motor Claims**

Hareendra joined People's Insurance in October 2009. He started his career at HNB Assurance PLC and counts over 11 years of experience in the insurance industry. He is an Associate of the Insurance Institute of India and holds a Diploma in Insurance from the Chartered Insurance Institute, UK.

MANAGEMENT TEAM



Left to Right

Shamindra Dissanayake *Manager - Business Development*, Shalika de Silva *Manager - Legal*, Hiran Karunaratne *Motor Engineer*,
Sashika Jayathilaka *Officer in Charge - Reinsurance*



Left to Right

Gemunu Vithanage Assistant Manager - Marine, Dulip Dissanayake Manager - Finance, Sumudu Bandara Manager - Non-motor Claims, Udaya Kumara Deputy Manager - Fire and Miscellaneous Underwriting

SUPPORT SERVICE TEAM

Left to Right

Prabath Gunasena *Assistant General Manager - ICT (Group)*, Uresh Jayasekara *Chief Manager - Human Resources (Group)*,
Udesh Gunawardena *Assistant General Manager - Internal Audit (Group)*, Danushka Liyanage *Associate Business System Architect*

UDESH GUNAWARDENA**Assistant General Manager - Internal Audit (Group)**

Udesh is an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Institute of Certified Management Accountants of Sri Lanka, Institute of Professional Finance Managers (UK), a Member of the Institute of Internal Auditors and a finalist of the Chartered Institute of Management Accountants, UK. He holds a Diploma in Treasury, Investments and Risk Management from the Institute of Bankers of Sri Lanka and also a world prize winner of the Australian Computer Society. He joined People's Leasing & Finance PLC in 1999 and possesses over 20 years' experience in the field of finance, covering accounting, auditing, financial management and treasury operations at senior level. Presently, he also serves as Secretary to Board Audit Committees of People's Leasing & Finance PLC and People's Insurance Limited as appointed by the respective Boards.

PRABATH GUNASENA**Assistant General Manager - ICT (Group)**

Prabath joined People's Leasing & Finance PLC in 1999 and has been the head of the ICT department for the past 15 years. He holds a Master's Degree in Business Administration (MBA) from the University of Western Sydney (UWS). He holds a Diploma in Computer System Design from the National Institute of Business Management (NIBM), Sri Lanka and is a member of the British Computer Society. He is presently serving as Assistant General Manager- ICT and Head of ICT for the PLC Group.

URESH JAYASEKARA**Chief Manager - Human Resources (Group)**

Uresh joined People's Leasing & Finance PLC in 2007. He holds Bachelor's Degree of Science (Honours) from the University of Kelaniya. He obtained his Diploma in Management from the Open University and Postgraduate Diploma in Business Management from the University of Colombo. He also holds a Master's Degree in Business Administration (MBA) specialised in Human Resources Management from the University of Colombo. He has altogether more than 15 years of experience in the field of human resources including garments, hospital and financial sectors. He functions as the Chief Manager - Human Resources and Head of HR for the PLC Group.

DANUSHKA LIYANAGE**Associate Business System Architect**

Danushka joined People's Leasing & Finance PLC in September 2010. He possesses over eight years' experience in the insurance industry. Prior to joining the Company, he worked as Assistant Manager - ICT at Ceylinco Insurance PLC. Danushka holds a BSc. Honours Degree in Computing and Information Systems from the Lincoln University, UK.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

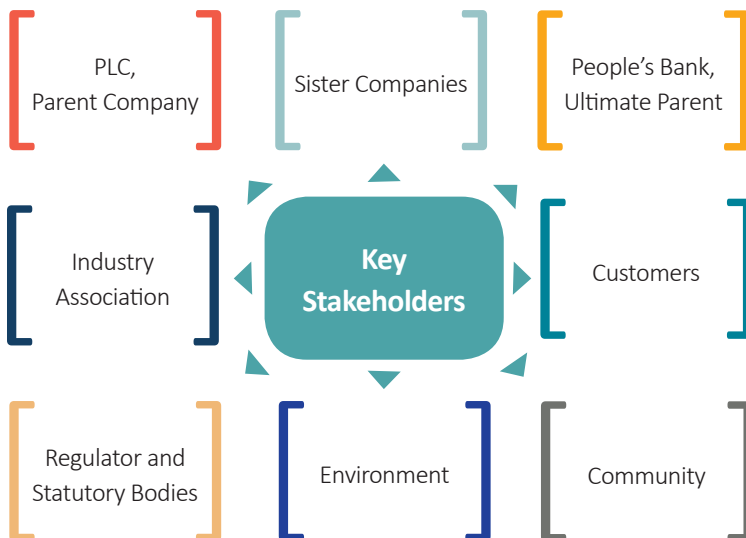
The transitioning of the global economy on a firmer path coupled with a relatively favourable domestic macroeconomic environment supported the country in the year 2014, to move ahead in its growth trajectory as envisaged in the post-war years. Complemented by the growing economy and notwithstanding the industry challenges, both life and non-life insurance sectors progressed, albeit, moderately as against the previous year. The insurers across the board sought in the year to gear their operations to meet the changes entailed within new regulatory framework which is expected to bring greater discipline and transparency to the industry.








People's Insurance Limited (People's Insurance) within this backdrop, strengthened its positioning at the number five slot amongst the non-life insurers. The Company focused on its integrated strategy, aligned to its group policy and was firm in executing the planned actions amidst the trails of an emerging industry. The Company focused on leveraging on the business opportunities present within its parent, People's Leasing & Finance PLC (PLC), ultimate parent, People's Bank and the sister companies within the PLC Group whilst seeking to grow direct customer volumes pragmatically. Due diligence was further exercised to ensure financial discipline to cushion the underwriting results, returns and financial position. The Company also remained focused in its compliance to regulatory requirements and sought to uphold good business ethics in daily operations and governance.

During the year under review, People's Insurance succeeded weathering the stiff competition including pricing issues and sustained its growth in premium income, although subdued compared to the previous year and posted a much improved underwriting profit and favourable returns. As at the year-end, the financial position was maintained soundly and the cash flows remained positive.



STAKEHOLDERS AND MATERIALITY ISSUES



People's Insurance recognises the importance of being conscientious in its engagement process with all its stakeholders. The operational strategy is carefully formulated to be responsive to key stakeholders - interacting and extending sustainable solutions to meet their wide-ranging needs and expectations. All business decisions and actions seek to uphold trust and build strong ties with stakeholders whilst focusing on addressing their most material issues with professionalism, transparency and accountability.



Stakeholder Engagement and Materiality Analysis			
Key Stakeholders	Level of Influence	Material Issues	Engagement Process
Parent Company, People Leasing & Finance PLC		<ul style="list-style-type: none"> Operational and financial performance Business synergies Good governance and risk management 	<ul style="list-style-type: none"> Progress reports and meetings Monthly financial statements Group meetings Business agreements Annual report Annual General Meeting Extraordinary General Meeting Networking events
Ultimate Parent Company, People's Bank		<ul style="list-style-type: none"> Operational and financial performance Good governance and risk management Business synergies 	<ul style="list-style-type: none"> Bancassurance agreement Business meetings Annual report Networking events
Sister Companies		<ul style="list-style-type: none"> Business synergies 	<ul style="list-style-type: none"> Business agreements Business meetings Networking events
Customers		<ul style="list-style-type: none"> Value added product range Convenience in an event of a claim Fair claims settlement Quick turnaround time for processing claims 	<ul style="list-style-type: none"> Communication material Roadshows Door-to-door promotions Website 24-hour call centre Customer feedback
Employees		<ul style="list-style-type: none"> Due promotions, rewards and remuneration Performance based culture Skills development Welfare 	<ul style="list-style-type: none"> Periodic staff meetings Staff circulars Intranet and e-mail Training Performance appraisals Staff welfare society
Communities		<ul style="list-style-type: none"> Community recruitments Community service projects and philanthropic activities 	<ul style="list-style-type: none"> Charity projects Employee volunteerism
Environment		<ul style="list-style-type: none"> Carbon footprint of operations Environmental laws and regulations 	<ul style="list-style-type: none"> Environment campaigns Employee volunteerism

Management Discussion and Analysis

Stakeholder Engagement and Materiality Analysis			
Key Stakeholders	Level of Influence	Material Issues	Engagement Process
Regulatory and Statutory Bodies		<ul style="list-style-type: none"> • Compliance with regulations and statutory requirements • Good corporate governance 	<ul style="list-style-type: none"> • Meetings • Annual report • Disclosures • Industry forums
Industry Association		<ul style="list-style-type: none"> • Discussion of industry issues • Lobby for key industry issues 	<ul style="list-style-type: none"> • Association meetings • Industry forums • Association website

- High 
- Medium 
- Low 

STRATEGY 2014**Responding to Risks and Opportunities****RISKS AND
OPPORTUNITIES****Risks**

- Rising operational cost
- Lack of technical expertise
- Revisions in the regulatory framework
- Uncertainty within the industry due to possible mergers and acquisitions
- Overcrowded industry and price competitiveness and compromises
- Low interest rate environment
- Volatility in import tariff structure

Opportunities

- Recovering global economy
- Post conflict peace dividends
- Economic growth drive in Sri Lanka and relatively sound macro fundamentals
- Focus on rural development and growing retail and SME Sector
- Increasing per capita income
- The rise of the middle-class and the favourable perception towards thrift, savings and investments
- Deployment of latest technology
- Due recognition and acceptance for adopting sustainable practices

Management Discussion and Analysis

Risks

Increasing Cost

Spiralling operational cost is a critical issue faced by the insurance industry in the present day context. Inflationary trends, further exacerbated by the upward revision of tariffs with respect to imports of motor spares and a weaker exchange rate that prevailed in the recent years have pressured claims ratio and the underwriting results of the industry. Intense competition within the industry has not made it easier for insurers to factor in the rising cost when pricing the products.

The Company, although, inevitably impacted by this, is focused in its efforts towards controlling operational costs with pragmatic assessments and management of claims; therefore, seeking to mitigate the impact of rising cost on its underwriting results.

Technical Expertise

The lack of technical expertise is a critical challenge faced by the insurance industry in Sri Lanka. This is more pronounced today, especially in the backdrop of the revised regulatory framework. It is essential to have technically qualified employees within the industry to adopt the proposed changes in particular, the segregation of businesses and the transitioning to the risk based capital model.

Well aware of the industry dilemma, People's Insurance has set out plans to enhance the technical skills within the organisation to take on this challenge effectively. Due measures have been taken as will be discussed under the 'Human Resources Review' section of this report to extend training opportunities to key officers to hone their technical skills including a reimbursement scheme for further studies and focused training.

Regulatory Framework

The insurance industry is currently gearing to comply with the revised regulatory framework under the Regulation of Insurance Industry Act No. 2011 and subsequent amendments thereto. The regulatory changes although expected to usher in a level-playing-field in the medium to long term, the industry will have to reckon with uncertainty and teething issues in operations in the short term.

Out of the new regulatory requisites, People's Insurance is only subject to adopt the risk based capital regime and list on the public domain. In terms

of the former, the Company along with the other insurers has made way to blend in to the risk based capital regime as guided by the regulator. The Company will also prepare and process documents to broad base its ownership on the Colombo Stock Exchange as per the timeline given.

Intense Competition

Although the penetration and density relative to the total population remain modest, the insurance industry in Sri Lanka, in particular, the non-life segment is overcrowded and intensely competitive. This has led the industry to grapple with unethical and unwarranted business practices, including usurping the market share of other insurers, compromising on price and hence, exerting pressure on the margins, underwriting results and overall profitability.

People's Insurance in this respect has set out a cohesive strategy, focusing on its key market within the Group as well as sustainably seeking to diversify into the retail sector; pricing is largely based on technical judgment rather than compromises and resorting to unwarranted price wars.

Low Interest Rates

Investment income is one of the two main sources of income for an insurer and a substantial portion of investments are usually made on interest bearing investments such as treasury bills, treasury bonds, fixed term deposits, debentures, repurchase agreements, savings accounts, etc. Continuing its high volatility, market interest rates have dropped to multi-year lows with the policy changes of the Government, significantly reducing insurers' investment income.

The Company will focus more on non-interest bearing investments such as listed shares in order to partly set-off the drop in the interest income. However, considering the high risk involved in these types of investments, the Company will set limits and be cautious of such transactions.

Opportunities

Economic and Political Ideology

Within the post conflict landscape, the platform is broadly set for the country to go forward and reach out to its growth and development goals. The progressive macroeconomic policies coupled with political ideology especially to give a boost to regional development have paved the way for the economy to achieve higher growth rates and reach the upper mid-

income status with aspirations to touch USD 7,000 by 2020. In this context, the financial sector including the insurance industry is expected to make headway, availing the opportunities present in a burgeoning economy especially in under-penetrated sectors.

Responding to the evolving growth trends, People's Insurance has positioned its operations at the forefront of the non-life insurance segment and therefore, fully geared to avail the benefits of a growing economy. Strategy is formulated with focused actions to leverage on the Parent brand strength and group synergies as well as to access the growing opportunities within the small and medium enterprises and the retail market.

Social Dynamics

In tandem with economic expansion and rising per capita income, the nation's middle class is rapidly growing with higher disposable income and changes in consumption patterns. The demand is significant for lifestyle comforts and technology with much influence from the social media. Accompanying these socio-dynamics, attitudes and perceptions have changed over the years, with greater awareness and openness to thrift, investment and insurance.

People's Insurance recognising the present day socio-dynamics have sought to design and structure its product offer, concentrating on changing consumer patterns and needs. The outreach across the country especially through window representation within the Parent branch network has enabled to engage and penetrate diverse market segments.

Evolving Technology

Technology has taken centre-stage in today's context, revolutionising the lifestyles and the way businesses operate. Computers and other electronic devices have enabled automation, leading up to opportunities to streamline operations and productivity improvements in workplaces as well as to enhance customer convenience and service. Business communication has also greatly progressed with unprecedented amount of data and information exchange made possible via mobile services and the internet.

Aligned to the PLC Group policy, the Company has sought the support of technology, with due diligence, to take forward its operations. Latest technology, hence, has played a definitive role, modernising the operations cost effectively and extending progressive insurance solutions, both in terms of boosting its top-line and the underwriting results.

Social Responsibility

Sustainability is widely recognised to be an essential part of a successful business. The triple-bottom-line approach integrating commercial viability and returns with environmental friendly practices and community engagement is an essential facet that is sought after by stakeholders, in turn, ensuring the long term sustainability of operations.

As advocated by the Group ethos, People's Insurance has intertwined social responsibility in its daily operations, be it in adopting best practices in marketing, fair pricing and claims, good governance, measures taken at the workplace, environmentally friendly initiatives and philanthropic activities and benefits extended to people in the neighbourhood communities.

Strategic Priorities and Key Actions

Aligned to the PLC Group strategic goals and in response to the demands and dynamics of a rapidly evolving insurance industry, People's Insurance has adopted a holistic approach in its value creation process. The Company's strategy in keeping with its tagline 'Building lasting trust' pursued sustainable goals, focusing on not just on growing the market share, profits and returns, but, also on ensuring the best practices in human resource management, good governance and effective risk management. The Company also sought to extend social service to needy communities and to take up 'greener' initiatives as its contribution towards protecting the environment.

Management Discussion and Analysis

The salient features of the Company strategy and the interrelated actions are detailed out below:

Strategic Priorities 2014

Grow the top-line sustainably

- Leverage on the Parent brand image
- Seek and develop group synergies
- Strengthen bancassurance ties with People's Bank
- Diversify into the retail market
- Extend best in customer service
- Extend a versatile product offer and enhance branding
- Strengthen and expand window operations within the PLC branch network

Underwriting and financial discipline

- Enhance technical expertise and adopt modern techniques to ensure optimal pricing
- Uphold ethical business practices without resorting to 'price-wars'
- Exercise prudence in claims management and expenses
- Ensure fair claims management
- Resort to a cost effective distribution channel
- Use latest technology to streamline operations

Employee development and ensure wellbeing

- Extend focused training opportunities to develop employee soft and technical skills
- Encourage and financially support employees to further improve their knowledge and skills
- Ensure fair and due remuneration, rewards and recognition based on performance
- Identify high achievers and nurture their careers to take up higher job roles
- Build team spirit
- Extend employee welfare

Engage the community

- Recruit branch staff from the surrounding communities
- Engage in philanthropic activities for worthy causes

Protect the environment

- Adopt environmentally friendly practices in the workplace
- Advocate green campaigns

Governance, risk management and compliance

- Adopt best practices in governance and risk management
- Comply with the regulations stipulated by Insurance Board of Sri Lanka and other relevant authorities

Growing the Top-line

The Company during the year under review was pursued in its strategy to grow the top-line in a sustainable manner. Over 90% of the Company's revenue is accounted for by its Parent PLC, People's Bank and sister companies within the PLC Group. In line with this status quo, the top-line growth strategy embraced a two-prong approach: collaborate with the Parent and group companies to optimise on synergies; and on the other hand, build a direct customer base, tapping into the growing opportunities of both retail sector and the small and medium enterprises. This drive for direct customers was done selectively and careful attention went into rationalise the existing portfolio including the exclusion of non-profitable businesses.

Developing Ties with Parent Company

Actions

- Access PLC's vast client base through referrals
- Expand the cost-effective distribution channel through PLC's branch network
- Organise and participate in joint promotional campaigns with PLC to grow retail volumes

Output

- Secured 29,759 new customers with business valued at Rs. 898 million through PLC referrals
- Opened 12 new window offices in PLC branches
- Jointly held roadshows in five districts viz. Ampara, Badulla, Negombo, Kandy and Polonnaruwa

As a key subsidiary of an esteemed organisation, People's Insurance is well acclaimed and positioned within the non-life insurance sector. During the reporting year, the Company focused on strengthening its ties and leveraging on the brand strength and good reputation of its parent, seeking to build its market share and boost top-line results. The Company sought to further reinforce its access to PLC's clientele through referrals and through its cost effective window distribution within PLC's wide branch network in strategic locations. Apart from this, the Parent's support given in managing the centralised functions - human resources management, logistics, corporate affairs and information technology has enabled the Company to keep its overheads at a minimum and rationalise its cost through economies of scale.

Synergies with Sister Companies

Actions

- Seek synergies and work closely with People's Leasing Fleet Management Ltd.
- Foray business opportunities with People's Leasing Property Development Ltd.

Output

- Processed 17,358 valuations for effective claim settlements through People's Leasing Fleet Management Ltd.
- Tied up with People's Leasing Fleet Management Ltd. to provide vehicle towing and carrying services to customers in case of emergency
- Secured insurance business valued at Rs. 2.6 million from construction projects carried out by People's Leasing Property Development Ltd.

Management Discussion and Analysis

The Company during the year was proactive to drive the synergies and work together with its sister companies within the PLC Group. The relationship with People's Leasing Fleet Management Ltd. was further explored and both companies were able to find and collaborate effectively, complementing their businesses on a 'win-win' scenario. People's Insurance sought the support of People's Leasing Fleet Management Ltd. to facilitate assessment of motor claims in its claims management process; enabling the Company to obtain fair claim assessments from a pool of in-house trained assessors as well as the opportunity to offer improved service to the customers. In the year, Rs. 5 million worth of valuations were made by People's Leasing Fleet Management on behalf of the Company.

People's Insurance also collaborated extending general insurance services mainly that of fire and theft for the construction projects undertaken within the purview of People's Leasing Property Development Ltd. The businesses secured from this sister company is estimated to be around Rs. 2.6 million.

Bancassurance

Actions

- Develop stronger ties with People's Bank
- Place representatives at People's Bank branches in strategic locations

Output

- Four networking events were organised to maintain good relations with People's Bank
- Placed seven representatives at the People's Bank branches in Monaragala, Kiribathgoda, Head Office, Kalutara, Kandy, Matale and Hambantota
- Increased gross written premium income through People's Bank referrals by more than 50%

People's Insurance in the year sought to further develop the bancassurance arrangement entered with its ultimate parent, People's Bank in the preceding year. This intermediary channel is expected to be an ace for the Company, opening up opportunities to tap a vast and diverse customer base of People's Bank which spans across the island; thus supporting to increase its market outreach and share. The key actions taken during the year, including networking amongst officers and placing representatives within the People's Bank branches supported the Company to secure a business growth of more than 50% over the previous year, from this channel.

Distribution Channels

Actions

- Strengthen the operations at the two regional offices in Galle and Negombo
- Increase the window offices within PLC's branch network

Output

- Gross written premium generated from the regional offices grew by more than 80%
- Opened 12 window offices at PLC branches in Maharagama, Kadawatha, Minuwangoda, Benthot, Neluwa, Deniyaya, Monaragala, Gampola, Digana, Welimada, Kantale and Killinochchi

Reaching out to direct business, People's Insurance in the year, sought to establish a stronger retail customer base. The Company was keen to uphold its strategy of maintaining a cost effective distribution channel through its window operations within the PLC branch network. Widening the outreach, the window representation during the year increased from 62 to 74 in key locations viz. Maharagama, Kadawatha, Minuwangoda, Benthot, Neluwa, Deniyaya, Monaragala, Gampola, Digana, Welimada, Kantale and Killinochchi. The Company also sought to further expand its operations within the two regional offices in Galle and Negombo with support extended to streamline the work processes and due training and incentives extended to staff members.

Marketing Communications and Promotions

Actions

- Carry out joint promotions with PLC
- Carry out street promotions to canvass direct business
- Form a focused team for marketing and promotions

Output

- Organised and participated in five roadshows in collaboration with PLC at Ampara, Badulla, Negombo, Kandy and Polonnaruwa
- Developed promotional material worth over Rs. 500,000
- Recruited a business development manager to lead the sales and marketing initiatives

In a bid to meet the growing competition, People's Insurance was more focused during the year to define its positioning and enhance its brand presence within non-life insurance sector. Promotional campaigns including door-to-door and road shows were held in selected locations, directly pursuing prospective customers. During the year, five road shows were organised, covering districts of Ampara, Badulla, Negombo, Kandy and Polonnaruwa. Cost effective below-the-line communication material-brochures and leaflets with information on the product suit and services offered were also developed and distributed during these promotional campaigns.

In the reporting year, a dedicated team was formed to canvass direct (non-group) businesses. A business development manager was recruited to the team to further streamline, oversee and manage the sales initiatives within the Company.

Customer Service

Actions

- Deploy technology to extend quick turnaround times
- Extend training opportunities for staff on customer service
- Extended value added products
- Enhance customer convenience

Output

- Settled 28,952 claims
- Training extended for 56 staff on customer service
- Commenced giving 24X7 assistance to customers in case of an emergency to tow or carry their vehicles in collaboration with People's Leasing Fleet Management Ltd.
- Developed an on-line proposal forms system for motor and home insurance where customers can fill the proposal forms on-line

In keeping with the Company's adage, 'Building lasting trust', customer service was given due precedence and which played a critical role in defining and differentiating the brand within a highly competitive marketplace. People's Insurance kept its stance without resorting to price-wars and largely depended on building its brand image by extending the best in customer service. In the reporting year, the Company sought, inter alia, to reinforce its product offer with value-addition, fair claim settlements, training and to leverage on technology for speedier and quick turnaround times with refined insurance solutions and lower processing costs.

Management Discussion and Analysis

Products

Actions

- Build brand identity for key products
- Add value to the product suit

Output

- Developed separate brands and logos for three products
- New product - travel insurance was in the process of development

The Company in the year under review reinforced its existing suit of products, initiating individual brands to firmly position them within the non-life insurance sector. Aligned to the overall branding strategy, steps were taken to create a unique identity for three key product classes viz. motor, fire - home and fire - commercial; separate brands and logos for some of other products are in the process of being finalised as at date and is expected to be launched in the year ahead.

Further, a new travel policy mainly targeting business travel within the Group and other corporates was developed and is in the process of being launched.

People

Actions

- Extend tactical training opportunities
- Carryout performance based assessments and reward accordingly
- Give preference to internal promotions

Output

- Invested over Rs. 1 million in staff training
- 84% of the cadre was assessed on a structured performance appraisal scheme
- Promoted 87 staff members
- Up to four months' bonus given to the staff

As guided and managed by the Parent Company, much emphasis was placed on developing employee skills and professionalism, enabling the Company to be sustainable in its growth momentum. Performance based work assessments and training staff on both core and soft skills were given priority whilst extending a well-balanced workplace with fair remuneration, rewards and due opportunities to develop employee morale and careers, in turn, supporting the Company to reach out its strategic goals.

Underwriting Discipline and Profitability

Actions

- Pursue a cost effective distribution channel
- Train staff on technical skills
- Deploy technology to streamline operations
- Seek high return investment opportunities in the share market

Output

- Setup 12 window offices in PLC branches
- Reimbursement scheme for staff to take up further studies
- Implemented a messaging system between head office and branches for ease of communication
- Implemented an assessor feedback system for claim assessments
- Gained Rs. 79 million from the share market by way of capital gains and dividends

In tandem with its efforts to grow market volumes and the top-line, the Company was committed to uphold right pricing, discipline in claims and expenses to ensure positive underwriting results and profitability. To this end, the Company looked at enhancing its technical expertise with due training and deployment of technology. This supported the Company to be more effective in identifying and assessing potential risk and the related appetite; pricing according to the viability of revenue and reinsurance; and assessing claims and exposures effectively. Cost effective measures were also taken especially through streamlined operational processes to keep the combined ratio at check whilst investing wisely with a balanced approach between fixed

income securities and equity. With these measures in place, the Company in effect posted an underwriting profit and thus becoming one of the very few companies to do so in the reporting year within the non-life insurance segment.

Governance, Regulations and Risk Management

Actions

- Prepare to list on the Colombo Stock Exchange
- Adopt the risk based capital model
- Maintain a sound reinsurance base
- Adopt prudent reserving method for provisioning

Output

- Obtained the approval of the Board for listing in the Colombo Stock Exchange
- Adopted the second phase of the risk based capital model by participating in the parallel run
- Maintained relationships with 'A-' or above 'A-' rated re-insurers for business volumes of Rs. 103 Mn
- Provided Rs. 123 Mn for incurred but not reported (IBNR) claims based on actuarial valuation in addition to case reserves

Being a part of the PLC group, the Company has taken necessary steps to adopt best governance practices and comply with regulations and standards stipulated by the Insurance Board of Sri Lanka and other relevant statutory bodies. During the reporting year, in keeping with the industry regulatory needs, the Company embraced the risk based capital regime running parallel with the solvency regime. Internal resources are being strengthened to gear the Company to comply with the new regime whilst arrangements are underway to list on the Colombo Stock Exchange.

Risk management was given top priority whilst maintaining 'A' rated reinsurers to effectively cover risky exposures. The Company also adopted a prudent approach in provisioning; using the 75% tile confidence level basis as opposed to the central estimate basis for actuarial valuations to provide for incurred but not reported (IBNR) claims which in general requires a higher provision than the central estimate basis. In effect, People's Insurance is one of the very few insurers to adopt this basis in Sri Lanka.

Social Responsibility

Actions

- Organise community service projects
- Uphold green practices within the organisation

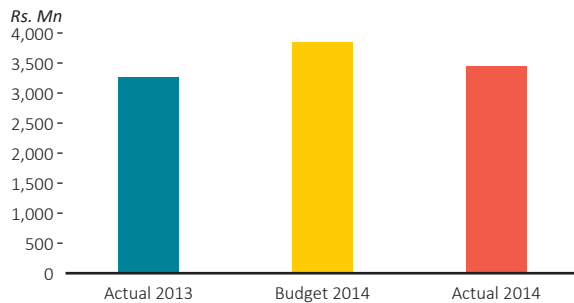
Output

- Two main community service projects held at Maharagama cancer hospital and Kalubowila teaching hospital
- Continued our arrangement to recycle used papers

People's Insurance is deeply aware of the necessity to reach out and engage a diverse set of stakeholders which is crucial in today's context where the scope of sustainability is not limited to commercial outcomes but encompasses a broader perspective - integrating social and environmental facets with daily operations. Social responsibility, therefore, is a vital part of the Company's strategy - extending a hand for needy communities through philanthropy and initiating pro-environmental campaigns and taking measures to reduce the carbon footprint. This in effect is well in line with the overall group strategy led by the Parent Company.

Management Discussion and Analysis

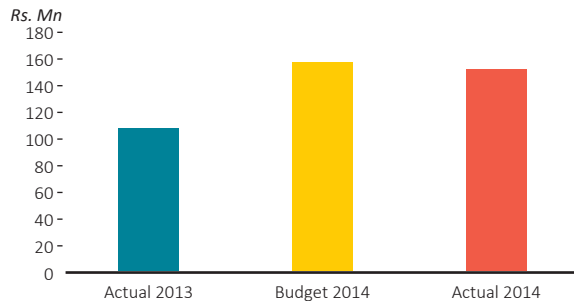
Key Performance Indicators:



GROSS WRITTEN PREMIUM

GROSS WRITTEN PREMIUM

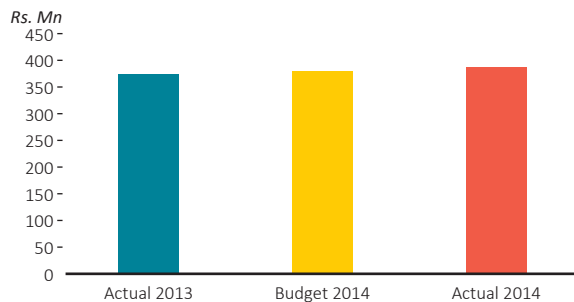
- Actual 2013: Rs. 3,251 Mn
- Target 2014: Rs. 3,873 Mn
- Actual 2014: Rs. 3,441 Mn



UNDERWRITING PROFIT

UNDERWRITING PROFIT

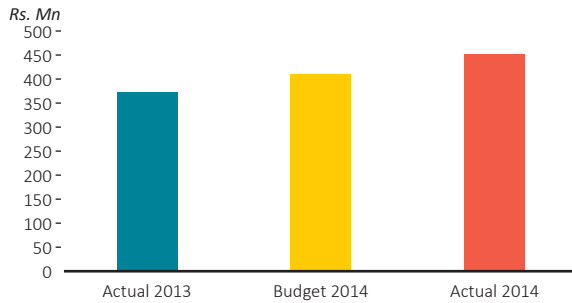
- Actual 2013: Rs. 107 Mn
- Target 2014: Rs. 157 Mn
- Actual 2014: Rs. 152 Mn



INVESTMENT INCOME

INVESTMENT INCOME *

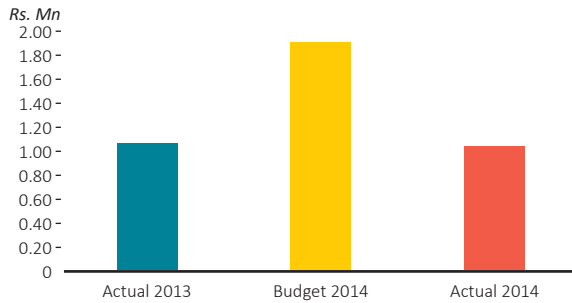
- Actual 2013: Rs. 372 Mn
 - Target 2014: Rs. 379 Mn
 - Actual 2014: Rs. 386 Mn
- * Comprises interest and dividend income and fair value gains



PROFIT AFTER TAX

PROFIT AFTER TAX

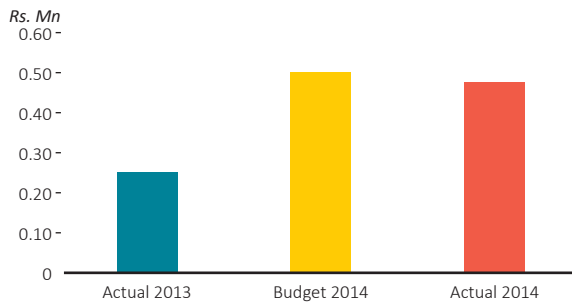
- Actual 2013: Rs. 371 Mn
- Target 2014: Rs. 408 Mn
- Actual 2014: Rs. 450 Mn



TRAINING INVESTMENT

TRAINING INVESTMENT

- Actual 2013: Rs. 1.05 Mn
- Target 2014: Rs. 1.90 Mn
- Actual 2014: Rs. 1.03 Mn



SOCIAL RESPONSIBILITY INVESTMENT

SOCIAL RESPONSIBILITY INVESTMENT:

- Actual 2013: Rs. 0.25 Mn
- Target 2014: Rs. 0.50 Mn
- Actual 2014: Rs. 0.48 Mn

Management Discussion and Analysis

OPERATIONAL REVIEW

Economic Review

Global Economy



Source: World Economic Outlook, October 2014, International Monetary Fund

The global economy continued to move away in the year 2014 from the recessionary trends which persisted for over five years. The tightening of the global financial markets, however, together with the current geopolitical scenario, including the crisis between Russia and Ukraine and then tension within the Middle East marred the recovery prospects; leading up to sluggish and uneven results being posted in both advanced and emerging economies in the first half of the year. The excess supply of oil which led to a reduction in prices commencing from the latter part of the year did not have a significant impact on the overall performance. The growth expectations for the year-end remained mediocre.

Out of the advanced nations, United States of America and United Kingdom displayed a steadier path, although forecasts were set less than its potential. The growth in other euro zone nations on the whole remained stagnant and fell short of expectations; more particularly, France within the core and Italy within the periphery. euro zone performance, however, was balanced by the positive activity registered in Germany and Spain. In Japan, despite the stimuli extended under the Abenomics programme, the consumption tax, inter alia, took a toll on the economy and hindered the anticipated results.

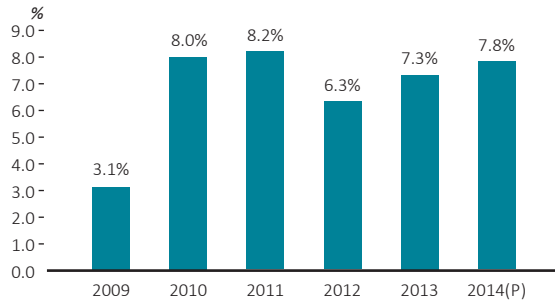
The emerging and developing economies continued to moderate from the upswing witnessed in the recent past to settle further at sustainable growth rates. Out of the BRIC nations, China strived to rebalance the economy with

proactive policy measures to uphold its growth stance especially in the second half of the year; whilst India is expected to better its performance as against the preceding year, given the policy backdrop and renewed confidence. The geopolitical concerns and uncertain investment climate had an adverse impact on the performance of Russia and Brazil.

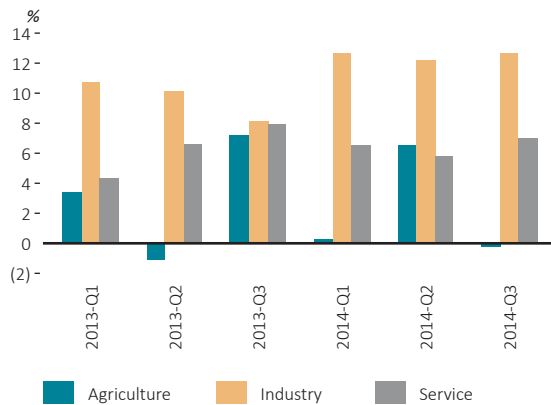
As per the International Monetary Fund in its 'World Economic Outlook, October 2014', world output in 2014 is projected to grow akin to the preceding year, at a modest 3.3%, representing weak and unsteady growth trends. The forecast for advanced economies reflects an improvement to 1.8%, from 1.4% in 2013 whilst the forecast for emerging and developing economies is set to fall to 4.4% from 4.7%.

Sri Lankan Economy

Supported by recovering trends in the global scenario and favourable macroeconomic conditions within the domestic economy, Sri Lanka sustained its growth momentum, reaching up to 7.7% during the first three quarters of the year. Both industrial and service sectors posted strong results whilst the agriculture sector remained fragile. The macroeconomic policy environment was well managed - inflation at lower single digits, enabling the Central Bank of Sri Lanka to maintain an accommodative monetary policy for the second consecutive year; stability in the financial markets; lower unemployment levels; and a stronger external front.



GDP GROWTH



QUARTERLY SECTORAL TRENDS

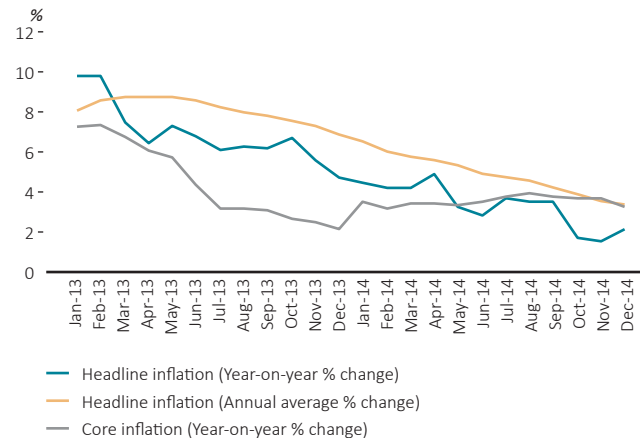
Source: Selected Economic Indicators October 2014 and Roadmap 2015, Central Bank of Sri Lanka

Moving towards reaching impressive GDP growth levels of 8% and over achieved in the immediate post conflict years, the year 2014 witnessed a steady performance in economic activity. The GDP grew steadily within the first three quarters posting a growth of 7.6%, 7.8% and 7.7%, respectively. The year was projected to end at an overall growth level of 7.8% as against 7.3% in 2013. The nation's per capita income was expected to surpass US Dollars (USD) 3,280 registered in 2013 to reach USD 3,654.

Buoyed by the stronger demand from the key export markets, the industry sector grew at 12.5% during the first three quarters of the year, ahead of

the results recorded in the corresponding period of the preceding year. Out of the sub sectors, construction, mining and quarrying and manufacturing recorded a notable improvement. The services sector led by the wholesale and retail trade, transport and communication and hotels and restaurants sub sectors grew by 6.4%. Agriculture sector on the other hand, was dampened by adverse weather conditions that prevailed in the first quarter, leading up to a subdued growth of 1.3% during the first three quarters of the year.

Inflation



COLOMBO CONSUMER PRICE INDEX

Source: Department of Census and Statistics

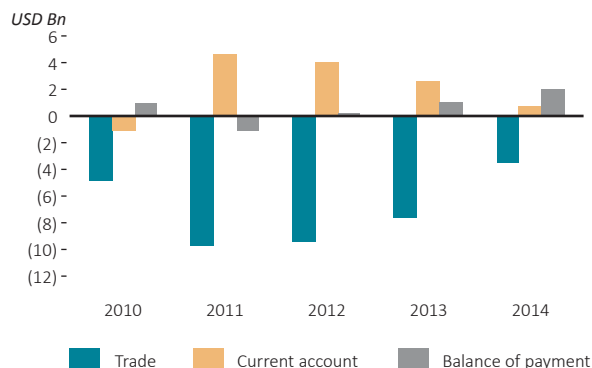
Notwithstanding the vicissitudes in the domestic supply side following adverse weather, inflation was maintained at single digit levels in 2014. The lower commodity prices in the international market coupled with well-managed demand-led inflationary pressures and positive expectations, supported inflation to continue restrained for the fifth consecutive year. On a year-on-year basis, headline inflation was 2.1% whilst core inflation was 3.2%.

Unemployment

Unemployment was capped at 4.3% in the first half of 2014, less than the corresponding period in the preceding year. Unemployment amongst both genders recorded a decline as compared to 2013.

Management Discussion and Analysis

Balance of Payment



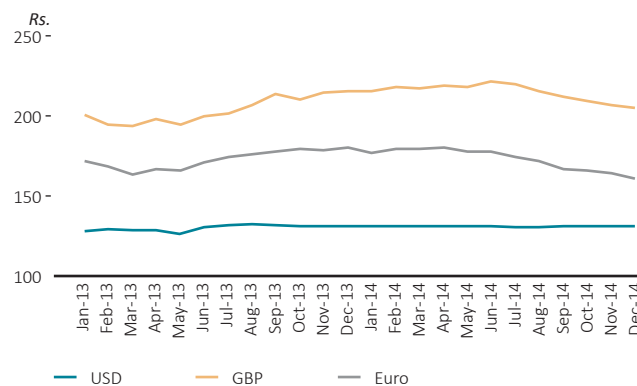
BALANCE OF PAYMENT

Source: Recent Economic Developments, Highlights of 2014 and Prospects for 2015, Central Bank of Sri Lanka

Note*: Six months ended up to June 2014

In the backdrop of more conducive trading conditions in Sri Lanka's key markets combined with an accommodative policy environment, the country's export sector led by the garments and textiles and plantation crops - tea and coconut, performed positively during 2014. Earnings generated from exports were expected to improve by over 10% as against the previous year. The import bill during the year, however, was expected to grow by 7.8%; expanding the trade deficit by 4.7%. Despite the increase in the trade deficit, the steady earnings generated from services including the inward remittances from foreign employment and tourism cushioned the current account deficit which was expected to narrow to 3.1% of GDP from 3.9% of GDP in the previous year. The increased foreign investments flowing into the Colombo Stock Exchange and for Board of Investment accredited companies, International sovereign bond issue, government securities and public sector long term loans also generated substantial inflows in the financial account. In this light, in 2014, the balance of payments was estimated to have recorded an impressive a surplus of USD 1,400 million as against of the surplus of USD 985 million in 2013. The gross official reserves reached an historic high of USD 9.2 billion at end of August 2014 and ended the year at around USD 8.2 billion, representing an adequacy of 5.2 months of imports.

Exchange Rate

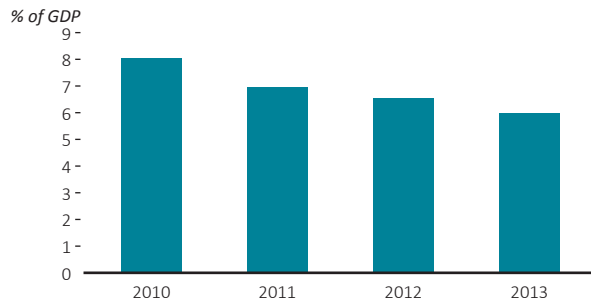


EXCHANGE RATE TRENDS

Source: Recent Economic Developments, Highlights of 2014 and Prospects for 2015 and Current Economic Indicators, Exchange Rates, Central Bank of Sri Lanka

With an improved position in the country's balance of payments, buoyed by stronger inflows to all three accounts - trade, current and financial, the exchange rate remained stable in the first nine months of 2014. The Sri Lankan Rupee (SLR) marginally depreciated against the USD by 0.26% by the end 2014. In terms of other currencies, the SLR appreciated against the Japanese Yen by 13.48%, Sterling Pound by 5.65%, Euro by 13.19% and Indian Rupee by 2.13%.

Fiscal Performance

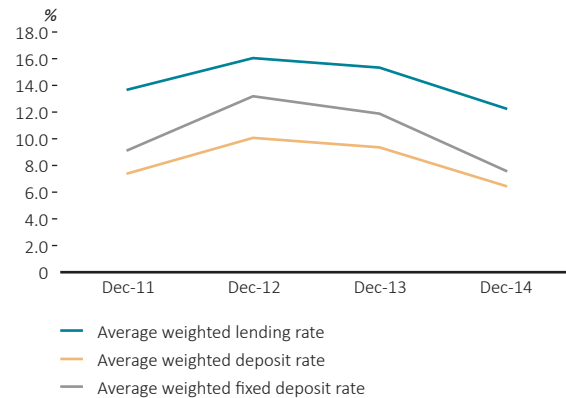


BUDGET DEFICIT

Source: *Recent Economic Developments, Highlights of 2014 and Prospects for 2015*, Central Bank of Sri Lanka

The fiscal position continued to be steady although, the revenue collection fell short of the target. As a percentage of GDP, revenue is expected to have improved to 13.6% of GDP 2014 as against 13.3% in 2013. Expenditure, however, was controlled which together with net lending as percentage of GDP was estimated to have fallen to 18.8% compared to 19.5% in 2013. The overall budget deficit during the first half of 2014 was contained at 3.7% of the GDP and was estimated to have reached 5.2% of GDP at the year-end. Foreign sources dominated the financing of the deficit with public debt expected to have reduced to 75% of GDP in 2014 as compared to 78.3% of GDP in 2013.

Monetary Policy, Interest Rates and Credit



MARKET INTEREST RATES

Source: *Recent Economic Developments, Highlights of 2014 and Prospects for 2015 and Current Economic Indicators, Interest Rates*, Central Bank of Sri Lanka

Following moderate inflation and economic growth aspirations, monetary policy as initiated in December 2012 and advocated throughout 2013, remained accommodative in the year 2014. Policy rates were streamlined with the transition to the Standard Rate Corridor whilst replacing Repurchase and the Reverse Repurchase rates with the Standing Deposit Facility Rate and Standing Lending Facility Rate, respectively. Conversely to other open market operations, the Standing Deposit Facility was converted to an uncollateralised form whilst the Standing Rate Corridor was revised downwards by 50 basis points to 150 basis points in January 2014. This led to lower Standing Deposit Facility and Standing Lending Facility rates of 6.5% and 8.0%, respectively, prompting a further contraction of deposit and lending rates.

The private sector response to the accommodative policy signals did not materialise fully, as anticipated. Lending activities remained lethargic with year-on-year credit growth projected to reach to 7.5% in 2014 on par with the level achieved in 2013. The opportunities available to raise funds in the foreign financial markets and in the domestic corporate debt market coupled with the dynamics involved in the pawning industry given the contraction in gold prices, underpinned this moderation in the country's credit growth.

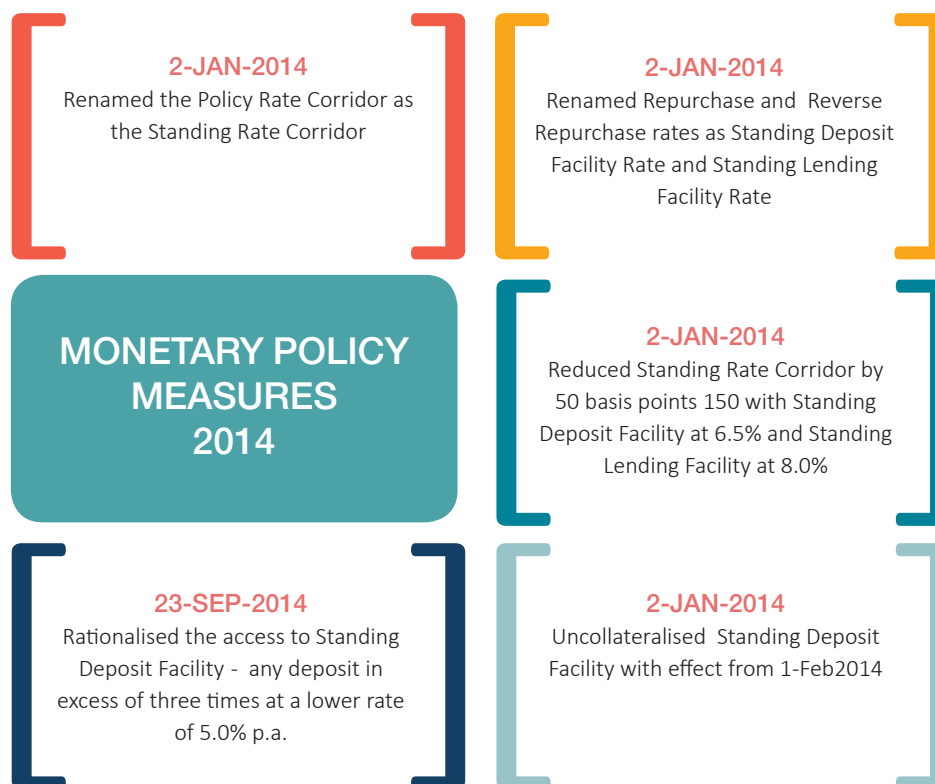
Management Discussion and Analysis

Further, moving on to spur lending within the commercial banking arena, the Central Bank of Sri Lanka also brought in a temporary restriction on commercial banks in terms of accessing the Standing Deposit Facility; a lower rate of 5.0% was made applicable for deposit transactions exceeding three times per calendar month as opposed to 6.5%.

Credit to the Government both by the commercial banks and the Central Bank of Sri Lanka registered an increase during the year as was the case for public corporations by commercial banks.

Given the slack in credit growth both to the private sector and public corporations, broad money grew, year-on-year at 12.8% in the first eleven months of 2014.

In the backdrop of easy monetary policy stance, the market interest rates trended downwards in 2014. The excess liquidity in the money market gave way to lower interbank call money market rates whilst yield rates on government securities touched historically low levels. The deposit rates and lending rates also adjusted downwards; although long term lending rates were rigid in response to the policy signals in the early part of the year.



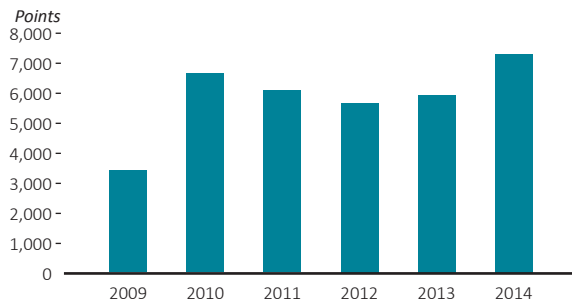
Source: Recent Economic Developments, Highlights of 2014 and Prospects for 2015, Central Bank of Sri Lanka

Finance Sector

In the first nine months of the year, the financial sector stability was maintained with relatively sound fundamentals including liquidity and capital adequacy. Yet, the sluggishness of the private sector credit, inter alia, dampened the sector profitability. The positive steps taken by the Central Bank of Sri Lanka to enhance the regulatory framework paved the way for a cohesive sector with plans for progressive consolidation and greater transparency and accountability.

The domestic money market and the foreign exchange market remained liquid. The Colombo Stock Exchange improved, with indices performing well and market capitalisation reaching record levels in the year. The corporate debt securities market also remained buoyant with many of the investors responding positively to tax incentives extended by the Government.

Stock Market



ALL SHARE PRICE INDEX (ASPI) ANNUAL PERFORMANCE

Source: Annual Report 2013. Central Bank of Sri Lanka and Colombo Stock Market

Supported by the lower interest rate trends, stability of the exchange rate and stronger inflows from foreign investors, the Colombo Stock Market performed creditably in the year 2014, moving away from the protracted slump witnessed in the period 2011-2012. The All Share Price Index outperformed the preceding year, gaining 23.4% as compared to 4.78%, to close at 7,298 points whilst the S&P SL 20 index gained 25.3% as against 5.8%, exceeding for the first time the 4,000 mark. Market capitalisation surpassed Rs. 3 trillion mark and foreign inflows totalled to USD 163 million.

Economic Outlook 2015

The year 2015 is expected to rebound fully, to match up to the outstanding growth levels witnessed in the immediate years after the cessation of the conflict. The recovery signals from the global economy coupled with the domestic macroeconomic policies are expected to broadly facilitate stronger levels of economic activity. Investments both in the public and private sectors are projected to expand in all three key sectors, contributing positively to grow the economy sustainably in the year ahead.

Inflation is expected to remain at benign levels, supported by lower commodity prices in the global markets and downward revisions of energy prices and consumer essentials and positive expectations. Inflation is projected to be maintained below 5% in the medium term which will further pave the way to sustain a progressive monetary policy; in turn, boosting private sector credit for accelerated economic growth.

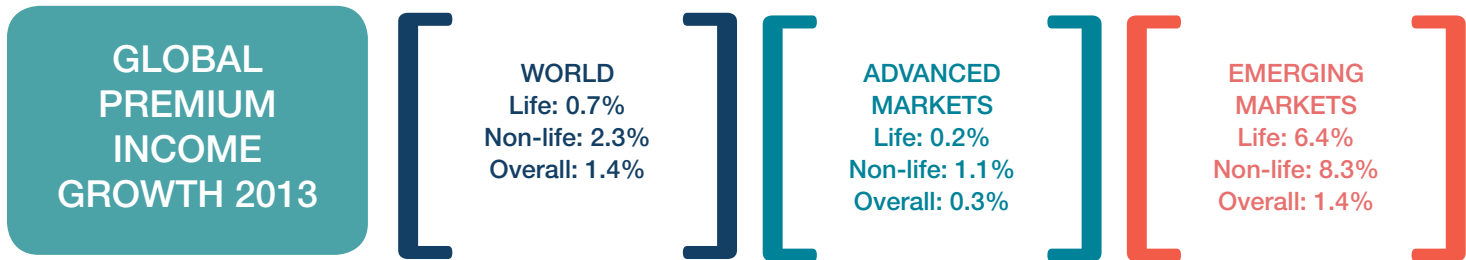
On the external front, imports of intermediate and investment goods are projected to grow, following the development agenda of the country. However, the enhanced trading conditions will lift exports earnings coupled with value addition and market and product diversification which will support the trade deficit to be contract, further. This complemented by a steady flow of workers' remittances and continuing inflows from foreign investments and loans will cushion the overall balance of payment position to achieve a surplus and favourable gross official reserves, exceeding the results anticipated for 2014.

The fiscal consolidation strategy is expected to flow into the year 2015, envisaging with a further reduction in the budget deficit. The Government will seek to uphold its revenue targets whilst continuing to rationalise recurrent expenditure.

The year 2015 will face temporary pressures from political uncertainty with the changes in the Government and the run-up to possible general elections. Yet, in the medium term, the economy is projected to be steady and sustainable on its growth trajectory, underpinned by a stronger global economic environment, necessary infrastructure in place and conducive and sound macro fundamentals within the domestic economy. GDP is forecast as per the 'Recent Economic Developments, Highlights of 2014 and Prospects for 2015' published by the Central Bank of Sri Lanka, to rebound to 8% in 2015 and surpass the USD 4,000 per capita threshold, moving steadily towards the long term goal of USD 7,000 or above by 2020.

Management Discussion and Analysis

Insurance Industry Global Insurance Industry Overall Performance

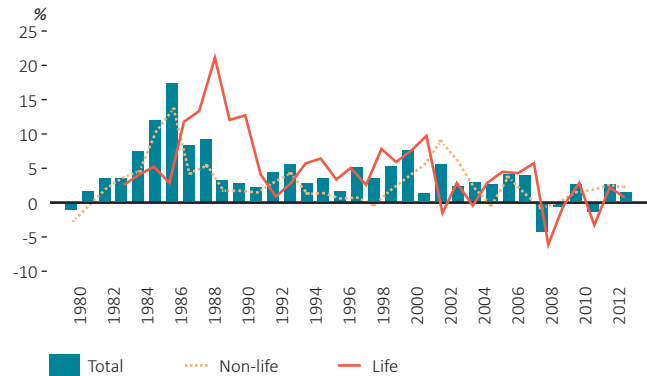


Source: Swiss Re Economic Research & Consulting

With the global economy lackadaisical in its recovery from the recessionary trends witnessed in the recent years, the insurance industry around the world remained modest in its performance. In the year 2013, as per Swiss Re Economic Research & Consulting, the global premium income grew at a more subdued pace of 1.4% in real terms to USD 4,641 billion, down from 2.5% growth posted in 2012.

The global life insurance premiums grew by only 0.7% in 2013 following weaker market conditions in the advanced countries. The growth in non-life premiums was relatively firm at 2.3%, although slower than the growth of 2.7% posted in 2012. Investment income remained weak, given the low interest rate scenario whilst profitability, both in terms of life and non-life insurance worldwide registered an improvement.

The penetration level on a global scale was 6.3%; advanced markets were at 8.3% and 2.7% in emerging markets.



REAL GROWTH RATES

Source: Swiss Re Economic Research & Consulting

Non-life Insurance

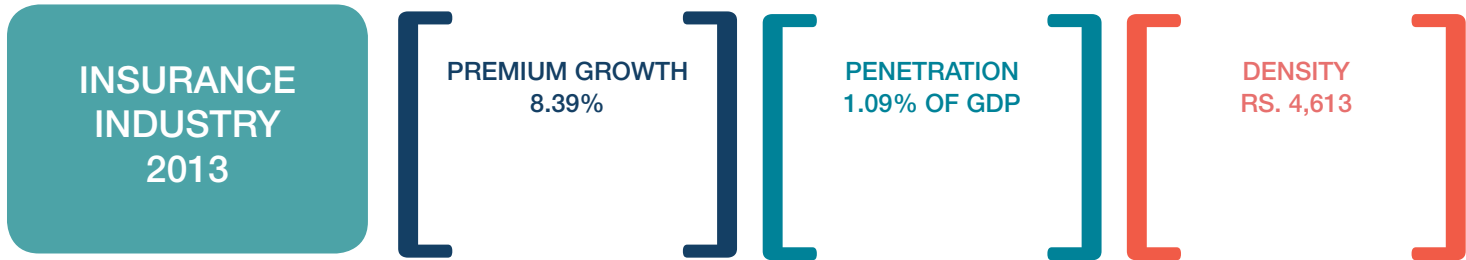
The global non-life premium income grew at 2.3% to USD 2,033 billion in the year 2013. Emerging markets posted steady results in the non-life insurance segment which supported the overall global insurance industry. Non-life premiums within the emerging markets, predominantly buoyed by Southeast Asia and China, steadily grew by 8.3% in 2013, but subdued compared to 9.3% in 2012. The growth of this segment within the advanced markets, however, continued to post modest results. Premium income grew at decelerated pace to 1.1% in 2013 from a growth of 1.5% in the previous year. In Western Europe, premiums contracted by 0.3% which largely contributed to this subdued performance. Yet, premiums in US and Canada grew firmly by 1.7% and 3.2%, respectively.

Global Insurance Outlook

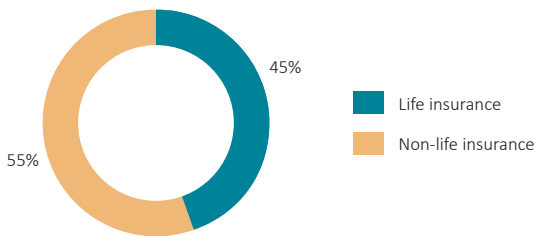
With the gradual strengthening of the global economy, the insurance industry is broadly anticipated to remain buoyant with modest growth. Emerging markets will continue to lead the industry with both life and non-life real premiums projected to perform steadily in the short to medium term. Mild improvements are anticipated in advanced markets. As per Swiss Re in its 'November 2014, Global Insurance Review 2014 and Outlook 2015/16' publication, non-life premium income is forecast to grow at 1.4% in the advanced economies and remain around 8% in the emerging markets.

Management Discussion and Analysis

Insurance Industry - Sri Lanka

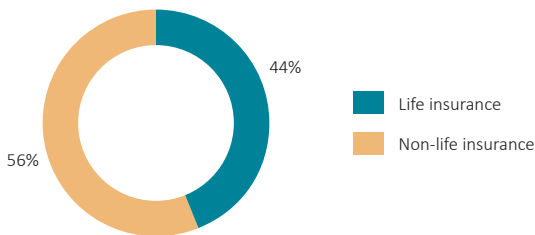


Source: Annual Report 2013, Insurance Board of Sri Lanka



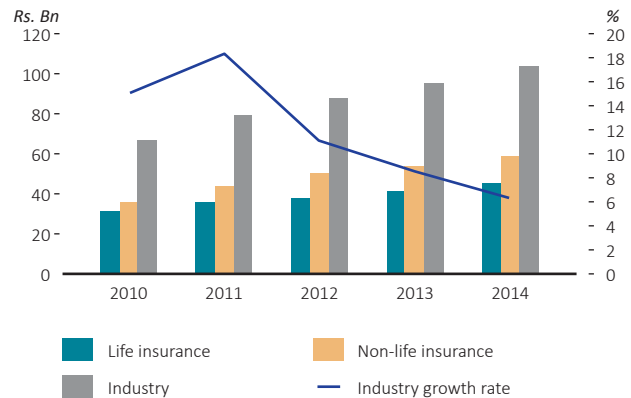
INSURANCE INDUSTRY SEGMENTATION 2014

Source: Statistics compiled by the Insurance Association of Sri Lanka



INSURANCE INDUSTRY SEGMENTATION 2013

Source: Annual Report 2013, Insurance Board of Sri Lanka



PREMIUM INCOME TRENDS 2010-2014

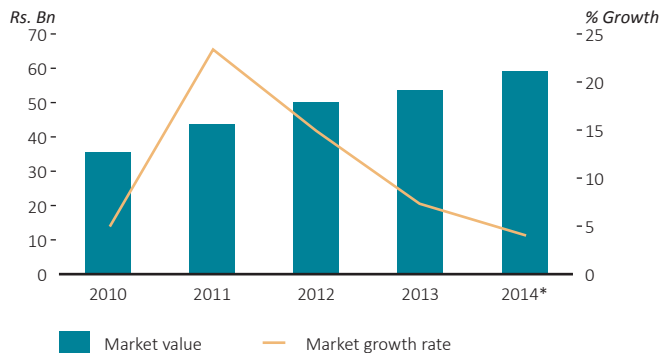
Source: Annual Report 2013, Insurance Board of Sri Lanka

The insurance industry in Sri Lanka in the recent years, post conflict, has gained momentum as a pivotal sector, displaying much potential to support the country's development agenda. The industry with 20 operating insurers as at 31st December 2014, before issuance of new licenses in view of segregation of life and non-life business, including 12 composite insurers, three stand-alone life insurers and five stand-alone non-life insurers registered under the purview of the Insurance Board of Sri Lanka, has been growing steadily, with an average annual premium growth of 13.3% between

the period 2010-2013. The total value of the industry in 2013 reached Rs. 94.5 billion, representing a growth of 8.4% as compared to 2012. The total premium in 2014 is expected to have grown by around 6% whilst the value of the industry by the year-end is estimated to be around Rs. 100 billion.

The industry penetration as a percentage of GDP, however, remained modest at 1.1% in 2013, compared with the global industry of 6.3% and its regional counterparts in South and East Asia of 3.0%. Insurance density or per capita premium of the industry was steady at Rs. 4,613 in 2013 as compared to Rs. 4,288, reflecting 7.6 % increase and well ahead of Rs. 2,814 registered in 2009.

Non-life Insurance Sector Premium Income



NON-LIFE INSURANCE MARKET VALUE AND GROWTH

Source: Annual Report 2013, Insurance Board of Sri Lanka

2014*: Includes SRCC and TC premiums - Insurance Association of Sri Lanka

Out of the total insurers within the industry, 18 companies, including AIG Insurance Limited, which seized operations in mid 2014 operated as non-life insurance companies, with an estimated market share of 55% of the overall industry as opposed to 45% share taken up by the life insurance segment. Dominated by the motor-class, the non-life insurance sector burgeoned alongside the economic revival witnessed in the immediate

period after the cessation of hostilities in the North and East, even achieving double digit growth levels of 23% and 15% in the years 2011 and 2012, respectively. Yet, given the macroeconomic dynamics, including a higher duty structure applicable for vehicle imports and currency fluctuations stifled the sector performance from reaching out to its full potential till later part of the year under review. The growth in the non-life insurance, hence, trended downwards to 7% by 2013 which as per the latest statistics further contracted to 4% in 2014 compared with the preceding year.

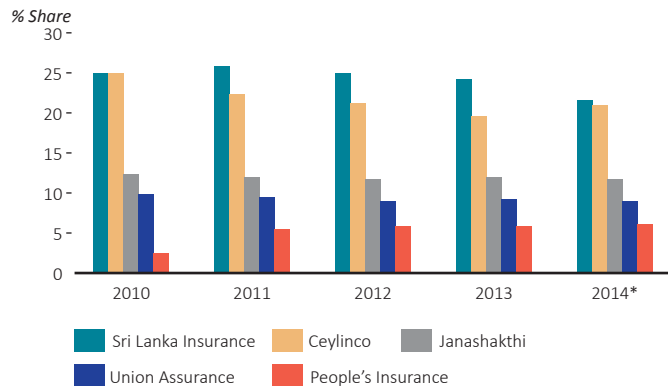
Management Discussion and Analysis

Market Share

Key Insurers	2010	2011	2012	2013	2014e*
	Market Share (%)				
Sri Lanka Insurance Corporation	24.97	25.68	24.87	24.04	21.47
Ceylinco Insurance PLC	24.85	22.06	21.00	19.39	20.82
Janashakthi Insurance PLC	12.32	11.74	11.62	11.93	11.60
Union Assurance PLC	9.78	9.27	8.93	9.02	8.94
People's Insurance Limited	2.42	5.27	5.63	5.80	5.89
AIA Insurance Lanka PLC	7.10	5.67	4.31	4.57	5.04
Others	18.56	20.31	23.64	25.25	26.24

Source: Insurance Board of Sri Lanka and Insurance Association of Sri Lanka

2014e*: Actual gross written premium estimated including SRCC and TC premiums - Insurance Association of Sri Lanka



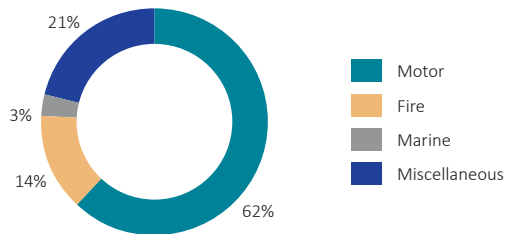
MARKET SHARE - TOP FIVE INSURERS

Source: Annual Report 2013, Insurance Board of Sri Lanka

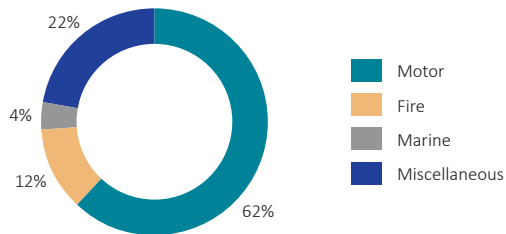
2014*: Actual gross written premium estimated including SRCC and TC premiums - Insurance Association of Sri Lanka

Leading the market since 2010 in terms of premium income, Sri Lanka Insurance Corporation during the reporting year maintained its market position with an estimated market share of 21.47% as per the recent statistics. The market share of Sri Lanka Insurance Corporation however moved down by 2.57% from 24.04% in 2013 whilst the market share of Ceylinco Insurance PLC improved by 1.43% to 20.82% over the preceding year. Together, these two insurers accounted close to 42% of the non-life insurance market share. The third and the fourth positions continued to be held by Janashakathi Insurance PLC and Union Assurance PLC as was the case since the year 2008. People's Insurance with a market share of 5.89%, sustained its positioning in the fifth as gained in 2012, just three years into operations.

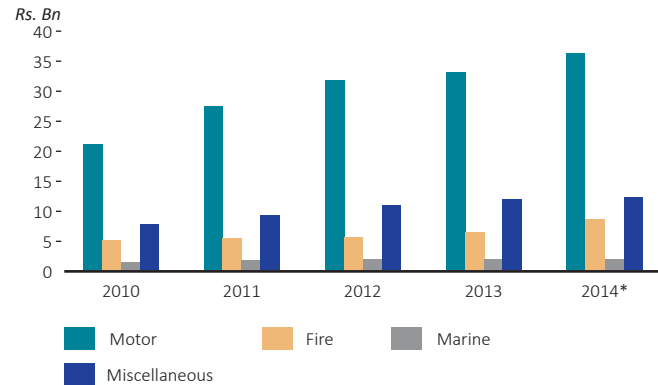
Class-wise Analysis



GROSS WRITTEN PREMIUM CLASS-WISE ANALYSIS 2014



GROSS WRITTEN PREMIUM CLASS-WISE ANALYSIS 2013



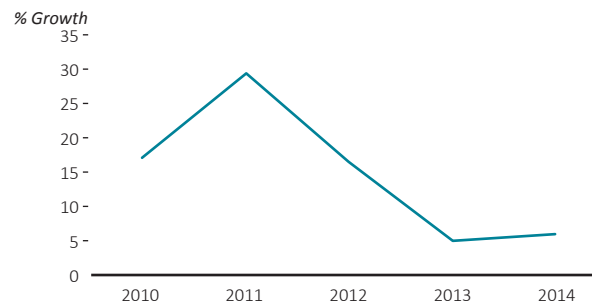
GROSS WRITTEN PREMIUM CLASS-WISE TRENDS

Source: Annual Report 2013, Insurance Board of Sri Lanka

2014*: Includes SRCC and TC premiums - Insurance Association of Sri Lanka

In the year 2013, motor class led the non-life insurance sector, accounting for 62% of the total premium income. This share is expected to continue at the same level of 62% in the year under review. Non-motor class including fire, marine and miscellaneous is estimated to maintain its share of the balance 38% similar to 2013.

Motor Class



PREMIUM GROWTH - MOTOR

Source: Annual Report 2013, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka

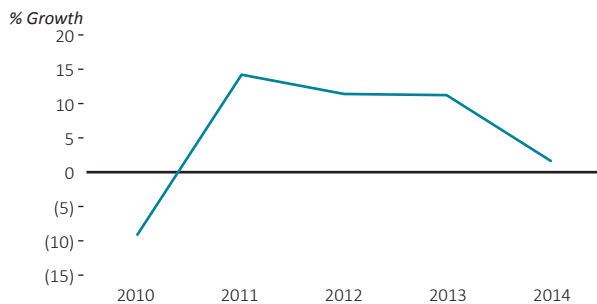
Management Discussion and Analysis

Following the trends of 2013, motor-class, the most dominant segment within the non-life insurance sector continued to moderate in 2014. The growth in premium income from this segment dropped significantly to 4.6% in 2013 to Rs. 33 billion, in sharp contrast to the significant year-on-year growth of 16.5% in 2012 and the average growth of more than 20% recorded between 2010 and 2012. This is however estimated to marginally improve to 5.5% in 2014.

The higher tariff structure and weaker exchange rate dampened the growth in motor vehicle imports till the later part of 2014. The tight monetary policy that prevailed between 2011 and 2012 and the lagged effect it had, even when the regime transitioned to an accommodative stance in the following years, motor-class continued to be restrained in achieving optimum results. The new vehicle registrations which peaked in 2011, therefore, contracted year-on-year by 24% in 2012 whilst registering a fall in 2013. New registrations remained moderate over the first nine months of 2014 although an improvement was noted in the backdrop of the continued accommodative policy and the stronger Rupee against the Japanese Yen, during the balance part of the year.

The performance was also susceptible to the intense competition that was inherent within a congested market, leading to compromising on price, in turn, adversely impacting on the overall segment's premium income and underwriting profitability.

Non-motor Class



PREMIUM GROWTH - NON-MOTOR

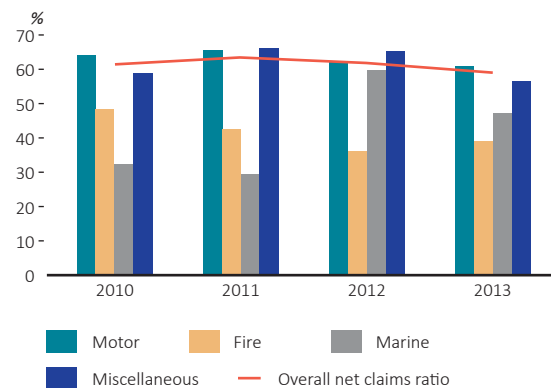
Source: Annual Report 2013, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka

Led by the miscellaneous-class, non-motor segment sustained its stability, growing its premium income at a steady pace between 2012-2013. In the reporting year, the growth in premium income within the non-motor segment is estimated to be 1.5%.

Miscellaneous class comprising mainly that of medical and general accident insurance accounted for 59% share within the non-motor segment whilst taking up 22% within the overall non-life insurance sector. This segment remained robust with a growth of 11.3% in 2013, albeit, moderate compared to 17.5% posted in 2012. Premium income derived from health and surgical sub-class spurred by the private sector healthcare grew at 18.1% and is expected to reach a growth of around only 1.0% in the reporting year.

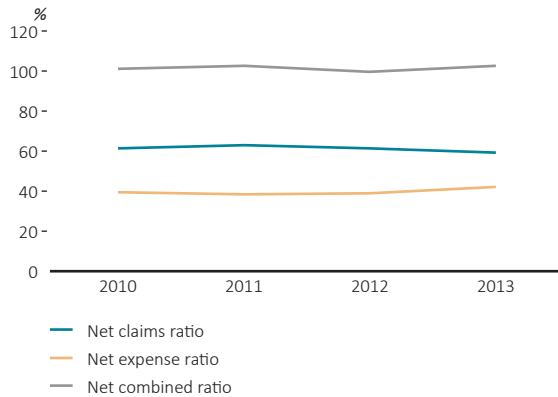
Fire, on the other hand, the second largest contributor to the non-motor segment, maintained its position with a year-on-year growth of 16.4% in 2013. In the reporting year, fire is estimated to have performed moderately with a growth of 2.0% over the preceding year.

Claims and Expenses



NET CLAIMS RATIO - CLASS-WISE

Source: Annual Report 2013, Insurance Board of Sri Lanka



CLAIMS AND EXPENSES

Source: Annual Report 2013, Insurance Board of Sri Lanka

During the year 2013, claims incurred within the non-life insurance sector registered an increase of 4.1% over the preceding year. Nevertheless, supported by an increase in net earned premium income by 9.7% to Rs. 42.2 billion in 2013, the industry's net claim ratio further improved to 58.6% in 2013, the lowest ever recorded since 2008. This reflected a 3.2% improvement as compared with the net claims ratio of 61.8% registered in 2012. Net motor claims ratio contracted to 60.5% in 2013 from 62.3% in 2012. Net claims ratios in terms of marine and miscellaneous classes also posted improvements in 2013 whilst deteriorating in terms of fire with the ratio increasing by 2.59 percentage points to 38.7%.

The industry's net expense and net combined ratios increased in 2013, reaching 43.0% and 101.7% as against 38.5% and 100.3% recorded in 2012. Hence, despite the improvement in the overall net claims ratio, many of the top non-life insurers met with underwriting losses in the year 2013 with few exceptions including Sri Lanka Insurance Corporation and People's Insurance. In the reporting year, the industry is expected to continue with similar results as in the previous year.

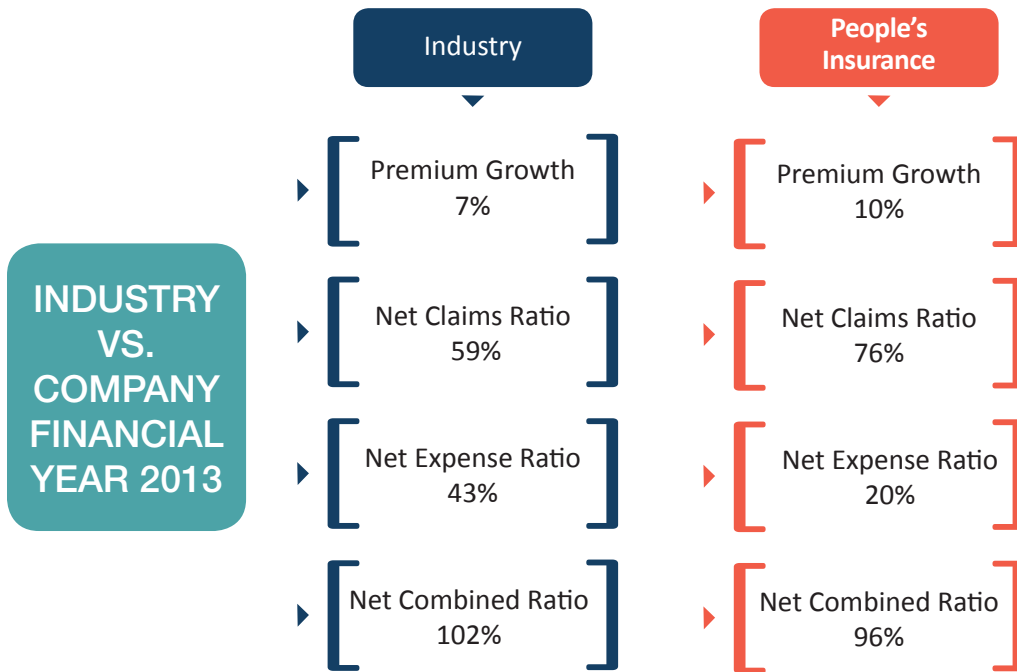
Company Performance - Benchmark

People's Insurance enjoying a market share of 5.9% sustained its ranking at the fifth position in the reporting year within a fiercely competitive marketplace. The operational and financial results remained robust, with most of the key performance indicators comparing well or even surpassing some of the industry averages. In terms of premium income, the growth of 5.8% achieved by the Company in the year 2014 exceeded that of the industry of 3.9%. Although the net claims ratio of 72% remained higher than the industry average of 59%, the Company maintained its net expense ratio at 23%, much below that of the industry average of 43% in 2013; similarly, the net combined ratio was maintained below that of 100% as compared to 102% average of the overall industry in 2013, culminating in an underwriting profit alongside a very few insurers including Sri Lanka Insurance Corporation.

Description	2010	2011	2012	2013
Industry				
Market size (Rs. Mn)	35,101	43,329	49,683	53,177
Market growth (%)	5	23	15	7
Net claims ratio (%)	61.27	63.78	61.81	58.65
Net expense ratio (%)	39.58	38.04	38.51	43.02
Net combined ratio (%)	100.85	101.82	100.32	101.67
People's Insurance				
Gross written premium (Rs. Mn)	847	2,415	2,944	3,251
Growth rate (%)	100	285	22	10
Market position	10	6	5	5
Net claims ratio (%)	95.85	83.57	80.47	75.71
Net expense ratio (%)	30.67	17.29	17.82	20.49
Net combined ratio (%)	126.57	100.86	98.29	96.20

Source: Annual Report 2013, Insurance Board of Sri Lanka

Management Discussion and Analysis



Regulatory Environment

In tandem with the recent reforms initiated within the finance sector, Insurance Board of Sri Lanka has set out a revised regulatory framework under the amended Insurance Industry Act No. 03 of 2011. The new regulatory requirements including transitioning from solvency to the risk based capital regime, segregation of composite insurers into life and non-life companies, increase in minimum share capital to Rs. 500 million and listing on the Colombo Stock Exchange are expected to bring in greater discipline, focus and modernity to the industry, along the lines of the best practices advocated globally.

Currently, the industry is preparing to meet the challenges in conforming to the new regulatory changes as per the specified dates. The industry has already moved on to the final phase of implementing the risk based capital framework as per the guidelines prescribed by the Insurance Board of Sri Lanka; and is implementing the changes aside the present solvency system. To be in line with the new regime, the insurers are seeking to meet the minimum capital requirement above Rs. 500 million. This is expected to lead up to mergers and acquisitions, bringing in greater consolidation within the industry.

Revised regulatory framework under the amended Regulation of Insurance Industry Act No. 03 of 2011

KEY CHANGES AND INITIATIVES

Segregation

composite insurers into two separate entities - life and non-life
February 2015

Share Capital

increase minimum paid up share capital to Rs. 500 million for each company
February 2015

Risk Based Capital

transition from solvency regulations to risk based capital regime
January 2016

Public Listing

on the Colombo Stock Exchange by
February 2016

Company's Response

In response to the revised regulatory and supervisory framework, People's Insurance has set out its plans to comply with the applicable requirements viz. listing on the public domain and implementing the risk based capital model.

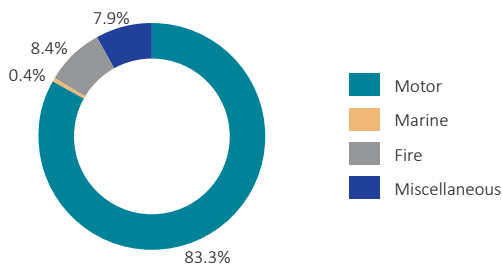
Accordingly, the Company has earmarked to list on the Colombo Stock Exchange before the set date; necessary documentation, approvals and other pre-requisites will be worked out to meet the targeted date. Further, the Company, as prescribed and followed by the industry, has embraced the risk based capital regulations and is on the parallel run with the solvency regime. The Company at present is seeking to strengthen its cadre structure, extending strategic training for relevant employees on the new regulations especially focusing on actuarial studies which is imperative to blend in the operations smoothly with the new regime.

Management Discussion and Analysis

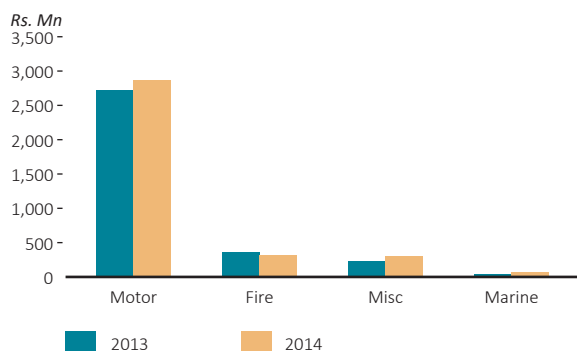
Operational Performance

Portfolio Analysis

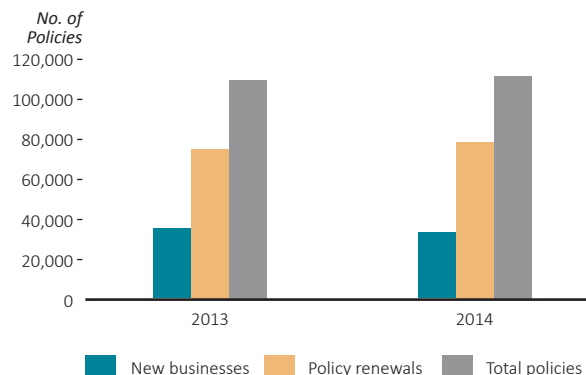
Description	2013	2014	% Growth
Policies (Number)	109,456	111,426	2%
Premium Income (Rs. Mn)			
• Motor	2,716	2,865	5%
• Fire	327	291	(11%)
• Marine	5	13	158%
• Miscellaneous	203	272	34%



GROSS WRITTEN PREMIUM 2014



GROSS WRITTEN PREMIUM 2013 AND 2014



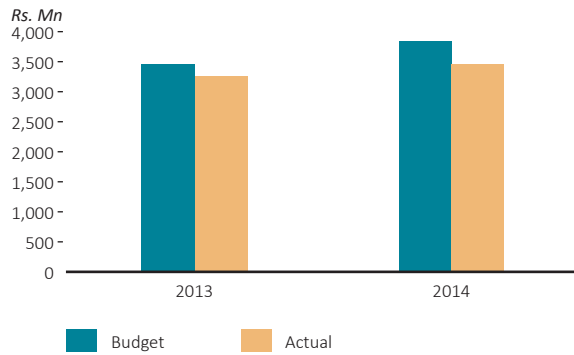
INSURANCE POLICIES

Policies

In the year 2014, the total number of policies within the portfolio reached 111,426 comprising 30% as new business and the balance of 70% as policy renewals. This signified a 2% growth vis-à-vis the previous year of 109,456 policies.

Gross Written Premium

In value terms, the total portfolio grew by 6%, recording gross written premium of Rs. 3,441 million as compared to Rs. 3,251 million in the previous year. Premium income fell short of the targeted growth due to the inertia witnessed in the non-life insurance sector, particularly due to adverse conditions within motor class market. However, the overall growth in the year exceeded that of the industry average of 4%.

**GROSS WRITTEN PREMIUM****Motor Insurance**

Mirroring the industry trends, motor class remained dominant within the Company's portfolio. Out of the total gross premium recorded during the year, 83% was accounted for by the motor class segment which was marginally less than the share of 84% accounted for in the previous year. Within this segment, private car policies represented 21% whilst dual purpose vehicle policies represented 21%, covering 42% of the total motor premium income. The balance was shared by other policies such as commercial purpose vehicles, buses, three-wheelers, bikes, etc.

Underscored by market dynamics including a higher tariff structure for motor vehicle imports prevailed till the later part of the year under review and intense competition amongst the non-life insurers, the motor class segment remained sluggish in its performance. The growth in premium income moderated to 5.5%, posting Rs. 2,865 million as against the Rs. 2,716 million achieved in the previous year with a growth rate of 10.9%.

Fire Insurance

Accounting for the second highest share of the total portfolio value, signifying nearly 8%, fire insurance posted a sluggish performance in the year under review. The premium income generated from this category reached Rs. 291 million, representing a contraction of 11% as against the premium income of Rs. 327 million registered in the preceding year. The contraction was mainly due to the reduction of the premium of a policy issued to a bank in view of reduction of gold prices and exposure compared with the previous year.

Marine Insurance

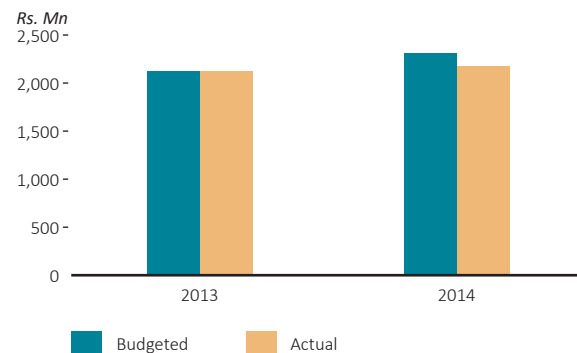
In the reporting year, marine insurance remained modest within the portfolio, contributing less than 1% to the total premium income. Premium income from this class however marked a significant improvement of 160%, posting Rs. 13 million vis-à-vis Rs. 5 million in 2013.

Miscellaneous Insurance

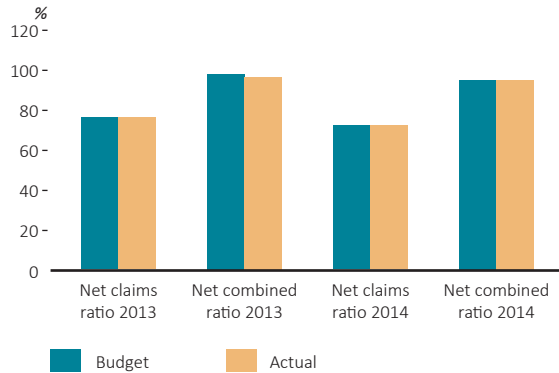
Comprising mainly that of personal accident insurance and health insurance, miscellaneous class posted a noteworthy performance, ahead of the budgeted level and that of the previous year. Led by the personal accident insurance, gross premium income within this category picked-up by 34% to Rs. 272 million compared to Rs. 203 million vis-à-vis 2013.

Claims and Ratio Analysis

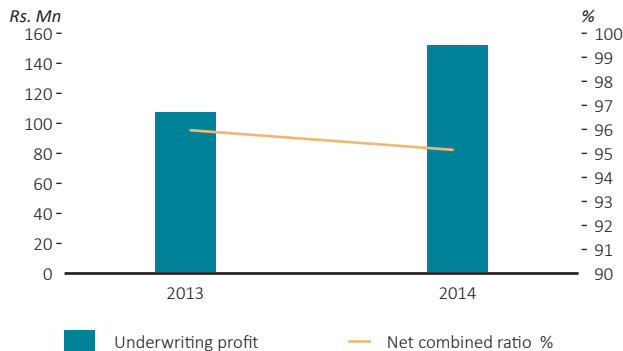
Description	2013	2014
Net claims (Rs. Mn)	2,120	2,163
Net claims growth (%)	7.62	2.00
Net claims ratio (%)	75.71	72.32
Net expense ratio (%)	20.49	22.60
Net combined ratio (%)	96.20	94.92

**NET CLAIMS**

Management Discussion and Analysis



NET CLAIMS RATIO AND NET COMBINED RATIO



UNDERWRITING PROFIT AND NET COMBINED RATIO

As recognised as a strategic priority, claims management remained pivotal in the year under review. In absolute terms, however, claim settlements increased from Rs. 2,120 million in the previous year to Rs. 2,163 million in 2014, representing an increase of 2.0%. Motor claims contributing nearly 90.0% of the total claim settlements saw an increase of 1.5% as against the

previous year. Claims with respect to marine, fire and miscellaneous were well managed to be below that of the previous year.

Overall net claims ratio improved by 4 percentage points to 72% mainly due to improvement of the net claims ratio of the motor class which represents nearly 90% of the overall net claims. Accordingly, net claims ratio of the motor class also improved from 76% to 72% in 2014.

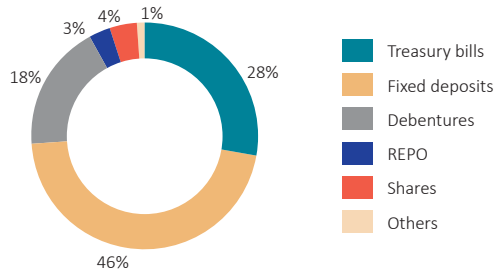
Overheads in the year increased by nearly 30%, given the higher administration expenses, followed by staff expenses. The expense ratio, therefore, moved up 3 percentage points to 23%. However, supported by the higher net earned premium income, the combined ratio was effectively managed with the ratio declining from 96% in the previous year to 95%.

This improved combined ratio below that of 100% buttressed the underwriting result; thus, becoming one of the very few insurers as mentioned in the section 'Industry Analysis' to post an underwriting profit in the year, touching Rs. 152 million with a growth of 42% as compared to the result of Rs. 107 million posted in the previous year.

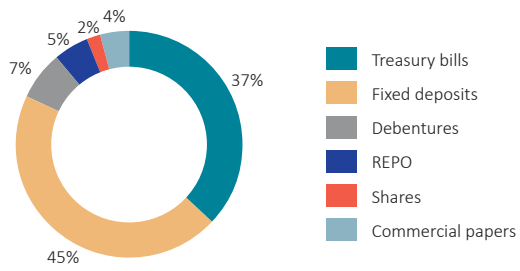
Interest and Dividend Income and Fair Value Gains

Amid the declining trends of market interest rates following the policy signals, the interest and dividend income decreased by 12% as compared to the previous year to reach Rs. 317 million. Interest income from fixed deposits represented the largest share with 46% of the total interest and dividend income while the second and third largest shares were held by the interest income from investments in treasury bills and debentures with 28% and 18% respectively.

Fair value gains totally comprises fair value gains from investments in listed shares and recorded an exceptional growth of 446% to record Rs. 71 million compared to Rs. 13 million in the previous year. The outstanding performance of the Colombo Stock Exchange and the Company's investment strategy supported this growth.



INTEREST AND DIVIDEND INCOME 2014



INTEREST AND DIVIDEND INCOME 2013

Management Discussion and Analysis

VALUE CREATION

As part of a leading group and within an emerging industry, People's Insurance plays a significant role in the burgeoning economy of the country. The value creation process, reaching out to a diverse set of stakeholders, is undertaken with utmost responsibility to ensure sustainability; through best practices in governance, effective risk management and ethical business operations.

With a strong brand and synergies with the Parent Company and in the Group, People's Insurance plays a focal role within the non-life insurance segment. Within just five years into operations, the Company has moved on to be amongst the top five non-life insurers in the country.

The wide distribution channel reinforced by PLC and People's Bank branches, gives an ideal platform for the Company to penetrate markets across the island. The gamut of non-life insurance solutions offered by the Company reaches out to both corporates, particularly to small and medium enterprises and retail customers. By the year end 2014, People's Insurance has mustered a customer base of 102,497 with 111,426 policies.

Premium income generated in the year totalled to Rs. 3,441 million whilst achieving positive underwriting result and a net profit of Rs. 450 million. The Company, therefore, proposes to pay dividends to shareholders of Rs. 3.50 per share with a pay out of Rs. 210 million and return on investment of 35% from dividends.

As a growing organisation, the role played by the Company as an employer is increasingly becoming significant, moving on from just 15 employees at the inception in 2010 to 245 by the end of 2014. 76 new recruits including 10 females were recruited from the periphery of the country, covering 18 districts. The exposure gained from working at People's Insurance including strategic training opportunities and being part of the PLC Group further opened up employees to develop their careers and thereby, the quality and standards of living, with trickle down benefits to society.

The Company is in the process of developing relationships with a range of insurance intermediaries including agents and brokers, depending on their services to link and distribute the suit of products amongst a wide customer base. In the reporting year, the Company engaged 16 brokers and 11 agents and paid out Rs. 2.4 million as commissions for the services rendered.

The Company was also prompt in meeting its obligations to the Department of Inland Revenue, thus, contributing to the tax revenue of the country. In the reporting year, the Company committed to pay Rs. 126 million as income tax.

Value Added Statement

	2014		2013	
	Rs. Mn	%	Rs. Mn	%
Value Addition				
Net earned premium	2,990	-	2,801	-
Other revenue	421	-	394	-
Net claims	(2,161)	-	(2,120)	-
Cost of external services	(233)	-	(188)	-
Total value added	1,017	-	887	-
Value Distribution				
Employees - Salaries and other benefits	133	13	83	9
Intermediaries - Insurance commissions	311	31	292	33
Government - Income tax	126	12	130	15
Shareholders - Dividends	135	13	150	17
Retained Value				
Depreciation	24	2	11	1
Reserves	288	29	221	25
Total value added	1,017	100	887	100

In the financial year 2014, a total value of Rs. 1,017 million was generated as set out in the value added statement, corresponding to an increase of 15% over the value created in 2013. Out of the total value generated, Rs. 705 million representing 69% was re-distributed to key stakeholders with the bulk of 31% as commissions to insurance intermediaries followed by 13% as dividends to shareholders. The sum retained and reinvested within the operations was Rs. 312 million, corresponding to 31% of the total value generated to be used for replacement of assets and investment purposes.

FINANCIAL REVIEW

Financial Performance

Financial Performance Highlights

With the completion of five years of our journey, key financial performance highlights of the Company since the commencement of its commercial operations in 2010 are provided below.

Financial Performance Indicator	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn
Gross written premium	3,441	3,251	2,944	2,415	933
Net earned premium	2,990	2,801	2,448	1,478	231
Net claims and expenses	(2,839)	(2,694)	(2,406)	(1,491)	(293)
Underwriting profit/(loss)	152	107	42	(13)	(62)
Other revenue	421	394	282	107	28
Profit before income tax	573	501	324	94	(34)
Income tax expense	(123)	(130)	(89)	(22)	4
Profit for the year	450	371	235	72	(30)

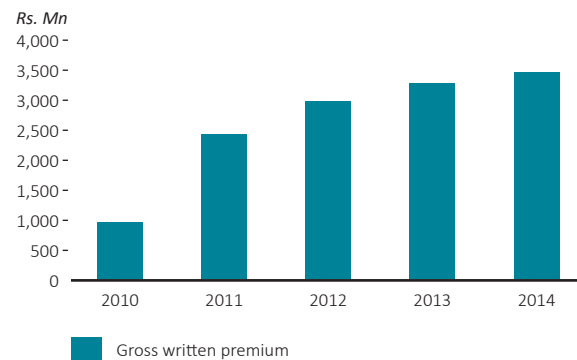
Performance Overview

The Company recorded a gross written premium (premium income) of Rs. 3,441 million during the year under review, posting a growth of 6% over the previous year. Underwriting profit increased by 42% to reach Rs. 152 million, despite the moderate growth in the premium income. The increased underwriting performance was supported by improved underwriting and claims management together with the increased premium income. Other revenue consisting of interest and dividend income, fair value gains and other income also increased by 7% amid low market interest rates due to significant increase in fair value gains from listed equities which set-off the significant drop in the interest income. Both underwriting performance and investment performance helped the Company post Rs. 573 million profit before tax with a growth of 14% and Rs. 450 million profit after tax with a growth of 21%.

Gross Written Premium

The Company wrote gross written premium (GWP) totalling to Rs. 3,441 million during the year 2014, an increase of 6% compared to 2013. This was attributable to 5% growth in the motor segment and 8% growth in the non-motor segment. Miscellaneous and marine classes were the main

contributors to the growth of non-motor segment, recording growth rates of 34% and 160% respectively. Motor insurance business segment contributed 83% towards the total GWP and non-motor business segment contributed 17%. The Company managed to maintain the fifth position in terms of the market share of 5.89% by the end of 2014.



GROSS WRITTEN PREMIUM

Reinsurance Premium Ceded

During the year under our review, the total reinsurance premium ceded in 2014 decreased by 9% to Rs. 294 million compared to Rs. 322 million in 2013. This was mainly due to the Company being able to negotiate better terms with reinsurers with improved claims experience and changes in the product mix of the non-motor segment.

The table below depicts the contribution made to reinsurers, including NITF and the percentage of same as against the GWP.

Indicator	2014 Rs. Mn	2013 Rs. Mn	2012 Rs. Mn	2011 Rs. Mn	2010 Rs. Mn
Gross written premium	3,441	3,251	2,944	2,415	933
Premium ceded to reinsurers	294	322	307	243	172
Reinsurance ratio	9%	10%	10%	10%	18%

As a regulated insurance company, the Company's reinsurance arrangements are made in line with the regulatory requirements. The regulator stipulates

Management Discussion and Analysis

that only reinsurers rated 'BBB' and above or those that are sovereign-backed can be engaged as reinsurers. In this respect, we carried out all reinsurance arrangements with reinsurers bearing higher ratings and met the required regulatory requirements. The following table depicts the rating details of the reinsurers engaged by the Company during the year under review.

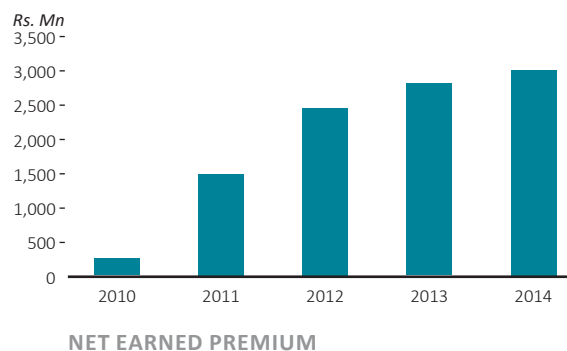
Reinsurer	Country of Origin	Rating	Rating Agency
Asia Capital Reinsurance Group Pte Ltd.	Singapore	A- (Excellent)	A. M. Best
General Insurance Corporation of India	India	A- (Excellent)	A. M. Best
Labuan Reinsurance (L) Ltd	Malaysia	A- (Excellent)	A. M. Best
Malaysian Reinsurance Berhad	Malaysia	A- (Excellent)	A. M. Best
Swiss Reinsurance Company Ltd.	Singapore	A+ (Superior)	A. M. Best
Trust International Insurance and Reinsurance Company	Bahrain	A- (Excellent)	A. M. Best
Lloyd's	United Kingdom	A (Excellent) A+ (Strong)	A. M. Best Standard & Poor's

In addition to the above arrangements, the Company makes compulsory contributions to the National Insurance Trust Fund as specified in the regulations.

Net Earned Premium

Net earned premium increased by 7% from Rs. 2,800 million in 2013 to Rs. 2,990 million in 2014 mainly due to GWP growth of 6% and reduction of reinsurance premium ceded by 9%. Accordingly, Rs. 156 million was transferred to unearned premium reserve in 2014 compared to Rs. 139

million transferred in 2013. Rs. 1 million was reversed from unearned reinsurance premium in 2014 compared to a transfer of Rs. 10 million to reserve for unearned reinsurance premium in 2013. This is an accounting adjustment required to match the premiums over the policy period.

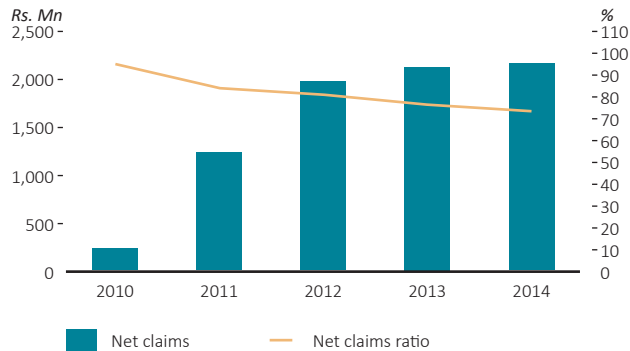


Insurance Claims

Gross claims paid increased by 2% to Rs. 1,968 million from Rs. 1,933 million in 2013 while gross change in contract liabilities decreased by 2% to Rs. 212 million in 2014 from Rs. 216 million in 2013. Accordingly, total gross claims incurred amounted Rs. 2,180 million in 2014 compared to Rs. 2,149 million in 2013, depicting a marginal increase of 1%.

Claim ceded to reinsurers significantly decreased by 87% to Rs. 7 million from Rs. 55 million in 2013 while the change in contract liabilities ceded to reinsurers increased by 137% to Rs. 10 million from a negative Rs. 27 million in 2013. Accordingly, total claims ceded to reinsurance recoveries amounted to Rs. 17 million in 2014 compared to Rs. 28 million in 2013, depicting a decline of 39%.

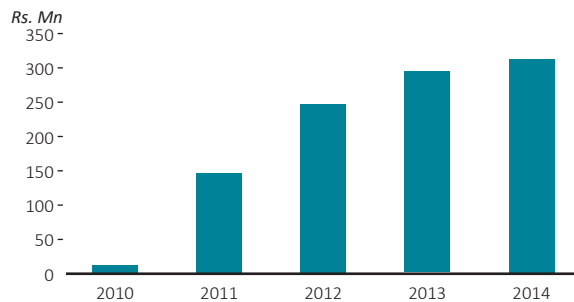
Net claims with the combination of the above, increased by 2% to Rs. 2,163 million in 2014 from Rs. 2,120 million in 2013. However, net claims ratio expressed as a percentage of net earned premium improved by 4 percentage points from 76% in 2013 to 72% in 2014 due to relatively low increase in net claims compared to 7% increase in net earned premium.



NET CLAIMS AND NET CLAIMS RATIO

Underwriting and Net Acquisition Costs

Underwriting and net acquisition costs comprise commissions paid in respect of procuring businesses, net of reinsurance commissions received in respect of reinsurance premium ceded to reinsurers. Underwriting and net acquisition costs increased by 7% to Rs. 311 million in 2014 from Rs. 292 million in 2013, almost in line with the growth of GWP.

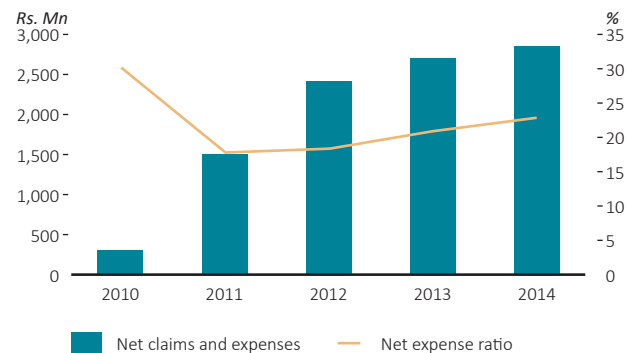


UNDERWRITING AND NET ACQUISITION COSTS

Other Operating and Administrative Expenses

Other operating and administrative expenses incurred in 2014 amounted to Rs. 365 million, growing by 30% from Rs. 292 million. This increase was mainly due to investments made in relation to human capital and infrastructure development, enabling seamless insurance operations given the consolidation of the business. General inflation further added on to the increased overhead costs.

However, the total of underwriting and net acquisition costs and other operating and administrative expenses (also referred as total claims and expenses) as a percentage of net earned premium which is also known as net expense ratio, during the year under review stood at 23%, far below that of the industry net expense ratio of above 40%.

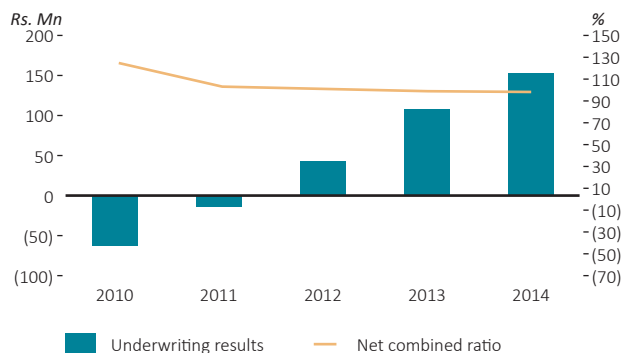


TOTAL CLAIMS AND EXPENSES AND NET EXPENSE RATIO

Underwriting Results

For the third consecutive year, the Company recorded an underwriting profit which grew significantly by 42% over the previous year. Underwriting profit has been improving significantly during the last three years with an annual compounding growth rate of more than 190%. Accordingly, underwriting profit for the year 2014 increased to Rs. 152 million from Rs. 107 million recorded in 2013. This increase was mainly attributable to improved net claims ratio by 4 percentage points to 72% in 2014 from 76% in 2013 and increased net earned premium by 7% from Rs. 2,800 million in 2013 to Rs. 2,990 million in 2014. Underwriting results and net combined ratio of the Company during the last five years are diagrammatically presented in the following graph.

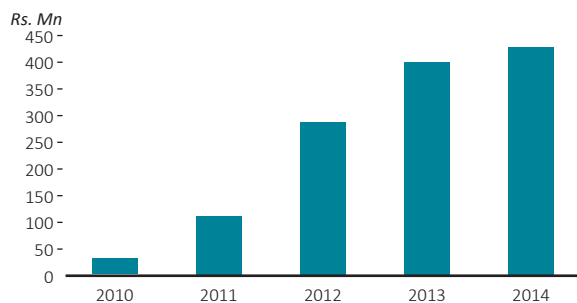
Management Discussion and Analysis



UNDERWRITING RESULTS AND NET COMBINED RATIO

Other Revenue

Other revenue consisting of fee income, interest and dividend income, fair value gains and other operating revenue grew by 7% from Rs. 394 million in 2013 to Rs. 421 million in 2014, albeit low interest rates prevailed during the year under review. Interest and dividend income which represents the largest share in other revenue declined by 12% from Rs. 359 million in 2013 to Rs. 317 million in 2014 due to low interest rates experienced during the year under review. However, fair value gains which consist of gains from listed shares increased significantly by Rs. 58 million, representing 446% increase from Rs. 13 million in 2013 to Rs. 71 million in 2014, following the outstanding performance of the Colombo Stock Exchange. This performance was also supported by the Company's investment strategy in order to completely set-off the negative impact from the declined market interest rates. Fee income mainly consisting of policy fees charged from customers also increased by 68% from Rs. 19 million in 2013 to Rs. 32 million in 2014, in view of increased GWP and upward revision of policy fees.



OTHER REVENUE

Investment income segmentation is as follows.

For the year ended 31st December	2014	2013	Change	
	Rs. Mn	Rs. Mn	Rs. Mn	%
Fair value through profit or loss				
Dividend income	8	5	3	(60)
Available-for-sale				
Interest income	90	132	(42)	(32%)
Dividend income	4	-		100%
Loans and receivables				
Interest income	215	222	(7)	(-3%)
Total	317	359	42	(12%)

Profit Before Tax

Profit before tax increased by 14% from Rs. 501 million in 2013 to Rs. 573 million in 2014, mainly due to improved underwriting performance and investment performance despite moderate growth in GWP and low market interest rates. Accordingly, increases in underwriting profit contributed Rs. 45 million and other revenue contributed Rs. 27 million to the increase in profit before tax.

Income Tax Expense

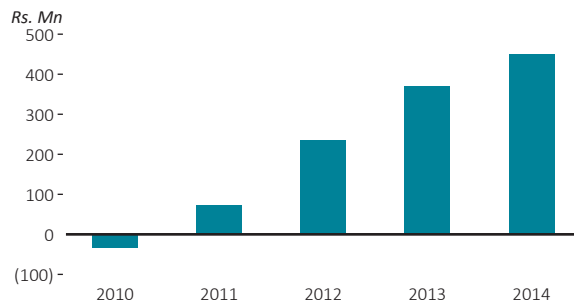
Income tax expense depicts a marginal decrease of Rs. 7 million with Rs. 123 million in 2014 compared to Rs. 130 million in 2013, though the profit before tax increased by 14%. This was reflected in the effective tax rate which also reduced from 25.9% in 2013 to 21.5% in 2014. This reduction is mainly due to the significant increase in income from tax exempted income sources such as gains from listed shares and interest income from listed debentures.



INCOME TAX EXPENSE AND EFFECTIVE INCOME TAX RATE

Profit After Tax (PAT)

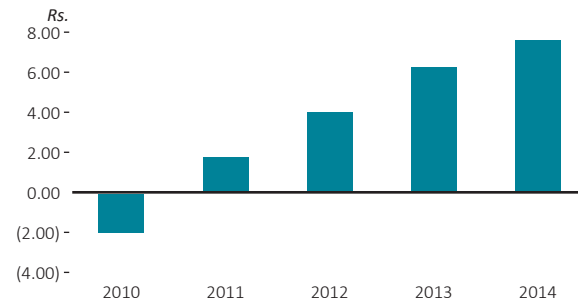
Profit after tax grew by 21% from Rs. 371 million in 2013 to Rs. 450 million in 2014, supported by the improved underwriting and investment performance and relatively low income tax. Accordingly, underwriting, investments and income tax contributed Rs. 45 million, Rs. 27 million and Rs. 7 million respectively to the increase in profit after tax.



PROFIT AFTER TAX

Earnings per Share (EPS)

The positive momentum of the Company's earnings per share (EPS) over the past years continued in 2014, showcasing the substantial value generated by the Company for its shareholders. The EPS grew by 21% from Rs. 6.18 in 2013 to Rs. 7.50 in 2014 as profit attributable to the equity holders increased by the same percentage.



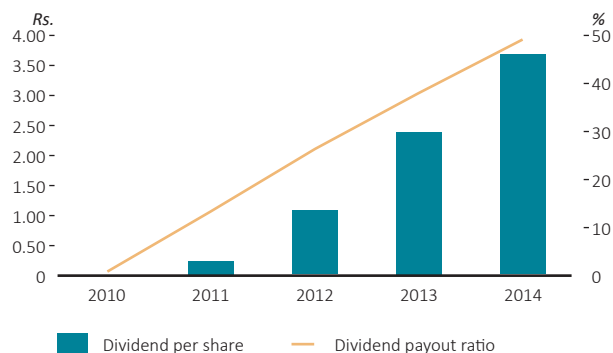
EARNINGS PER SHARE

Dividends

Dividends continue to be the most important distribution mechanism to investors. The primary objective of the Company to set the dividend is to avoid cutting it in the future. This is followed by the desire to keep the dividend per share stable and to increase it. The Company paid Rs. 1.50 per share amounting to Rs. 90 million as an interim dividend and authorised a final dividend of Rs. 2.00 per share amounting to Rs. 120 million for the year ended 31st December 2014. Accordingly, the Company declared a total dividend of Rs. 3.50 per share amounting to Rs. 210 million for the year 2014. Dividend per share, dividend pay-out ratio and retention ratio are tabulated below.

Indicator	2014	2013
Dividend per share (DPS)	Rs. 3.50	Rs. 2.25
Dividend payout ratio	47%	36%
Retention ratio	53%	64%

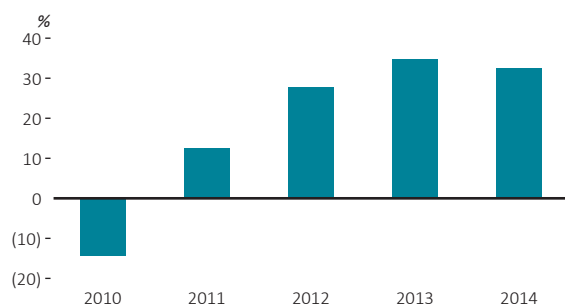
Management Discussion and Analysis



DIVIDEND PER SHARE AND DIVIDEND PAYOUT RATIO

Return on Equity

Return on equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The amount of net income returned as a percentage of shareholders equity is referred as ROE and expressed as a percentage. The Company's ROE, taking other comprehensive income also into account further improved by 8% from 34.28% in 2013 to 36.87% in 2014, primarily due to the significant improvement in profitability, despite the increase in the equity during 2014.



RETURN ON EQUITY

Financial Position

A company's financial position shows the strength and stability to the investors. A summary of the financial position of the Company is given below.

	2014 Rs. Mn	2013 Rs. Mn	Growth
Assets			
Intangible assets and property, plant and equipment	75	90	(17%)
Financial investments	3,645	3,190	14%
Reinsurance and insurance receivables	661	515	28%
Other assets	192	221	(13%)
Cash and cash equivalents	185	5	3600%
Total assets	4,758	4,021	18%
Equity and liabilities			
Equity			
Stated capital	600	600	-
Revenue reserves	810	485	67%
Total equity	1,410	1,085	30%
Liabilities			
Insurance liabilities	2,901	2,485	17%
Financial and other liabilities	381	425	(10%)
Reinsurance payables	62	24	158%
Bank overdraft	4	2	100%
Total liabilities	3,348	2,936	14%
Total equity and liabilities	4,758	4,021	18%

Financial Position Highlights

The asset base of the Company grew by 18% during the year under review and the net asset position was strong with a stated capital of Rs. 600 million. Investment portfolio grew by 14% to Rs. 3,645 million. Solvency position also improved during the year under review, with adequate insurance provisions maintained with prudential risk margins.

Assets

A growing asset base is required to ensure the regulatory minimum requirements and to strongly absorb internal and external shocks. Asset management plays a key role in financing a company, thereby profit growth. Our company continues to maintain a strong financial position with a sound asset base which stemmed from business. Even though external shocks have dampened growth of assets in businesses, Peoples' Insurance achieved a substantial increase of 18% in total assets during the year under review. The main contributing factors for asset growth in the year 2014 were its profits and business growth achieved during the year under review. Return on assets and total asset growth is tabulated below.

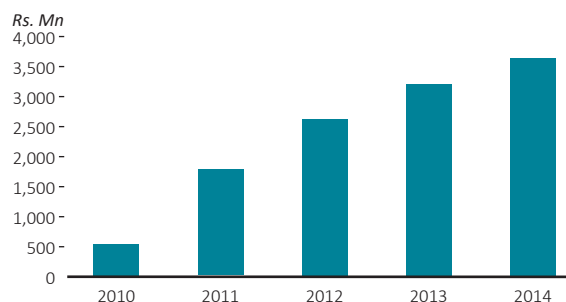
Indicator	2014	2013	Change	
			Absolute	%
Total assets (Rs. Mn)	4,758	4,021	737	18
Return on assets (%)	9.5	9.2	0.3	3

Investments

The risk return trade-off is an effort to achieve a balance between the desire for the lowest possible risk and the highest possible return. The Company strives to use a balanced approach in managing investments, maintaining risk return trade-off within its investment strategy. The Company always adheres to the stipulated regulated framework when making investment decisions. Statistics of the investments and returns of investments are tabulated below.

Indicator	2014	2013	Change	
			Absolute	%
Investment portfolio (Rs. Mn)	3,645	3,190	455	14
Interest and dividend income and fair value gains (Rs. Mn)	387	372	15	4
Total investment income as a percentage of average investments (%)	11.3	12.8	(1.5)	(12)

Total investment portfolio increased by 14% due to the growth of the business and improved profitability during the year under review. The Company actively engaged in listed shares trading during the year under review and increased investment by 48% in listed shares from Rs. 154 million in 2013 to Rs. 228 million in 2014. Accordingly, investment in listed shares increased to 6% of the total investment portfolio as opposed to 5% in 2013. The Company also continued to increase investments in listed corporate debentures in view of benefiting from the tax concessions. Accordingly, 18% of the total investments have been invested in medium term listed corporate debentures which provide more attractive yields, both before and after tax, compared with other short term investment instruments. However, the Company strives to strike a balance on the tenures of investments taking into consideration the short term nature of the non-life insurance business.



INVESTMENT PORTFOLIO

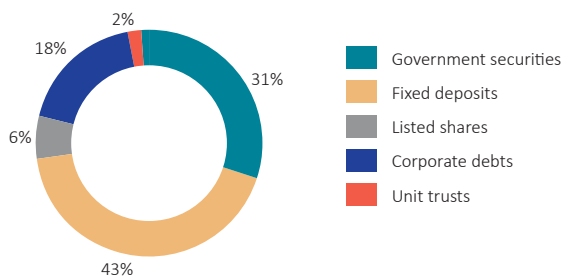
As depicted in the following table, the Company has invested more than 90% in interest bearing instruments. Investment income as a percentage of average investments declined by 1.5 percentage points, from 12.8% in 2013 to 11.3% in 2014 due to low market interest rates. However, the Company was able to minimise the negative impact through fair value gains from listed shares.

The Company invests a significant portion of investments in government securities which are considered as risk free. Fixed deposits represent the largest proportion with 43% of the total investment portfolio. Investments in government securities accounted for 31% of the total investment portfolio as at 31st December 2014, representing the second largest share. Investment

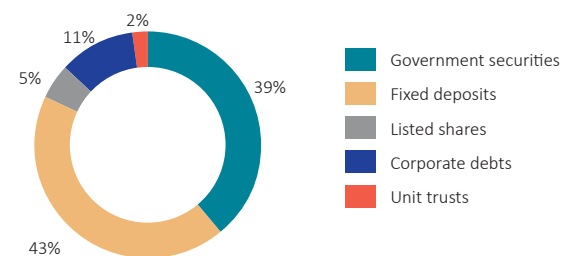
Management Discussion and Analysis

in listed debentures was 18% while investment in listed shares was only 6% in keeping with the Company's investment strategy. Details with regard to investment composition are provided below.

Investment Instrument	2014		2013		Growth
	Value Rs. Mn	Composition %	Value Rs. Mn	Composition %	
Government securities	1,115	31	1,236	39	(121)
Fixed deposits	1,558	43	1,382	43	176
Listed shares	228	6	154	5	74
Corporate debts	661	18	353	11	308
Unit trusts	61	2	49	2	12
Other financial assets	22	-	16	-	6
Total	3,645	100	3,190	100	455



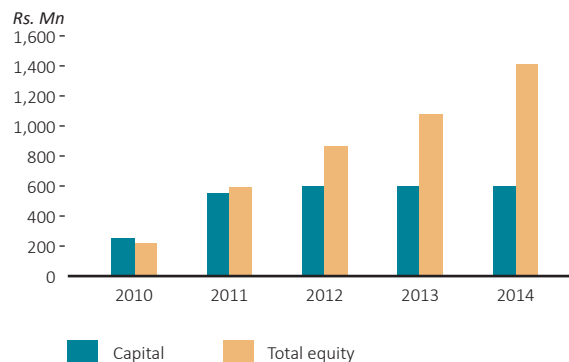
COMPOSITION OF INVESTMENT PORTFOLIO 2014



COMPOSITION OF INVESTMENT PORTFOLIO 2013

Capital

Strong capital backing from its shareholders creates a good foundation for a company to stand strongly in the market. Continuous infusion of capital to the Company from its sole shareholder has contributed to bring the stated capital up to Rs. 600 million to date, starting from Rs. 115 million in 2009. This has enabled the Company to maintain stated capital above the minimum capital requirements as per the current regulations.

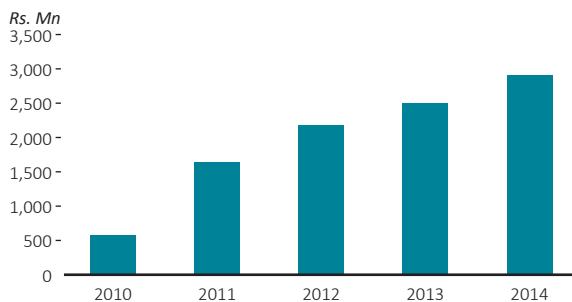


CAPITAL AND TOTAL EQUITY

Insurance Provisions

The Company has taken necessary action to ensure that the required insurance provisions are maintained at any given point of time as stipulated by the insurance regulator, the Insurance Board of Sri Lanka (IBSL). The Company has obtained a certification from a professional actuarial firm, NMG Consulting on the adequacy of incurred but not reported claims (IBNR) provision in relation to the claim liabilities of People's Insurance Limited as at 31st December 2014. This IBNR provision, together with the case reserves held by the Company is expected to be adequate to meet future liabilities in respect of claims obligations as at 31st December 2014.

At the end of each reporting period, 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). NMG Consulting has certified that UPR maintained by the Company is adequate in relation to the unexpired risks of the Company as at 31st December 2014.



INSURANCE PROVISION

Solvency Margin

Solvency Margin (General Insurance) Rules - 2004 and amendments thereto require the insurers to maintain minimum solvency margins. The Company was in compliance with the required solvency margin throughout the year under review. The Company recorded an improvement of 4% in the solvency ratio from 1.52 in 2013 to 1.60 in 2014. A summary of the solvency position as at the end of year are provided below.

Indicator	2014	2013	Change	
			Absolute	%
Net admissible assets (Rs. Mn)	1,008	889	119	13
Required solvency margin (Rs. Mn)	629	586	43	7
Excess over required solvency margin (Rs. Mn)	379	303	76	25
Solvency ratio (Times)	1.60	1.52	0.08	5

Management Discussion and Analysis

INFORMATION AND COMMUNICATION TECHNOLOGY REVIEW

In an increasingly changing and demanding business and regulatory environment, the insurance industry has to be perceptive in its path to meet strategic goals and be sustainable in the long run. In this process, speedy and smart solutions are the way forward for insurers to be competitive and risk prudent. Information communication technology (ICT), hence, plays a crucial role, enabling insurers to make effective decisions and action their plans efficiently and proactively.

Taking the cue from the industry needs, People's Insurance has ensured that its business activities are fully supported by the latest in technology and state-of-the-art systems. Coming under the purview of the Parent Company, PLC, as a centralised function on a shared service and fee-based model, ICT has enabled work processes to be streamlined with productivity improvements, leading the Company to be competitive and viable.

ICT Team

The ICT team, comprising professionally qualified and experienced staff has immensely supported the Company to develop effective systems, responsive and efficient in meeting strategic priorities. The team is given extensive training-specific and general to enhance their skills and exposure to latest developments in technology. The service providers, with whom the team maintains a good working relationship extend, comprehensive training opportunities on latest developments and best practices. In the reporting year, 12 members of the team were sent to Malaysia for training on database and application management and product development.

Core Business System

The Company's insurance system was developed in-house that supported to automation processes, including motor and non-motor underwriting, claims and reinsurance etc., across the operations. The head office, regional and window operations are all computerised and connected to the system, allowing real-time transaction processing. The operational staff is well trained and updates information on transactions on a routine basis.

The insurance system is linked to the on-line general ledger controlled by the central processing system at the PLC, head office. The system has in place the following modules:

- Sophisticated call-centre equipped with all relevant functionalities, substantial capacity and upgraded features,
- Non-core operations including HR management, payroll process and inventory management,

- Reporting and information centre, enabling the generation of a range of reports for decision making,
- Security module with audit trails which enables dual authority levels for executing key transactions,
- Document management system, which is integrated to the core system, and SMS and e-mail facilities to communicate with customers on claims.

Management Information Systems (MIS)

The Company has a robust MIS, enabling collection of information, compilation and generation of reports on internal transactions. The MIS generates regular as well as ad-hoc reports, facilitating the Management to make decisions effectively, both at a strategic level as well as to support daily operations, inter alia, to ascertain productivity levels, cost factors and resource utilisation.

Disaster Recovery Plan and Business Continuity

Giving top priority to business continuity, necessary measures have been taken to prevent any loss of data and information. The disaster recovery system is maintained both internally and externally to ensure the security and back-up of data. A SMS mechanism is in place to prompt the server administrators to recover data in the event of a power failure, whilst the monitoring system is able to identify glitches in the network effectively for speedy solutions. Network monitoring periodically also supports to eliminate unnecessary traffic build-up and prevents unwarranted on-line activity.

Audit and Certification

Advocating best practices in information security and safeguarding ICT systems and business continuity, periodic independent assurance and audits are carried out by the internal audit department at the PLC head office, external auditors and other auditing and certification bodies. The key audits carried out applicable for the year under review are set out below:

- Penetration and vulnerability assessment: Messrs. KPMG Sri Lanka carried out an audit on the disaster recovery system and validated the security measures that are in place to prevent malicious attacks on systems and data.
- Due diligence study: Messrs. PricewaterhouseCoopers Sri Lanka carried out a due diligence on the network and firewall security measures adopted by the Company.
- Standards and Certification: The global certification body, Messrs. Det Norkse Veritas Sri Lanka audited the overall ICT function and re-certified the security management on the standards of ISO/IEC27001:2005. The certification is valid until 2017.

Training and Development

With systems and processes constantly being upgraded to be in line with current and best technology, it is vital that staff is aware, well-trained and up-to-date on ICT related matters. Relevant staff in the reporting year was given comprehensive training on the insurance system and related modules, Microsoft Office applications and work processes.

New Developments

Gearing the Company to be more competitive and gain share within an emerging industry, the ICT department sought to introduce innovative solutions to enhance the business process and to add value to the suit of products and services. The key initiatives taken in the year under review are set out below:

E-Board Paper Solution

Supporting the Company's drive towards reducing paper consumption, e-Board paper system was introduced replacing hard copies. With this system, all Board papers are circulated on-line and can be accessed through iPad devices provided. E-Board papers are now well accepted by the Board and the proceedings are functioning without much ado.

Motor and Non-motor On-line Proposal and Quotation System

A new feature was added on to the official website, enabling the customers to apply for policies on-line. This option gives customers' access to proposals and quotations in both motor and non-motor classes, thereby, enhancing the interactivity of the website.

Motor Claims Inter Branch Messaging System

Increasing the efficiency and speed of the motor claims process, a communication system was developed to link branches and the motor claims department at the head office. This system facilitates a seamless decision making process, leading to better claims management.

Assessor Feed-Back

A SMS system was developed to communicate with assessors, giving them details of the reported incidents prior to inspections. This system has improved the efficiency of the Company's claims management process.

Customer Receipt Confirmation

A SMS system was developed to inform customers on the receipt details of premium payments in respect of their insurance policies.

E-Revenue Licence

Adding value to customer service, the Company's system was integrated to the e-revenue licence system of the Department of Motor Traffic. With this link, the customers are able to obtain their revenue licenses on-line, speedily and without hassle. This is a project spearheaded by the Information and Communication Technology Agency (ICTA).

Plans Ahead

In a tumultuous business environment, insurance industry players will have to ensure that their operations are efficient and smart and therefore, will continue to rely on the support extended by technology in the years ahead. Thus, keeping abreast of the latest in technology, the ICT department will remain firm in its efforts to further re-engineer and streamline processes in line with the strategic priorities of the Company. Key initiatives planned for the year include:

IntApp Mobile Application Module

Targeted at the operational staff, this app will give seamless and current information and speedy processing solutions. This app covers onsite data collection, business proposals and temporary cover notes, business indicators including policy status, claims and loss ratio details. This also could be effectively used to manage field visits and follow-ups.

AppServer Technology

The core system will be transformed to AppServer technology which will support to reduce the load on the terminal servers.

E-Marine and E-Travel System

A web portal will be designed to offer customers to obtain policies and certificates for marine and travel insurances.

Revamping the Official Website

The interactivity of the website will be further enhanced with an HTML version, enabling the use on smart phones and more value-added features including trilingual facilities and on-line payments.

Takaful Insurance

A new system is being designed to accommodate the work processes of Takaful general insurance in accordance with Shari'ah principles which is planned to be launched in early 2015.

Management Discussion and Analysis

HUMAN RESOURCES REVIEW

People's Insurance is resolute in its efforts to engage the employees in its path to meet the aspirations and goals of the organisation. The feats thus far achieved within such a short span of just five years could not have been accomplished if it was not for the role played by the employees who discharged their duties with dedication, efficiency and professionalism. The Company, therefore, is committed and continues to offer a non-discriminatory and an equal opportunity work environment for employees to be empowered, innovative and skilled with confidence and poise.

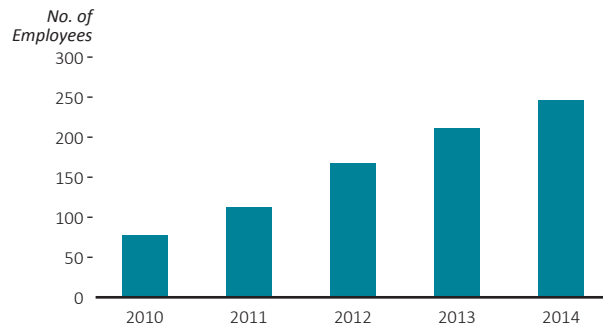
HR Structure

HR management and administration at People's Insurance is a centralised function, coming under the purview of the Parent Company, PLC. All matters and decisions relating to HR including remuneration, rewards, welfare, addressing the skills gap and grievances are directed through the Company's management to the HR division at the PLC head office. The management is consistently guided by this division on current HR policies and practices which in turn, are reflected on the decision making process and on daily operational plans and actions.

Centralisation has enabled the Company to be in line with the PLC Group ethos; whilst supporting the Company to reap rationalisation benefits of costs, indispensably giving a competitive edge within an emerging landscape.

Cadre Strength

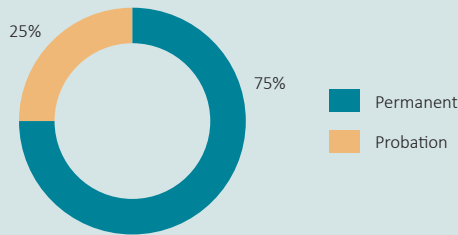
People's Insurance continued to grow from a cadre position of 15 employees at the time of commencing operations in the year 2010 to 245 employees as at 31st December 2014. This represented an increase of 17% as against the position of 210 employees on 31st December 2013.



CADRE 2010 - 2014

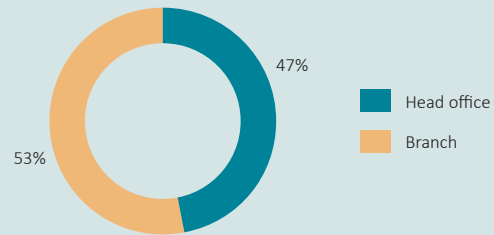
Cadre Composition

With upright corporate values, embracing equal opportunity without prejudice on gender, age, ethnicity, religion, class and other socio-economic facets is at the forefront of the Company's HR policy. The Company in the past five years since its inception has made an effort and is increasingly moving towards a balance within the cadre composition, enabling greater diversity at the work place.



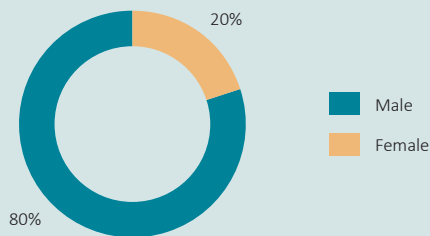
Contract Type

75% of the cadre is employed on a permanent basis, mirroring greater job security, thereby, mustering support and engagement of employees within the operations.



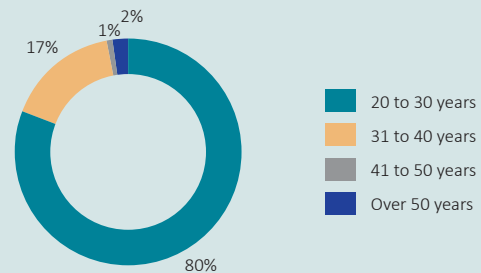
Location

Out of the total cadre, 114 were employed at the head office whilst 131 were within the branch and window operations.



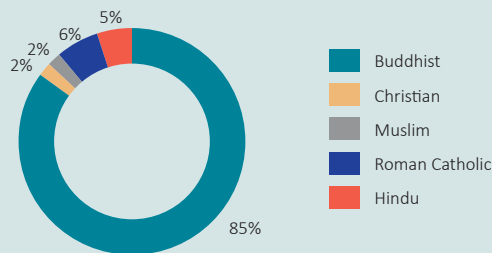
Gender and Grade

The cadre is dominated by male employees within the non-executive grade, representing 80%. However, the female ratio decreased by 1% with respect to non-executive grades. Executive grade, although lower in numbers, reflected a greater balance in terms of gender.



Age

The cadre remained skewed at 80% towards the age group below 30 years, reflecting the dynamism of youth, whilst the balance 20% falling under the age groups of 31 to over 50 years bringing greater maturity and stability to the organisation.



Ethnicity

85% of the cadre were Buddhists while the next biggest ethnic group was Roman Catholics with 6% of the cadre. The balance were Christians, Muslims and Hindus.

Management Discussion and Analysis

Recruitment

Upholding values of equal opportunity, HR strategy is focused on building a multi-faceted team based on skills, talent, experience and professionalism, regardless of any socio-economic and cultural bias. Recruitment process is well structured with first preference given to internal recruitments which also includes promotions for high performers, transfers and cross-placements within the Group. The Management in concurrence with the HR division identifies the workplace requirements and accordingly, position suitable staff with necessary skills development to take up the new job responsibilities.

In the year under review, 184 employees were internally identified out of whom, 87 were promoted and 6 transferred and cross-placed within the Company and the Group network. Performance evaluation scheme which would be discussed later in this section supported the Management to keep this process impartial and transparent.

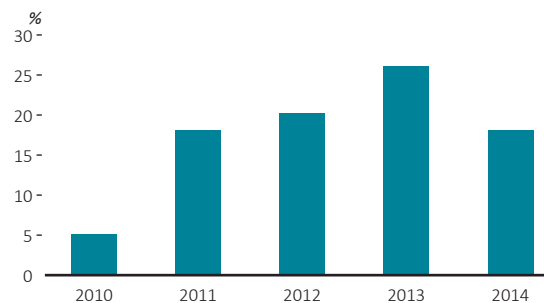
In the case of external recruitments, a competitive process is in place to ensure that the selections are purely based on merits and as per the prescribed job descriptions. During the year, 76 employees were externally recruited with over 95% absorbed to the non-executive grade.

The recruitment strategy also gives preference to candidates that are living within the communities especially in the areas where the Company operates. This has paved the way for employees to build greater ties and loyalty with the Company; similarly, giving them the ability to engage with the customers as well community stakeholders more effectively. In the year 2014, all 76 employees were recruited within the community, taking the total to 245 signifying 31% of the cadre.

Retention and Staff Turnover

In a highly competitive backdrop, People's Insurance is well aware of the necessity to pay greater attention to turnover and retention issues. Adopting best practices in HR, inter alia, on supporting the staff with due compensation, welfare, career development, tactical training and rewards and recognition on performance merits, are critical to ensure lower staff turnover and thereby, the sustainability of operations.

In the reporting year, with greater focus on retention strategies, staff turnover was well maintained at 18%, improving from 26% in the previous year.



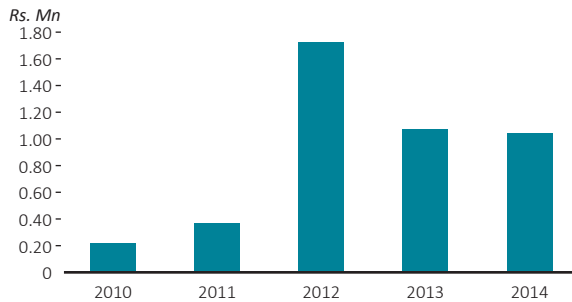
STAFF TURNOVER RATIO

Training and Development

Amid a rapidly changing world, training employees is well recognised as one of the most strategic priorities, with multitude of benefits trickling throughout the entire operations and essential in the long term perspective. People's Insurance guided by the Parent, strongly supports training initiatives to enhance employee technical and soft skills, underscored by business ethics and values. The approach to training is manifold on-the-job training, cross placements, professional education scheme, structured training programmes held internally and externally and even foreign exposure opportunities.

The training process is structured which is well coordinated between the Management of People's Insurance with the HR division of the Parent company. The skills gap and other training requirements are ascertained and further deliberated with employee engagement especially during the performance evaluations. The feedback thus obtained is taken into consideration when formulating the training plan for the year with requisite budgetary allocations.

Training initiatives in the year under review covered employees inclusive of all categories - management, executive and non-executives. Although reflecting a marginal contraction of 2% as against the previous year, the total training investment reached Rs. 1 million whilst the total man hours trained was 2,573 hours.



TRAINING INVESTMENT

Internal Training

The employees at the head office, regional and window offices are given opportunities to participate in general and specific training programmes carried out periodically by the corporate management. These programmes entail training on products, sales and marketing, customer service, underwriting and claims management. In the reporting year, internal training programmes covered 210 employees for 1,680 man hours. In addition, the Company also gives employees exposure through work rotation within operations, cross-placements within the Group and project participation.

Induction Programme

All new recruits are extended with a month-long induction programme with comprehensive training and orientation, enabling them to gain knowledge, enhance skills and network with peers as well as the management. New recruits are given a week-long exposure to the culture, values and the operations of the Parent Company, PLC, and the sister company network whilst the next three-weeks focus on rotational on-the-job training at People's Insurance, covering all departments at the head office and at the branch level.

In the reporting year, 24 induction programmes were carried out for 76 new recruits.

External Training

Due investments are made to send selected employees to structured external training programmes carried out by renowned resource

professionals and institution within the country and overseas. These programmes extend a broader perspective and exposure to best and current business and industry practices. In the reporting year, 99 employees were given training externally for 893 man-hours, including foreign training.

Professional Education Scheme

The Company promotes professional working environment through attracting and retaining professionals. The Company encourages the staff to acquire professional qualifications through its professional fees reimbursement scheme where employees can reimburse their examination fees and membership fees under this scheme, even without executing any bonds.

Remuneration and Benefits

Aligned to the industry practices as well as the PLC Group remuneration policy, employees are remunerated on market competitive rates. All benefits and incentives, if not statutory, are based on performance merits, determined impartially during the appraisal stage as will be discussed in the forthcoming section herein. The bonus scheme in place is structured to take into account performance and service period of employees.

All statutory benefit obligations are met on behalf of the employees. In the year, the Company contributed 12% of the basic salary to the Employee Provident Fund (EPF) and 3% to the Employee Trust Fund (ETF). For the year, the Company expended Rs. 8.9 million as EPF and ETF obligations. The Company also met its obligation on gratuity, with a liability of Rs. 4.4 million recognised as at the balance sheet date.

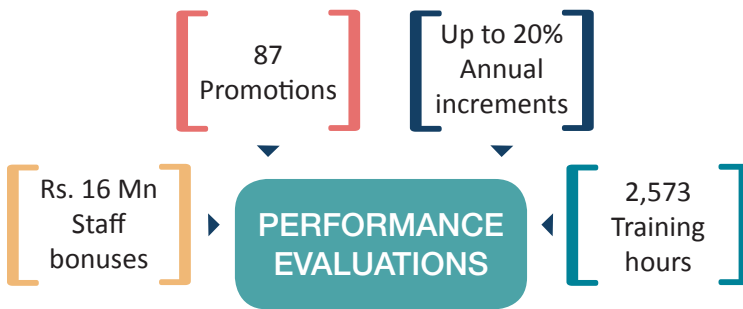
Performance Evaluations, Rewards and Recognition

Seeking to inspire a dynamic culture, People's Insurance uses performance evaluations effectively to achieve its corporate objectives set out in the business plan whilst enabling employees to further uplift their professional lives.

Carried out annually, performance evaluation is well structured and interactive; giving the Management and the employees a chance to discuss and mutually agree on targets, action and output. All employees including the non-executive staff is given an opportunity to be appraised on their performance and all rewards and recognition are extended on the basis of the results ascertained during these assessments.

Management Discussion and Analysis

In the reporting year, 207 employees representing 84% of the total cadre were evaluated on performance based on pre-agreed targets; the results supported to determine the promotions of 87 employees, staff bonuses totalling to Rs. 16 million, increments up to 20% and training hours of 2,573, including 21 external training programmes and seminars to bridge the gap in technical skills.



Health camp



Cricket tournament

Employee Relations and Grievance Handling

The Company maintains an inclusive and an interactive culture within the workplace. Employees are able to and encouraged to reach out to their superiors and the senior management to discuss and redress grievances and issues. The relatively flat cadre structure maintained by the Company also complements this process. The good relations thus built have enabled both the Company and the employees to nurture a fruitful relationship, mutually supporting to reach collective as well individual objectives. The Company does not have a trade union and employees are not covered by any collective bargaining agreements with the Management.

Welfare and Sports Society

The Welfare and Sports Society is proactive in its role to build fellowship amongst employees and promote team spirit. In the reporting year, in collaboration and in participation with the Management and employees, the Society organised key events and activities including health camp and inter department cricket tournament.

Employee Wellbeing

Employee wellbeing at People's Insurance is given careful thought, leading up to less absenteeism and greater productivity. The Company encourages the staff to adopt a healthy lifestyle, striking a good balance between work and life.

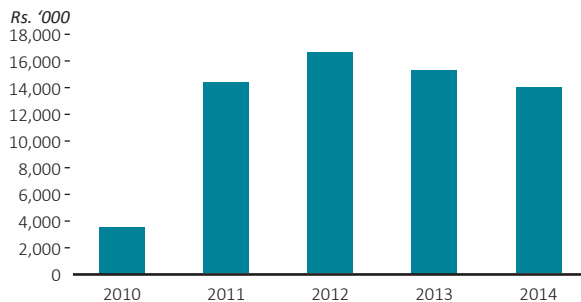
In the reporting year, the Company sponsored a comprehensive health camp for all employees in collaboration with the Durdans Hospital. The health check-up encompassed several key medical tests including fasting blood sugar, full blood count, lipid profile, ECG, etc. Apart from this initiative, the Company has in place a comprehensive insurance scheme enabling covers for both employees and their immediate families, covering OPD charges as well as in-patient procedures and surgical costs.

Welfare Measures

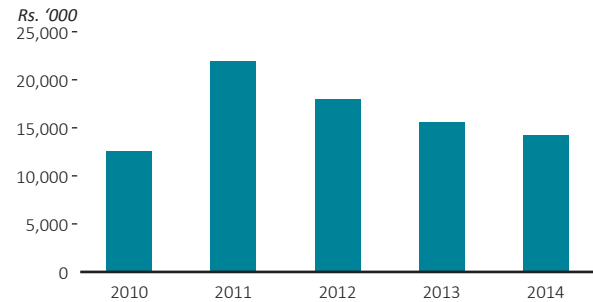
Staff medical insurance scheme
Death donations
Vehicle loans
Telephone facilities
Gymnasium facilities
Holiday bungalows at concessionary rates
Staff welfare society

Employee Productivity Indicators

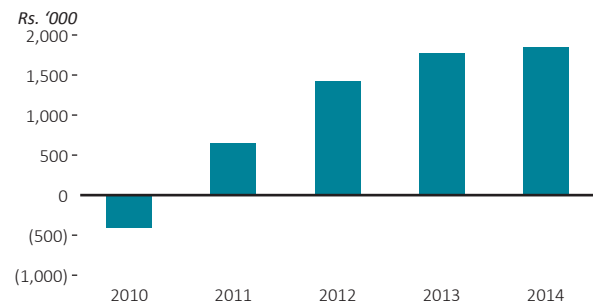
With firm measures to engage all employees, most of the productivity indicators have improved over the past five years. In the year 2014, however, revenue and gross written premium per employee moderated over the last year, owing to the industry dynamics as discussed earlier under the Industry Section of this report.



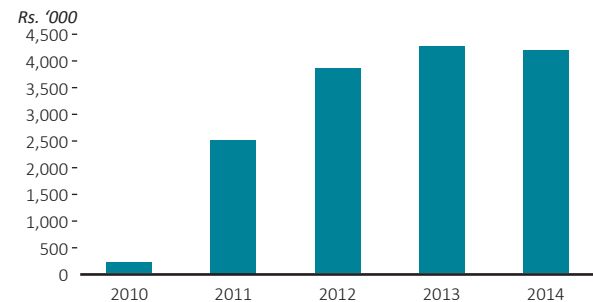
REVENUE PER EMPLOYEE



GWP PER EMPLOYEE



PROFIT/(LOSS) PER EMPLOYEE



VALUE ADDED PER EMPLOYEE

Management Discussion and Analysis

SOCIAL RESPONSIBILITY REVIEW

Customer and Product Responsibility

As a prioritised by strategy, People's Insurance remained steadfast in extending the best in service and product offer, thereby, enabling the long-term viability of operations. Due precedence in the year was placed on ensuring quality and standards whilst adding value and developing new products to suit the changing customer requirements. Customers were proactively engaged with consistent communication and feedback which facilitated to meet their needs effectively. Timely action was taken on customer complaints, with greater efforts taken to ensure efficiency and responsibility in claims management.

Salient features and the key initiatives taken during the reporting year to ensure positive customer experience and product responsibility are set out below.

Outreach

The distribution channel supported by the strength of the outreach through the Parent branch network and representation within People's Bank following the bancassurance agreement signed in the previous year, have opened up opportunities for the Company to reach a wider customer base across country. The cost-effectiveness of the distribution strategy has in effect buoyed the Company's competitive edge and strengthened its market share in the industry.

In the reporting year, 12 new window offices launched its operations within PLC branches, taking the total to 74 offices encompassing all 9 provinces whilst representation at People's Bank branches increased by 17 to 24. As at the year-end, the Company's total outreach covered two regional offices in Negombo and Galle and 98 window offices in both PLC and People's Bank. The distribution channels were manned by trained teams totaling to 135 including bancassurance officers, brokers and direct sales officers.

	Number of Offices	Districts	Sales, Marketing and Operational Employees
Head office	1	Colombo	111
Regional offices	2	Galle and Negombo	3 1
Window operations			
• People's Bank	24	All districts	24
• PLC	74	All districts	106

Fair Claim Settlements

As a customer-centric organisation, the Company is committed to uphold its responsibility in ensuring that claims are settled efficiently and legitimately. Necessary measures are in place to ensure that claim settlements are strictly within the stipulated policy terms and conditions. The claims panel setup with the participation of manager legal and heads of departments is called upon to assess and sort out disputed claims and those that exceed the specified threshold. In the year 2014, 73 claims were taken up for consideration by the claims panel, out of which more than 95% was settled with mutual agreement.

In the event, the customer is discontented with the decisions extended by the claims panel, the Company seeks the mediation of the Insurance Ombudsman, a body established jointly by the Insurance Association and the Insurance Board of Sri Lanka. In the reporting year, 9 claim disputes of the Company were referred to the Insurance Ombudsman whilst all cases were resolved with its mediation.

In addition, structured audits are carried out periodically on systems, processes and claims settlements to minimise the leakages due to fraudulent practices thereby, safeguarding customers without resorting to cover the losses through unjustifiable pricing.

Call Centre

In a highly competitive insurance business landscape, the call centre significantly plays a 'hub-role' in linking the customers with daily operations of the Company. The call centre in its 24x7 capacity, equipped with state-of-

the-art facilities and well-trained customer service representatives extends a personalised and an interactive service to customers, giving them access to information and speedy solutions to their queries and complaints. The call centre which is separately located in the head office of the Parent Company, is in particular, key to motor insurance operations, enabling customers to report their accidents and get claims assessed in the case of accidents.

The call centre during the year was further reinforced with the following features and initiatives;

- Commenced giving 24X7 help and guidance to customers in case of an emergency to have towing service or vehicle carriers island-wide with the support of People's Leasing Fleet Management Limited. This service is offered to both People's Insurance motor insurance policy holders and others as a value added service.
- Launched an SMS based confirmation system confirming and giving details of the admission to customers via SMS in case of hospitalisation under the health care insurance policy.
- Started providing necessary details to loss assessors through SMS after assigning them for vehicle inspections, enabling the Company to give a faster service to customers.



Customer service representatives at call centre

Official Website

The official website, www.peoplesinsurance.lk remained an ideal platform to proactively engage the customer, with easy access and compatibility on desktop and mobile devices. The website content is carefully developed and designed with key information on the Company's profile and products and services on offer, facilitating the existing and prospective customers to make informed decisions to suit their personal needs. The website is also

designed with interactive features; the 'call you back' option in particular, supports customers to interact with the team and address their queries and complaints directly on the phone at their convenience, without having to visit a branch personally. The comprehensive section on 'frequently asked questions' empowers and educates the users with information on the industry, its benefits and industry specific terms. During the year under review, an on-line proposals system in respect of motor insurance and home insurance were implemented through the Company's website. With this system, customers can fill proposals on-line which are then followed up by the Company's officials; subsequently leading to issue policies in concurrence with customers.



On-line proposals system

SMS Alerts

The short message service (SMS) technology has been cost effectively used by the Company during the past few years to give customers updates on their claims status. This technology was further explored in the year to seek possibilities of extending this service to other processes - adding further value to customers and reducing transaction costs and thereby, enabling competitive pricing.

Product Offer

Within just five years after the inception, People's Insurance is fully geared to offer a well-diversified suit of products, seeking to reach out to a wider customer base, both retail and corporate. The portfolio, entailing lifestyle and business products are especially designed with greater value-addition and innovation to meet the dynamic needs of customers within an emerging economy. The Company is currently in the process of developing a new product - travel policy which is planned to be launched in 2015.

Management Discussion and Analysis

Lifestyle Products

MOTOR VEHICLE

Covers loss/damage due to accidents and legal liability to third party for injuries and property damage.

DWELLING FIRE

Provides indemnity for damage to property by fire, lightning and domestic explosion. Optional covers are provided for natural disasters, strike and riot, terrorism, malicious damage, busting of pipes and impact by vehicles/aircrafts.

HOME PROTECTION

Designed to provide essential insurance for both home and family in a single policy, providing cover for loss/damage to property from fire, domestic explosion, natural disasters, impact by vehicles/aircraft, home accidents, breakage of glass, burglary, cost of alternative accommodation and loss of rents. Optional covers are provided for malicious damage, riot and strikes, terrorism, fire damage to electrical appliances, personal and family accidents and liability and compensation for domestic employees.

PERSONAL ACCIDENT

Covers bodily injuries and deaths arising from an accident. Especially valuable if self employed and earnings may cease on disability.

Business Products

COMMERCIAL FIRE	Covers loss/damage to property by fire and lightning. Extended cover is available for natural disasters, explosions, malicious and impact damage, strike, riot and terrorism.
BUSINESS INTERRUPTION (CONSEQUENTIAL LOSS)	Covers loss of profits and fixed charges arising from the interruption of business due to fire.
PLATE GLASS	Covers against accidental breakage of plate glass.
BURGLARY	Covers loss/damage to property by burglary.
FIDELITY GURANATEE	Covers loss of money or goods due to fraudulent practices within a business.
MACHINERY/ELECTRONIC EQUIPMENT	Covers unforeseen damage to machinery due to accidents during operations, at rest, cleaning, inspection, overhaul or relocation.
CONTRACTOR'S RISK	covers loss/damage to contract work and material at site and legal liability for third party work.
WORKMEN'S COMPENSATION	Covers bodily injury or disease of employees during the employment period.
PUBLIC LIABILITY	Covers legal liability for accidental bodily injury, loss or damage to property, legal fees and expenses within a business.
MOTOR VEHICLE	Covers loss/damage caused by accidents and legal liability to third party for bodily injury and property damage. Optional covers are available under the comprehensive policy.
MARINE (CARGO)	Covers loss or damage to goods in transit by land, sea or air.
GOODS IN TRANSIT	Covers loss/damage of goods due to fire, theft or accidents whilst being transported, loaded or unloaded from vehicles.
PIL SME	Simplified and customised policy covering selected risks as per customer requirements, especially designed for small and medium enterprises (SMEs).

Management Discussion and Analysis

Memberships

As a top-five insurer within the non-life insurance sector, the Company supports the industry and plays a significant role in policy advocacy. The Company is an active member of the Insurance Association of Sri Lanka and contributes towards ironing out issues and lobbying on key policies for the betterment of the industry. The Company also strives to adhere to and comply with best practices in governance and risk management, whilst running an exemplary and sustainable operation, fitting for its positioning within the industry.

We are also a training partner of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and we extend practical training opportunities to CA Sri Lanka students. As at the reporting year-end, we had two students training with us under this partnership.

Community

Fully in line with the PLC culture and as envisioned within the Company's strategy, engaging communities and building strong relationships especially with those located around the neighborhoods where the Company operates, has become an integral part of the business. Hence, the Company remained committed to community service in the year, seeking to uplift their wellbeing through philanthropic activities encompassing livelihood development, health and nutrition and empowerment with education. In addition, the Company continued to uphold its policy on community recruitments as will be discussed under the section 'Human Resources Review' wherever suitable and possible, particularly with respect to the two regional offices in Galle and Negombo.

In the reporting year, the Company expended Rs. 475,000 on community responsibility initiatives as set out below which registered an increase of 90% as against the investment of Rs. 250,000 in the preceding year.

Essential Drug Donation for Cancer Patients

The Company made arrangements to donate Neupogen injection vials to the Maharagama Cancer Hospital along with other essential drugs. The donation of 300 mcg of Neupogen which is used to stimulate the build-up of neutrophils, white blood cells, is expected to support around 50 patients receiving treatment for cancers. The cost of the donation was Rs. 290,000.



Drug donation to the Maharagama Cancer Hospital

World's Children Day

Celebrating the World's Children Day on 1st October 2014, the Company distributed gift packs for 75 babies at the maternity ward in the Colombo South Teaching Hospital in Kalubowila. The Company also gifted 'Senehas Minor Savings Account' from People's Leasing & Finance PLC with an initial deposit of Rs. 2,500 for 21 new born babies falling on World's Children Day. The cost of the initiatives was Rs. 130,000.



Distribution of gift packs on the World's Children Day

Supporting Dhamma School Activities

Promoting art and culture, People's Insurance provided costumes for less-privileged students of Sucharitha Vardana Dahampasala to participate in their literary festival, 'Sadaham Reka Kala Mangalya'. The cost of the costumes was Rs. 25,000.



Costumes for 'Sadaham Reka Kala Mangalya'

Community Development Project

Supporting the first year students of the Faculty of Management and Finance of the University of Colombo, the Company sponsored their community development project undertaken at Sri Sugatha Navodaya secondary school in the Badulla district. This project which entailed beautifying the school by improving the landscape of the school. The sponsorship contribution of People's Insurance was Rs. 13,500.

Vesak Celebration

Celebrating the Vesak festival, the head office staff volunteered and organised an 'ice-cream dansela', providing ice-creams free of charge to visitors at the 'Ganagarama Vesak Kalapaya'. This initiative which cost Rs. 28,000 reached over 9,000 visitors who participated at the event.



Vesak ice-cream dansela

'Abhinandana Pranama' Scholarships

Supporting the People's Bank Officers Association initiative, the Company contributed Rs. 20,000 by way of a sponsorship to award scholarships for high achievers at the Grade Five Scholarship examination, Ordinary Level and Advanced Level examinations held in 2013 under the purview of the Ministry of Education.

Environment

In an increasingly globalised world, unsustainable utilisation of resources has led to critical environmental issues, impacting the wellbeing of people across the globe. Being a responsible corporate, People's Insurance has recognised the significance and thereby, integrated greener initiatives within its strategic framework.

The Company has taken positive steps and adopted simple measures, nonetheless key to be more environmentally friendly and reduce its carbon footprint. The key initiatives seek to address both direct environmental impacts of daily operations as well as indirect impacts especially related to the supplier chain.

Key environmentally sustainable initiatives and practices adopted in the year under review are set out below:

Insuring Hybrid Vehicles

As one of the first to promote insurance for hybrid vehicles, despite the general skepticism that prevailed within the industry, People's Insurance is well aware of the environmental benefits of hybrid technology - less emissions and greater fuel efficiency. Continuing its commitment, the Company in the year sought to further support insurance requirement for such vehicles. The strong demand for hybrid motor vehicles within the motor segment also complemented the Company's efforts in this regard.

Reduce-Reuse-Recycle Paper

The Company remained committed to move towards a 'less-paper' office, leading staff to be more prudent in their usage of paper. The Company continued to depend on information technology as guided by the IT department of the Parent, to give out effective solutions to reduce paper consumption in its daily operations. The systems and processes in place have supported operations to go on-line, inter alia, for correspondence, accessing

Management Discussion and Analysis

information, file management, approvals, reporting, claims management and training. The claims process, in particular, is managed well with less paper work given the claims module of the main system, with options available for uploading digital photographs, corresponding on e-mail and other communications. Relevant employees have been given comprehensive training on IT systems and processes, enabling them to optimise and leverage technology to bring in efficiencies as well as to meet greener objectives. In addition, all staff is encouraged to re-use paper, whenever possible, in particular, to resort to double side printing, internal photocopying on both sides and re-using envelopes.

In terms of recycling, a systematic process was in place with paper bins in the work areas at the head office for storage and collection. The administration department responsible for this task continued with the arrangements made with GEOCYC (Pvt) Ltd. to recycle paper in an environmentally friendly manner till the latter part of the year. In the reporting year, 1,680 kilograms of paper was recycled.

Compliance

The Company was not subjected to any fines and allegations or penalised for non-compliance to standards prescribed, regulations and legislation coming under the purview of the Central Environment Authority.

FUTURE OUTLOOK

Insurance Industry

With relatively stronger signals from a global perspective and the domestic economy expected to maintain its growth stance, ironing out any short-term uncertainties that may arise within the political landscape, the insurance sector in Sri Lanka is tipped to move ahead with a positive outlook in medium term. Yet, the industry, particularly the non-life sector, amid intense competition and the challenges that lay within a changing regulatory environment will have to gear for more difficult times in 2015 and in the next few years.

The most dominant within the non-life insurance sector, motor class, is likely to be relieved of its afflictions witnessed in the recent years, to some extent given the favourable macroeconomic up-turns. Accordingly, lower interest rates and the appreciation of the exchange rate against the Japanese Yen are expected to support the sector demand to a certain extent.

The ensuing year, with the likely possibility of the monetary policy remaining accommodative will further erode the investment income prospects, which in effect play a supportive role in easing the poor underwriting performance that is presently distressing the non-life insurance sector. The returns from fixed income securities will continue to be modest whilst there will be a greater shift to the equity market and other investment instruments. However, greater controls coming into play with the transition to the risk based capital regime will prudently taper the participation in such instruments and thereby, the returns.

The regulatory changes that are currently taking place have already shrouded the industry with uncertainty, expected to worsen when the impact comes fully into play. The segregation of business lines as already complied with by most of the composite insurers will result in increased cost, thus, exerting pressure on the bottom-line and eroding the margins of the industry. Nonetheless, this may not be too critical as portended as some of the insurers are more geared to handle separate operations while industry is fairly cushioned given that some of the administrative functions viz. IT, legal, finance are permitted to be shared up until 2020.

Adding on, the risk based capital regime will also necessitate greater investments to build upon a stronger technical team with due training

opportunities. This investment cost together with higher administration and compliance costs will further burden the industry and impact its profitability margins to some extent. The mandatory listing and the requirement to raise the share capital up to Rs. 500 million for each line of business will be a challenge, particularly affecting the smaller players. The industry, therefore, is expected to open up for strategic investors leading up to mergers and acquisitions.

In any case, the new regulatory changes are widely accepted to bring greater benefits to the industry in a broader perspective - clarity and focus, better risk management, good governance and consolidation in the medium to long term.

Company

People's Insurance is well poised to move forward in a challenging business environment characterised by intense competition, a low interest rate regime and greater volatility. The Company has the strength and the standing of two most respected pillars within the financial arena of this country - its parent, PLC and the ultimate parent, People's Bank. The synergies present within the Group are substantial whilst the unique distribution channel gives a wide outreach, but, cost effectively. The track record of the Company thus far achieved is firm with a sound strategy, operational and financial performance integrated effectively with sustainable fundamentals.

The strategic approach in the year ahead will continue to be competitive and drive growth, but, selectively, with greater focus on right pricing and quality. Underwriting and claims management will be reinforced and tactical investments will be sought after to overcome the low interest rates and thereby, the overall profitability. The Company will also remain committed to intertwine sustainable measures into operations, further engaging the stakeholders and enhancing the inclusivity.

On the regulatory front as discussed under the 'Insurance Industry' section of this report, the Company is not hassled by the compliance requirements. Preparations are underway to list on the Colombo Stock Exchange and to fully adopt the risk based capital model by the stipulated time frame. The Company has already met the minimum capital requirement with a capital of Rs. 600 million. The segregation requirement is not applicable to the Company since the Company is a stand-alone non-life insurer.

Management Discussion and Analysis

Set out below is the salient strategy and key actions planned for 2015:

Strategic Priorities, Key Actions and Targets 2015	
Strategic Priorities/Actions	Targets
<p>Grow the top-line sustainably</p> <ul style="list-style-type: none"> • Develop direct (non-group) businesses through newly formed units for retail and corporate businesses • Reinforce bancassurance working relationship with Peoples Bank • Strengthen the window network at PLC and the regional offices • Carryout feasibility studies to ascertain the viability of setting up regional offices in strategic locations • Add value to customer service by introducing towing and breakdown facilities in collaboration with sister company, People's Leasing Fleet Management Limited • Seek options and process documentation to launch Takaful insurance services in compliance with Islamic Laws • Drive marketing and promotions through below-the-line cost effective tools • Develop on-line insurance products 	<ul style="list-style-type: none"> • Achieve a balanced premium growth between 10% to 12% • Launch Takaful insurance within the first three months • Double the direct business volume from current Rs. 110 million • Achieve more than 15% growth in fire class
<p>Underwriting and Financial Discipline</p> <ul style="list-style-type: none"> • Improve claims management and expenses through improvements in work processes • Strengthen within the Group claim assessor base in collaboration with People's Leasing Fleet Management Limited. 	<ul style="list-style-type: none"> • Improve net claims ratio by three percentage points to 69%
<p>Employee development and ensure wellbeing</p> <ul style="list-style-type: none"> • Extend focused training opportunities to enhance technical and soft skills including foreign exposure • Encourage the staff to avail the benefits of the Company's professional development programme to enhance their knowledge, skills and exposure to current practices in the industry and business 	<ul style="list-style-type: none"> • Training investment to increase by 100% • Appraise the performance of 85% of the total cadre
<p>Corporate Social Responsibility</p> <ul style="list-style-type: none"> • Be more focused in social responsibility initiatives, moving away from ad-hoc programmes • Carryout an accident prevention campaign including awareness building hoardings and leaflets 	<ul style="list-style-type: none"> • Double the CSR investment • Recycle more than 2,000 kilograms of paper
<p>Governance, Risk Management and Compliance</p> <ul style="list-style-type: none"> • Improve the balance of the Board • Formalise nominations and remuneration at the Board level • List on the Colombo Stock Exchange prior to the mandated date • Gear operations to fully transit to the risk based capital model as per the given timeframe. 	<ul style="list-style-type: none"> • Appoint independent Directors • Form nominations and remuneration Board committees • List on the Colombo Stock Exchange by February 2016 • Be fully prepared to transit to the risk based capital model by the end of 2015

CELEBRATING



YEARS OF
RESPECT

ENTERPRISE RISK MANAGEMENT

Overview

We at People's Insurance believe that risk management is a proactive process rather than a reactive process. A successful enterprise risk management (ERM) initiative can mitigate the likelihood and consequences of risks materialising, as well as deliver benefits related to better informed strategic decisions, successful delivery of change and increased operational efficiency. We encourage an integrated risk management culture within our organisation by keeping everybody aware and accountable of the risks that they may bring into the Company with their actions.

Risk Governance

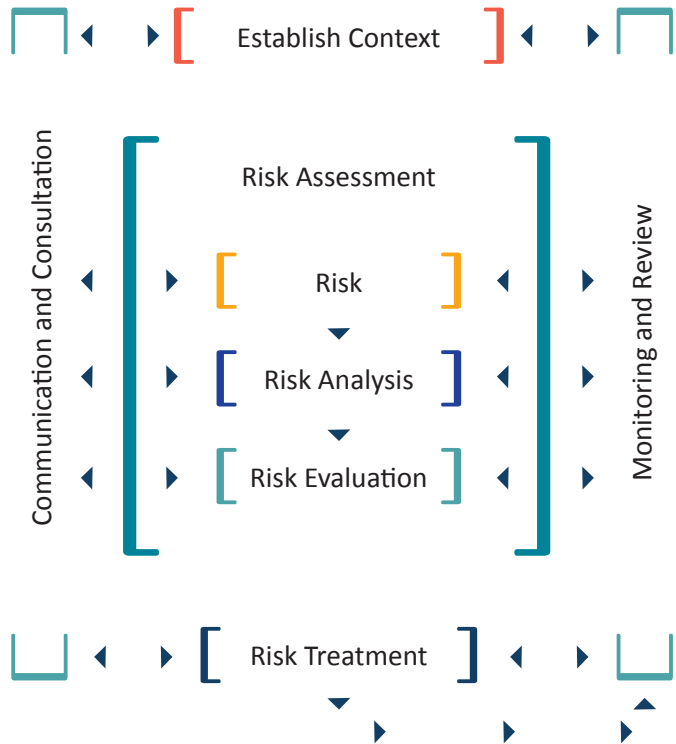
The ultimate responsibility for setting the risk appetite, communicating risk strategy and approving policies for effective management of risks rests with the Board. In line with the delegations granted by the Board, the Board Audit Committee reviews specific risks and receive regular reports on risk management, which include the Company's policies, standards, soundness of internal controls, infrastructure and regulatory compliance.

The Company has an internal audit function which focuses on providing an independent oversight to the Board of Directors and Board Audit Committee on the processes and controls to mitigate major risks.

The Enterprise Risk Management Committee consisting of the Management is in place. The functions of the committee include assessing, measuring and managing the risk exposure of the Company. In addition, the Company's risks are assessed and monitored at the group level by the Integrated Risk Management Committee of its immediate parent company, People's Leasing & Finance PLC. Meetings of Integrated Risk Management Committee are held on a quarterly basis and actions are taken as appropriate.

Risk Management Process

The risk management process followed by the Company is diagrammatically presented below:



Risk Assessment

Our risk management framework encompasses strategic risks that we share with the rest of our industry, assumed risks and the operational risks that are inherent within the insurance business.

Process of risk identification

1. Continuous monitoring of internal and external environments
2. Identify and categorise risks in terms of their source, their impact to the Company and the preferred strategies for dealing with them.
3. Rate the risks based on the likelihood of occurrence and possible consequences or impacts.
4. Prioritise the risks

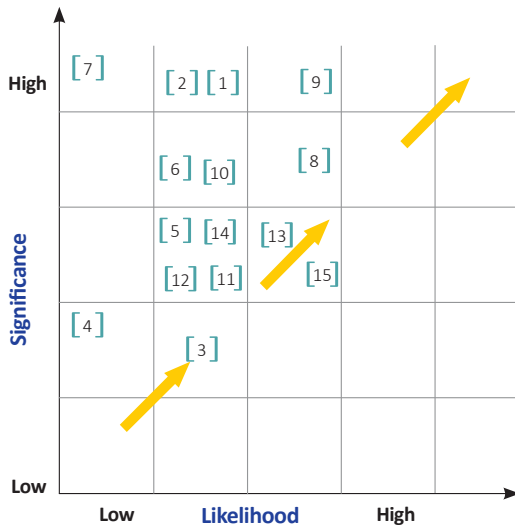
The risk analysis of the Company's identified risks is used to give ratings to them by considering the likelihood and consequences of each risk, it is possible to prioritise or rank the key risks for further analysis.

The general risk exposure of People's Insurance as an insurance company is diagrammatically presented below.



Enterprise Risk Management

The Company's risk analysis and evaluation on their significance and likelihood are diagrammatically presented below:



- | | |
|-----------------------|---------------------------------------|
| 1. Business risk | 9. Regulatory risk |
| 2. Exposure risk | 10. Socio economic and political risk |
| 3. Fraud risk | 11. Credit risk |
| 4. Reinsurance risk | 12. Reserving risk |
| 5. Liquidity risk | 13. Market risk |
| 6. Reputational risk | 14. Claims settlement risk |
| 7. IT risk | 15. Human resource risk |
| 8. Concentration risk | |

Risk Treatment

Risk treatment is the activity of selecting and implementing appropriate control measures to modify the risk. Risk treatment includes as its major elements, risk control (or mitigation), but extends further to, for example, risk avoidance, risk transfer and risk sharing, etc. Our system of risk treatment provides efficient and effective internal controls. Effectiveness of internal control is the degree to which the risk will either be eliminated or reduced by the proposed control measures. We believe that compliance with laws and regulations is not an option to an insurer, but key to the sustenance of the organisation in the long-run. We are aware of the applicable laws and regulations and have implemented a system of controls that achieves compliance.

We take an integrated approach, because it is impossible to manage any of these risks in isolation and it needs to fit the size, nature and complexity of our business. Therefore, risk management which plays a crucial role for the Company, is considered an integral component of the Company's enterprise governance system.

The Company follows various types of strategies to manage its risks.

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



Monitoring, Reviewing, Communication and Consultation

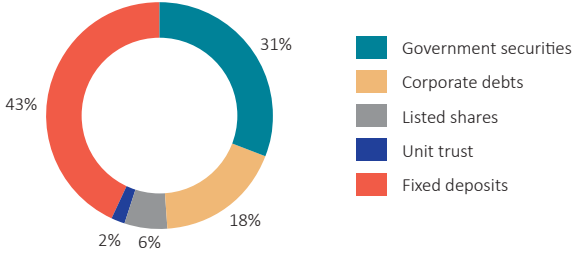
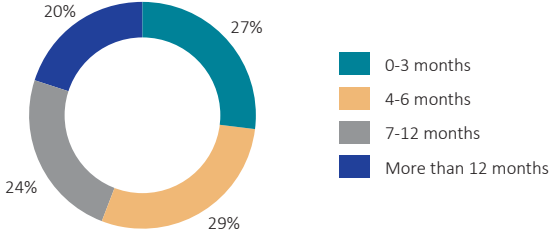
Monitoring and reviewing ensure that the organisation monitors its risk performance and learns from experience. Communication and consultation is another important mechanism of feedback of risk management, as well as part of the supporting framework. The Company monitors the risks quarterly by way of a risk dash board presented to the Integrated Risk Management Committee and it is communicated to the Board if there is a major influence on the Company.

A summary of the controls that People's Insurance has implemented to manage risks that are generally faced by insurance companies is given in the following table.

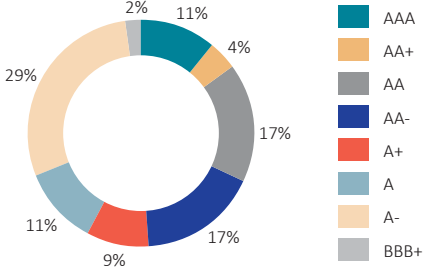
Risk	Controls
Strategic Risks	
<p>Business Risk Business risk is the risk of a loss arising from a poor strategic business decisions. Business risk may arise if the Company's strategy is not compatible with the market and customer expectations, or with socio economic/political parameters.</p>	<ul style="list-style-type: none"> • The Company's strategic corporate plan is approved by the Board on an annual basis. • Strategic plans are reviewed by the Board on an on-going basis.
<p>Regulatory Risk Regulatory risk arises when the Company may not be able to comply with regulatory requirements which are subject to change from time to time.</p>	<ul style="list-style-type: none"> • The Management reviews changes in regulations and assesses the business impact of such proposals. • A comprehensive regulatory compliance checklist has been developed, which is signed off by responsible officials on a monthly basis. • A separate Board paper is presented to the Board on compliance on a monthly basis. • Company officials closely work with regulators, other insurance companies, etc. to ensure that regulatory requirements are fully understood and complied with.
Underwriting Risks	
<p>Exposure Risk This is the risk of an underwriter accepting a risk at a price which is not sufficient to meet the cost of claims.</p>	<ul style="list-style-type: none"> • Profitability, pricing and terms and conditions of the policies are reviewed by the Management on an on-going basis. • Underwriting staff has been instructed to scrutinise all relevant information and documents before granting covers. • Underwriter training is extended to train staff in their underwriting duties. • Underwriters work within a formally documented limit of authority including segregation of duties. • In case of need for reinsurance support, cover is not confirmed until the reinsurance cover is confirmed by the reinsurer.
<p>Claims Settlement Risk This refers to the risk of possible disputes which may arise at the time of settling claims.</p>	<ul style="list-style-type: none"> • Customers are advised on adequacy of sum insured and covers, deductibles, special terms and conditions, etc. • Claims manual is available and updated on a periodic basis. • Claims handling staff cross check policy conditions, covers, sum insured and other underwriting details with available information on the claim. • Segregation of duties is in place with regard to claims payment function. • Claim payments are recommended and approved based on predefined authority limits. • Information is cross checked from various sources.

Enterprise Risk Management

Risk	Controls										
<p>Reserving Risk This risk refers to unexpected or unbudgeted increases in claims, emanating from business written prior to the current underwriting year.</p>	<ul style="list-style-type: none"> • Claims handling staff create necessary reserves as soon as information is received. • Reserves are updated as and when further information is received. • Reserves are reviewed periodically. • The Company has appointed an independent, professional actuary for valuation of incurred but not reported (IBNR) and incurred but not enough reported (IBNER) claims provision and valuations are obtained from the actuary on a quarterly basis. 										
<p>Reinsurance Risk Reinsurance risk refers to the risk of inadequate transfer of underwriting risks to reinsurers and the inability to meet their commitments due to insufficient financial stability.</p>	<ul style="list-style-type: none"> • 100% of the Company's reinsurance receivables was due from reinsurers with a rating of 'A' and from the National Insurance Trust Fund (NITF). • The reinsurance panel is approved by the Board on an annual basis. • Reinsurer ratings are reviewed on a periodic basis and appropriate measures are taken accordingly. <p>Reinsurance receivable by rating is illustrated below.</p> <table border="1"> <caption>REINSURANCE RECEIVABLE BY RATING</caption> <thead> <tr> <th>Rating</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td>29%</td> </tr> <tr> <td>A+</td> <td>2%</td> </tr> <tr> <td>A</td> <td>4%</td> </tr> <tr> <td>A-</td> <td>65%</td> </tr> </tbody> </table>	Rating	Percentage	AAA	29%	A+	2%	A	4%	A-	65%
Rating	Percentage										
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A-	65%										
<p>Credit risk This is the risk that arises when the customers or intermediaries do not settle their dues to the Company.</p>	<ul style="list-style-type: none"> • Customers are informed on a regular basis regarding the premium warranty clause. • Credit is granted as per the Board approved credit policy. • Outstanding premiums are followed up on an on-going basis. Policies which are not settled within a reasonable time period are cancelled on a regular basis. • Outstanding premiums are checked before settling claims. • A provisioning policy has been implemented for long outstanding policies. 										

Risk	Controls												
Investment Risks													
<p>Concentration Risk This refers to the risk arising from the lack of diversification, investing too heavily in one industry, one geographic area, or one type of security.</p>	<ul style="list-style-type: none"> • The Board reviews the Company's investment portfolio on a monthly basis. • A stringent process is in place to comply with the single investment exposure limits prescribed by the Insurance Board of Sri Lanka. • A significant amount of total investments are made in government securities which are risk free. • A careful analysis is done before investing in equity investments. <p>The composition of the Company's investments as at 31st December 2014 is given below.</p>  <table border="1"> <caption>INVESTMENT COMPOSITION</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Government securities</td> <td>31%</td> </tr> <tr> <td>Corporate debts</td> <td>18%</td> </tr> <tr> <td>Listed shares</td> <td>6%</td> </tr> <tr> <td>Unit trust</td> <td>2%</td> </tr> <tr> <td>Fixed deposits</td> <td>43%</td> </tr> </tbody> </table>	Category	Percentage	Government securities	31%	Corporate debts	18%	Listed shares	6%	Unit trust	2%	Fixed deposits	43%
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<p>Liquidity Risk Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent or minimise a loss.</p>	<ul style="list-style-type: none"> • Investment durations are diversified depending on the cash flow needs of the Company. • Cash flow analysis is done prior to investments being made. • Maturity periods of the investments are regularly reviewed. <p>Maturity analysis of government securities, corporate debts and fixed deposits as at 31st December 2014 are given below.</p>  <table border="1"> <caption>MATURITY ANALYSIS OF GOVERNMENT SECURITIES, CORPORATE DEBTS AND FIXED DEPOSITS</caption> <thead> <tr> <th>Maturity Period</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>0-3 months</td> <td>27%</td> </tr> <tr> <td>4-6 months</td> <td>29%</td> </tr> <tr> <td>7-12 months</td> <td>24%</td> </tr> <tr> <td>More than 12 months</td> <td>20%</td> </tr> </tbody> </table>	Maturity Period	Percentage	0-3 months	27%	4-6 months	29%	7-12 months	24%	More than 12 months	20%		
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Enterprise Risk Management

Risk	Controls																		
<p>Credit Risk Credit risk refers to the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms.</p>	<ul style="list-style-type: none"> • Credit rating of the respective investee or issue is evaluated prior to investing. • A stringent process is in place to comply with the single investment exposure limits prescribed by the Insurance Board of Sri Lanka. <p>Analysis of investments with credit ratings of the investees as at 31st December 2014 is given below.</p>  <table border="1"> <caption>CORPORATE DEBTS AND FIXED DEPOSITS INVESTMENTS BY RATING</caption> <thead> <tr> <th>Rating</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td>11%</td> </tr> <tr> <td>AA+</td> <td>4%</td> </tr> <tr> <td>AA</td> <td>17%</td> </tr> <tr> <td>AA-</td> <td>17%</td> </tr> <tr> <td>A+</td> <td>9%</td> </tr> <tr> <td>A</td> <td>11%</td> </tr> <tr> <td>A-</td> <td>29%</td> </tr> <tr> <td>BBB+</td> <td>2%</td> </tr> </tbody> </table>	Rating	Percentage	AAA	11%	AA+	4%	AA	17%	AA-	17%	A+	9%	A	11%	A-	29%	BBB+	2%
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<p>Market Risk This refers to the risk of losing value of investments due to adverse movement in asset prices.</p>	<ul style="list-style-type: none"> • Investment decisions are based on fundamentals rather than on speculation. • The equity investment portfolio is monitored by the Managing Director on a regular basis. • The investment portfolio is reviewed by the Board on a monthly basis. 																		
<p>Operational Risks</p>																			
<p>Socio-Economic and Political Risk This refers to the negative impact on the Company due to changes in the socio economic and political environment and the investment climate.</p>	<ul style="list-style-type: none"> • The socio-economic and political variables are evaluated during the corporate planning sessions held on an annual basis. • Review pricing in light of inflation and current trends. • Constantly improve underwriting and claims management processes to monitor issues arising from fraudulent claims, under insurance, etc. 																		
<p>Information and Communication Technology (ICT) Risk This refers to the risk of failures or breakdowns of systems resulting in interruption to operations and loss or exploitation of data.</p>	<ul style="list-style-type: none"> • Maintain a 'back up' system where separate backups are maintained at an off-site location in order to prevent data losses. • A password/access control policy is in place. • Necessary validation and verification functions are in place at the information entry level. • Logical controls such as Unified Threat Management (UTM) and Sophos Endpoint Security and Control are in place. 																		

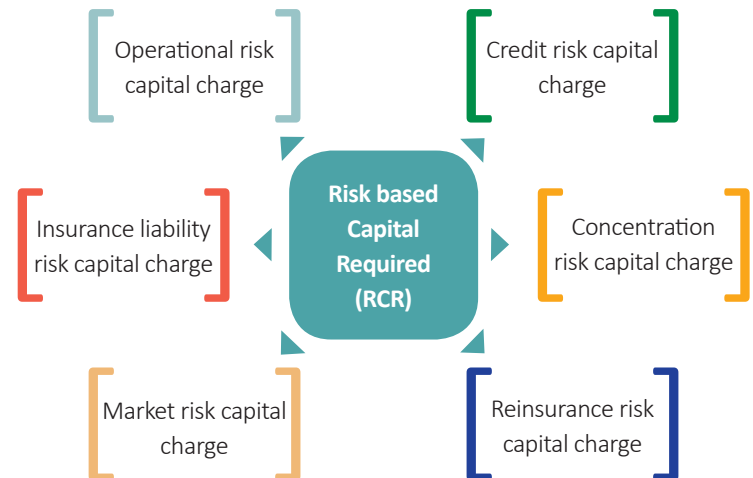
Risk	Controls
<p>Human Resource Risk This risk relates to high staff turnover especially of competent staff or shortage of qualified personnel.</p>	<ul style="list-style-type: none"> • Conduct periodic performance appraisals of staff and reward accordingly. • Bonus payments are made based on performance and years of experience/service. • Provide financial assistance to staff for their higher studies. • Employees have been given the opportunity to meet their senior managers at any time to discuss work related matters. • Employees are provided with in-house or external training in view of improving their skills.
<p>Reputational Risk This risk arises when an event or incident could damage the image of the Company.</p>	<ul style="list-style-type: none"> • Internal controls are in place, which are regularly reviewed by the internal and external auditors. Any shortcomings are reported and followed up by the Board Audit Committee. • Company officials closely work with regulators, other insurance companies, etc. to ensure that regulatory requirements are fully understood and complied with. • A process is in place to ensure the compliance with relevant laws and regulations.
<p>Fraud Risk This refers to the risk of not having a sound internal control system to avoid misappropriation of assets or fraudulent financial reports</p>	<ul style="list-style-type: none"> • Internal audits are regularly carried out in the areas which are susceptible to fraud. • Authority limits, segregation of duties and access controls have been implemented for all critical functions of the Company. • A whistle blowing procedure is in place where any employee who suspects wrongdoing at work can report his or her concerns directly to the Board Audit Committee. • Remedial actions are immediately taken once a fraud is detected. • Zero tolerance policy is in place with regard to frauds and misappropriation.

Risk Based Capital

The Insurance Board of Sri Lanka (IBSL), with the assistance of the World Bank and the FIRST initiative, is in the process of developing a risk sensitive minimum capital regime for the insurance sector in Sri Lanka. Accordingly, the IBSL plans to fully implement a risk based capital model from January 2016, including a 'Road Test' and a two years' parallel run from 2014 to 2015.

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

The risk based capital required, is the aggregate of capital charges determined for various risk categories with appropriate allowances for diversification.



Enterprise Risk Management

Under this regime, the required capital adequacy ratio (RCR) is set at 120% below which supervisory actions of increasing intensity will be taken to resolve the financial position of an insurer. The minimum capital requirement (MCR) represents the absolute minimum regulatory capital that is required to be maintained by insurers at all times and is prescribed at Rs. 500 million. The MCR requirement is in addition to, and separate from, any requirements related to minimum paid up share capital.

The Company successfully participated in the 'Road Test' conducted by the IBSL during the period from September 2012 to June 2013 by submitting the data on a quarterly basis which also included actuarial valuation of claims and premium liabilities on a quarterly basis. The Company also used an advanced template to calculate the RCR based on the draft risk based capital framework, as a proactive measure during this time period. The Company together with the insurance industry is currently in the process of participating in the parallel run that commenced in 2014, which will continue till the end of 2015. The Company considers the potential impact on risk based capital in all current activities engaged in, in order to assess the adequacy of the capital of the Company.

CORPORATE GOVERNANCE

Corporate governance is about effective, transparent and accountable governance of affairs of a company. Purpose of corporate governance is to facilitate effective entrepreneurial and prudent management that can deliver long-term success of the Company. In this light, the Board firmly believes that corporate governance is fundamental to the Company's competitiveness, growth and sustainability. Hence, the Board strives to discharge their duties with high ethical values and accountability in their commitment to good governance practices.

At People's Insurance, we are of the belief that high quality governance has a strong link not only with the creation of value for shareholders, but also long-term value for our stakeholders. In view of this, our corporate governance framework has been designed to protect the interests of all our stakeholders including shareholders, customers, employees, community and regulators.

The following actions were taken by the Company during the year in view of strengthening its governance framework.

- Performed a review on compliance with applicable regulatory requirements including the Regulation of Insurance Industry (RII) Act and regulations of the Insurance Board of Sri Lanka along with circulars, determinations and directions.
- Re-constituted the Board Audit Committee for ensuring a better balance in the Board Audit Committee.
- Implemented and launched an electronic Board paper application, namely the 'Board PAC' solution which facilitates the Board of Directors to access Board and committee papers and supplementary information directly via their iPad devices, enabling Directors' efficient and secure access to the Board papers for quick and collaborative decision making.
- Formed a Board Risk Sub Committee in view of overseeing risk management processes and functions of the Company.
- Performed a follow up review and implemented recommendations of the independent evaluation and testing of the design and operating effectiveness of internal accounting and operational controls over motor and reinsurance areas performed by the external professional firm in 2013.
- Performed a follow up review and implemented recommendations of the independent and comprehensive review of security and controls over core information technology (IT) application system and other systems linked to the core system completed by the external professional firm in 2013.
- Continued to reinforce our commitment to adopt corporate governance best practices by striving to adopt best practices as per the revised Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC) in 2013.
- Continued to assess the potential impact from the risk based capital (RBC) regime which is to be effective from 2016 onwards with the support of the consultant actuary.
- Updated operational risk management report containing operational risks and remedial actions which was reviewed by the Board Audit Committee.
- The Board Audit Committee met external auditors to discuss the external audit plan and the scope before the commencement of the audit. This practice is to be continued on an annual basis.
- Developed a formal internal audit plan for 2014 and the same was approved by the Board Audit Committee.

Corporate Governance

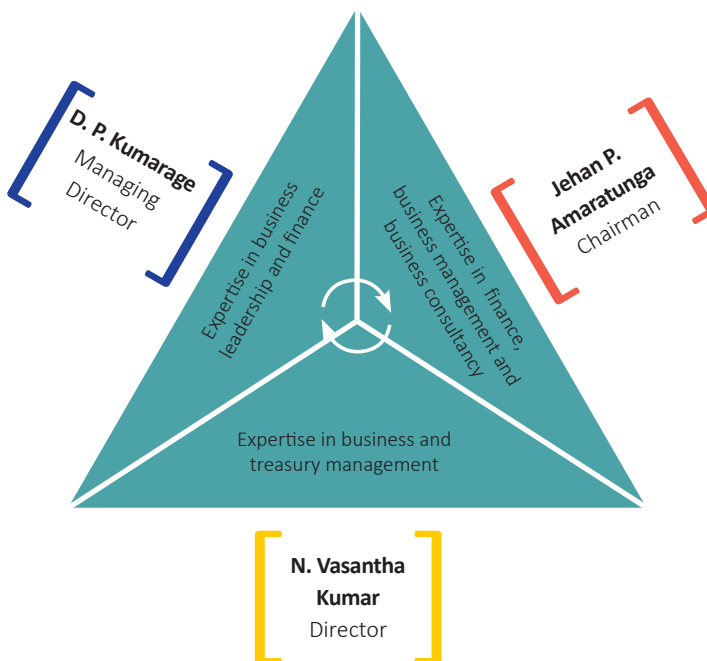
GOVERNANCE STRUCTURE

The governance structure of People's Insurance is diagrammatically presented below.



BOARDROOM TABLE

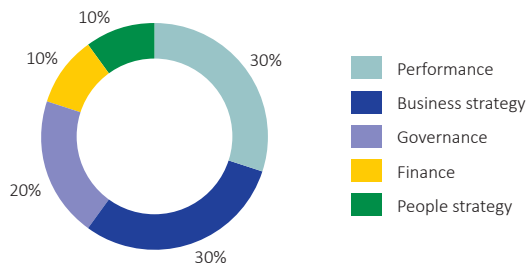
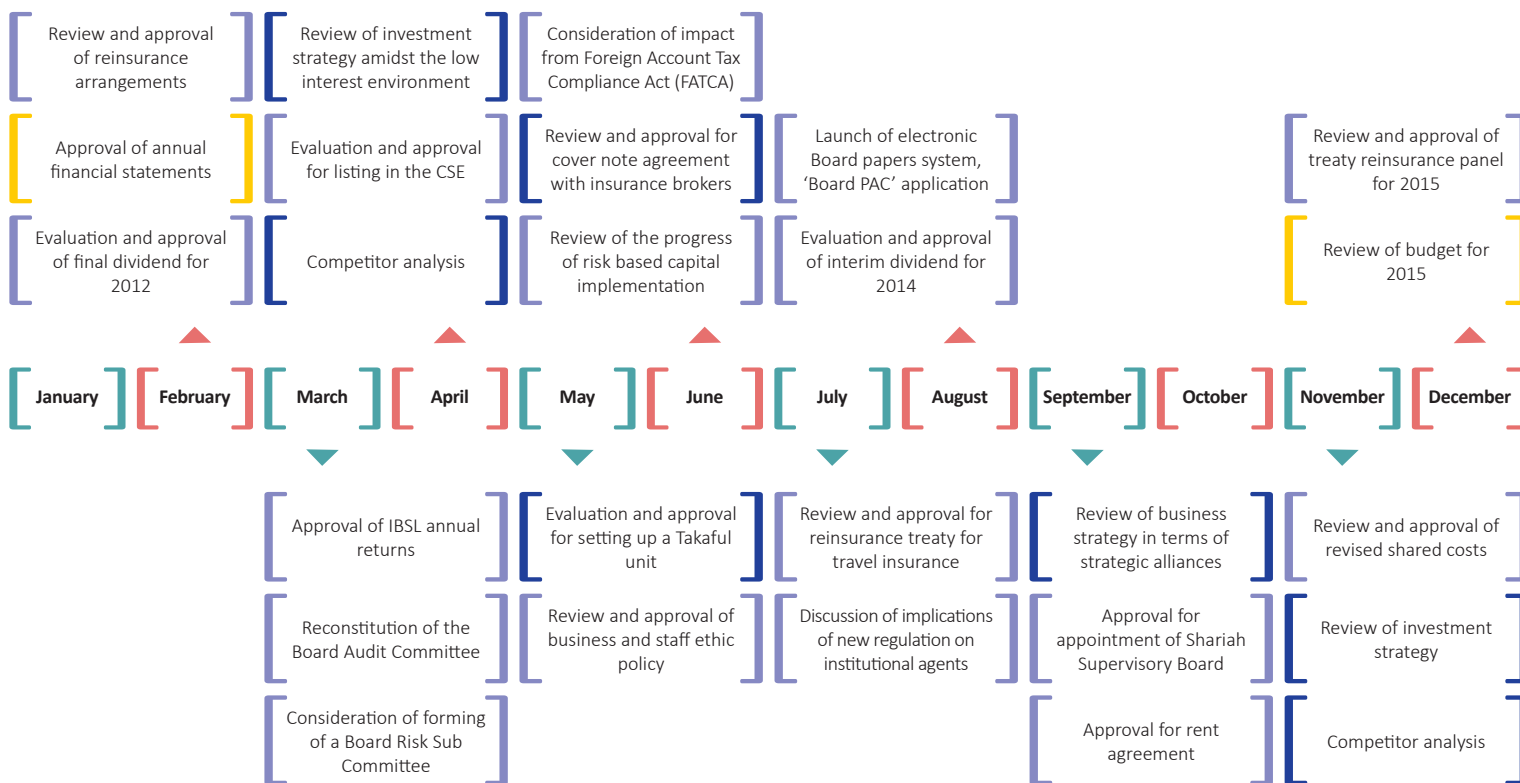
The Board comprises experienced professionals who possess a wide variety of skills. The following diagram depicts the skills each Director brought into the Board, how the skills complemented each other and how the balance was maintained in the Board room.



- [Chairman]
- [Non-executive Director]
- [Executive Director]

BOARD'S TIME UTILISATION

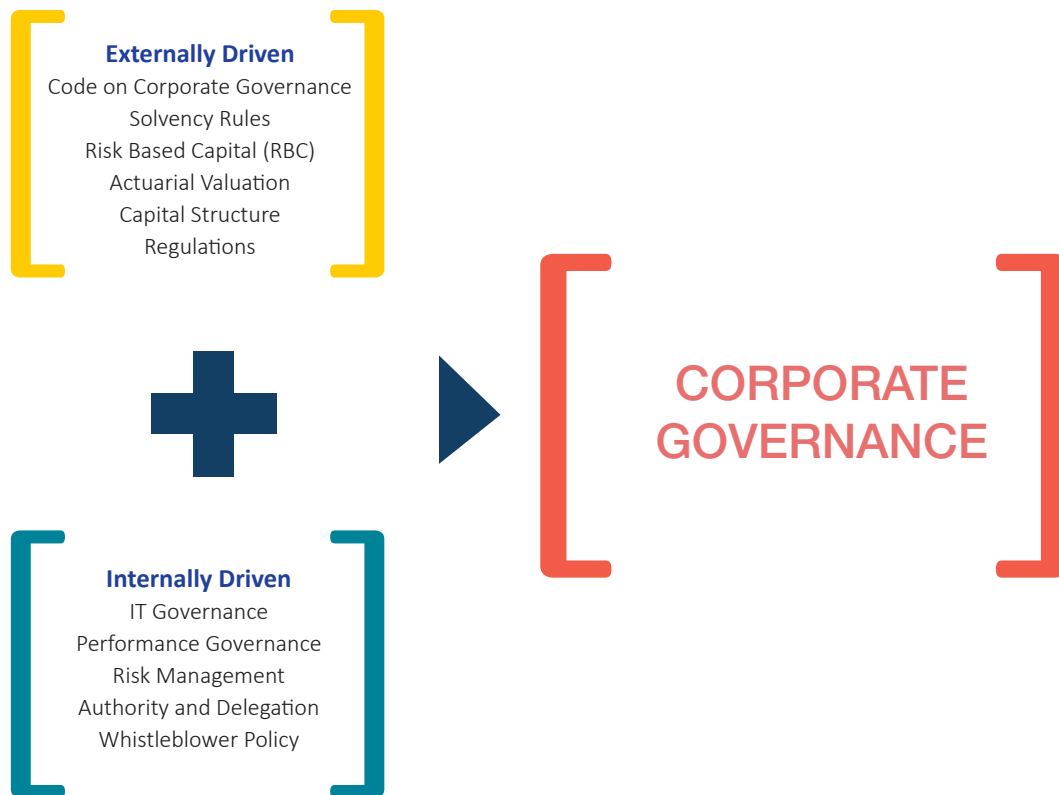
Board meetings are held on a monthly basis. The Board spends a substantial time in evaluation of the Company's strategies and provides guidance to the Management on a regular manner. In addition, the Board evaluates the Company's performance at each meeting. The Board also reviews the compliance with applicable regulations on a monthly basis, particularly considering the fact that the Company is under high regulation as an insurer. The Board also discusses a wide variety of subjects depending on the circumstances. The main subjects discussed during the year are diagrammatically presented below.



Corporate Governance

CORPORATE GOVERNANCE FRAMEWORK

Our corporate governance framework is strengthened by both externally and internally driven factors which ultimately protects the interests of all our stakeholders. The following diagram depicts the manner in which the internally driven and externally driven factors strengthen our corporate governance framework.



Externally Driven Factors

Code of Best Practice on Corporate Governance

At People's Insurance, we are committed to adhere to the highest level of governance practices. The Company strives to follow best practices recommended in the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and Securities and Exchange Commission of Sri Lanka (SEC) which was revised in 2013. The extent to which the Company has complied with the revised Code of Best Practice on Corporate Governance is summarised below.

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
The Board should direct, lead and control the Company	A.1	<p>The Board of Directors comprises three Directors, of whom two Directors function as Non-Executive Directors.</p> <p>The Company is managed by a team of professionals with expertise in respective areas headed by the Managing Director (MD) who functions as an Executive Director and is in charge of the overall management of the Company.</p> <p>The Board plays an active role in setting the direction for the Company and the process of implementation of strategies. The Board has given authority and responsibility to the Management to implement strategies. Annual budgets and corporate plans are the key tools in this process. The Company performance is reviewed periodically with the performance indicators, budgets, and necessary action is taken by the Board when deemed necessary.</p>
Frequency of Board meetings and Directors' attendance at Board meetings	A.1.1	Board meetings are held on a monthly basis. Additional Board meetings are held based on the requirement to discuss specific matters. The attendance of each Director at these meetings is presented on page 116.
Formulation and implementation of a sound strategy	A.1.2	Based on the vision and mission of the Company, the Board sets short to medium and long term strategies. The corporate plan and budget are developed by the Management and approved by the Board on an annual basis. The Board has delegated authority and responsibility to the Management to develop and implement corporate plans, strategies and annual budgets and carry out daily operations of the Company.
Competency of the MD and the Management to implement the Company strategy	A.1.2	The MD and the management team possess essential knowledge and skills with widespread experience in the industry. The profiles of the Managing Director and the Management are presented on pages 20 to 27.
Effective succession planning for the MD and senior management	A.1.2	The structure of the Company facilitates subordinates to replace senior management positions where necessary. The Company also invests in human resources development which enable employees to develop their careers.

Corporate Governance

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Effective systems to secure integrity of information, internal controls and risk management	A.1.2	The Company has implemented effective systems to secure integrity of information, internal controls and risk management. Effectiveness of such systems is monitored by the Management, internal and external auditors and independent expert consultants when necessary and appropriate improvements are implemented accordingly. Moreover, the Board has delegated its authority relating to internal control and risk management to the Board Audit Committee.
Compliance with laws, regulations and ethical standards	A.1.2	The Company is in compliance with all applicable laws and regulations. The Company also adheres to the highest level of ethical standards.
Consideration of stakeholder interests in corporate decision making	A.1.2	The Company's key stakeholder groups include shareholders, customers, employees, regulators, community and the environment. Strategic decisions are evaluated by paying due attention towards stakeholder group interests. The Board always makes an effort to minimise negative impacts on the stakeholders in the corporate decision making process.
Sustainable business development in corporate strategy, decisions and activities.	A.1.2	The Company takes into account the impact to its stakeholders including community and the environment when business strategies are formulated, decisions are made and business activities are carried out. Details are presented in the Management Discussion and Analysis on pages 28 to 88.
Adoption of appropriate accounting policies and fostering compliance with financial regulations	A.1.2	<p>Accounting policies of the Company are prepared based on the Sri Lanka Accounting Standards and industry best practices. Accounting policies are reviewed and updated annually in light of evolving international and local accounting standards, changing business requirements and industry best practice.</p> <p>Accordingly, the Company adopted the revised Sri Lanka Accounting Standards (SLFRS/LKAS) which were effective from 1st January 2012 in preparation and presentation of financial statements with effect from the financial year commenced from 1st January 2012. The Company also adopted subsequently introduced accounting standards and changes thereto which were effective after 1st January 2012.</p> <p>Financial statements of the Company are also prepared in compliance with the Companies Act No. 07 of 2007 and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.</p>
Fulfilling the other Board functions relevant to the organisation	A.1.2	The Board makes every endeavour to fulfill their stewardship obligations on behalf of the stakeholders.

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Act in accordance with the laws and regulations relevant to the organisation and procedures to obtain independent advice	A.1.3	The Board ensures that its members collectively and individually act to comply with the laws and regulations applicable to the Company. The Directors are entitled to seek professional advice as and when necessary and the same is coordinated by the Company Secretary and any expenses in that regard is borne by the Company.
Access to the Company Secretary and functions of the Company Secretary	A.1.4	All Directors have access to the advice and services of the Company Secretary. The Company Secretary ensures that Board procedures are followed and that the provisions of the Companies Act No. 07 of 2007 and other applicable rules and regulations are complied with. Further, the Company Secretary possesses the required qualifications as stipulated in the Companies Act No. 07 of 2007. The Company Secretary is responsible for preparing the agenda for Board meetings, maintaining minutes of the Board meetings and ensuring that the proceedings at the Board meetings are recorded in sufficient detail.
Independent judgment to bear on issues of strategy, performance, resources and standards of business conduct	A.1.6	<p>To ensure that the duties and responsibilities owed to the Company are satisfactorily discharged, the Directors attend monthly Board meetings and discuss the prevailing matters. Board papers are circulated amongst its members one week prior to each Board meeting date in order to enable the Directors to analyse and call for additional information and clarifications, if required. During the year under review, an electronic Board paper system namely the 'Board PAC' was launched, facilitating the Directors with on-line access to the Board papers. Besides, the Board members hold meetings and discussions with the Management when required. Further, the Board follows up on issues arising from Board meetings. These indicate that the commitment of the Board underscoring the sufficient time allocated to carry out their duties.</p> <p>The number of meetings attended by each Director is presented on page 116.</p> <p>The details of the time spent by the Board during the year with specific main subjects discussed in each month are provided on page 101.</p>
Training for Directors	A.1.7	The Chairman is responsible to ensure that the Directors possess sound knowledge to carry out their duties in an effective manner. The learning environment of the Company facilitates the Directors to enhance their knowledge on the insurance industry, general economic conditions, market developments and trends, etc.
Division of responsibilities between Chairman and MD	A.2, A.2.1	The positions of the MD and the Chairman are separated clearly to segregate the balance of power and responsibility. The Chairman serves as a Non-Executive Director while the MD serves as an Executive Director. There is a division of responsibility at the head of the Company.

Corporate Governance

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Chairman's role	A.3	The Chairman provides leadership and facilitates effective discharge of Board functions. He is responsible for leading the Board and ensuring effective participation of the Directors in the affairs of the Company.
Key responsibilities of Chairman	A.3.1	The Chairman encourages effective participation of the Directors towards the strategic decision making process in order to make collective decisions. Different views of the Directors are evaluated to take strategically viable decisions and to ensure that stakeholders' interests are not adversely affected.
Availability of sufficient financial acumen and knowledge	A.4	The Chairman of the Company is a Chartered Accountant. In addition, the members of the Board have extensive experience in various aspects of financial management. The profiles of the Board of Directors are set out on pages 20 to 21. The expertise of each Director is summarised on page 100.
Board composition	A.5	The Board comprises two Non-Executive Directors and one Executive Director who also function as the MD.
Balance of Executive and Non-Executive Directors	A.5.1	As mentioned above, the Board comprises two Non-Executive Directors and their views carries a significant weight in the decisions of the Board.
Independent Directors	A.5.2, A.5.3 5.4, A.5.5	Presently the Board does not have any Independent Directors.
Appointment of an alternate Director	A.5.6	The Directors have not appointed any alternate Directors.
Requirement to appointment Senior Independent Director (SID)	A.5.7, A.5.8	The requirement to appoint a Senior Independent Director does not arise as the roles of the Chairman and MD are separate.
Meetings to be held with Non-Executive Directors only	A.5.9	Even though the Managing Director (MD) is in charge of the overall management of the Company, the Chief Operating Officer functions as the apex executive in charge of the day-to-day management of the Company. Therefore, the necessity has not risen for the Non-Executive Directors to meet separately in addition to the monthly Board Meetings.
Recording of Directors' concerns in the Board minutes	A.5.10	The Directors' concerns pertaining to unresolved matters are discussed and duly recorded in the Board minutes and further discussions on these matters are pursued at the next Board meeting with a view of resolving them.
Management obligation for providing information in a timely manner	A.6.1	The Management provides accurate, timely, relevant and comprehensive financial and non-financial information to the Board to facilitate the decision making process. The Chairman ensures that all the Directors are adequately briefed on issues arising at Board meetings.

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Preparation of minutes, agenda and Board papers	A.6.2	Agenda and Board papers to be tabled at Board meetings are prepared and circulated one week prior to Board meetings together with the minutes of the previous meeting. In view of enhancing the effectiveness and efficiency of the process, the Company implemented and launched an electronic Board paper application which facilitates the Directors to access the Board papers on-line via their iPad devices, at any time.
Appointment of new Directors to the Board	A.7	Appointment of Directors takes place in terms of the Articles of Association of the Company.
Requirement of a Nomination Committee	A.7.1, A.7.2	The Company has not appointed a Nomination Committee. However, the Board annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands faced by the Company.
Disclosure of profiles of the newly appointed Directors	A.7.3	Profiles of all Directors are presented on pages 20 to 21.
Re-election of Directors at regular intervals	A.8	The Articles of Association do not provide for the re-election of Directors as the Directors of the Company are nominated by the shareholders themselves and the shareholders have the discretion to remove any such Director so appointed by them.
Appointments of Non-Executive Directors for specified terms, subject to re-election	A.8.1	The Non-Executive Directors have been appointed in terms of the Articles of Association of the Company.
All Directors including the Chairman to be subject to re-election by the shareholders at the first appointment and to re-election thereafter at intervals of no more than three years	A.8.2	There is no re-election of Directors as specified above.
Board appraisal	A.9, A.9.1, A.9.2, A.9.3	<p>The Board carries out an annual review, headed by the Chairman. All Directors actively participate in the review and proposals for improvements are implemented immediately. The Board has implemented a self-assessment exercise covering key functions under the following activities to assess the performance of the Board and carries out evaluations annually.</p> <ul style="list-style-type: none"> • Discharge of statutory/regulatory duties and Board responsibilities • Risk monitoring • Seeking and contributing views and opinions on strategic decision making • Leveraging the skills, expertise, contacts of individual Board members in the furtherance of business • Overall view of management of the business by the Board

Corporate Governance

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Information in relation to each Director	A.10, A.10.1	The profiles of all Board members are presented on pages 20 to 21. Details of related party transactions are presented on pages 180 to 184. Attendance of Directors at Board meetings is presented on page 116.
Assessing the performance of the MD	A.11	The Board sets financial and non-financial goals and objectives for the MD in line with the short, medium and long term goals of the Company and delegates appropriate authority to the Management to implement strategic objectives of the Company. The MD is entrusted with the Management of the Company's operations with decision making authority and he is fully accountable to the Board. The main corporate goals and objectives emanating from the Company's corporate plan and the budget are incorporated as personal goals of the MD, whose performance is assessed by the Chairman regularly and the assessment is ratified by the Board.
Financial and non-financial targets	A.11.1	At the commencement of every financial period, the Board in consultation with the MD, sets the targets and objectives that should be achieved by the MD during the year.
Performance of the MD	A.11.2	The performance of the MD is evaluated by the Board at the end of each financial year by comparing with the set targets and objectives, as stated above.
Directors' remuneration	B.1	No Director is involved in deciding his or her own remuneration.
Remuneration Committee and determining remuneration of the Directors	B.1.1, B.1.2, B.1.3, B.1.4, B.1.5	The remuneration of the Directors is determined in accordance with the People's Leasing & Finance (PLC) Group policy.
Level of remuneration and executive share options	B.2, B.2.1, B.2.2, B.2.3 B.2.4, B.2.5, 2.6, B.2.7, 2.8, B.2.9	The level of remuneration is decided upon the PLC Group policy. The Company does not have an executive share option scheme.
Disclosure of remuneration	B.3, B.3.1	Directors' fees and remuneration are disclosed on page 152.
Constructive use of AGM and conduct of General Meetings	C.1	People's Leasing & Finance PLC (PLC) is the sole shareholder of the Company and the AGM is held with the participation of representatives of PLC and the Board of Directors of the Company.
Consideration of proxy votes	C.1.1	In terms of the Articles of Association of the Company, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution.
Separate resolutions on each substantially separate issues	C.1.2	The Company proposes separate resolutions on each substantially separate issue and the adoption of the reports and accounts is proposed as separate resolutions.
Availability of Board subcommittee Chairmen to answer queries	C.1.3	The Chairman of the Board Audit Committee is available to answer questions at the AGM.

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Circulation of notice of AGM	C.1.4	The notice of meeting and related documents including other resolutions if any are circulated to the shareholders at least 15 working days prior to the AGM in compliance with the Companies Act.
Procedures governing voting at AGM	C.1.5	Instructions on appointing a proxy with regard to representation of shareholders at the Annual General Meeting (AGM) to ensure the voting right are sent to each shareholder. Further, at the AGM, the shareholders are advised on the manner in which voting will be conducted on resolutions proposed thereat.
Effective communication with shareholders	C.2	PLC is the sole shareholder of the Company and the Company disseminates timely information to its sole shareholder through the common Directors of the two companies and the Company Secretary.
Disclosure of major and material transactions	C.3	The Company had not entered into any major transactions which required the approval of the shareholders by way of a special resolution during the year under review.
Disclosure of major and material transactions which have a material impact on net assets	C.3.1	All transactions which have a material impact on the Company's net asset base are disclosed. However, no such transactions occurred in 2014.
Financial reporting	D.1	<p>The financial statements present a balanced and understandable assessment of the Company. The Company's position, performance and prospects have been discussed in detail in the following reports.</p> <ul style="list-style-type: none"> • Chairman's Message on pages 8 to 10. • Managing Director's Review on pages 11 to 13 • Chief Operating Officer's Review on pages 14 to 17. • Management Discussion and Analysis on pages 28 to 88.
Responsibility of the Board in respect of financial reporting	D.1.1	The responsibility of the Board in respect of financial reporting is stated in the Statement of Directors' Responsibility for Financial Reporting on pages 128 to 129.
Directors' Report	D.1.2	Directors' declaration on the Company's governance is discussed in the Annual Report of the Board of Directors on the Affairs of the Company on page 122.
Responsibilities of the Board and auditors for preparation of financial statements	D.1.3	<p>Directors' responsibility in preparation and presentation of financial statements are disclosed in the Statement on Directors' Responsibility for Financial Reporting on pages 128 to 129.</p> <p>Directors' Statement on Internal Control is set out on pages 130 to 131.</p> <p>Auditor's responsibility over the financial statements is set out in the Independent Auditor's Report on page 133.</p>

Corporate Governance

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance																
Inclusion of a 'Management Discussion and Analysis' report	D.1.4	<p>The requirements in detail are provided in the following reports.</p> <table border="1"> <thead> <tr> <th>Description</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td>Industry structure and developments</td> <td>Management Discussion and Analysis on pages 42 to 57.</td> </tr> <tr> <td>Opportunities and threats</td> <td>Management Discussion and Analysis on pages 31 to 33 .</td> </tr> <tr> <td>Risks and concerns</td> <td>Enterprises Risk Management on pages 90 to 98.</td> </tr> <tr> <td>Internal control systems and their adequacy</td> <td> <ul style="list-style-type: none"> Enterprise Risk Management on pages 92 to 97. Board Audit Committee Report on page 126. </td> </tr> <tr> <td>Financial performance</td> <td>Management Discussion and Analysis on pages 63 to 71.</td> </tr> <tr> <td>Material developments in human resource/industrial relations.</td> <td>Management Discussion and Analysis on pages 74 to 79.</td> </tr> <tr> <td>Prospects for the future</td> <td> <ul style="list-style-type: none"> Chairman's Message on page 10. Managing Director's Review on page 13. Chief Operating Officer's Review on pages 16 to 17 . Management Discussion and Analysis on pages 87 to 88. </td> </tr> </tbody> </table>	Description	Reference	Industry structure and developments	Management Discussion and Analysis on pages 42 to 57.	Opportunities and threats	Management Discussion and Analysis on pages 31 to 33 .	Risks and concerns	Enterprises Risk Management on pages 90 to 98.	Internal control systems and their adequacy	<ul style="list-style-type: none"> Enterprise Risk Management on pages 92 to 97. Board Audit Committee Report on page 126. 	Financial performance	Management Discussion and Analysis on pages 63 to 71.	Material developments in human resource/industrial relations.	Management Discussion and Analysis on pages 74 to 79.	Prospects for the future	<ul style="list-style-type: none"> Chairman's Message on page 10. Managing Director's Review on page 13. Chief Operating Officer's Review on pages 16 to 17 . Management Discussion and Analysis on pages 87 to 88.
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Declaration of going concern by the Directors	D.1.5	This information is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 125.																
Extraordinary General Meetings in the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds	D.1.6	The Company commits to hold Extraordinary General Meetings in the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds. However, this type of a situation has not arisen during the period under review.																
Adequate and accurate disclosure of related party transactions	D.1.7	<p>The Company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions, review, approval or ratification of transactions and disclosures in financial statements.</p> <p>Related party transactions are disclosed on pages 180 to 184.</p>																

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance
Implementation of sound system of internal control and a process of risk management.	D.2	The Board is ultimately responsible for the Company's internal controls and risk management. The Board has taken necessary steps to ensure the integrity of the Company's accounting and financial reporting systems and internal control systems. Although no system of internal controls can provide an absolute assurance against material misstatements or losses, the Board has constituted an effective and efficient system of internal controls which provides the Directors with reasonable assurance that assets are safeguarded, frauds and errors are either prevented or detected within a reasonable period of time, accounting records are accurate and completed and timely presentation of reliable financial information is carried out.
Review of effectiveness of internal control system and review of the risks.	D.2.1	In order to ensure an effective system of internal control and risk management within the Company, the Board Audit Committee with the assistance of the Management, internal auditors, external auditors and other parties review the existing system continuously and implement necessary improvements as required. The Board Audit Committee reviews the internal audit programs and updates them periodically.
Need to have an internal audit function	D.2.2	The Company has an internal audit function which is headed by an experienced and qualified professional. Reports on internal audits are submitted to the Board Audit Committee in a timely manner.
Availability of an Audit Committee with written terms of reference	D.3	The Board of Directors has delegated their responsibility on selection and application of accounting policies, financial reporting and internal control principles to the Board Audit Committee whose functions are carried out in accordance with documented terms of reference. The Board Audit Committee maintains an appropriate relationship with the Company's Auditors.
Composition of the Audit Committee	D.3.1	The Board Audit Committee comprised two Non-Executive Directors of the Company as at 31st December 2014.
Independence and objectivity of the auditors	D.3.2	The independence of the auditors is monitored by the Board Audit Committee in order to ensure that the Company receives a good service and the work of the external auditors is not impaired due to lack of independence. The Board Audit Committee also reviews the nature and extent of non-audit services which are provided by the external auditors in view of maintaining the balance of objectivity, independence and value for money.
Written terms of reference	D.3.3	The Board Audit Committee has written terms of reference which is line with the Code of Best Practice on Corporate Governance jointly issued by the CA Sri Lanka and SEC.
Name of Directors on the Audit Committee and basis of determination of independence of external auditors	D.3.4	The names of the Directors on the Board Audit Committee and its functions and meetings are disclosed in the Board Audit Committee Report on pages 126 to 127. The basis of determination of independence of the auditors is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 125.

Corporate Governance

Principle	Reference to the CA Sri Lanka and SEC Code	Level of Compliance																								
Disclosure of code of business conduct and ethics	D.4	The Company believes that ethics are an integral part of good corporate governance. Therefore, it practices established business ethics across all sections of the Company. There was no material violation of the code of business conduct and ethics during the year under review.																								
Corporate governance disclosure	D.5	This report sets out the manner in and extent to which the Company has complied with the Code of Best Practice on Corporate Governance jointly issued by the CA Sri Lanka and SEC.																								
Encourage institutional shareholders to translate their voting intentions into practice	E.1	PLC is the only institutional shareholder of the Company and the authorised representative of PLC participates at general meetings to cast their votes.																								
Regular and structured dialogue with shareholders	E.1.1	The Company conducts regular dialogues with its sole shareholder, PLC.																								
Evaluation of governance structure	E.2	The governance structure which is presented on page 100 is regularly reviewed at the Board level where the major shareholder is represented.																								
Independent advice with regard to investing and divesting decisions	F.1	This is not applicable as PLC is the sole shareholder and it is represented at all shareholder meetings and Board meetings of the Company.																								
Encourage individual shareholders to participate in general meetings	F.2	The Company's sole shareholder is PLC and the Company circulates the notice of the meeting giving adequate time to consider the matters to be taken up at all meetings.																								
Sustainability reporting	G.1	The requirements in detail are provided in the sustainability report as follows. <table border="1" data-bbox="675 1109 1607 1555"> <thead> <tr> <th>Description</th> <th>Reference to the CA Sri Lanka and SEC Code</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td>Economic sustainability</td> <td>G.1.1</td> <td>Page 28.</td> </tr> <tr> <td>Environment</td> <td>G.1.2</td> <td>Pages 85 to 86.</td> </tr> <tr> <td>Labour practice</td> <td>G.1.3</td> <td>Pages 74 to 79.</td> </tr> <tr> <td>Society</td> <td>G.1.4</td> <td>Pages 84 to 85.</td> </tr> <tr> <td>Product responsibility</td> <td>G.1.5</td> <td>Pages 80 to 83.</td> </tr> <tr> <td>Stakeholder identification, engagement and effective communication</td> <td>G.1.6</td> <td>Pages 28 to 30.</td> </tr> <tr> <td>Sustainable reporting and disclosure as part of the Company's reporting process</td> <td>G.1.7</td> <td>Pages 118 to 119.</td> </tr> </tbody> </table>	Description	Reference to the CA Sri Lanka and SEC Code	Reference	Economic sustainability	G.1.1	Page 28.	Environment	G.1.2	Pages 85 to 86.	Labour practice	G.1.3	Pages 74 to 79.	Society	G.1.4	Pages 84 to 85.	Product responsibility	G.1.5	Pages 80 to 83.	Stakeholder identification, engagement and effective communication	G.1.6	Pages 28 to 30.	Sustainable reporting and disclosure as part of the Company's reporting process	G.1.7	Pages 118 to 119.
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Solvency Position

The ability of an insurer to meet policyholders' obligations is measured by the solvency margin which is computed as per the solvency margin rules stipulated by the Insurance Board of Sri Lanka (IBSL). The solvency margin computation determines the amount of assets the Company has in excess of the required level needed to meet the total liabilities of policyholders. The Company maintained its solvency margin above the stipulated solvency margin throughout the year. As presented on page 117, total admissible assets and total liabilities including required solvency margin were Rs. 4,063 million and Rs. 3,684 million respectively, resulting in an excess of Rs. 379 million above the required solvency margin as at 31st December 2014.

Proposed Risk Based Capital Regime

A risk based capital regime is planned to be implemented in Sri Lanka by the IBSL, replacing the current solvency margin regime with effect from 1st January 2016. Risk based capital methodology measures the amount of available capital relative to the risks inherent in the liabilities and the assets supporting those liabilities and the adequacy of capital to absorb unforeseen losses. The risk based formula to be introduced to Sri Lanka includes credit risk, concentration risk, reinsurance risk, market risk, insurance liability risk and operational risk.

The Company successfully participated in the 'Road Test' conducted by the IBSL during the period from September 2012 to June 2013. The Company is now on the parallel run which is effective from 1st January 2014 to 31st December 2015 as per the directions of the IBSL. The Company was able to maintain the indicative capital adequacy ratio well above the minimum required capital adequacy ratio of 120% stipulated by the IBSL. The IBSL expects to implement the proposed risk based capital regime in full with effect from 1st January 2016 upon completion of the parallel run. The Company has set up necessary processes in place to report under both solvency rules and risk based capital rules during the parallel run and is confident of compliance.

Actuarial Valuation of Insurance Liabilities

The Company obtains an actuarial valuation of its claim and premium liabilities from an independent professional firm on a quarterly basis. Since claims reserves and measurement of sufficiency of premium liabilities to meet future obligations are based on judgment and estimates, an actuarial valuation provides a greater degree of comfort as to the accuracy of these liabilities.

The Company adopts undiscounted 75% confidence level basis since 2013, in determination of its claim and premium liabilities according to the actuarial valuation principles and is one of the very few insurance companies in Sri Lanka to follow this basis. Prior to 2013, the Company adopted central estimate actuarial valuation basis for both premium and claim liabilities. Undiscounted 75% confidence level basis includes a provision of risk margin for adverse deviation and usually requires a company to have more provisions for claim and premium liabilities in order to absorb unexpected losses that may occur, to a greater extent. Hence undiscounted 75% confidence level basis in actuarial valuation provides a greater degree of confidence on the adequacy of provisions in respect of premium and claim liabilities of an insurance company. In view of this, the Company is well confident that the provisions made for claim and premium liabilities are adequate to meet future obligations. The certification of the actuary regarding the claims and premium liabilities is presented on page 132.

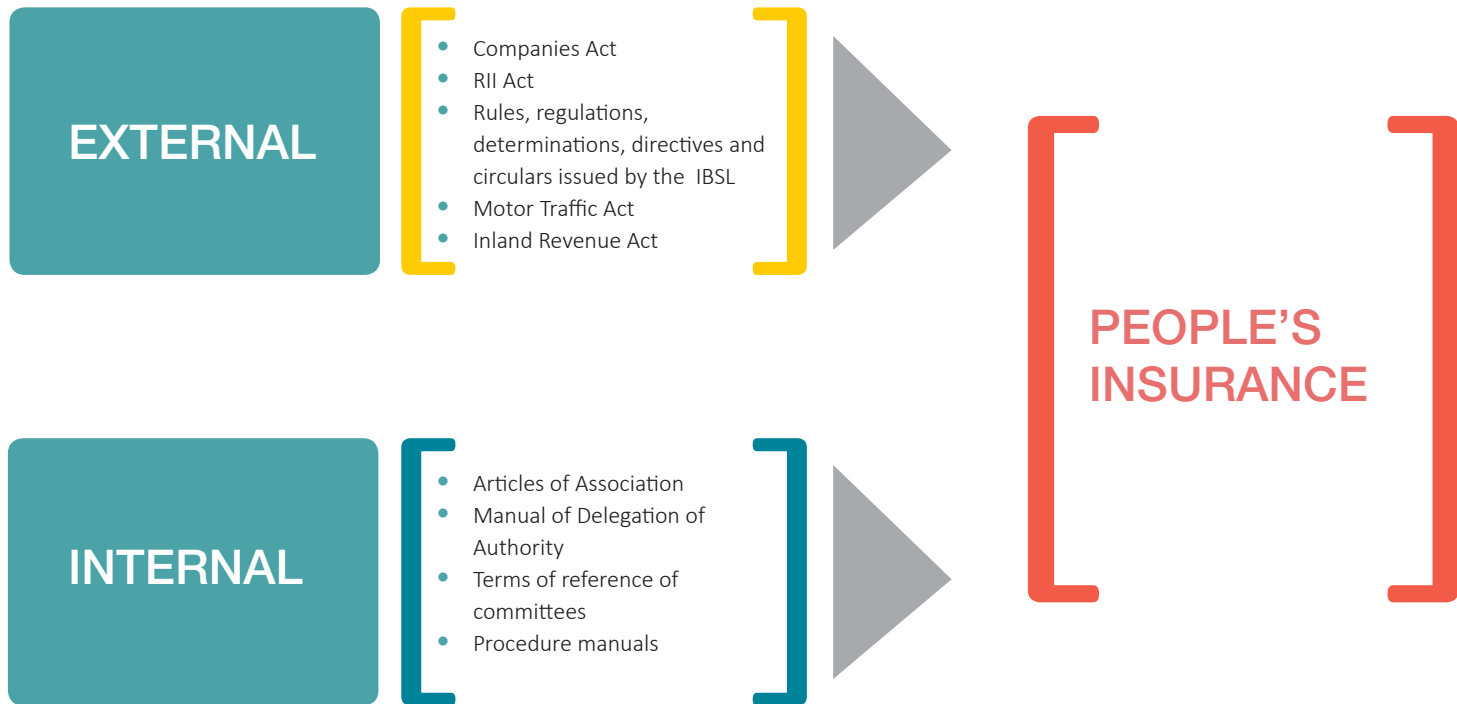
Capital Structure

The Company's stated capital of Rs. 600 million well meets the capital requirements of the Company and is well above the minimum capital requirements as per the current regulations. The Company's current stated capital is also in line with the absolute minimum regulatory capital of Rs. 500 million that is required to be maintained by insurers at all times under the proposed risk based capital regime effective from 2016.

Corporate Governance

Regulations

The Board is fully aware of its responsibility on ensuring that the business is conducted in accordance with relevant laws, rules and regulations. Main regulations affecting the Company are summarised in the following diagram.



To ensure the compliance with regulatory requirements, the Company maintains a regulatory compliance checklist. This checklist is circulated in advance on a monthly basis and signed off by the responsible officials upon compliance with such regulatory requirements. A separate Board paper is submitted with regard to compliance on a monthly basis.

Internally Driven Factors

IT Governance

The Company considers IT governance as an integral part of its corporate governance. The IT governance of our Company systematically gets the involvement of the Board, Management, staff and customers. We believe that it establishes the framework used by the Company to establish transparent accountability of individual decisions and ensures the traceability of decisions to assigned responsibilities. Our IT strategy has been aligned with the Company's strategy for effective governance. The Company's enterprise resource planning (ERP) system enables the Company to enhance its operational efficiency, functionality and security among other benefits. The Board also has taken initiatives to conduct an independent review of IT application controls in view of enhancing IT governance.

Performance Governance

The Company maintains a performance based culture. The annual plan with revenue and profit targets is developed by the Management in advance which is approved by the Board upon a detailed analysis and discussion. The performance of the Company as a whole is measured against these targets set by the Company's annual plan on a monthly basis by the Management and Board. Class-wise and aggregated key performance indicators are used for the above purpose. Benefits and rewards to employees are also linked to their performance.

Risk Management

The Board discharges its overall responsibility on risk management through the Board Audit Committee. Internal audit function, Enterprise Risk Management Committee and Integrated Risk Management Committee facilitate the Board Audit Committee in discharging their responsibilities. Details of the Company's risk management are set out in the Enterprise Risk Management report on pages 90 to 98.

Authority and Delegation

The Board has delegated its financial authority to the Managing Director and the Management has comprehensively documented the same in the Manual of Delegation of Authority (MODA). The MODA indicates the responsibilities of all staff members who enter into financial transactions and commitments on behalf of the Company including persons responsible for recommendation, approval and payment. The MODA is reviewed on an on-going basis in light of changing circumstances and amendments are made based on the Board of Directors' approval.

In addition, the Company has developed procedure manuals which are reviewed and updated on a timely basis.

Whistleblower Protection Policy

A formal whistleblower protection policy is in place in view of providing an opportunity to employees of the Company to notify the Board Audit Committee of any improper or illegal activity within the Company or any unethical practices adopted by the Company in conducting the business of the Company. Any such concerns raised are investigated as per the policy. The identity of a whistleblowing employee is kept confidential and the information disclosed by him or her is disclosed to another party strictly only on a 'need to know' basis.

Corporate Governance

Directors' Attendance at Meetings in 2014

Board and Committee Composition and Attendance	Committee Memberships	Directorship Status	Directors' Meetings		Board Audit Committee Meetings	
			A	B	A	B
Total number of meetings			12		3	
Meeting status			A	B	A	B
Mr. Jehan P. Amaratunga	Board Audit Committee	Non-Executive Director	12	12	-	-
Mrs. Dharma N. Gammampila ^{Note}	Board Audit Committee	Non-Executive Director	12	11	3	3
Mr. N. Vasantha Kumar		Non-Executive Director	12	12	3	3
Mr. D. P. Kumarage		Executive Director	12	12	-	-

Note: Resigned on 12th January 2015

A - Number of meetings held during the time the Director held office

B - Number of meetings attended

SOLVENCY AND APPROVED ASSETS

SOLVENCY

The solvency position of the Company as at the end of the year that has been determined in accordance with the Solvency Margin (General Insurance) Rules - 2004 and subsequent amendments thereto is disclosed below.

As at 31 December	2014 Rs. '000	2013 Rs. '000
Value of admissible assets	4,062,684	3,572,781
Total liabilities including technical reserves	3,053,854	2,683,286
Net admissible assets	1,008,830	889,495
Required solvency margin	629,334	585,831
Excess over required solvency margin	379,496	303,664
Solvency ratio	1.60	1.52

APPROVED ASSETS AND INVESTMENT IN GOVERNMENT SECURITIES

Approved assets and investment in government securities of the Company determined as per section 25(1) of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent Determinations made by the Insurance Board of Sri Lanka in terms of the said Act are given below.

As at 31 December	2014 Rs. '000	2013 Rs. '000
Approved Assets		
Approved assets maintained	4,062,684	3,572,781
Technical reserves	2,581,583	2,238,158
Approved assets in excess of the technical reserve	1,481,101	1,334,623
Investment in Government Securities		
Investment in government securities (20% of the technical reserves)	516,308	447,632
Investment in government securities	1,114,650	1,236,624
Excess over required investment in government securities	598,342	788,992

GRI-G4 CONTENT INDEX

This report contains standard disclosures from the GRI Sustainability Reporting Guidelines as set out in the table below. External assurance has not been obtained.

GENERAL STANDARD DISCLOSURES			
General Standard Disclosures	Description	Section in the Report	Page Number
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker	Chairman's Message and Managing Director's Review	8 to 13
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Information	Inner Back Cover
G4-4	Primary brands, products and services	Social Responsibility Review - Customer and Product Responsibility	80 to 83
G4-5	Location of the organisation's headquarters	Corporate Information	Inner Back Cover
G4-6	Number of countries where the organisation operates	Corporate Information	Inner Back Cover
G4-7	Nature of ownership and legal form	Corporate Information	Inner Back Cover
G4-8	Markets served	Social Responsibility Review - Customer and Product Responsibility	80 to 83
G4-9	Scale of the organisation	Financial Review	63 to 71
G4-10	Total number of employees by employment contract and gender	HR Review - HR Structure	74 to 75
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CELEBRATING

5

**YEARS OF
QUALITY**

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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 Report of the Board of Directors on the Affairs of the Company and are guided by recommended best accounting practices.

GENERAL

The Board of Directors of People's Insurance Limited (the Company) has pleasure in presenting this report to the shareholders together with the audited financial statements for the year ended 31st December 2014 of the Company and the Auditor's Report thereon in compliance with the requirements of the Companies Act. People's Insurance Limited is an insurance company registered under the Regulation of Insurance Industry Act No. 43 of 2000 and is a public limited liability company incorporated in Sri Lanka on 22nd July 2009 under the Companies Act.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS

A review of the financial and operational performance and future business developments of the Company is contained in the Chairman's Message (pages 8 to 10), Managing Director's Review (pages 11 to 13), Chief Operating Officer's Review (pages 14 to 17) and Management Discussion and Analysis (pages 42 to 71 and 87 to 88). These reports form an integral part of the report of the Directors and together with the audited financial statements reflect the state of the affairs of the Company.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements duly signed by the Directors are provided on pages 134 to 184 and Auditor's Report on the financial statements is provided on page 133.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is presented in the Chairman's Message (page 10), Managing Director's Review (page 13), Chief

Operating Officer's Review (pages 16 to 17) and Management Discussion and Analysis (pages 87 to 88).

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 assigned the internal audit function to the Group Internal Audit of the Parent Company, which therein reviews and reports on the effectiveness of financial, operational and compliance controls to the Board Audit Committee. An enterprise risk management committee is in place, in addition to a group level risk management committee.

CORPORATE GOVERNANCE

The Directors declare that:

- a) The Company has not engaged in any activity which contravenes laws and regulations.
- b) 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.
- c) The Company has made all endeavours to ensure the equitable treatment of shareholders.
- d) The business is a going concern.
- e) 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.

The Board of Directors is committed to maintaining an effective corporate governance structure and process. A fuller report on corporate governance is provided on pages 99 to 116.

HUMAN RESOURCES

The Company continued to implement appropriate human resource management policies to develop employees and optimise their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees.

BOARD AUDIT COMMITTEE

All the members of the Board Audit Committee are Non-Executive Directors. The Managing Director, Chief Operating Officer and Senior Manager - Finance attend the meetings by invitation. The report of the Board Audit Committee is given on pages 126 to 127.

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on inner front cover. In achieving its vision and mission, all Directors and employees conduct their activities with the highest level of ethical standards and integrity.

RISK MANAGEMENT

The Board and executive management of the Company have put in place an adequate risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle. A detailed overview of the process is outlined in the Enterprise Risk Management report on pages 90 to 98.

AUDITOR'S REPORT

Auditor's Report on the financial statements is given on page 133.

ACCOUNTING POLICIES

The accounting policies adopted in preparation of the financial statements are given on pages 140 to 148.

TURNOVER

The Company underwrote an amount of Rs. 3,441 million in 2014 (Rs. 3,251 million in 2013) as gross written premium.

FINANCIAL RESULTS

The Company recorded a net profit of Rs. 450 million for the year. A synopsis of the Company's performance is presented below.

	2014 Rs. '000	2013 Rs. '000
Profit after taxation	450,127	370,824
Profit brought forward from previous year	484,881	263,002
Profit available for appropriation	935,008	633,826
Appropriations		
Dividend paid in respect of previous year	(45,000)	(60,000)
Interim dividend paid in respect of current year	(90,000)	(90,000)
Other comprehensive income	10,033	1,055
Un-appropriated profit carried forward	810,041	484,881

DIVIDENDS

An interim dividend of Rs. 1.50 per share was paid in September 2014 and a final dividend of Rs. 2.00 per share was authorised by the Board of Directors for the financial year ended 31st December 2014.

The Board of Directors fulfilled the requirement of the solvency test in terms of Section 56(3) of the Companies Act No. 07 of 2007 immediately after the payment of the interim dividend and ensured the compliance with Solvency to the Auditors and obtained a certificate of solvency from the Auditors in respect of each dividend payment thereby strictly conforming to the above statutory provision.

PROVISION FOR TAXATION

The tax position of the Company is disclosed in note 13 (pages 152 to 153) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are shown in note 17 (page 155).

RESERVES

The movement in reserves during the year is set out in the statement of changes in equity on page 137.

INVESTMENTS

Details of investments held by the Company are disclosed in note 18 (pages 156 to 160) to the financial statements.

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

STATED CAPITAL AND SHAREHOLDERS' FUNDS

In compliance with the Companies Act No. 07 of 2007, the financial statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The total capital and reserves amounted to Rs. 1,410 million as at 31st December 2014 (Rs. 1,085 million as at 31 December 2013), details of which are provided in note 24 (page 162) to the financial statements.

SHARE INFORMATION

Information relating to earnings, dividends and net assets per share is given in the Five Year Summary on page 189.

SUBSTANTIAL SHAREHOLDINGS

All shares of the Company are held by one shareholder, People's Leasing & Finance PLC. The details of the shareholding are given on page 185 of this report.

INFORMATION TO SHAREHOLDERS

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

DIRECTORS

As at 31 December 2014, the Board of Directors of People's Insurance Limited consisted of four Directors with wide financial knowledge and experience. The following persons were Directors of the Company as at 31 December 2014.

Jehan P. Amaratunga - Chairman (*Non-Executive Director*)

Appointed to the Board on 30th July 2010

Appointed as the Chairman on 30th July 2010

Dharma N. Gammampila (*Non-Executive Director*)

Appointed to the Board on 30th July 2010

N. Vasantha Kumar (*Non-Executive Director*)

Appointed to the Board on 27th May 2011

D. P. Kumarage - Managing Director (*Executive Director*)

Appointed to the Board on 20th July 2009

INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made general declarations as provided for in section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are found in note 33 on pages 180 to 184, under related party transactions.

SHARE DEALINGS

There have been no share dealings by the Directors during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN SHARES

The Directors do not own any shares in the Company.

REMUNERATION TO DIRECTORS

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

	2014 Rs. '000	2013 Rs. '000
Executive Director's fees and emoluments	130	130
Non-Executive Directors' fees and emoluments	240	250
Total	370	380

DIRECTORS' MEETINGS

Details of Directors' meetings are presented on page 116.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company to reflect true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, 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 128 to 129 forms an integral part of this report.

RELATED PARTY TRANSACTIONS

There are no related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the Company. However, the Directors have disclosed the transactions that could be classified as related party transactions in terms of the Sri Lanka Accounting Standard (LKAS) 24, Related Party Disclosures which is adopted in the presentation of the financial statements and accordingly given in note 33 on pages 180 to 184 to the financial statements.

DONATIONS

No donations were granted during the year.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has complied with all applicable laws and regulations. A compliance checklist is signed on a monthly basis by responsible officers and any violations are reported to the Board Audit Committee. A separate paper on regulatory compliance is submitted to the Board on a monthly basis.

ENVIRONMENT

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

STATUTORY PAYMENTS

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

OUTSTANDING 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.

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are provided in note 35 (page 184) to the financial statements.

GOING CONCERN

After considering the financial position, the Company's corporate/business plans, operating conditions, regulatory and other factors and such matters required to be addressed in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri

Lanka and Securities and Exchange Commission of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

The Company's auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. A sum of Rs. 1,530,000 (2013 - Rs. 1,086,600) was payable to them as audit fees during the year under review and a sum of Rs. 1,226,000 (2013 - Rs. 3,023,384) was payable by the Company for tax related services and other non-audit work performed. Based on the declaration from Messrs. Ernst & Young and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company other than those disclosed in this paragraph.

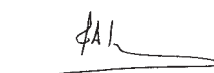
APPOINTMENT OF AUDITORS

The retiring auditors, Messrs. Ernst & Young, Chartered Accountants have intimated their willingness to continue in office and a resolution to re-appoint them as auditors and authorising the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Board Room of People's Leasing & Finance PLC, No. 1161, Maradana Road, Colombo 08 on 29th April 2015 at 4.00 p.m. The Notice of the Meeting relating to the 6th Annual General Meeting is given on page 198.

By order of the Board of Directors - Section 168 (1) (k) of the Companies Act No. 07 of 2007.



Jehan P. Amaratunga
Chairman



Rohan Pathirage
Company Secretary



D. P. Kumarage
Managing Director

23rd March 2015
Colombo

BOARD AUDIT COMMITTEE REPORT

In accordance with the corporate governance guidelines, the Board Audit Committee was duly constituted by the Board of Directors. The Committee is empowered by the Board of Directors to oversee the financial reporting, internal controls, internal audit, whistleblowing and assessment of independence and performance of external auditors. The Committee comprises two Non-Executive Directors. The members of the Board Audit Committee as at 31st December 2014 were as follows:

Mr. N. Vasantha Kumar - Chairman
Mrs. Dharma N. Gammampila

Mr. Udesh Gunawardena, Assistant General Manager - Internal Audit of the Parent Company, People's Leasing & Finance PLC acts as the secretary to the Committee.

ROLE OF THE BOARD AUDIT COMMITTEE

The main objective of the Board Audit Committee is to assist the Board of Directors to carry out its responsibilities by:

- Ensuring that a good financial reporting system is in place and well managed in order to give accurate, appropriate and timely information to the Management, regulatory authorities and shareholders in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), Regulation of Insurance Industry Act, Companies Act and other financial reporting related regulations and requirements.
- Keeping under review the Company's internal controls and risk management systems and ensuring the procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Ensuring that the conduct of the business is in compliance with the applicable laws and regulations and policies of the Company.
- Assessing the independence and monitoring the performance and functions of internal and external auditors.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.

FINANCIAL REPORTING

The Committee reviews the financial information with the objective of monitoring the accuracy of the financial statements prepared by the Company, assessing compliance with regulatory requirements and considering the ability of the Company to continue as a going concern.

INTERNAL CONTROLS AND INTERNAL AUDIT

Internal audit process is carried out by the Parent Company's internal audit department which functions under the policies established by the Board and the Board Audit Committee. If the necessity demands, special audit assignments are outsourced. Internal auditors are empowered with necessary authority to perform the job independently, including free access to any records and to receive explanations from the Company's employees which are necessary for the proper conduct of the audit assignments.

The Committee reviewed the assignments conducted in accordance with the annual internal audit plan guided by the Board Audit Committee.

EXTERNAL AUDIT

The Committee reviewed the management letter submitted by the external auditors with the management response thereto. The recommendations are being implemented by the Management which is followed up by the Board Audit Committee.

The Committee met with the external auditors to discuss their audit plan and the scope before the commencement of external audit.

RISK MANAGEMENT

The Committee reviewed the updated operational risk management report submitted by the group internal audit department. This was a joint exercise made by the group internal audit department and the Management of the Company with a view to identify the operational risks and bring about remedial actions in that regard.

The risk assessment review focussed the attention on major operational areas namely underwriting, claim payments, commission payments, finance and administration. The assignment is intended to be carried out on a rolling basis and the baseline risk understanding is adjusted accordingly. The quantification of risk assessment to manure the degree of change in the

baseline risk understanding is based on a scale derived from articulation of perceived risk into grades.

The grading for the current year yielded a satisfactory overall operational risk assessment, supported mainly by developments in the integrated insurance application system.

MEETINGS AND ACTIVITIES

The Committee met adequately during the year to discharge its duties. The Managing Director, Chief Operating Officer, Senior Manager - Finance, internal and external auditors attended the meetings by invitation. The Committee paid its special attention to the following areas during the year.

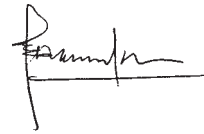
- Significant audit observations in the internal audit reports and the management responses thereto.
- Directions and advice to the internal auditors on the areas that need specific attention.
- Meeting with external auditors to discuss the external audit plan and the scope before the commencement of the audit.
- Review and approval of internal audit plan.
- Review of operational risk assessment carried out jointly by internal auditors and the Management of the Company.
- Review of observations presented by independent experts through outsourced assignments.
- Review on compliance with applicable regulatory requirements including the Regulation of Insurance Industry (RII) Act and regulations of the Insurance Board of Sri Lanka including circulars, determinations and directions.

GOOD GOVERNANCE

The Committee promotes the good governance among the internal audit staff by approving the internal audit policy charter and among all staff by introducing the whistleblower policy.

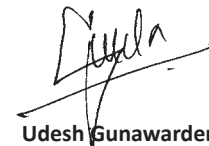
WHISTLEBLOWING AND FRAUD

The Company's whistleblower policy intends serving a wide-spread informal channel for the corporate fraud risk management. An employee, who observes or notices any improper or illegal activity or unethical practices in the Company or receives credible information of the same, may forthwith report the same to the Board Audit Committee.



N. Vasantha Kumar

Chairman - Board Audit Committee



Udesh Gunawardena

Secretary - Board Audit Committee

23th March 2015
Colombo

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 133.

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 balance sheet date and of the profit or loss 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 2014, 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 31 December 2014; and
2. The profit or loss of the Company for the financial year then ended.

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.

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 23rd of March 2015 as required by Section 150(1)(c) of the Companies Act and other regulatory requirements. In compliance with section 148(1) of the Companies Act, the Directors are also responsible for ensuring that proper accounting records which explain the Company's transactions and assists in determining the Company's financial position with reasonable accuracy at any time are maintained by the Company enabling the preparation of financial statements, in accordance with the Companies Act and further enabling the financial statements to be readily and properly audited.

The financial statements for the year 2014 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 No. 7 of 2007 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.

The Board of Directors having been satisfied that the Company would satisfy the solvency test immediately after the dividends are paid, authorised the distribution of an interim and full and final dividend in respect of the financial year ended 31 December 2014.

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 also wish to confirm that all shareholders in each category have been treated in an equitable manner in accordance with the original terms of issue.

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

COMPLIANCE REPORT

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

By order of the Board



Rohan Pathirage
Company Secretary

23rd March 2015
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

In line with the revised Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka in 2013, the Board of Directors (the Board) presents this report on the internal controls of People's Insurance Limited (the Company).

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

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process was in place during the year under review and is regularly reviewed by the Board and the Board Audit Committee. The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks. The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Committees are established by the Board to assist the Board in ensuring the effectiveness of the Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The internal audit department of the Parent Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an on-going basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Board Audit Committee. Findings of the internal audits are submitted to the Board Audit Committee for review at their periodic meetings.
- Certain reviews over internal controls are outsourced to specialised external professional firms, depending on the nature and complexity of the concerned areas.
- The Board Audit Committee of the Company reviews internal control issues identified by the Group internal audit department of the Parent Company, regulatory authorities and Management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. Further, details of the activities carried out by the Board Audit Committee are presented in the Board Audit Committee Report on pages 126 to 127.

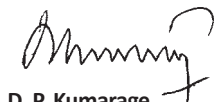
- In assessing the internal control system, the Company continued to review and update procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. The Group internal audit department of the Parent Company continued to verify the suitability of design and effectiveness of these procedures and controls on an on-going basis.

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

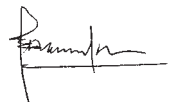
By order of the Board



Jehan P. Amaratunga
Chairman



D. P. Kumarage
Managing Director



N. Vasantha Kumar
Chairman - Board Audit Committee

23rd March 2015
Colombo

INCURRED BUT NOT REPORTED (IBNR) CLAIMS AND LIABILITY ADEQUACY TEST (LAT) CERTIFICATION



PEOPLE'S INSURANCE LTD 31 DECEMBER 2014 NET IBNR AND LAT CERTIFICATION

I hereby certify that the undiscounted 75% confidence level IBNR provision of Rs. 333,300,006, inclusive of CHE, is adequate in relation to the Claim Liability of People's Insurance Ltd as at 31st December 2014, net of reinsurance. This provision applies to claims from Accident Quarters 2010 to 2014. This IBNR provision, together with the Case Reserves held by the Company, is expected to be adequate to meet the future liabilities in respect of the Company's incurred claims obligations as at 31st December 2014, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of Rs. 1,697,904,856 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of People's Insurance Ltd as at 31st December 2014, in many but not all scenarios of future experience. As such, there is no premium deficiency to be recognised by the Company.

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

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

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

Matthew Maguire

Fellow of the Institute of Actuaries of Australia (FIAA)
For and on behalf of NMG Consulting
Dated: 23rd January 2015



INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEOPLE'S INSURANCE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of People's Insurance Limited, ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of income, statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 140 to 184.)

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion and Scope and Limitations of the audit are as stated above.
- b) In our opinion :
 - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act.

As required by Section 47(2) of the regulation of Insurance Industry Act, No. 43 of 2000, we state that, the accounting records of the Company have been maintained in the manner required by the rules issued by the Insurance Board of Sri Lanka, so as to clearly indicate the true and fair view of the financial position of the Company.

23 March 2015
Colombo

STATEMENT OF INCOME

For the year ended 31 December

	Notes	2014 Rs.	2013 Rs.
Revenue	3	3,411,464,345	3,194,839,580
Gross written premium	4	3,440,608,282	3,251,084,198
Net change in reserve for unearned insurance premium		(155,403,811)	(139,438,161)
Gross earned premium		3,285,204,471	3,111,646,037
Premium ceded to reinsurers		(293,936,371)	(321,929,713)
Net change in reserve for unearned reinsurance premium		(800,936)	10,764,506
Net earned premium		2,990,467,164	2,800,480,830
Claims and expenses			
Net claims	5	(2,162,703,667)	(2,120,218,765)
Underwriting and net acquisition costs	6	(310,773,268)	(292,259,004)
Other operating and administrative expenses	7	(365,149,241)	(281,481,769)
Total claims and expenses		(2,838,626,176)	(2,693,959,538)
Underwriting results		151,840,988	106,521,292
Other revenue			
Fee income	8	32,260,290	19,159,311
Interest and dividend income	9	314,786,047	358,792,809
Net fair value gains	10	70,523,465	13,210,206
Other operating revenue	11	3,427,379	3,196,424
Total other revenue		420,997,181	394,358,750
Profit before tax	12	572,838,169	500,880,042
Income tax expense	13	(122,711,070)	(130,055,888)
Profit for the year		450,127,099	370,824,154
Basic earnings per share	14	7.50	6.18
Dividend per share	15	3.50	2.25

The notes to the financial statements on pages 140 to 184 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Notes	2014 Rs.	2013 Rs.
Profit for the year		450,127,099	370,824,154
Other comprehensive income			
Other comprehensive income to be reclassified to statement of income			
Available-for-sale financial instruments			
Reclassification during the year to statement of income		(4,263,439)	(1,679,666)
Net change in fair value during the year		13,353,136	3,037,746
Deferred tax effect		1,575,378	(228,017)
Other comprehensive income to be reclassified to statement of income		10,665,075	1,130,063
Other comprehensive income not to be reclassified to statement of income:			
Re-measurement loss on defined benefit plans	26	(631,969)	(74,855)
Other comprehensive loss not to be reclassified to statement of income		(631,969)	(74,855)
Other comprehensive income for the year, net of tax		10,033,106	1,055,208
Total comprehensive income for the year, net of tax		460,160,205	371,879,362

The notes to the financial statements on pages 140 to 184 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2014 Rs.	2013 Rs.
Assets			
Intangible assets	16	48,940,550	61,716,770
Property, plant and equipment	17	26,056,186	28,310,298
Financial investments	18	3,644,915,439	3,190,344,558
Reinsurance receivables	19	137,282,451	111,005,222
Insurance receivables	20	523,732,541	435,019,566
Deferred expenses	21	180,766,259	167,355,627
Other assets	22	11,942,400	22,204,603
Cash and cash equivalents	23	184,614,106	5,221,146
Total assets		4,758,249,932	4,021,177,790
Equity and liabilities			
Equity			
Stated capital	24	600,000,000	600,000,000
Retained earnings		797,803,529	482,676,430
Available-for-sale reserves		13,004,499	2,339,424
Other reserves		(766,576)	(134,607)
Total equity		1,410,041,452	1,084,881,247
Liabilities			
Insurance liabilities	25	2,901,132,149	2,516,037,432
Employee defined benefit obligations	26	4,432,438	2,493,213
Other financial liabilities	27	276,831,117	292,615,952
Other liabilities	28	23,703,110	21,854,020
Reinsurance payables		62,262,572	23,979,310
Income tax payables		62,430,094	58,940,609
Deferred tax liabilities	29	13,576,697	18,344,385
Bank overdraft	30	3,840,303	2,031,622
Total liabilities		3,348,208,480	2,936,296,543
Total equity and liabilities		4,758,249,932	4,021,177,790

The notes to the financial statements on pages 140 to 184 form an integral part of the financial statements.

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



Nilushan Somarathna
Chief Financial Officer

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



Jehan P. Amaratunga
Chairman



D. P. Kumara
Managing Director

23 March 2015
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated capital Rs.	Retained earnings Rs.	Available-for- sale reserves Rs.	Other reserves Rs.	Total Rs.
Balance as at 1 January 2013	600,000,000	261,852,276	1,209,360	(59,752)	863,001,884
Profit for the year	-	370,824,154	-	-	370,824,154
Re-measurement loss on defined benefit plans	-	-	-	(74,855)	(74,855)
Net change in fair value of available-for-sale financial assets	-	-	1,130,064	-	1,130,064
Dividend paid during the year	-	(150,000,000)	-	-	(150,000,000)
Balance as at 31 December 2013	600,000,000	482,676,430	2,339,424	(134,607)	1,084,881,247
Profit for the year	-	450,127,099	-	-	450,127,099
Re-measurement loss on defined benefit plans	-	-	-	(631,969)	(631,969)
Net change in fair value of available-for-sale financial assets	-	-	10,665,075	-	10,665,075
Dividend paid during the year	-	(135,000,000)	-	-	(135,000,000)
Balance as at 31 December 2014	600,000,000	797,803,529	13,004,499	(766,576)	1,410,041,452

The notes to the financial statements on pages 140 to 184 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	2014 Rs.	2013 Rs.
Operating activities			
Premium received from customers		3,351,895,307	3,183,419,916
Reinsurance premium paid		(332,219,628)	(276,640,825)
Claims paid		(1,967,811,816)	(1,932,812,498)
Reinsurance receipts in respect of claims		7,238,168	16,119,967
Interest received		284,586,940	273,646,244
Dividends received		12,250,322	5,292,894
Other operating cash flows		(510,532,478)	(493,556,116)
Cash flows from operating activities	A	845,406,815	775,469,582
Income tax paid		(112,693,074)	(61,561,000)
Net cash flows from operating activities		732,713,741	713,908,582
Investing activities			
Purchase of liquid investments		(12,167,139,525)	(14,047,409,877)
Purchase of other investments		(1,769,668,218)	(3,458,575,621)
Maturity proceeds of liquid investments		12,222,181,704	14,297,649,225
Sale of other investments		1,303,106,980	2,736,641,848
Purchase of property, plant and equipment		(8,610,403)	(11,834,333)
Purchase of intangible assets		-	(60,000,000)
Net cash flows used in investing activities		(420,129,463)	(543,528,758)
Net cash flows before financing activities		312,584,279	170,379,824
Financing activities			
Ordinary dividend paid		(135,000,000)	(150,000,000)
Net cash flows used in financing activities		(135,000,000)	(150,000,000)
Net increase in cash and cash equivalents	B	177,584,279	20,379,824

The notes to the financial statements on pages 140 to 184 form an integral part of the financial statements.

Notes to the Statement of Cash Flows**For the year ended 31 December**

	Notes	2014 Rs.	2013 Rs.
A. Cash flows from operating activities			
Profit before tax		572,838,169	500,880,042
Unrealised gain on listed shares at market value	10	(35,675,809)	(13,210,206)
Provision for retirement benefit obligations	26	1,307,256	1,031,964
Depreciation and amortisation expenses	7	23,640,735	10,697,998
Provision/(reversal of provision) for impairment - Insurance receivables		1,713,687	(266,732)
Changes in working capital			
Increase in reinsurance assets		(26,277,229)	(36,622,297)
Increase in insurance receivables and other assets		(88,171,593)	(153,533,031)
Increase in deferred expenses		(13,410,632)	(11,832,546)
Increase in insurance liabilities		385,094,718	344,335,959
Increase in creditors		24,347,513	133,988,431
Cash flows from operating activities		845,406,815	775,469,582
B. Increase in cash and cash equivalents			
Net cash and cash equivalents at the end of the year	23	180,773,803	3,189,524
Less: Net cash and cash equivalents at the beginning of the year		3,189,524	(17,190,300)
Increase in cash and cash equivalents during the year		177,584,279	20,379,824

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

People's Insurance Limited is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is situated at No. 1161, Maradana Road, Colombo 08 and the principal place of business is situated at No. 53, Dharmapala Mawatha, Colombo 03.

1.2 Parent entity and ultimate parent entity

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

1.3 Principal activities and nature of operations

The principal activity of the Company is carrying out non-life insurance business.

1.4 Responsibility for financial statements

The Board of Directors is responsible for preparation and presentation of these financial statements.

1.5 Number of employees

The staff strength of the company as at 31 December 2014 was 245 (2013- 210).

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the People's Insurance Limited (the Company) are presented in Sri Lankan Rupees on the historical cost basis except available-for-sale investments and financial assets at fair value through profit or loss, all of which have been measured at fair value and insurance liabilities which have been actuarially valued. No adjustments have been made for inflationary fact.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS /LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka and the preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000.

2.3 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and do not intend either to liquidate or to cease trading.

2.4 Date of authorisation for issue

The financial statements of People's Insurance Limited for the year ended 31 December 2014 were authorised for issue on 23 March 2015.

2.5 Summary of significant accounting policies

a) Product classification

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

b) Revenue recognition

Gross written premium

Non-life insurance gross written premium comprises the total premium receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Reinsurance premium

Non-life gross reinsurance premium written comprises the total premium payable for the whole cover provided by contracts entered into the period and is recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned premium reserve

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.

Unearned reinsurance premium reserve

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.

Interest and dividend income

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Dividend income is recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Net fair value gains

Net fair value gains recorded in the statement of income on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

c) Claims and expenses recognition**Gross claims**

Gross claims for non-life insurance include all claims occurring during the year, whether reported or not, related internal and 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 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. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claim. The provision in respect of IBNR is actuarially valued on an annual basis to ensure a more realistic estimation of the future liability based on past experience and trends.

Reinsurance claims

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

d) Underwriting results

Underwriting results represent the difference between premium earned on insurance policies and expenses incurred including claim expenses.

e) Taxes**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.

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 income. 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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- 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.

Notes to the Financial Statements

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside 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.

f) 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 retranslated at the functional currency rate of exchange ruling at the reporting date.

All differences are taken to the statement of income.

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

g) Intangible assets

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

Intangible assets with finite lives are amortised over the useful economic life. The 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. The amortisation expense on intangible assets with finite lives is recognised in the statement of income 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

h) 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 unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by

valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed, only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

i) Property plant and equipment

Property, plant and equipment is stated at cost excluding the cost of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

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 asset is available for use. Land is not depreciated. 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 vehicle	5 years

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

j) Financial assets

Initial recognition and subsequent measurement

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

However, the Company did not have any investment classified as held to maturity investments during the year.

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

The classification depends on the purpose for which the investments were acquired or originated.

The financial assets are recorded based on the trade date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. The Company evaluated its financial assets at fair value through profit and loss (held for trading) whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Gains and losses are recognised in the statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. These investments are initially recorded at fair value. After initial measurement, available-for-sale financial assets are measured at fair value. Fair value gains and losses are reported as a separate component in other comprehensive income until the investment is derecognised or the investment is determined to be impaired.

On de-recognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the statement of income.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market prices.

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

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

- **Assets carried at amortised cost**

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recorded in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant

or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

- **Available-for-sale financial investments**

If an available-for-sale financial asset is impaired, an amount comprising the difference between its costs (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in other comprehensive income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of income.

Reversals of impairment losses on debt instruments classified at available-for-sale are reversed through the statement of income, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the statement of income.

- **Financial assets carried at cost**

if there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

De-recognition of financial assets

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

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- The Company has transferred its rights to receive cash flows from the asset and either:
 - o has transferred substantially all the risks and rewards of the asset, or
 - o has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Offsetting of financial instruments

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

k) Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. 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.

Reinsurance receivables are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

l) Reinsurance receivables

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

m) Insurance receivables

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

n) Deferred expenses**Deferred acquisition costs (DAC)**

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related

Notes to the Financial Statements

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, DAC for non-life insurance is amortised over the period on the basis UPR 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 derecognised when the related contracts are either expired or cancelled.

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

o) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand and balances at bank, deemed deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consists of cash in hand and balances at bank net of outstanding bank overdraft.

p) Insurance contract liabilities

Non-life insurance contract liabilities

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 balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The 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 income by setting up a provision for liability adequacy.

q) Other financial liabilities

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities consist of amount due to related parties and other creditors including accruals and outstanding commission payable.

r) De-recognition of financial liabilities and insurance payable

Financial liabilities and insurance payables are derecognised when the obligation under the liability is discharged, cancelled or expired.

s) Post employment benefits

Defined benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; and discounting that benefit to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit (PUC) method as recommended by LKAS 19 - Employee Benefits.

The Re-measurement of the net define benefit liability, which comprises actuarial gains and losses are charged or credited to 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 26 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.

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 Provident Fund under the Provident Fund Act No. 15 of 1958 as amended and Trust Fund under the Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in profit and loss when they are due. The Company contributes 12% and 3% of gross emoluments of employees as provident fund and trust fund contribution respectively.

t) 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. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

u) Equity movements

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.

Dividends on ordinary share capital

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

2.6 Significant accounting estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Insurance contract liabilities

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 at the reporting date (IBNR). 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

Notes to the Financial Statements

area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgments, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgment is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The net carrying value at the reporting date of non-life insurance contract liabilities which include case reserves held by the Company and the incurred but not reported (IBNR) claims on undiscounted 75% confidence level is Rs. 1,065,944,842 (2013: Rs. 863,814,822).

Defined benefit plan

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan using the projected unit credit (PUC) method.

2.7 New standards and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA 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 Accounting Standard (SLFRS) 9 - Financial instruments: Classification and measurement

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 - Financial Instruments Classification and Measurement which reflects all phases of the financial instruments project and replaces LKAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Retrospective application is required, but comparative information is not compulsory. The adoption of SLFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Sri Lanka Accounting Standard (SLFRS) 15 - Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS) 18 - Revenue, Sri Lanka Accounting Standard (LKAS) 11 - Construction Contracts and International Financial Reporting Interpretations Committee (IFRIC) 13 - Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 1 January 2017.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

3. REVENUE

For the year ended 31 December

	2014 Rs.	2013 Rs.
Net earned premium	2,990,467,164	2,800,480,830
Total other revenue	420,997,181	394,358,750
	3,411,464,345	3,194,839,580

4. GROSS WRITTEN PREMIUM

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

For the year ended 31 December

	2014 Rs.	2013 Rs.
Motor	2,864,946,555	2,715,710,122
Fire	290,695,112	326,835,343
Marine	13,180,567	5,114,780
Miscellaneous	271,786,048	203,423,953
	3,440,608,282	3,251,084,198

5. NET CLAIMS

For the year ended 31 December

	2014 Rs.	2013 Rs.
Claims paid	(1,967,811,816)	(1,932,812,496)
Claims ceded to reinsurers	7,238,168	55,055,846
Gross change in contract liabilities	(236,131,383)	(215,662,306)
Change in contract liabilities ceded to reinsurers	34,001,364	(26,799,809)
	(2,162,703,667)	(2,120,218,765)

Notes to the Financial Statements

6. UNDERWRITING AND NET ACQUISITION COSTS

For the year ended 31 December	2014 Rs.	2013 Rs.
Acquisition cost	(351,915,222)	(336,399,216)
Change in deferred acquisition cost	12,678,975	13,921,943
	(339,236,247)	(322,477,273)
Reinsurance commission	27,731,324	32,307,667
Change in unearned commission reserve	731,655	(2,089,398)
	28,462,979	30,218,269
	(310,773,268)	(292,259,004)

7. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended 31 December	Notes	2014 Rs.	2013 Rs.
Staff expenses	7.1	(92,005,194)	(64,669,034)
Administrative expenses		(247,789,625)	(206,381,469)
Depreciation and amortisation		(23,640,735)	(10,697,998)
Net impairment gain/(loss)		(1,713,687)	266,732
		(365,149,241)	(281,481,769)
7.1 Staff expenses			
Wages and salaries		(80,689,533)	(56,422,500)
Contribution to defined benefit plan		(1,307,256)	(1,031,960)
Staff benefit expenses		(1,064,543)	(698,265)
Contributions made to the provident and trust fund		(8,943,862)	(6,516,309)
		(92,005,194)	(64,669,034)

8. FEE INCOME

For the year ended 31 December	2014 Rs.	2013 Rs.
Policy fee	21,920,734	9,402,323
Administration fee	10,339,556	9,756,988
	32,260,290	19,159,311

9. INTEREST AND DIVIDEND INCOME

For the year ended 31 December	2014 Rs.	2013 Rs.
Financial assets at fair value through profit or loss		
Dividend income	8,463,877	5,292,894
Available-for-sale financial assets		
Interest income	89,989,113	131,337,558
Dividend income	3,786,445	-
Loans and receivables		
Interest income	212,546,612	222,162,357
	314,786,047	358,792,809

10. NET FAIR VALUE GAINS

For the year ended 31 December	2014 Rs.	2013 Rs.
Net fair value gains on financial assets at fair value through profit or loss		
- Realised	34,847,656	-
- Unrealised	35,675,809	13,210,206
	70,523,465	13,210,206

11. OTHER OPERATING REVENUE

For the year ended 31 December	2014 Rs.	2013 Rs.
Other income	3,427,379	3,196,424

Notes to the Financial Statements

12. PROFIT BEFORE TAX

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

For the year ended 31 December	2014 Rs.	2013 Rs.
Auditors' remuneration - Statutory audit services	(1,530,000)	(1,076,000)
- Other services	(958,500)	(3,023,384)
Legal fees	-	(686,670)
Depreciation	(10,864,515)	(8,737,481)
Directors' emoluments	(370,000)	(380,000)

13. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December are as follows:

For the year ended 31 December	2014 Rs.	2013 Rs.
Current Tax		
Income tax on current year's profits	127,892,117	113,174,545
Under/(over) provision for income tax in respect of previous year	(1,968,738)	78,129
	125,923,379	113,252,674
Deferred tax		
Origination of deferred tax liability	(542,983)	(17,113,124)
Origination of deferred tax assets	3,755,292	309,910
	(3,212,309)	16,803,214
Income tax expense	122,711,070	130,055,888
13.1 Tax recorded in other comprehensive income		
Origination of deferred tax liability	1,575,378	228,017
Total tax charge recognised in other comprehensive income	1,575,378	228,017

13.2 Numerical reconciliation between tax charge in statement of income and the product of accounting profit multiplied by the applicable tax rate

For the year ended 31 December	2014 Rs.	2013 Rs.
Accounting profit before tax	572,838,169	500,880,042
Aggregate allowable income	(138,086,574)	(44,752,088)
Aggregate allowable expenditure	(13,874,804)	(72,868,173)
Aggregate disallowable expenditure	35,880,767	20,935,023
	456,757,558	404,194,804
Statutory tax rate	28%	28%
Tax at applicable rate	127,892,116	113,174,545
Under/(over) provision in respect of previous year	(1,968,737)	78,129
Deferred tax charged	(3,212,309)	16,803,214
Total Income tax expense	122,711,070	130,055,888

13.3 The Company is liable to pay income tax at the rate of 28% of its taxable profits in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

14. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding at the reporting date.

For the year ended 31 December	2014	2013
Amount used as the numerator		
Net profit attributable to ordinary shareholders (Rs.)	450,127,099	370,824,154
Number of ordinary shares used as denominator		
Weighted average number of ordinary shares in issue	60,000,000	60,000,000
Basic earnings per share (Rs.)	7.50	6.18

Notes to the Financial Statements

15. DIVIDENDS

The Board of Directors of the Company has authorised a final dividend of Rs. 2.00 per share for the financial year ended 31 December 2014, subsequent to the reporting date. In accordance with LKAS 10, Events after the Reporting Date, this dividend has not been recognised as a liability in the financial statements as at 31 December 2014.

	2014	2013
Interim dividend paid (Rs.)	90,000,000	90,000,000
Final dividend authorised (Rs.)	120,000,000	45,000,000
Total dividend for the year	210,000,000	135,000,000
Number of ordinary shares	60,000,000	60,000,000
Dividend per share (Rs.)	3.50	2.25

16. INTANGIBLE ASSETS

	Software Rs.	Total Rs.
Cost		
Balance as at 1 January 2013	4,021,180	4,021,180
Additions	60,000,000	60,000,000
Balance as at 31 December 2013	64,021,180	64,021,180
Additions	-	-
As at 31 December 2014	64,021,180	64,021,180
Amortisation		
Balance as at 1 January 2013	528,190	528,190
Amortisation charge for the year	1,776,220	1,776,220
As at 31 December 2013	2,304,410	2,304,410
Amortisation charge for the year	12,776,220	12,776,220
As at 31 December 2014	15,080,630	15,080,630
Carrying amount		
As at 31 December 2014	48,940,550	48,940,550
As at 31 December 2013	61,716,770	61,716,770

17. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware Rs.	Equipment Rs.	Furniture and fittings Rs.	Motor vehicles Rs.	Total Rs.
Cost					
Balance as at 1 January 2013	13,440,710	15,386,998	8,121,477	426,719	37,375,904
Additions	4,777,800	6,032,504	1,024,030	-	11,834,334
Disposals	-	-	-	(315,964)	(315,964)
As at 31 December 2013	18,218,510	21,419,502	9,145,507	110,755	48,894,274
Additions	3,524,500	4,366,900	719,003	-	8,610,403
As at 31 December 2014	21,743,010	25,786,402	9,864,510	110,755	57,504,677
Depreciation					
Balance as at 1 January 2013	3,860,133	5,245,909	2,568,736	171,718	11,846,496
Depreciation charge for the year	3,273,772	3,799,165	1,784,576	64,279	8,921,792
Disposals	-	-	-	(184,312)	(184,312)
As at 31 December 2013	7,133,905	9,045,074	4,353,312	51,685	20,583,976
Depreciation charge for the year	4,079,248	4,817,767	1,945,349	22,151	10,864,515
As at 31 December 2014	11,213,153	13,862,841	6,298,661	73,836	31,448,491
Net book value					
As at 31 December 2014	10,529,857	11,923,561	3,565,849	36,919	26,056,186
As at 31 December 2013	11,084,605	12,374,428	4,792,195	59,070	28,310,298

Notes to the Financial Statements

18. FINANCIAL INVESTMENTS

The Company's financial investments are summarised below by measurement category.

As at	Notes	31.12.2014 Rs.	31.12.2013 Rs.
Fair value through profit or loss	18.1	228,202,390	154,314,032
Loans and receivables	18.2	2,464,562,014	1,877,674,705
Available-for-sale	18.3	952,151,035	1,158,355,821
		3,644,915,439	3,190,344,558

A comparison of the fair values and carrying values of the financial investments is given below.

As at	Notes	31.12.2014		31.12.2013	
		Carrying value Rs.	Fair value Rs.	Carrying value Rs.	Fair value Rs.
Fair value through profit or loss	18.1	228,202,390	228,202,390	154,314,032	154,314,032
Loans and receivables	18.2	2,464,562,014	2,481,347,584	1,877,674,705	1,885,606,275
Available-for-sale	18.3	952,151,035	952,151,035	1,158,355,821	1,158,355,821
		3,644,915,439	3,661,701,009	3,190,344,558	3,198,276,128

18.1 Fair value through profit or loss

As at	31.12.2014 Rs.	31.12.2013 Rs.
Listed shares	228,202,390	154,314,032
	228,202,390	154,314,032

Details of investment in listed shares are given below.

	No. of shares	2014 Cost Rs. Rs.	Carrying value/Fair value Rs.	No. of shares	2013 Cost Rs. Rs.	Carrying value/Fair value Rs.
Bank, Finance and Insurance						
Seylan Bank PLC	202,284	7,667,199	13,447,343	202,284	7,667,199	7,878,580
Hatton National Bank PLC	100,000	10,821,340	15,290,000	214,088	23,167,190	25,476,472
Nations Trust Bank PLC	-	-	-	300,000	15,329,141	18,660,000
Commercial Bank of Ceylon PLC	242,863	23,270,762	38,686,527	453,384	43,226,959	51,268,252
National Development Bank	60,855	8,651,089	15,213,750	60,855	8,651,089	9,767,228
Sampath Bank PLC	300,000	57,331,235	70,890,000	125,000	21,351,285	21,487,500
Sector Total		107,741,625	153,527,620		119,392,863	134,538,032
Diversified Holdings						
John Keells Holdings PLC	88,837	18,600,422	22,209,250	-	-	-
Sector Total		18,600,422	22,209,250	-	-	-
Health Care						
Asiri Hospital Holdings PLC	500,000	11,259,844	10,800,000	-	-	-
Sector Total		11,259,844	10,800,000	-	-	-
Beverage Food and Tobacco						
Distilleries Company of Sri Lanka PLC	100,000	12,000,000	21,000,000	100,000	12,000,000	19,300,000
Sector Total		12,000,000	21,000,000		12,000,000	19,300,000
Chemicals and Pharmaceuticals						
CIC Holdings PLC	176,512	15,003,520	15,003,520	-	-	-
Sector Total		15,003,520	15,003,520	-	-	-
Motors						
United Motors Lanka PLC	50,000	5,000,000	5,180,000	-	-	-
Sector Total		5,000,000	5,180,000	-	-	-
Plantations						
Horana Plantations PLC	20,000	767,956	482,000	20,000	767,956	476,000
Sector Total		767,956	482,000		767,956	476,000
Total		170,373,367	228,202,390		132,160,819	154,314,032

Notes to the Financial Statements

18. FINANCIAL INVESTMENTS (Contd.)

18.2 Loans and receivables

As at	31.12.2014 Rs.	31.12.2013 Rs.
Amortised cost		
Repurchase agreements	223,649,982	127,131,760
Staff loans	17,038,349	13,818,724
Rent deposit	1,334,217	1,101,472
Fixed deposits with financial institutions	1,558,430,780	1,382,231,160
Savings accounts	2,664,587	814,344
Listed debentures	661,444,099	352,577,245
	2,464,562,014	1,877,674,705
Fair value		
Repurchase agreements	223,649,982	127,131,760
Staff loans	18,881,507	14,550,582
Rent deposit	1,334,217	1,101,472
Fixed deposits with financial institutions	1,563,225,398	1,410,198,117
Savings accounts	2,664,587	814,344
Listed debentures	671,591,893	331,810,000
	2,481,347,584	1,885,606,275

18.3 Available-for-sale

As at	31.12.2014 Rs.	31.12.2013 Rs.
Government securities	890,999,955	1,109,491,753
Unit trust	61,151,080	48,864,068
	952,151,035	1,158,355,821

18.4 Movement in financial investments

	Fair value through profit or loss Rs.	Loans and receivables Rs.	Available- for-sale Rs.
As at 1 January 2013	95,966,334	1,523,712,492	989,687,594
Purchases	45,727,375	15,900,914,572	1,658,141,943
Maturities	(1,130,011)	(15,546,952,359)	(1,490,831,797)
Fair value gains recorded in statement of income	13,750,334	-	-
Fair value gains recorded in statement of comprehensive income	-	-	1,358,081
As at 31 December 2013	154,314,032	1,877,674,705	1,158,355,821
Purchases	118,382,778	11,769,496,346	2,162,232,816
Maturities	(80,170,229)	(11,182,609,037)	(2,377,527,300)
Fair value gains recorded in statement of income	35,675,809	-	-
Fair value gains recorded in statement of comprehensive income	-	-	9,089,698
As at 31 December 2014	228,202,390	2,464,562,014	952,151,035

18.5 Fair value of financial investments and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements (i.e. loans and receivables).

Assets for which fair value approximates carrying value

For financial assets/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	

Notes to the Financial Statements

18. FINANCIAL INVESTMENTS (Contd.)

18.6 Determination of fair value and fair values hierarchy

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

- Level 1: Quoted/listed (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes.

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.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Fair value Rs.
As at 31 December 2013				
Fair value through profit or loss				
Listed shares	154,314,032	-	-	154,314,032
Available-for-sale				
Unit trust	48,864,068	-	-	48,864,068
Government securities	1,109,491,752	-	-	1,109,491,752
Loans and receivables				
Staff loans	-	14,550,582	-	-
Fixed deposits with more than three months remaining maturity	-	1,004,422,054	-	-
Listed debentures	-	331,810,000	-	-
	1,312,669,852	1,350,782,636	-	1,312,669,852
As at 31 December 2014				
Fair value through profit or loss				
Listed shares	228,202,390	-	-	228,202,390
Available-for-sale				
Unit trust	61,151,080	-	-	61,151,080
Government securities	890,999,955	-	-	890,999,955
Loans and receivables				
Staff loans	-	18,881,505	-	18,881,505
Fixed deposits with more than three months remaining maturity	-	1,056,657,617	-	1,056,657,617
Listed debentures	-	661,444,099	-	661,444,099
	-	1,736,983,221	-	1,736,983,221

19. REINSURANCE RECEIVABLES

As at	Notes	31.12.2014 Rs.	31.12.2013 Rs.
Reinsurance receivables on outstanding claims	25.1	137,282,451	110,522,501
Reinsurance receivables on paid claims of facultative and co-insurance		-	482,721
		137,282,451	111,005,222

20. INSURANCE RECEIVABLES

As at	31.12.2014 Rs.	31.12.2013 Rs.
Premium receivables	527,647,272	437,194,314
Less: Provision for impairment	(3,914,731)	(2,174,748)
	523,732,541	435,019,566

21. DEFERRED EXPENSES

As at	31.12.2014 Rs.	31.12.2013 Rs.
Balance as at 1 January	167,355,627	155,523,082
Change in commission reserves	12,678,326	13,921,943
Change in reinsurance commission reserve	732,306	(2,089,398)
Balance as at 31 December	180,766,259	167,355,627

22. OTHER ASSETS

As at	31.12.2014 Rs.	31.12.2013 Rs.
Advances, deposits and prepayments	9,561,212	12,211,707
Other receivables	664,840	8,990,303
Inventory	1,716,348	1,002,593
	11,942,400	22,204,603

Notes to the Financial Statements

23. CASH AND CASH EQUIVALENTS

As at		31.12.2014 Rs.	31.12.2013 Rs.
Cash in hand and balance at bank		184,614,106	5,221,146
		184,614,106	5,221,146

23.1 For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and balance at bank and investments in money market instruments, net of outstanding bank overdrafts. 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	31.12.2014 Rs.	31.12.2013 Rs.
Cash in hand and balance at bank		184,614,106	5,221,146
Bank overdraft	30	(3,840,303)	(2,031,622)
		180,773,803	3,189,524

24. STATED CAPITAL

As at		31.12.2014 Rs.	31.12.2013 Rs.
Stated capital (Rs.)		600,000,000	600,000,000
Allotted and fully paid number of ordinary shares		60,000,000	60,000,000

25. INSURANCE LIABILITIES

As at	Notes	31.12.2014 Rs.	31.12.2013 Rs.
Outstanding claims provision (gross)	25.1	1,203,227,293	974,337,323
Provision for unearned premium (net)	25.3	1,697,904,856	1,541,700,109
		2,901,132,149	2,516,037,432

25.1 Insurance provision

As at		31.12.2014			31.12.2013		
	Notes	Gross insurance contract liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross insurance contract liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
Claims outstanding		800,605,066	(73,560,225)	727,044,841	711,448,887	(63,634,065)	647,814,822
Claims incurred but not reported (IBNR)		402,622,227	(63,722,226)	338,900,001	262,888,436	(46,888,436)	216,000,000
Total claims outstanding	25.2	1,203,227,293	(137,282,451)	1,065,944,842	974,337,323	(110,522,501)	863,814,822
Provision for unearned premium	25.3	1,759,515,526	(61,610,670)	1,697,904,856	1,604,111,715	(62,411,606)	1,541,700,109
		2,962,742,819	(198,893,121)	2,763,849,698	2,578,449,038	(172,934,107)	2,405,514,931

25.2 Total claims outstanding

		2014			2013		
		Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January		974,337,323	(110,522,501)	863,814,822	753,323,659	(137,322,313)	616,001,346
Claims incurred in the current accident year		2,196,701,786	(33,998,118)	2,162,703,668	2,155,076,001	(28,256,034)	2,126,819,967
Claims paid during the year		(1,967,811,816)	7,238,168	(1,960,573,648)	(1,934,062,337)	55,055,846	(1,879,006,491)
As at 31 December		1,203,227,293	(137,282,451)	1,065,944,842	974,337,323	(110,522,501)	863,814,822

25.3 Provision for unearned premium

		2014			2013		
		Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance Rs.	Net liabilities Rs.
As at 1 January		1,604,111,715	(62,411,606)	1,541,700,109	1,464,673,554	(51,647,100)	1,413,026,454
Premium written during the year		3,440,608,282	(293,936,371)	3,146,671,911	3,251,084,198	(321,929,713)	2,929,154,485
Premium earned during the year		(3,285,204,471)	294,737,307	(2,990,467,164)	(3,111,646,037)	311,165,207	(2,800,480,830)
As at 31 December		1,759,515,526	(61,610,670)	1,697,904,856	1,604,111,715	(62,411,606)	1,541,700,109

Notes to the Financial Statements

26. EMPLOYEE DEFINED BENEFIT OBLIGATIONS

	2014 Rs.	2013 Rs.
As at 1 January	2,493,213	1,386,394
Interest cost	299,185	189,682
Current service cost	1,008,071	842,282
Re-measurement loss	631,969	74,855
As at 31 December	4,432,438	2,493,213

For the year ended 31 December

	2014 Rs.	2013 Rs.
Expense recognised in statement of income		
Interest cost	299,185	189,682
Current service cost	1,008,071	842,282
Total amount recognised in the statement of income	1,307,256	1,031,964
Expense recognised in statement of comprehensive income		
Re-measurement loss recognised in statement of comprehensive income	631,969	74,855
Total amount recognised in statement of comprehensive income	631,969	74,855

As at

	31.12.2014	31.12.2013
Principal actuarial assumptions used		
(a) Discount rate	9%	12%
(b) Salary increase	7%	10%
(c) Incidence of withdrawal		
20 Years	8.0%	8.0%
25 Years	7.5%	7.5%
30 Years	7.0%	7.0%
35 Years	5.0%	5.0%
40 Years	1.5%	1.5%
45 Years	0.9%	0.9%
50 Years	0.0%	0.0%

27. OTHER FINANCIAL LIABILITIES

As at	Notes	31.12.2014		31.12.2013	
		Carrying value	Fair value	Carrying value	Fair value
Other creditors including accrued expenses		109,482,286	109,482,286	83,598,981	83,598,981
Outstanding commission payable		132,457,379	132,457,379	127,983,833	127,983,833
Amounts due to related parties	27.1	34,891,452	34,891,452	81,033,138	81,033,138
		276,831,117	276,831,117	292,615,952	292,615,952

27.1 Amounts due to related parties

	31.12.2014	31.12.2013
	Rs.	Rs.
People's Leasing Fleet Management Limited	410,544	23,351
People's Leasing & Finance PLC	34,480,908	81,009,787
	34,891,452	81,033,138

28. OTHER LIABILITIES

	31.12.2014	31.12.2013
	Rs.	Rs.
Government levies payable	23,703,110	21,854,020

29. DEFERRED TAX LIABILITY

As at	31.12.2014	31.12.2013
	Rs.	Rs.
Recognised deferred tax asset		
Employee define benefit obligations	1,241,083	698,100
Recognised deferred tax liability		
Intangible assets and property, plant and equipment	(15,674,835)	(18,344,161)
Revaluation of available-for-sale financial assets to fair value	857,055	(698,324)
	(14,817,780)	(19,042,485)
Recognised net deferred tax liability at 28%	(13,576,697)	(18,344,385)

Notes to the Financial Statements

30. BANK OVERDRAFT

	31.12.2014 Rs.	31.12.2013 Rs.
Bank overdraft	3,840,303	2,031,622

The bank overdraft facility amounting to Rs. 9,000,000 is subject to variable overdraft interest rate of People's Bank. The overdraft facility is secured by a fixed deposit of Rs. 10,000,000 and as at the reporting date, unused overdraft facility amounted to Rs. 9,000,000.

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

As at	31.12.2014			31.12.2013		
	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	48,940,550	-	48,940,550	61,716,770	-	61,716,770
Property, plant and equipment	26,056,186	-	26,056,186	28,310,298	-	28,310,298
Financial investments	3,644,915,439	2,902,617,324	742,298,115	3,190,344,558	2,774,270,177	416,074,381
Reinsurance receivables	137,282,451	137,282,451	-	111,005,222	111,005,222	-
Insurance receivables	523,732,541	523,732,541	-	435,019,566	435,019,566	-
Deferred expenses	180,766,259	180,766,259	-	167,355,627	167,355,627	-
Other assets	11,942,400	11,942,400	-	22,204,603	22,204,603	-
Cash and cash equivalents	184,614,106	184,614,106	-	5,221,146	5,221,146	-
Total assets	4,758,249,932	3,940,955,081	817,294,851	4,021,177,790	3,515,076,341	506,101,449
Equity and liabilities						
Equity						
Stated capital	600,000,000	-	600,000,000	600,000,000	-	600,000,000
Revenue reserves	810,041,452	-	810,041,452	484,881,247	-	484,881,247
Total equity	1,410,041,452	-	1,410,041,452	1,084,881,247	-	1,084,881,247
Liabilities						
Insurance liabilities	2,901,132,149	2,840,191,683	60,940,466	2,516,037,432	2,461,441,810	54,595,622
Employee defined benefit obligations	4,432,438	-	4,432,438	2,493,213	-	2,493,213
Other financial liabilities	276,831,117	276,831,117	-	292,615,952	292,615,952	-
Other liabilities	23,703,110	23,703,110	-	21,854,020	21,854,020	-
Reinsurance payable	62,262,572	62,262,572	-	23,979,310	23,979,310	-
Income tax payable	62,430,094	62,430,094	-	58,940,609	58,940,609	-
Deferred tax liability	13,576,697	-	13,576,697	18,344,385	-	18,344,385
Bank overdraft	3,840,303	3,840,303	-	2,031,622	2,031,622	-
Total liabilities	3,348,208,480	3,330,199,345	18,009,135	2,936,296,543	2,915,458,945	20,837,598
Total equity and liabilities	4,758,249,932	3,330,199,345	1,428,050,587	4,021,177,790	2,915,458,945	1,105,718,845

32. RISK MANAGEMENT FRAMEWORK

(a) Governance framework

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board is ultimately responsible for monitoring compliance with the Company's risk management policies and procedures. The Board is assisted in these functions by Internal Audit and the Board Audit Committee. The Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

An enterprise risk management committee which consists of the Management is in place to strengthen the risk management process. In addition, the Company's risks are assessed and monitored at the group level by the Integrated Risk Management Committee of its immediate parent company, People's Leasing & Finance PLC.

(b) Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for policyholders' benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

As an insurer, the operations of the Company are subject to regulatory supervision of the Insurance Board of Sri Lanka (IBSL). The Company has taken necessary action to comply with and complied with applicable regulations throughout the year.

(c) Insurance and financial risk

(i) Financial risks

Nature and extent of risk arising from financial instruments

The Company has exposure to the following risks from financial instruments.

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

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risks.

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

- **Credit risk**

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations in accordance with agreed terms and arises principally from the Company's premium receivables, reinsurance receivables, investments in debt securities and deposits with financial institutions such as fixed deposits, demand deposits, etc.

Management of credit risk

The Company has developed a credit policy approved by the Board and credit is granted based on the said policy for the policyholders. The Company has taken the premium warranty clause which was imposed by the Insurance Board of Sri Lanka (IBSL) into consideration when developing the aforementioned credit policy. As a result of rigours follow up of outstanding premiums, the policies which are not settled within the approved credit periods are cancelled on a regular basis. The Company checks the status of the outstanding premium before settling claims to reduce the credit risk. The Company has implemented an impairment review for premium receivables periodically and provide for the same based on the results of the review.

Credit risk with regard to reinsurance receivables is mitigated by selecting the reinsurers with higher credit ratings and reviewing their ratings periodically. The following table depicts the re-insurers of the Company with their ratings.

Reinsurer	Ratings	Issuing Agency
Asia Capital Reinsurance Group Pte Ltd.	A- (Excellent)	A. M. Best
General Insurance Corporation of India	A- (Excellent)	A. M. Best
Labuan Reinsurance (L) Ltd.	A- (Excellent)	A. M. Best
Malaysian Reinsurance Berhad	A- (Excellent)	A. M. Best
Swiss Reinsurance Company Ltd.	A+ (Superior)	A. M. Best
Trust International Insurance and Reinsurance Company	A- (Excellent)	A. M. Best
Lloyd's	A (Excellent) A+ (Strong)	A. M. Best Standard & Poor's

In addition to the above reinsurers, the company makes the compulsory contributions to the National Insurance Trust Fund rated 'AAA' by RAM ratings in a regular basis.

The Company evaluates credit ratings of the respective investee and/or respective issue prior to the investment decisions are made. In addition, the Company focuses on tolerable levels concentration risk and portfolio monitoring in line with the Company's risk appetite. A stringent process is in place to comply with the single investment exposure limits prescribed by the regulator, the IBSL.

Credit exposure

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 and 2013 is the carrying amounts of respective financial instruments.

The table below provides information regarding the credit risk exposure of the Company's financial instruments by classifying them according to the credit ratings of counterparties obtained from Fitch Ratings Lanka, RAM Ratings Lanka and A.M.Best.

As at 31 December 2014

	Neither past-due nor impaired					Past-due but not impaired	Total
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated		
Available-for-sale financial assets							
Investments in government securities	890,999,955	-	-	-	-	-	890,999,955
Loans and receivables							
Repurchase agreements	223,649,982	-	-	-	-	-	223,649,982
Debentures	-	497,423,111	153,706,794	10,314,193	-	-	661,444,098
Fixed deposits	-	805,861,966	723,137,820	29,039,497	-	-	1,558,039,283
Savings accounts	-	2,664,587	-	-	-	-	2,664,587
Staff loans and rent deposits	-	-	-	-	18,372,566	-	18,372,566
Insurance receivables (gross)	-	450,430,266	-	-	55,977,728	21,213,324	527,621,318
Reinsurance receivables	-	39,578,389	97,704,062	-	-	-	137,282,451
Cash in hand and balance at bank	-	184,467,736	-	-	146,370	-	184,614,106
Total	1,114,649,937	1,980,426,055	974,548,676	39,353,690	74,496,664	21,213,324	4,204,688,346

As at 31 December 2013

	Neither past-due nor impaired					Past-due but not impaired	Total
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated		
Available-for-sale financial assets							
Investments in government securities	1,109,491,753	-	-	-	-	-	1,109,491,753
Loans and receivables							
Repurchase agreements	127,131,761	-	-	-	-	-	127,131,761
Debentures	-	216,793,303	125,565,931	10,218,012	-	-	352,577,246
Fixed deposits	-	1,011,536,664	344,693,506	26,000,991	-	-	1,382,231,161
Savings accounts	-	814,344	-	-	-	-	814,344
Staff loans and rent deposits	-	-	-	-	14,920,196	-	14,920,196
Insurance receivables (gross)	-	406,234,829	-	-	20,289,313	10,670,491	437,194,633
Reinsurance receivables	-	33,279,416	77,651,976	-	73,831	-	111,005,223
Cash in hand and balance at bank	-	5,100,920	-	-	120,227	-	5,221,147
Total	1,236,623,514	1,673,759,476	547,911,413	36,219,003	35,403,567	10,670,491	3,540,587,464

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

Collateral adequacy

	2014 Rs.	2013 Rs.
Carrying value of investments in repurchase agreements	223,649,982	127,131,761
Fair value of collaterals	250,124,500	140,257,100
Excess value of collaterals	26,474,518	13,125,339

- **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure that funds available are adequate to meet claim payments to its policyholders and to ensure operational expenses are paid when they are due.

The main sources of the Company's funding are capital and gross written premium. The Company also maintains a portfolio of readily marketable securities to strengthen its liquidity position. Investment durations are diversified depending on the cash flow needs of the Company and maturity periods are regularly reviewed. Cash flow analysis is done prior to investments are made.

The Company's treaty agreements with reinsurers contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain agreed size.

Exposure to liquidity risk

The Company monitors the liquidity position of the Company to assess funding requirements. Liquid assets include cash and short term investments and bills purchased. The Company also monitors maturity profile of its assets and liabilities.

Contractual maturities of undiscounted cash flows of financial assets and financial liabilities.

As at 31 December 2014

Financial Assets/Liabilities	0-6 months	7-12 months	1-2 years	3-5 years	No stated maturity	Total
Financial Assets						
Fair value through profit or loss						
Listed shares	-	-	-	-	228,202,390	228,202,390
Available-for-sale financial assets						
Investments in government securities	680,714,500	230,574,300	-	-	-	911,288,800
Investments in unit trust	-	-	-	-	61,151,080	61,151,080
Loans and receivables						
Repurchase agreements	223,809,208	-	-	-	-	223,809,208
Debentures	14,715,969	60,701,561	135,042,038	668,158,688	-	878,618,256
Fixed deposits	1,030,724,174	532,965,580	-	-	-	1,563,689,754
Savings accounts	-	-	-	-	814,344	814,344
Staff loans and rent deposits	2,697,144	2,697,144	6,626,474	12,779,614	-	24,800,376
Insurance receivables	523,732,541	-	-	-	-	523,732,541
Reinsurance receivables	137,282,451	-	-	-	-	137,282,451
Cash in hand and balance at bank	184,614,106	-	-	-	-	184,614,106
Total	2,798,290,093	826,938,585	141,668,512	680,938,302	290,167,814	4,738,003,306
Financial Liabilities						
Due to banks	3,840,303	-	-	-	-	3,840,303
Insurance liabilities and reinsurance payables	2,053,166,723	849,287,532	4,352,890	56,587,576	-	2,963,394,721
Other financial liabilities	276,831,117	-	-	-	-	276,831,117
Total	2,333,838,143	849,287,532	4,352,890	56,587,576	-	3,244,066,141

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

As at 31 December 2013

	0-6 months	7-12 months	1-2 years	3-5 years	No stated maturity	Total
Financial Assets						
Fair value through profit or loss						
Listed shares	-	-	-	-	154,314,032	154,314,032
Available-for-sale financial assets						
Investments in government securities	858,673,659	250,818,095	-	-	-	1,109,491,754
Investments in unit trust					48,864,068	48,864,068
Loans and receivables						
Repurchase agreements	127,131,761	-	-	-	-	127,131,761
Debentures	39,903,128	11,345,115	51,608,930	473,093,918	-	575,951,091
Fixed deposits	956,144,115	488,193,542	-	-	-	1,444,337,657
Savings accounts	-	-	-	-	814,344	814,344
Staff loans and rent deposits	2,856,620	1,885,286	4,536,400	11,202,346	-	20,480,652
Insurance receivables	435,019,566	-	-	-	-	435,019,566
Reinsurance receivables	111,005,222	-	-	-	-	111,005,222
Cash in hand and balance at bank	5,221,147	-	-	-	-	5,221,147
Total	2,535,955,218	752,242,038	56,145,330	484,296,264	203,992,444	4,032,631,294
Financial Liabilities						
Due to banks	2,031,622	-	-	-	-	2,031,622
Insurance liabilities and reinsurance payables	1,710,663,082	774,758,038	3,899,669	50,695,953	-	2,540,016,742
Other financial liabilities	292,615,952	-	-	-	-	292,615,952
Total	2,005,310,656	774,758,038	3,899,669	50,695,953	-	2,834,664,316

- **Market risk**

This refers to the risk of losing value of investments due to adverse movement in assets prices and possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets. This principally comprises of interest rate risk and equity risks.

Management of market risk

The Company makes investment decisions based on the fundamentals rather than on speculative motive. Only a limited percentage of the total investment portfolio is invested in equity investments. Equity investment portfolio is monitored by the Managing Director on a regular basis and the overall investment portfolio is reviewed by the Board on a monthly basis. The interest rate risk is managed by maintaining the investment portfolio with a considerable investment in fixed income securities.

- **Concentration risk**

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

Management of concentration risk

To comply with the risk tolerance and appetite of the Company, a significant amount of total investments are made in government securities which are risk free. A careful analysis is done before investing in equity investments. A stringent process is in place to comply with the single investment exposure limits prescribed by the IBSL. In addition, the Board of Directors reviews the Company's investments portfolio on a monthly basis.

Composition of the Company's financial investments as at 31 December 2014 is given below.

Category	Composition	Rs.
Government securities	30.58%	1,114,649,937
Corporate debts	18.14%	661,444,099
Listed shares	6.26%	228,202,390
Fixed deposits	42.76%	1,558,430,780
Unit trusts	1.68%	61,151,080
Others	0.58%	21,037,153
Total	100.00%	3,644,915,439

Sensitivity analysis on market risk, equity risk and interest rate risk

Sensitivity analysis for interest rate risk reflects the changes in the fair value or future cash flows of a financial instrument at the reporting date will fluctuate in response to assumed movements in market interest rates. The sensitivity of reported fair value of financial instruments is monitored by assessing the projected changes in the fair value of financial instruments held by the portfolios in response to assumed parallel shift in the yield curve by +/- 100 basis points and +/-200 basis points.

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

Sensitivity analysis for equity risk reflects how changes in the fair value of equity securities at the reporting date will fluctuate in response to assumed changes in equity market prices. The movements in the fair value of equity securities monitored by assessing the projected changes in the fair value of equity securities held by the portfolios in response to assumed equity price movements of +/- 10% and +/- 20%.

Impact to;	2014			2013		
	Net asset value	Profit before tax	Other comprehensive income before tax	Net asset value	Profit before tax	Other comprehensive income before tax
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest rate risk						
Government securities						
+100 basis points	(3,306,846)	-	(3,306,846)	(3,103,852)	-	(3,103,852)
-100 basis points	3,340,227	-	3,340,227	3,141,197	-	3,141,197
+200 basis points	(6,580,858)	-	(6,580,858)	(6,171,157)	-	(6,171,157)
-200 basis points	6,714,394	-	6,714,394	6,320,564	-	6,320,564
Equity market risk						
10% increase in equity market prices	22,820,239	22,820,239	-	15,431,403	12,305,930	-
10% decrease in equity market prices	(22,820,239)	(22,820,239)	-	(15,431,403)	(15,431,403)	-
20% increase in equity market prices	45,640,478	45,640,478	-	30,862,806	30,862,806	-
20% decrease in equity market prices	(45,640,478)	(45,640,478)	-	(30,862,806)	(30,862,806)	-

(ii) Insurance risks

Nature and extent of risks arising from insurance contracts

Objectives, policies and processes for managing risks arising from insurance contracts

The Company willingly assumes risks of other organisations as the Company's prime value creation activity. This is the core of the insurance business and there is no perfect way of measuring the potential impact on insured risk. For non-life insurance business, most significant risks arise from climate changes, natural disasters and terrorist activities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The Company's risk management framework focuses on strategic risk, assumed risks and the potential risks. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them.

Method used to manage risks**Risk appetite and risk tolerance**

The Company has made a strategic decision to maintain a risk appetite moderately above the average of the insurance market, since it allows the best potential for creating shareholder value at an acceptable level of risk. The Company manages the volatility and potential downward risk through diversification.

Identification of shock losses

There are three areas of risk which have the potential to materially damage economic value that the Company identified at present as having the greatest potential for shock losses. They are catastrophe, reserving and equity investment risk. The Company manages the risk of shock losses by setting limits on the tolerance for specific risks and on the amount of capital that the Company is willing to expose.

The table below sets out the concentration of insurance claim liabilities by type of contract.

	31 December 2014			31 December 2013		
	Gross liabilities	Reinsurance receivable	Net liabilities	Gross liabilities	Reinsurance receivable	Net liabilities
Motor	828,500,077	47,930,632	780,569,445	661,932,224	16,980,378	644,951,846
Marine	4,215,966	1,731,306	2,484,660	18,677,871	1,633,271	17,044,599
Fire	133,001,095	60,110,630	72,890,465	99,674,233	51,325,736	48,348,498
Miscellaneous	237,510,155	27,509,883	210,000,272	194,052,995	40,583,116	153,469,879
Total	1,203,227,293	137,282,451	1,065,944,842	974,337,323	110,522,501	863,814,822

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

Claims development table

The following tables show the estimates of cumulative incurred claims for each quarter, together with cumulative payments to date.

Gross non-life insurance outstanding claims provision for 2014

(All figures are in Rupees thousands unless otherwise stated)

Accident Period	Current estimate of cumulative claims incurred																				
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Total
2014 Q4	-	(25)	-	(502)	(600)	(139)	(1,443)	(568)	(1,870)	8,826	380	4,918	2,234	2,340	(2,411)	3,587	8,245	(56,768)	75,000	449,979	
2014 Q3	-	-	66	(187)	(142)	211	559	(2,228)	367	531	(76)	3,846	(5,482)	2,790	4,423	6,351	(69,924)	97,355	535,592		
2014 Q2	-	1,626	-	178	220	1,416	(272)	797	1,181	1,328	88	(655)	12,168	3,508	2,363	(64,359)	92,325	469,869			
2014 Q1	-	4	250	55	977	(229)	574	2,444	3,800	(5,833)	1,865	9,695	6,761	12,800	(63,027)	60,828	438,800				
2013 Q4	-	4	-	(100)	(2,280)	392	(6,664)	4,942	2,839	2,727	5,726	995	4,260	(62,136)	62,041	467,873					
2013 Q3	-	(735)	518	(212)	(201)	525	9,604	(591)	1,372	(3,771)	4,072	10,576	(54,728)	98,546	493,284						
2013 Q2	-	184	(50)	256	126	3,043	7,217	3,797	4,927	16,834	3,885	(32,213)	24,817	444,460							
2013 Q1	-	(34)	2,550	767	5,921	3,532	6,739	14,195	9,242	17,305	(57,356)	(154,997)	563,677								
2012 Q4	(60)	67	1,023	940	(344)	61,976	(190)	5,720	(55,206)	(36,313)	(87,480)	664,923									
2012 Q3	50	(1,538)	(334)	(3,390)	(886)	(62,462)	(2,465)	(38,633)	11,266	(23,199)	673,687										
2012 Q2	-	1,659	(86)	5,476	1,480	2,945	361	(62,895)	74,405	428,667											
2012 Q1	(11)	177	(169)	420	2,851	(2,651)	(42,538)	79,027	392,184												
2011 Q4	30	(273)	619	1,278	2,360	(45,833)	67,234	439,597													
2011 Q3	141	273	(712)	6,604	(24,514)	(174,650)	335,265														
2011 Q2	(63)	(297)	(2,479)	(14,654)	33,484	585,382															
2011 Q1	50	445	(5,856)	17,656	178,613																
2010 Q4	92	(282)	(1,664)	111,155																	
2010 Q3	94	(4,264)	72,186																		
2010 Q2	(814)	33,388																			
2010 Q1	3,762																				
Current estimate of cumulative claims incurred	3,271	30,379	65,862	125,740	197,065	373,458	373,981	445,604	444,507	407,102	544,791	507,088	553,707	502,308	496,673	474,280	469,446	510,456	610,592	449,979	7,586,289

Gross non-life insurance outstanding claims provision for 2013

(All figures are in Rupees thousands unless otherwise stated)

Accident Period	Cumulative payments to date																				Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	
2014 Q4	-	(88)	-	(23)	(660)	-	(992)	(1,683)	(1,698)	(291)	(2,286)	(1,031)	(2,408)	(2,845)	(4,032)	(7,654)	(8,891)	(26,854)	(212,074)	(218,268)	
2014 Q3	-	-	(3)	(2)	(6,439)	(1,480)	(845)	(874)	(317)	(1,040)	(1,470)	(2,204)	(4,155)	(4,082)	(3,219)	(9,607)	(29,846)	(219,093)	(255,702)		
2014 Q2	-	(1,626)	-	(215)	(58)	(587)	(1,092)	(1,295)	(2,267)	(401)	(1,916)	(3,983)	(4,540)	(7,510)	(9,726)	(17,371)	(200,025)	(209,251)			
2014 Q1	-	(4)	(34)	(334)	(1,029)	(1,001)	(384)	(796)	(1,078)	(3,145)	(2,687)	(3,946)	(4,964)	(15,425)	(26,841)	(205,614)	(206,375)				
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,655)	(29,960)	(4,961)	(14,245)	(30,991)	(200,372)	(213,652)					
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(5,233)	(2,545)	(7,942)	(9,841)	(39,703)	(225,008)	(233,264)						
2013 Q2	-	(18)	(3)	(1,862)	(133)	(25,614)	(1,058)	(2,001)	(5,595)	(2,496)	(7,712)	(38,536)	(164,773)	(204,099)							
2013 Q1	-	(3)	(73)	(470)	(2,106)	(593)	(1,895)	(5,392)	(4,878)	(3,996)	(21,190)	(101,828)	(295,205)								
2012 Q4	-	(46)	(3)	(484)	(316)	(783)	(1,502)	(9,357)	(12,203)	(5,021)	(88,665)	(313,342)									
2012 Q3	-	(26)	(38)	(638)	(1,825)	(1,595)	(4,657)	(22,541)	(15,170)	(93,897)	(324,686)										
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(27,756)	616	(13,938)	(146,926)	(246,174)											
2012 Q1	(19)	(2)	(321)	(495)	(6,763)	(32,163)	(28,859)	(158,460)	(219,499)												
2011 Q4	-	(668)	(331)	2,694	(5,098)	(10,704)	(127,395)	(195,737)													
2011 Q3	(141)	(297)	(502)	(10,432)	(11,150)	(95,480)	(181,098)														
2011 Q2	-	(232)	(468)	(7,710)	(59,982)	(125,395)															
2011 Q1	(215)	(1,536)	(3,469)	(48,920)	(81,575)																
2010 Q4	(319)	(2,245)	(28,676)	(52,889)																	
2010 Q3	(29)	(11,230)	(25,985)																		
2010 Q2	(1,736)	(10,981)																			
2010 Q1	(812)																				
Cumulative payments to date	(3,271)	(29,814)	(59,944)	(125,078)	(185,739)	(327,617)	(351,526)	(417,284)	(417,880)	(361,661)	(488,514)	(479,672)	(529,993)	(489,960)	(477,454)	(453,898)	(445,137)	(455,198)	(467,776)	(218,268)	(6,785,684)
Total gross claims outstanding	-	565	5,918	662	11,326	45,841	22,455	28,320	26,627	45,441	56,277	27,416	23,714	12,348	19,219	20,382	24,309	55,258	142,816	231,711	800,605

Notes to the Financial Statements

32. RISK MANAGEMENT FRAMEWORK (Contd.)

Net non-life insurance outstanding claims provision for 2014

(All figures are in Rupees thousands unless otherwise stated)

Accident Period	Current estimate of cumulative claims incurred																				
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	Total
2014 Q4	-	(25)	-	(502)	(600)	(143)	(1,443)	(575)	(1,873)	8,815	380	4,822	2,234	2,327	(2,411)	3,580	8,247	(56,752)	74,306	447,175	
2014 Q3	-	-	66	(187)	678	211	559	(2,228)	372	499	(16)	3,812	(5,482)	2,019	4,422	6,393	(69,970)	97,953	534,147		
2014 Q2	-	1,626	-	178	220	1,416	(272)	806	1,227	1,347	15	(651)	12,168	3,455	2,361	(64,367)	92,272	458,732			
2014 Q1	-	4	250	55	962	(229)	573	2,447	3,765	(5,822)	1,807	9,652	6,766	12,576	(61,949)	60,781	436,984				
2013 Q4	-	4	-	(100)	(2,280)	396	(6,662)	4,969	2,889	2,491	6,211	1,419	4,067	(61,964)	64,719	467,172					
2013 Q3	-	(735)	518	(207)	(2,760)	540	9,669	(493)	3,717	3,077	4,099	10,591	(46,314)	99,543	488,446						
2013 Q2	-	184	(50)	257	143	3,087	7,217	3,800	4,927	9,848	10,051	(32,508)	24,532	439,970							
2013 Q1	-	(34)	2,550	770	9,358	3,538	6,717	14,105	9,240	17,305	(60,184)	(151,658)	553,950								
2012 Q4	(60)	189	905	932	(412)	2,930	(139)	4,408	1,514	(34,491)	(86,842)	656,765									
2012 Q3	50	(1,662)	(217)	(3,361)	(810)	(1,900)	(4,028)	3,925	(46,215)	(23,560)	624,160										
2012 Q2	-	1,659	(82)	5,471	1,498	1,423	2,634	(63,125)	74,288	425,309											
2012 Q1	(11)	177	(176)	425	5,180	4,725	(42,396)	70,572	385,494												
2011 Q4	30	1,033	(685)	1,298	3,321	(52,215)	65,544	392,484													
2011 Q3	141	411	(624)	6,821	(24,839)	27,765	333,024														
2011 Q2	(63)	(388)	(844)	(14,715)	31,561	275,047															
2011 Q1	51	(1,044)	(5,014)	18,213	172,394																
2010 Q4	(68)	(634)	(3,256)	109,385																	
2010 Q3	94	(4,113)	71,742																		
2010 Q2	(814)	33,034																			
2010 Q1	3,762																				
Current estimate of cumulative claims incurred	3,112	29,686	65,083	124,733	193,614	266,591	370,997	431,095	439,345	404,818	499,681	502,244	551,921	497,926	495,588	473,559	467,533	499,933	608,453	447,175	7,373,087

Net non-life insurance outstanding claims provision for 2013

(All figures are in Rupees thousands unless otherwise stated)

Accident Period	Cumulative payments to date																				Total
	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	
2014 Q4	-	(88)	-	(23)	(660)	-	(992)	(1,683)	(1,698)	(291)	(2,286)	(920)	(2,408)	(2,852)	(4,032)	(7,654)	(8,887)	(26,802)	(211,387)	(217,320)	
2014 Q3	-	-	(3)	(2)	(4,659)	(1,480)	(845)	(874)	(317)	(1,040)	(1,470)	(2,204)	(4,155)	(4,082)	(3,218)	(9,605)	(29,774)	(218,718)	(255,358)		
2014 Q2	-	(1,626)	-	(215)	(58)	(587)	(1,092)	(1,295)	(2,267)	(390)	(1,819)	(3,852)	(4,540)	(7,114)	(9,712)	(17,300)	(199,169)	(208,415)			
2014 Q1	-	(4)	(34)	(334)	(1,014)	(1,001)	(384)	(793)	(1,044)	(2,923)	(2,685)	(3,946)	(4,919)	(15,095)	(27,795)	(205,402)	(206,128)				
2013 Q4	-	(7)	(19)	(26)	(6,616)	(4,091)	(1,400)	(3,352)	(3,016)	(2,644)	(8,637)	(4,961)	(13,997)	(30,727)	(199,444)	(213,483)					
2013 Q3	-	(800)	-	(214)	(125)	(375)	(965)	(1,858)	(4,836)	(2,542)	(7,940)	(9,788)	(39,233)	(223,250)	(233,138)						
2013 Q2	-	(18)	(3)	(1,862)	(133)	(614)	(1,058)	(2,001)	(5,594)	(2,496)	(7,548)	(37,737)	(164,618)	(203,701)							
2013 Q1	-	(3)	(73)	(470)	(1,942)	(582)	(1,895)	(5,273)	(4,859)	(3,996)	(21,117)	(99,258)	(295,014)								
2012 Q4	-	(46)	(3)	(484)	(313)	(783)	(1,502)	(8,018)	(12,033)	(5,023)	(88,309)	(312,488)									
2012 Q3	-	(22)	(38)	(618)	(1,825)	(1,593)	(4,643)	(10,031)	(14,962)	(93,877)	(322,749)										
2012 Q2	-	(5)	(19)	(3,058)	(1,864)	(2,740)	712	(13,656)	(146,659)	(244,350)											
2012 Q1	(19)	(2)	(314)	(495)	(6,782)	(10,429)	(26,833)	(158,460)	(217,020)												
2011 Q4	-	(668)	(331)	2,695	(5,077)	(10,468)	(126,800)	(195,487)													
2011 Q3	(141)	(297)	(502)	(10,431)	(11,149)	(95,174)	(180,866)														
2011 Q2	-	(232)	(468)	(7,710)	(59,845)	(124,941)															
2011 Q1	(215)	(1,215)	(3,469)	(48,920)	(80,276)																
2010 Q4	(159)	(2,081)	(28,348)	(51,903)																	
2010 Q3	(30)	(11,216)	(25,541)																		
2010 Q2	(1,736)	(10,791)																			
2010 Q1	(812)																				
Cumulative payments to date	(3,112)	(29,121)	(59,165)	(124,070)	(182,338)	(254,858)	(348,563)	(402,781)	(414,305)	(359,572)	(464,560)	(475,154)	(528,884)	(486,821)	(477,339)	(453,444)	(443,958)	(453,935)	(466,745)	(217,320)	(6,646,045)
Total gross claims outstanding	-	565	5,918	663	11,276	11,733	22,434	28,314	25,040	45,246	35,121	27,090	23,037	11,105	18,249	20,115	23,575	45,998	141,708	229,855	727,042

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24, Related Party Disclosures.

Details of the related party transactions are reported below.

33.1 Transactions and outstanding balances with the ultimate parent - People's Bank

Transactions

For the year ended 31 December

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	239,529,213	270,711,671
Insurance premium in respect of customers introduced	78,682,553	52,151,197
Service charge expense	11,178,781	7,472,476
Claims expense	43,623,889	81,379,659
Investment in repurchase agreements (Including reinvestments made during the year)	9,976,020,281	14,126,382,728
Settlement of repurchase agreements (Including settlement for reinvestments)	9,879,502,059	14,297,649,225
Investment income from overnight repurchase agreements	9,788,373	18,706,383
Treasury bills purchased	2,183,864,677	1,608,509,078
Interest income from fixed deposits	7,774,084	3,629,445
Interest income from savings account	53,161	16,474
Building rent expense	900,000	900,000

Outstanding balances

As at 31 December

	2014 Rs.	2013 Rs.
Insurance premium receivable in respect of their own policies	9,378,675	189,973
Insurance premium receivable in respect of customers introduced	11,082,787	5,149,326
Service charge expense payable	3,806,307	2,074,364
Claims outstanding	241,165,187	194,263,050
Fixed deposits	96,967,838	79,064,515
Savings account	1,784,137	3,270,509
Building rent expenses payable	75,000	75,000
Cash at bank	182,683,599	1,837,049
Bank overdraft	3,840,303	2,031,623

33.2 Transactions and outstanding balances with the immediate parent - People's Leasing & Finance PLC**Transactions****For the year ended 31 December**

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	89,190,076	49,807,194
Insurance premium in respect of customers introduced	2,805,516,015	2,711,748,263
Service charges	346,426,949	329,243,839
Claims expense	775,408	452,625
Shared service expense ^{Note}	13,905,121	27,176,358
Purchase of intangible asset	-	60,000,000
Debenture interest	17,076,388	12,785,847
interest income from savings account	110,517	304,176
Interest income from fixed deposits	8,883,473	9,939,254
Interest income from commercial papers	-	3,249,043
Building rent expenses	8,026,653	2,990,301

Outstanding balances**As at 31 December**

	2014 Rs.	2013 Rs.
Insurance premium receivable in respect of their own policies	4,004,663	1,555,369
Insurance premium receivable in respect of customers introduced	458,352,198	400,130,139
Service charges payable	163,872,624	149,820,484
Claims outstanding	175,000	603,345
Debentures	100,000,000	100,000,000
Savings account	2,664,587	814,344
Fixed deposits	73,429,575	72,302,837
Building rent expenses payable	6,301,541	203,571
Current account	34,480,908	81,009,787

Note: Shared service expenses mainly include amounts payable in respect of information and communication technology, human resources and logistics services provided to the Company during the year.

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS (Contd.)

33.3 Transactions and outstanding balances with the key management personnel

According to the Sri Lanka Accounting Standard (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 Limited considers its Board of Directors and their immediate family members as the key management personnel of the Company.

Transactions

For the year ended 31 December

	2014 Rs.	2013 Rs.
Directors' fees	370,000	380,000

33.4 Transactions and outstanding balances with other related companies

People's Leasing Fleet Management Limited

Transactions

For the year ended 31 December

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	6,516,461	4,727,726
Vehicle hiring expenses	2,410,579	1,575,488

Outstanding balances

As at 31 December

	2014 Rs.	2013 Rs.
Insurance premium receivable	490,947	185,414
Current account balance	410,545	23,351

People's Leasing Property Development Limited

Transactions

For the year ended 31 December

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	2,594,079	1,978,947

People's Leasing Microfinance Limited**Transactions****For the year ended 31 December**

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	2,859,094	634,660
Insurance premium in respect of customers introduced	9,885,597	5,195,876
Service charges	1,090,645	659,709

Outstanding balances**As at 31 December**

	2014 Rs.	2013 Rs.
Insurance premium receivable in respect of their own policies	614,473	68,227
Insurance premium receivable in respect of customers introduced	2,976,987	585,922
Service charges payable	704,761	252,610

People's Merchant Finance PLC**Transactions****For the year ended 31 December**

	2014 Rs.	2013 Rs.
Insurance premium in respect of their own policies	969,162	442,748
Insurance premium in respect of customers introduced	502,074	922,864
Service charges	50,959	52,486

Outstanding balances**As at 31 December**

	2014 Rs.	2013 Rs.
Insurance premium receivable in respect of their own policies	858,426	-
Insurance premium receivable in respect of customers introduced	62,070	46,540
Service charges payable	74,389	88,958

Notes to the Financial Statements

33. RELATED PARTY TRANSACTIONS (Contd.)

33.5 Transactions with the Government of Sri Lanka and its related entities

Since the Government of Sri Lanka directly controls the Company's ultimate parent, 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 as related parties according to LKAS 24, Related Party Disclosures.

The Company enters into transactions, arrangements and agreements with the Government of Sri Lanka and its related entities and significant transactions have been reported where applicable.

Transactions entered into with the Government of Sri Lanka and its related entities, relating to the ordinary course of business are detailed below.

Payment of statutory rates and taxes

Payment for utilities mainly comprising telephone, electricity and water

Payment for employment retirement benefits - EPF and ETF

Transactions with National Insurance Trust Fund on reinsurance arrangements

34 ASSETS PLEDGED

The following asset has been pledged as a security for liabilities.

Nature of asset	Nature of liability	2014 Rs.	2013 Rs.	Classification
Fixed deposit - People's Bank	Bank overdraft facility	10,000,000	10,000,000	Loans and receivables

35 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company has declared a final dividend of Rs. 2.00 per share for the financial year ended 31 december 2014.

In accordance with LKAS 10, Events After the Reporting Period, the final dividend has not been recognised as a liability in the financial statements as at 31 December 2014.

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than disclosed above.

36 COMMITMENTS AND CONTINGENCIES

The Company does not have any significant capital commitments and contingencies as at the reporting date, which require disclosure in the financial statements.

SHAREHOLDER INFORMATION

EARNINGS PER SHARE

Earnings per share (EPS) for the year ended 31 December 2014 increased by 21% from Rs. 6.18 in 2013 to Rs. 7.50 in 2014. This was due to increase of profit after tax by Rs. 79 million (21%) in 2014.

DIVIDENDS

An interim dividend of Rs. 1.50 per share amounting Rs. 90 million was paid in September 2014 and a final dividend of Rs. 2.00 per share amounting to Rs. 120 million was authorised by the Directors based on the profits of 2014. Accordingly, the full dividend per share in respect of 2014 is Rs. 3.50, an increase of 56% compared to 2013.

NET ASSETS PER SHARE

Net assets per share increased by 30% from Rs. 18.08 in 2013 to Rs. 23.50 in 2014 mainly due to the profit after tax of Rs. 450 million recorded in 2014.

31 December	2014 Rs.	2013 Rs.
Earnings per share	7.50	6.18
Dividend per share	3.50	2.25
Net assets per share	23.50	18.08

SHARE TRADING INFORMATION

The Company's shares are not listed in the Colombo Stock Exchange.

SHAREHOLDER BASE

All shares of the Company are held by one shareholder, People's Leasing & Finance PLC.

DIRECTOR'S INTERESTS IN SHARES

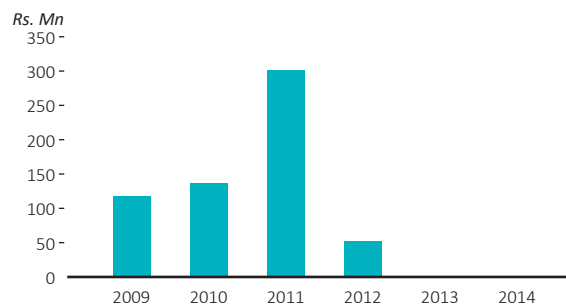
The Directors' individual shareholdings in the Company are given below.

Name of Director	No. of Shares	
	As at 31.12.2014	As at 31.12.2013
Jehan P. Amaratunga	Nil	Nil
Dharma N. Gammampila	Nil	Nil
N. Vasantha Kumar	Nil	Nil
D. P. Kumarage	Nil	Nil

RECORD OF SHARE ISSUES

Details of the share issues done by the Company are given below.

Year	No. of Shares	Value of Shares Rs.
2009	11,500,000	115,000,000
2010	13,500,000	135,000,000
2011	30,000,000	300,000,000
2012	5,000,000	50,000,000
2013	-	-
2014	-	-
Total	60,000,000	600,000,000



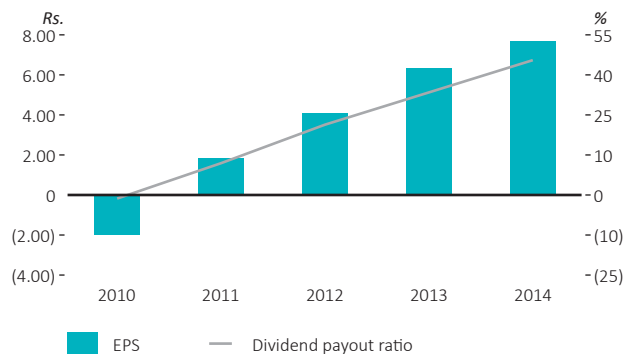
RECORD OF SHARE ISSUES

Shareholder Information

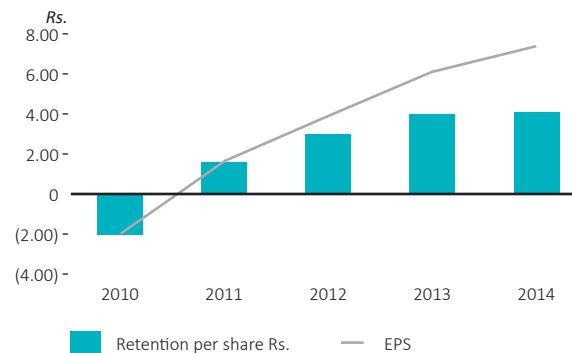
EARNINGS PER SHARE (EPS) VS. DIVIDEND PAYOUT RATIO

Year	EPS Rs.	DPS Rs.	Dividend Payout Ratio
2010	(1.96)	-	-
2011	1.70	0.20	12%
2012	3.94	1.00	25%
2013	6.18	2.25	36%
2014	7.50	3.50	47%

Year	EPS Rs.	Retention Per Share Rs.
2010	(1.96)	(1.96)
2011	1.70	1.50
2012	3.94	2.94
2013	6.18	3.93
2014	7.50	4.00



EARNINGS PER SHARE (EPS) VS. DIVIDEND PAYOUT RATIO



EARNINGS PER SHARE (EPS) VS. RETENTION PER SHARE

QUARTERLY ANALYSIS

QUARTERLY ANALYSIS 2014

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	828,581,214	841,190,049	880,441,905	861,251,177	3,411,464,345
Gross written premium	761,273,505	889,009,301	928,595,881	861,729,595	3,440,608,282
Net change in reserve for unearned insurance premium	44,574,524	(83,132,050)	(99,719,002)	(17,127,283)	(155,403,811)
Gross earned premium	805,848,029	805,877,251	828,876,879	844,602,312	3,285,204,471
Premium ceded to reinsurers	(34,363,332)	(166,725,444)	(45,450,211)	(47,397,384)	(293,936,371)
Net change in reserve for unearned reinsurance premium	(40,818,477)	91,897,572	(27,866,114)	(24,013,917)	(800,936)
Net earned premium	730,666,220	731,049,379	755,560,554	773,191,011	2,990,467,164
Claims and expenses					
Net claims	(519,269,246)	(523,932,200)	(580,248,583)	(539,253,638)	(2,162,703,667)
Underwriting and net acquisition costs	(74,813,435)	(77,888,692)	(78,446,085)	(79,625,056)	(310,773,268)
Other operating and administrative expenses	(86,598,498)	(87,420,865)	(92,841,247)	(98,288,631)	(365,149,241)
Total claims and expenses	(680,681,179)	(689,241,757)	(751,535,915)	(717,167,325)	(2,838,626,176)
Underwriting results	49,985,041	41,807,622	4,024,639	56,023,686	151,840,988
Other revenue					
Fee income	7,565,427	7,350,317	9,051,837	8,292,709	32,260,290
Interest and dividend income	80,824,534	86,389,922	74,756,942	72,814,649	314,786,047
Net fair value gains	8,999,462	15,616,383	40,234,850	5,672,770	70,523,465
Other operating revenue	525,571	784,048	837,722	1,280,038	3,427,379
Total other revenue	97,914,994	110,140,670	124,881,351	88,060,166	420,997,181
Profit before tax	147,900,035	151,948,292	128,905,990	144,083,852	572,838,169
Income tax expense	(34,544,719)	(36,423,891)	(21,025,666)	(30,716,794)	(122,711,070)
Profit for the year	113,355,316	115,524,401	107,880,324	113,367,058	450,127,099

Quarterly Analysis

QUARTERLY ANALYSIS 2013

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	765,818,420	786,989,050	819,460,930	822,571,180	3,194,839,580
Gross written premium	725,675,787	890,812,377	848,106,486	786,489,548	3,251,084,198
Net change in reserve for unearned insurance premium	6,915,790	(119,086,092)	(45,697,985)	18,430,125	(139,438,161)
Gross earned premium	732,591,577	771,726,285	802,408,502	804,919,673	3,111,646,037
Premium ceded to reinsurers	(34,933,748)	(202,795,391)	(38,659,209)	(45,541,364)	(321,929,713)
Net change in reserve for unearned reinsurance premium	(33,006,943)	119,036,351	(35,902,539)	(39,362,363)	10,764,506
Net earned premium	664,650,886	687,967,245	727,846,754	720,015,945	2,800,480,830
Claims and expenses					
Net claims	(525,658,962)	(484,315,373)	(568,444,726)	(541,799,704)	(2,120,218,765)
Underwriting and net acquisition costs	(69,301,548)	(71,729,944)	(74,627,992)	(76,599,520)	(292,259,004)
Other operating and administrative expenses	(58,287,794)	(62,657,391)	(75,353,599)	(85,182,985)	(281,481,769)
Total claims and expenses	(653,248,304)	(618,702,708)	(718,426,317)	(703,582,209)	(2,693,959,538)
Underwriting results	11,402,582	69,264,537	9,420,437	16,433,736	106,521,292
Other revenue					
Fee income	3,811,041	4,200,541	4,290,875	6,856,854	19,159,311
Interest and dividend income	85,437,419	92,368,672	92,267,267	88,719,451	358,792,809
Net fair value gains and losses	11,280,786	1,388,072	(5,597,452)	6,138,800	13,210,206
Other operating revenue	638,287	1,064,520	653,486	840,131	3,196,424
Total other revenue	101,167,533	99,021,805	91,614,176	102,555,236	394,358,750
Profit before tax	112,570,115	168,286,342	101,034,613	118,988,972	500,880,042
Income tax expense	(27,946,435)	(43,652,120)	(26,947,866)	(31,509,467)	(130,055,888)
Profit for the year	84,623,680	124,634,222	74,086,747	87,479,505	370,824,154

FIVE YEAR SUMMARY

Statement of Income (Rs.)	2014	2013	2012	2011	2010
Revenue	3,411,464,345	3,194,839,580	2,730,309,771	1,584,813,377	259,275,760
Gross written premium	3,440,608,282	3,251,084,198	2,944,487,069	2,414,788,213	933,152,132
Net earned premium	2,990,467,164	2,800,480,830	2,448,241,131	1,477,971,086	231,467,928
Net claims	(2,162,703,667)	(2,120,218,765)	(1,970,048,532)	(1,235,213,750)	(221,863,150)
Underwriting and net acquisition costs	(310,773,268)	(292,259,004)	(243,880,865)	(145,402,538)	(10,863,581)
Other operating and administrative expenses	(365,149,241)	(281,481,769)	(192,384,167)	(110,079,326)	(60,121,274)
Underwriting results	151,840,988	106,521,292	41,927,567	(12,724,528)	(61,380,077)
Other revenue	420,997,181	394,358,750	282,068,640	106,842,291	27,807,832
Profit/(loss) before tax	572,838,169	500,880,042	323,996,207	94,117,763	(33,572,245)
Income tax expense	(122,711,070)	(130,055,888)	(89,338,958)	(22,161,958)	3,809,412
Profit/(loss) for the year	450,127,099	370,824,154	234,657,249	71,955,805	(29,762,833)

Statement of Financial Position (Rs.)

Assets					
Intangible assets	48,940,550	61,716,770	3,492,990	95,060	123,076
Property, plant and equipment	26,056,186	28,310,298	25,529,408	17,602,003	15,797,326
Financial assets	3,644,915,439	3,190,344,558	2,609,366,419	1,763,276,493	513,883,789
Reinsurance and insurance receivables	661,014,992	546,024,788	509,690,530	575,832,533	319,775,821
Deferred expenses	180,766,259	167,355,627	155,523,082	126,387,783	50,288,890
Other assets	11,942,400	22,204,603	14,948,847	30,587,931	13,687,602
Deferred tax asset	-	-	-	842,914	3,809,412
Cash in hand and balance at bank	184,614,106	5,221,146	391,104	26,667,959	748,571
Total assets	4,758,249,932	4,021,177,790	3,318,942,380	2,541,292,676	918,114,487

Equity and liabilities

Equity					
Stated capital	600,000,000	600,000,000	600,000,000	550,000,000	250,000,000
Reserves	810,041,452	484,881,247	263,001,884	36,771,702	(32,959,146)
Total equity	1,410,041,452	1,084,881,247	863,001,884	586,771,702	217,040,854

Liabilities

Insurance liabilities	2,901,132,152	2,516,037,434	2,171,701,475	1,755,609,548	620,174,513
Retirement benefit obligations	4,432,438	2,493,213	1,386,394	793,063	569,791
Payable and other financial liabilities	362,964,321	373,410,580	218,718,248	157,174,148	68,745,260
Reinsurance payable	62,262,569	23,979,309	45,239,822	40,944,215	11,584,069
Deferred tax liability	13,576,697	18,344,385	1,313,153	-	-
Bank overdraft	3,840,303	2,031,622	17,581,404	-	-
Total liabilities	3,348,208,480	2,936,296,543	2,455,940,496	1,954,520,974	701,073,633
Total equity and liabilities	4,758,249,932	4,021,177,790	3,318,942,380	2,541,292,676	918,114,487

Investor Information

Return on net assets (%)	31.92	34.18	27.19	12.26	(13.71)
Earnings per share (Rs.)	7.50	6.18	3.94	1.70	(1.96)
Dividend per share (Rs.)	3.50	2.25	1.00	0.20	0.00
Net assets per share (Rs.)	23.50	18.08	14.38	10.67	8.68

Other Information

Number of employees	245	210	165	111	75
Number of shares	60,000,000	60,000,000	60,000,000	55,000,000	25,000,000

GLOSSARY OF INSURANCE TERMS

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. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

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.

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.

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.

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.

CESSION

A particular risk exposure that is transferred under a reinsurance treaty.

CLAIMS HANDLING EXPENSES

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.

COMMISSIONS

A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

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.

COVER NOTE

A document issued by an insurers/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 (which incorporate a certificate of insurance) are usually of short duration.

COMMERCIAL PACKAGE POLICY

A broad package of property and liability coverage for commercial ventures other than those provided insurance through a business owners' policy.

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.

EARNED PREMIUM

The proportion of premium that relates to a used period of cover.

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.

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). Compare deductible and retention. Excesses may either be compulsory or voluntary. An insured who accepts an increased excess in the form of a voluntary excess will 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.

GROSS/NET

The terms gross and net mean before and after deduction of the portion attributable to 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.

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.

FACULTATIVE/OBLIGATORY TREATY REINSURANCE

A reinsurance contract which allows the reassured to select which risks of a given type are to be ceded to the reinsurer. The reinsurer is obliged to accept all the cessions made by the reassured provided they fall within the scope of the treaty.

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.

Glossary of Insurance Terms

GROSS 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.

GROSS NET PREMIUM INCOME

Gross premium volume corresponding to the portfolio covered by a non-proportional reinsurance treaty.

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 RISK

Uncertainty over the likelihood of an insured event occurring, the quantum of the claim or the time when claims payments will fall due.

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.

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.

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.

NET PREMIUM

The amount of the premium that is left after the subtraction of some or all permitted deductions such as brokerage and (for certain types of business) profit commission.

REINSURANCE INWARDS

The acceptance of risks under a contract of reinsurance.

REINSURANCE OUTWARDS

The placing of risks under a contract of reinsurance.

REINSURANCE COMMISSION

Commission received or receivable in respect of premiums paid or payable to a reinsurer.

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.

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. Compare deductible and excess. An insured or reassured may be able to insure its retention with another insurer/reinsurer.

RISK BASED CAPITAL

Capital 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.

SHORT-PERIOD CANCELLATION

When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro-rata basis.

SOLVENCY MARGIN

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on general insurance business as defined in Solvency Margin (General Insurance) Rules, 2004 and subsequent amendments thereto made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

SUBROGATION

The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

SUM INSURED

The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

SURPLUS TREATY OR SURPLUS LINES TREATY

A type of reinsurance under which bands of cover known as lines are granted above a given retention which is referred to as the cedant's line. Each line is of equivalent size and the capacity of the treaty is expressed as a multiple of the cedant's line. The reinsurer receives an equivalent proportion of the full risk premium. A surplus treaty is a form of proportional reinsurance.

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.

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 PREMIUMS

The proportion of premium that relates to the unused period of cover.

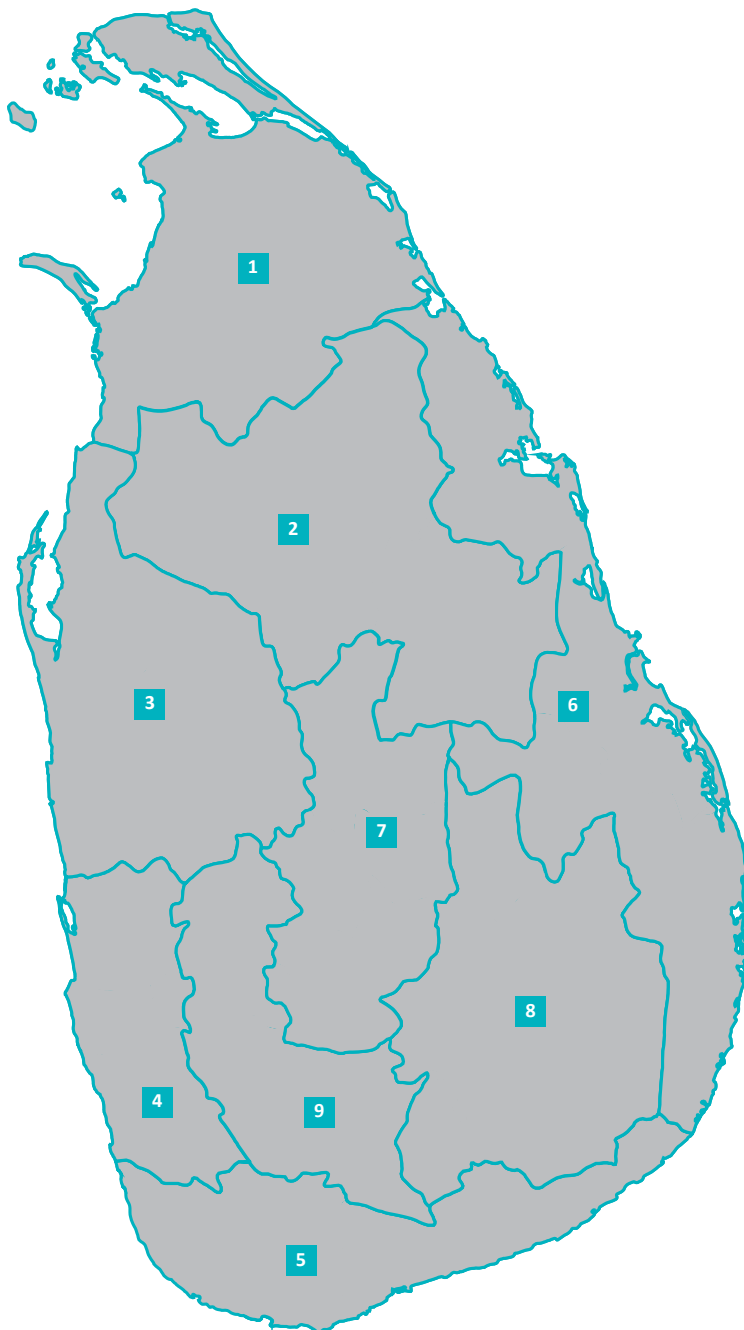
UNEXPIRED RISK RESERVE

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).

WRITTEN PREMIUM

Premiums which an insurer is contractually entitled to receive from the insured in relation to contracts of insurance. Under the annual basis of accounting, these are premiums on contracts entered into during the accounting period and adjustments arising in the accounting period to premiums receivable in respect of contracts entered into in prior accounting periods.

DISTRIBUTION NETWORK



- 1**
- NORTHERN PROVINCE**
- Jaffna
 - Killinochchi
 - Vavuniya
- 2**
- NORTH CENTRAL PROVINCE**
- Anuradhapura
 - Polonnaruwa
 - Thambuttegama
- 3**
- NORTH WESTERN PROVINCE**
- Chilaw
 - Kuliyaipitiya
 - Kurunegala
 - Wariyapola
 - Wennappuwa
- 4**
- WESTERN PROVINCE**
- Negombo
 - Avissawella
 - Battaramulla
 - Dehiwala
 - Gampaha
 - Grandpass
 - Havelock
 - Homagama
 - Horana
 - Ja-ela
 - Kadawatha
 - Kaduwela
 - Kalutara
 - Kelaniya
 - Kirindiwela
 - Kollupitiya
 - Maharagama
 - Mathugama
 - Metropolitan
 - Minuwangoda
 - Moratuwa
 - Negombo
 - Nittambuwa
 - Nugegoda
 - Panadura
 - Pettah
 - Piliyandala
 - Union Place
 - Ward Place
 - Wattala
 - Wellawatta
- 5**
- SOUTHERN PROVINCE**
- Galle
 - Ambalangoda
 - Ambalanthota
 - Benthotta
 - Deniyaya
 - Matara
 - Neluwa
 - Tangalle
 - Tissamaharama
- 6**
- EASTERN PROVINCE**
- Ampara
 - Batticaloa
 - Kantale
 - Trincomalee
- 7**
- CENTRAL PROVINCE**
- Dambulla
 - Digana
 - Gampola
 - Kandy
 - Mahaiyawa
 - Matale
 - Nawalapitiya
 - Nuwara Eliya
 - Pilimathalawa
- 8**
- UVA PROVINCE**
- Badulla
 - Bandarawela
 - Mahiyanganaya
 - Monaragala
 - Welimada
 - Wellawaya
- 9**
- SABARAGAMUWA PROVINCE**
- Balangoda
 - Embilipitiya
 - Kegalle
 - Rathnapura
- Regional office
• Window office at People's Leasing & Finance PLC branch network.

HEAD OFFICE

No. 53, Dharmapala Mawatha,
Colombo 03.
Tel : 011-2206406
Fax : 011-2206436

MOTOR CENTRE

No. 167, Union Place,
Colombo 02.
Tel : 011-2377880
Fax : 011-2377879

REGIONAL OFFICES**Galle**

No. 118, Matara Road, Galle.
Tel : 091-2248671
Fax : 091-2227388

Negombo

No. 159, Colombo Road, Negombo.
Tel : 031-2235514
Fax : 031-2235516

Window Offices at People's Leasing & Finance PLC Branch Network

Branch	Address	Telephone Number	Fax Number	Contact Person
Central Province				
Dambulla	No. 513/1, Kadapaha, Anuradhapura Road, Dambulla.	066-2284855	066-2284158	Mr. Kasun Chathuranga
Digana	No. 118/E, Rajawella 2, Rajawella.	081-2376923	081-2376223	Mr. Kasun Lankathilaka
Gampola	No. 131, Nuwara Eliya Road, Gampola.	081-2353030	081-2354154	Mr. Sandaruwan Herath
Kandy	No. 177, D. S. Senanayaka Veediya, Kandy.	081-2205419	081-4471654	Mr. Lahiru Madusanka
Kandy (Islamic)	No. 26, Hill Street, Kandy.	081-2205651	081-2205043	Mr. Ajith Abeykoon
Mahaiyawa	No. 288, Katugasthota Road, Kandy.	081-2205947	081-2205937	Mr. Palitha Bandara
Matale	No. 96/1/1, King's Street, Matale.	066-2226400	066-2226402	Mr. Sudes Liyanage
Nawalapitiya	No. 75, Ambagamuwa Road, Nawalapitiya.	054-2224482	054-2224485	Mr. Isuru Heshan
Nuwara Eliya	No. 36, K. Ramanathan Complex, Park Road, Nuwara Eliya.	052-2224119	052-2224122	Mr. Sameera Janaruwan
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa.	081-2056338	081-2056339	Mr. Kosala Supun
Eastern Province				
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2223395	063-2224850	Mr. Madushan Pradeep
Batticaloa	No. 26, New Kalmunai Road, Batticaloa.	065-2226537	065-2226754	Mrs. Tharaha Priyandren
Kanthale	No. 72/1, Agrabodhi Mawatha, Kanthale.	026-2234935	026-2234936	Mr. Sampath Bandara
Trincomalee	No. 445/1, Dockyard Road, Trincomalee.	026-2225285	026-2225286	Mr. Nadeeth Prithikumara
North Central Province				
Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura.	025-2226053	025-2234966	Mr. Niluka Sampath
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Chamika Bandara
Thambuttegama	No. 326, Queen Junction, Kurunegala Road, Thambuttegama.	025-2276180	025-2275511	Mr. Prasanna Lakmal

Distribution Network

Branch	Address	Telephone Number	Fax Number	Contact Person
Northern Province				
Jaffna	No. 12, Stanly Road, Jaffna.	021-2220398	021-2229627	Mr. Thuraisingam Thusjendran
Killinochchi	No. 253, Kandy Road, Killinochchi.	021-2280125	021-2285308	Mr. Nadarajah Arun
Vavuniya	No. 91/1, Station Road, Vavuniya.	024-2225860	024-2225861	Mr. Balasanmugaraja Thuvarakan
North Western Province				
Chilaw	No. 10, Colombo Road, Chilaw.	032-2224844	032-2224103	Mr. Nuwan Aravinda
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya.	037-2281343	037-2281525	Mr. Lakmal Tharanga
Kurunegala	No. 183/B, Colombo Road, Kurunegala.	037-2221582	037-2231505	Mr. Clement Tharindu
Wariyapola	No. 41, Kurunegala Road, Wariyapola.	037-2267886	037-2268311	Mr. Dhammika Kumara
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa.	031-2245663	031-2245662	Mr. Gayan Kavinda
Sabaragamuwa Province				
Balangoda	No. 118/A, Barns Rathwaththa Mawatha, Balangoda.	045-2289500	045-2289502	Mr. Gihan Sachith
Embilipitiya	No. 122, New Town Road, Embilipitiya.	047-2261387	047-2261972	Mr. Asha Tharanga
Kegalle	No. 345, Main Street, Kegalle.	035-2230101	035-2230195	Mr. Shalitha Gunathilake
Rathnapura	No. 102, Colombo Road, Rathnapura.	045-2223674	045-2230678	Mr. Gayan Ravinatha
Southern Province				
Ambalangoda	No. 105/A, New Galle Road, Ambalangoda.	091-2255646	091-2255649	Mr. Dilan Suresh
Ambalantota	No. 32 1/1, Tissa Road, Ambalantota.	047-2225265	047-2225266	Mr. Amila Isanka
Benthot	No. 147, Galle Road, Benthot.	034-2271640	034-2271633	Mr. Gregon Binoy
Deniyaya	No. 144, Main Street, Deniyaya.	041-2273341	041-2273713	Mr. Madhura Chathuranga
Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara.	041-2220129	041-2225985	Mr. Sahara Jayaweera
Neluwa	No. 08, Dellawa Road, Neluwa.	091-3094691	091-4943766	Mr. Lahiru Kavinda
Tangalle	No. 138/A, Matara Road, Tangalle.	047-2242501	047-2242503	Mr. Dinaranga Hettiarachchi
Thissamaharama	No. 171, Main Street, Thissamaharama.	047-2239671	047-2239703	Mr. Nimesh Indika
Uva Province				
Badulla	No. 33/9, Modern Complex, Cocowatta Road, Badulla.	055-2223903	055-2223777	Mr. Aruna Kumara
Bandarawela	No. 35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Anil Madushanka
Mahiyanganaya	No. 03, Siri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257738	055-2257737	Mr. Palitha Dharmasiri
Monaragala	No. 32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Supun Anuradha
Welimada	No. 11A, Boralanda Road, Welimada.	057-2244994	057-2244995	Mr. Chanaka Samantha
Wellaway	No. 128, Monaragala Road, Wellaway.	055-2274035	055-2274025	Mr. Achintha Chandimalal

Branch	Address	Telephone Number	Fax Number	Contact Person
Western Province				
Avissawella	No. 15, Kudagama Road, Avissawella.	036-2233791	036-2233793	Mr. Lahiru Suranjith
Battaramulla	No. 261, Main Street, Battaramulla.	011-2886818	011-2886824	Mr. Mithila Dhananjaya
Dehiwala	No. 119, Galle Road, Dehiwala.	011-2720770	011-2725904	Mr. Nuwan Amarasinghe
Gampaha	No. 65, Yakkala Road, Gampaha.	033-2233892	033-2232733	Mr. Sheron Perera
Grandpass	No. 361, Grandpass Road, Colombo 14.	011-2340013	011-2340025	Mr. Sameera Madusanka
Havelock City	No. 62, Havelock Road, Colombo 05.	011-2592432	011-2592445	Mr. Yohan Chathuranga
Homagama	No. 121/3, Highlevel Road, Homagama.	011-2098141	011-2098144	Mr. Dimuthu Sandaruwan
Horana	No. 101, Rathnapura Road, Horana.	034-2267701	034-2267701	Mr. Waruna Lakmal
Ja-Ela	No. 112/A, Negambo Road, Ja-Ela.	011-2228078	011-2228076	Mr. Malinda Udayakumara
Kadawatha	No. 657/A, Kandy Road, Bandarawatta, Kadawatha.	011-2926909	011-2926911	Mr. Sahan Samankula
Kaduwela	No. 501/1, Avissawella Road, Kaduwela.	011-2548578	011-2548590	Mr. Viraj Chathuranga
Kalutara	No. 314/1, Main Street, Kalutara South, Kalutara.	034-2235336	034-2235800	Mr. Kavishan Randika
Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya.	011-2914112	011-2908484	Mr. Yohan Uditha
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela.	033-2247581	033-2247580	Mr. Charundya Senadheera
Kollupitiya	No. 385, Galle Road, Colombo 03.	011-2376476	011-2376477	Mr. Tharindu Jayasanka
Maharagama	No. 134/C/2, Highlevel Road, Maharagama.	011-2851899	011-2851646	Mr. Samitha Kavinda
Mathugama	No. 4/29, Agalawaththa Road, Mathugama.	034-2249230	034-2248882	Mr. Gayan Kalhara
Metropolitant	No. 67, Sir Chiththampalam A. Gardiner Mawatha, Colombo 02.	011-2481000	011-2481123	Mr. Dinesh Sampath
Minuwangoda	No. 26H, Colombo Road, Minuwangoda.	011-2298641	011-2298655	Mr. Yoganathan Rukshan
Moratuwa	No. 207 1/1, New Galle Road, Moratuwella, Moratuwa.	011-2648471	011-2648472	Mr. Dilan Sanjeeva
Negombo	No. 29/1, Colombo Road, Negombo.	031-2227775	031-2224882	Mr. Thushara Wijesinghe
Nittambuwa	No. 83, Batadole Walauwa Junction, Kandy Road, Nittambuwa.	033-2298110	033-2298112	Mr. Janith Dissanayake
Nugegoda	No. 290, Highlevel Road, Nugegoda.	011-2813990	011-2813990	Mr. Sachithra Ferdinando
Panadura	No. 482, Arther V. Dias Mawatha, Panadura.	038-2237331	038-2237332	Mr. Manju Lakruwan
Pettah	No. 319, Main Street, Colombo 11.	011-2437708	011-2473549	Mr. Sajeewan Balakrishnan
Piliyandala	No. 71, Moratuwa Road, Piliyandala.	011-2609835	011-2609838	Mr. Charith Yasantha
Three Wheel Unit	No. 67, Sir Chiththampalam A. Gardiner Mawatha, Colombo 02.	011-2481000	011-2481128	Ms. Salini Himansha
Union Place (Islamic)	No. 167, Union Place, Colombo 02.	011-2377877	011-2304463	Mr. Mohomad Sharaff
Ward Place	No. 24/A, Ward Place, Colombo 07.	011-2678692	011-2678696	Mr. Dinesh Shanaka
Wattala	No. 540/A, Negombo Road, Wattala.	011-2948441	011-2947411	Mr. Danidu Niroshana
Wellawatta	No. 507, Galle Road, Wellawatta, Colombo 06.	011-2361562	011-2361564	Mr. Hasitha Udayanga

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Sixth (6th) Annual General Meeting of People's Insurance Limited will be held on the 29th of April 2015 at 4.00 Pm a.m. at the Board Room of People's Leasing & Finance PLC Head Office, No. 1161, Maradana Road, Colombo 08 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st December 2014 together with the report of the Auditors thereon.
2. To reappoint Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.
3. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By order of the Board,



Rohan Pathirage
Company Secretary

Colombo
23rd March 2015

Notes

A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a member of the Company.

The completed form of proxy must be deposited at the Registered Office of the Company situated at No. 1161, Maradana Road, Colombo 08 not later than 48 hours prior to the time appointed for the holding of the meeting.

FORM OF PROXY

I/we..... of

..... being a member/s of People's Insurance Limited hereby appoint

Mr./ Mrs./ Miss (holder of N.I.C. No.....) of

..... failing him/her

1. J. P. Amaratunga failing him
2. N. V. Kumar failing him
3. D. P. Kumarage failing him

as my/ our proxy to represent me/ us and vote on my/ our behalf at the Sixth (6th) Annual General Meeting of the Company to be held on 29th April 2015 at 4.00 p.m. at the Board Room of People's Leasing & Finance PLC Head Office, No. 1161, Maradana Road, Colombo 08 and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No.-

	FOR	AGAINST
1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st December 2014 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint Messrs. Ernst & Young, Chartered Accountants, as the External Auditors of the Company until the next Annual General Meeting at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2015

.....
Signature

.....
Shareholder's N.I.C./ P. P./ Co. Reg. No.

INSTRUCTIONS AS TO COMPLETION

1. The instrument appointing a proxy may be in writing under the hands of the appointer or of its attorney duly authorised in writing or if such appointer is a corporation under its common seal or the hand of its attorney or duly authorised person.
2. The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the Company's Registered Address situated at No. 1161, Maradana Road, Colombo 08 not less than 48 hours before the time appointed for the holding of the meeting.

CORPORATE INFORMATION

NAME OF COMPANY

People's Insurance Limited
(Fully owned 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

TAX PAYER IDENTITY NUMBER (TIN)

134037547

VAT REGISTRATION NUMBER

134037547-7000

SVAT REGISTRATION NUMBER

SVAT004235

ACCOUNTING YEAR-END

December 31

REGISTERED OFFICE

People's Leasing & Finance PLC Head Office
No. 1161, Maradana Road,
Colombo 08.

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 53, Dharmapala Mawatha,
Colombo 03.
Telephone: +94 11 2206406
Fax: +94 11 2206436

DIRECTORS

Mr. Jehan P. Amaratunga - Chairman
Mr. N. Vasantha Kumar
Mr. D. P. Kumarage - Managing Director

COMPANY SECRETARY

Mr. Rohan Pathirage

AUDITORS

Messrs. Ernst & Young (Chartered Accountants)
No. 201, De Seram Place,
Colombo 10.

CONSULTANT ACTUARIES

NMG Financial Services Consulting Pte Limited
65, Chulia Street,
#37-07/08 OCBC Centre,
Singapore.

BANKERS

People's Bank

REINSURANCE PANEL

Asia Capital Reinsurance Group Pte. Ltd.
General Insurance Corporation of India
Labuan Reinsurance (L) Ltd.
Malaysian Reinsurance Berhad
National Insurance Trust Fund
Swiss Reinsurance Company Ltd.
Trust International Insurance and Reinsurance Company
Lloyd's

INVESTOR RELATIONS

Chief Operating Officer
People's Insurance Limited,
No. 53, Dharmapala Mawatha, Colombo 03.
Telephone: +94 11 2206406
Fax: +94 11 2206436



No. 53, Dharmapala Mawatha,
Colombo 03.

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