

The Next Phase»»

Annual Report 2015



The Next Phase»

With strong backing and an excellent track record, we at People's Insurance are enthused for the next phase of our business. Moving into being a listed company presents both challenges and opportunities which we will face with determination and solidity as we journey forward into an exciting year...

The next phase is here...

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About the Report

Upholding responsible reporting, People's Insurance PLC (PI) sought in the year 2015 to be more structured and refined in its annual reporting initiatives. Following the first attempt in the year 2014, the Company continued to approach reporting from an integrated standpoint. This year, the Company was more focused on being consistent with the Integrated Reporting (IR) guidelines. Taking another step further, the report was also harmonised, for the first time, with the guidelines recommended by the Global Reporting Initiative (GRI)-G4 standard under the 'core' accordance option.

REPORTING CONTENT, SCOPE AND BOUNDARY

▶ GRI-G4 -17 - G4 -28 - G4 -31

Refer: Materiality Assessment, pages 44 to 49.

The reporting period is set for the financial year ended 31st December 2015. The report covers the overall operations, including the head office, regional offices, window offices located at People's Leasing & Finance PLC (PLC) and representation at People's Bank. The Company's strategy and the year's performance are discussed at length, drawing relevant comparisons with the performance registered in the preceding financial year, benchmarking, wherever possible, against the industry trends. Future strategy and planned actions are outlined whilst targets are set out for the ensuing year, 2016.

Marking a significant milestone, as reflected by the theme, 'The Next Phase',

the Company seeks to present this year's annual report at a holistic level, bringing together financial and non-financial information. The report seeks to bring out the Company's value creation process, linking the most significant capitals—financial, human, social and relationship and natural capitals. The management approach, performance and indicators that measure success are set out for each of the key capitals.

The content is developed and reported on the materiality concept advocated by the GRI-G4 as will be discussed under the section, Materiality Assessment. The report adheres to the standard disclosures as well as specific disclosures material to the PI operations and to the identified key stakeholders. Sector disclosures available for financial services have also been considered in content development.

As guided by the precautionary principle, the risk management along with internal controls are set out in the report, discussing at length, the measures in place under the purview of the parent, PLC, to monitor the operational risks and how necessary actions are taken to mitigate such risks.

The financial statements and the related notes and requisite disclosures are set out in the report. Financial statements are prepared in accordance with the Sri Lanka Accounting Standards, guided by the International Financial Reporting Standards. Independent auditors, Messrs. Ernst and Young have audited the financial statements and related notes. The Company has been following and

duly reporting—even prior to the listing process—compliance with the updated Code of Best Practice on Corporate Governance 2013, published jointly by the Securities and Exchange Commission of Sri Lanka and Institute of Chartered Accountants of Sri Lanka.

The sustainability aspects of the report are not externally assured.

GRI-G4 Content Index is placed on pages 166 to 171.

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.

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 PLC
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Colombo 03, Sri Lanka
Telephone: +94 11 2206406
Fax: +94 11 2206418
Email: nilushan@plc.lk

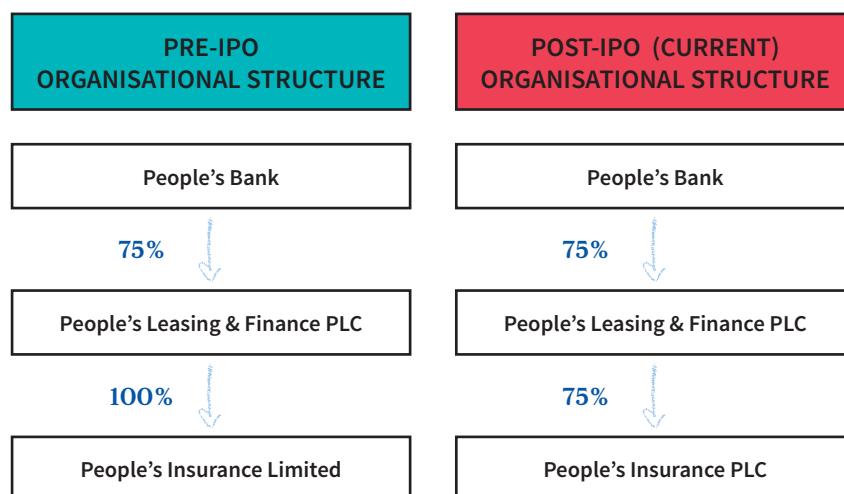
Organisational Profile

People's Insurance PLC was incorporated as a public limited liability company on 22nd July 2009 under the Companies Act No. 7 of 2007 and was registered as a non-life insurance provider under the Regulation of Insurance Industry Act No. 43 of 2000. We are supported by two of the largest financial entities in the country—People's Leasing & Finance PLC (PLC) and People's Bank (PB) and backed by strong reinsurers.

We commenced our commercial operations in January 2010, with the main focus on motor insurance, although many other non-life insurance products were also offered to our clients. We were able to demonstrate an impressive growth since commencement of operations by exceeding Rs. 2.4 billion in terms of annual premium income in our second year of operations and by becoming the fifth largest non-life insurance company in terms of the premium income in Sri Lanka by the third year, as per the annual report of the Insurance Board of Sri Lanka (IBSL) for 2012.

We use a two pronged approach for increasing market share, where we focus on leveraging on the business

opportunities that arise through the parent companies, whilst growing our direct customer base. The operations of our parent entities give rise to a clientele in the form of leases who enter into lease agreements with PLC and also borrowers of PB. In addition, the island wide presence through window operations within PLC's branch network provides us with a unique opportunity to access an existing and potential client base in an effective and cost efficient manner.








Associations and memberships

















- ▷ Insurance Board of Sri Lanka
- ▷ Insurance Association of Sri Lanka
- ▷ Sri Lanka Insurance Institute
- ▷ Institute of Chartered Accountants of Sri Lanka
- ▷ Financial Intelligence Unit of Central Bank of Sri Lanka
- ▷ Institute of Personnel Management of Sri Lanka

Our Products

LIFESTYLE PRODUCTS

 Dwelling Fire Insurance	 Home Insurance	 Personal Accident Insurance	 Motor Vehicle Insurance
 Travel Insurance			

BUSINESS PRODUCTS

 Commercial Fire Insurance	 Motor Vehicle Insurance	 Goods In Transit Insurance	 Marine (Cargo) Insurance
 Fidelity Guarantee Insurance	 Machinery / Electronic Equipment Insurance	 Contractor's All Risks Insurance	 Workmen's Compensation Insurance
 Public Liability Insurance	 Business Interruption (Consequential Loss) Insurance	 Plate Glass Insurance	 Burglary Insurance
 Package Policy for SMEs	 Business Travel Insurance	 Product Liability Insurance	 Professional Liability Insurance



The Next Phase»



*... is more opportunities to
create value*

Being in the non-life insurance industry for six years and having performed exceptionally well, we are in a strong position to create more value in the next phase as a quoted public company. The listing through the IPO facilitates broad-basing the ownership of the Company, which would strengthen our identity through increased visibility and brand image among the public.



About Us

People's Insurance PLC, a subsidiary of People's Leasing & Finance PLC, commenced commercial operations in 2010. We are affiliated with international reinsurers with standards that are approved by the Insurance Board of Sri Lanka. We are a highly professional team of individuals who assure personalised service and sound financial security. Experienced in understanding local industry conditions, you can be sure that you are protected by the best.



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

Financial Highlights

3,813 Mn

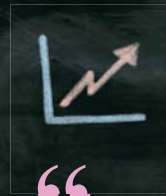
GROSS WRITTEN PREMIUM

254 Mn

UNDERWRITING PROFIT

464 Mn

PROFIT AFTER TAX

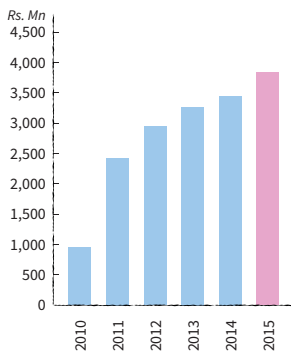


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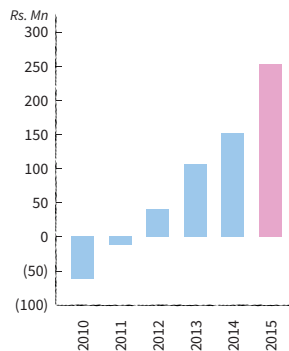
Continuing its outstanding track record, the Company completed yet another successful year, posting a top-line growth of 11% and an outstanding 67% growth in underwriting profits with Rs. 254 million, in effect, setting off the negative impact of lower investment income resulting from low market interest rates and sluggish stock market performance and thereby sustaining profit after tax at Rs. 464 million.

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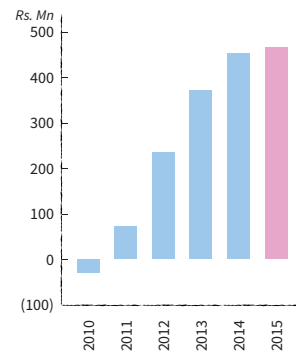
GROSS WRITTEN PREMIUM



UNDERWRITING RESULTS



PROFIT AFTER TAX



Milestones

2010

- ▶ Commenced commercial operations in January with 15 employees as a non-life (general) insurer.
- ▶ A wide array of non-life insurance products with the main focus on motor insurance was offered in its first year of operations.
- ▶ Recorded a gross written premium (GWP) of Rs. 933 million in the very first year, showing the signs of becoming a top-player in the non-life insurance industry.

2011

- ▶ Exceeded Rs. 1 billion of gross written premium (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.
- ▶ Recruited its 100th employee in its second year of operations.
- ▶ Achieved its first profit with a profit after tax of Rs. 72 million.
- ▶ Total assets exceeded Rs. 1 billion mark in the first few months to end the year with more than Rs. 2.5 billion worth of total assets.

2012

- ▶ Became the fifth largest non-life insurer in terms of the market share by recording Rs. 1,762 million GWP during the first six months, ending the year with Rs. 2,944 million annual GWP.
- ▶ Completed the implementation of the customised enterprise resource planning (ERP) system, providing soft infrastructure for efficient and effective business operations.
- ▶ A new call centre equipped with the latest technology was opened in view of providing an improved service to customers.
- ▶ First regional office was opened in Galle.
- ▶ Recorded the first underwriting profit which is scarce in the non-life insurance industry.

2013

- ▶ The second regional office was opened in Negombo.
- ▶ Entered into a bancassurance agreement with People's Bank in view of harnessing benefits of synergies.
- ▶ Published the first annual report.
- ▶ The first annual report secured following awards;
 - 'Industry Gold Award' and 'Top National Honours' at the LACP 2012 Vision Awards annual report competition held in Florida, USA
 - 'Insurance Companies Compliance Award' at the Chartered Accountants' Annual Report Awards 2013 organised by the Institute of Chartered Accountants of Sri Lanka.
- ▶ Launched the Company's web site.
- ▶ Carried out first dedicated social project titled 'Towards a Greener Sri Lanka' where plants and fertilizer were distributed to farmers and households.
- ▶ Recruited 200th employee in order to facilitate rapid expansion.
- ▶ Underwriting profit surpassed Rs. 100 million mark.
- ▶ Profit after tax reached Rs. 371 million.

2014

- ▶ 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 Children's Day and distribution of gift packs for children at the Colombo South Teaching Hospital, Kalubowila.
- ▶ Re-constituted the Board Audit Committee to ensure a better balance in the Board Audit Committee.
- ▶ Implemented and launched 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 second annual report won 3 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.
- ▶ Underwriting profit crossed Rs. 150 million mark.
- ▶ After tax profit reached Rs. 450 million.

Milestones contd.

2015

January

- ▶ Introduced a travel policy to expand the product line to facilitate customers' requirements.

February

- ▶ Successfully completed all staff one day training programme at People's Bank training centre to enhance the quality of the services provided to customers.

March

- ▶ Launched a Takaful window to cater to the Islamic community.

April

- ▶ Paid the final dividend of Rs. 2 per share amounting to Rs. 120 million.

May

- ▶ Carried out a corporate social responsibility (CSR) activity; donation of chairs to Sri Bodhi Primary School for their computer lab.

June

- ▶ Total asset base reached Rs. 5 billion.

July

- ▶ Recognised at the 14th Vision Awards Annual Report Competition 2014 – Asia-pacific for the third annual report
 - Excellence within the Insurance Industry – Gold
 - Top 50 Annual Reports in the Asia-Pacific region
- ▶ Investment portfolio reached Rs. 4 billion.

August

- ▶ Recognised and awarded as a strategic training partner for the Strategic Level, under the Institute of Chartered Accounts of Sri Lanka training programme.

September

- ▶ Carried out CSR activity; beach cleaning, establishing benches and sign boards at Panadura Beach.
- ▶ Paid an interim dividend of Rs. 2 per share amounting to Rs. 120 million.

October

- ▶ Surpassed Rs. 200 million in underwriting profits.
- ▶ Appointed two Non-Executive, Independent Directors to the Board.
- ▶ Appointed Remuneration and Nomination Committee and Related Party Transactions Review Committee.
- ▶ Re-constituted the Board Audit Committee
- ▶ Submitted the Initial Listing Application to the Colombo Stock Exchange (CSE) in order to list the shares of the company on the CSE.

November

- ▶ Received the in principal approval from the Colombo Stock Exchange for the Initial Public Offering (IPO).

December

- ▶ Received Insurance Companies Certificate of Compliance from the Institute of Chartered Accountants of Sri Lanka Annual Reports Awards 2014 for the third annual report.
- ▶ Opened the IPO on 16th December 2015 and was oversubscribed, almost 6 times on the opening day, making the Company's IPO one of the most successful IPO's in the recent past.

Awards and Recognition



Excellence within the Insurance Industry - Gold



Top 50 Annual Reports in the Asia-Pacific Region

14TH VISION AWARDS ANNUAL REPORT COMPETITION 2014 - ASIA-PACIFIC

'Celebrate the Big Five', Annual Report 2014 was recognised at the 14th 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.

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



*Insurance Companies
Certificate of Compliance*

INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA - ANNUAL REPORT AWARDS 2014

'Celebrate the Big Five' Annual Report 2014 was presented with a Certificate of Compliance at the 51st Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka.

Chairman's Message



“

Standing upright amidst the macroeconomic undercurrents and industry pressures, we were amongst the few insurers to sustain a creditable performance in the financial year 2015.

”

As we step into the 'next phase', People's Insurance PLC (PI) stands confident as a frontline organisation within the non-life (general) insurance sector. In the year 2015, we stayed focused and decisive in moving forward, fine-tuning our strategy and delivering on our goals as a responsible corporate. Wading through the intricacies that shrouded the industry, we managed to build on our learning and expertise, and reached out to our stakeholders with positive and effective engagement. Indeed, this was a year of milestones and sound operations—definitely beyond short-term returns. It is my privilege, on behalf of the Board, to present our annual report for the financial year 2015 along with the audited financial statements.

GLOBAL ECONOMY – UNEVEN GROWTH TRENDS

The global economy in 2015 continued to be challenged, falling short of robust results anticipated to fully move on from the recession and the financial crisis that hit almost six years ago. The primary forces—China's rebalancing measures, declining commodity prices, the volatility in the financial markets spurred by the regularising of monetary policy by the United States and weaker currencies against the US Dollar—underscored the complexities faced within the global macroeconomic environment, leading to uneven growth patterns across nations. The impact of climate change and geo-political instabilities experienced, particularly the Russia-Ukraine conflict and the ISIS activity, further intensified global economic woes.

The advanced nations stood their ground with growth prospects largely intact, albeit, at moderate levels. Yet, the emerging and developing market had to contend with higher down-side risks, which had far-reaching consequences on their economies at a broader level—further reversing the stronger growth momentum that was enjoyed up until recent years.



As per the International Monetary Fund in the 'World Economic Outlook', October 2015, the growth in the year is projected to reach 3.1%, down marginally by 0.3 percentage points over 2014; growth prospects for 2016 are placed higher at 3.6%.

DOMESTIC ECONOMY—RESILIENT AMIDST CHALLENGES

The Sri Lankan economy in the year remained resilient, notwithstanding the trials posed by the global economic headwinds, new political vision following a regime change, extremities in weather, indecisiveness amongst the investor community and the imbalances that swayed the macroeconomic landscape.

Inflation, at single-digit, decelerated markedly, in turn, supporting to follow through an accommodative stance in monetary policy. The relatively lower interest rate environment saw the acceleration of credit to the private sector whilst the high Rupee liquidity levels witnessed in the preceding year declined. In the external front, as was the case across the emerging and developing world, the Sri Lankan Rupee grappled with a stronger US Dollar amidst the tightening policies sought by the Federal Reserve in the United States. The country's trade balance went deeper into deficit whilst the balance of payment deteriorated, leading to a decline in gross official reserves to 4.2 months of imports. The fiscal management continued to be a challenge.

It is in this backdrop that Sri Lanka strived to be on track in its ascent towards economic growth targets both for the year and the medium-term. Although modest compared to the highs of the immediate post conflict years, GDP growth recorded an improvement over 2014. The Central

Chairman's Message contd.

Bank of Sri Lanka projects the economy to grow at 5.7% in 2015 and 6.5% in 2016.

INSURANCE – GAINING GROUND

With trend growth in GDP along with the expanding middle class and higher number of high-net-worth individuals in the post conflict economic backdrop, the platform is set for the insurance industry to progress and emerge as a key sector within the financial services domain. The industry dominated by the non-life insurance segment is yet to fully reap the benefits of the potential market opportunities. The penetration level as against the total population is still just above one percent of GDP, significantly less than 3.2% enjoyed on average by the neighbouring countries in East and South Asia.

Moving away from the sluggish performance in the preceding year and catching-up with the double-digit growth levels enjoyed in the recent past, gross premium income within the non-life insurance sector rebounded in the year, which is forecasted to grow at 14% over 4% in the previous year. Benefiting from an influx of motor vehicle imports given the lower duty structure that prevailed in the year, particularly in relation to small and electric cars, combined with a lower interest rate environment, boosted the motor segment, in turn, propping the industry despite the undertones within the economic front. However, as per the available statistics, the industry as a whole did not perform well in terms

of underwriting whilst investment income declined given the low market interest rates and bearish trends in the stock market. Some of the insurers thus recorded negative bottom-line results.

CORPORATE PERFORMANCE – PRUDENT AND ROBUST

Standing upright amidst the macroeconomic undercurrents and industry pressures, we were amongst the few insurers to sustain a creditable performance in the financial year 2015. We followed through our strategic priorities, seeking to expand our operations beyond our group whilst firmly embedding responsible practices in marketing, underwriting, claims and investment management. We succeeded to post a growth of 11% in gross written premium and significantly increased our underwriting profits to Rs. 254 million compared to the preceding year, in effect, setting off the negative impact of lower investment income on our bottom-line profits. We managed to sustain profit after tax at Rs. 464 million, slightly above the level achieved in 2014.

We propose to declare a final dividend of Rs. 0.60 per share, tallying to Rs. 240 million for the year under review with a dividend pay-out ratio of 52%.

REGULATORY CHANGES – BRACING THE ORGANISATION

As the new regulatory reforms gather momentum—seeking to reshape the industry and bring in a more a ‘level-

playing-field’—insurers across the board are seeking to adjust their operations in compliance with the mandated changes. Accordingly, the year witnessed the segregation of business lines of composite insurers; and as expected, two acquisitions came into effect within the non-life insurance sector, positively moving towards industry consolidation.

The pace and intricacies entailed in this transitional period have impacted the performance of many of the insurers in the industry, with a sense of insecurity and distress. Yet, at PI, we are keen and confident to respond positively, bracing our operations to meet the mandated requirements. We are consistent in our efforts, underscored by solid corporate values, to blend our strategic decision making process with the revised regulatory framework. It is in this spirit that we pursued to broad-base a 25% ownership stake on the Colombo Stock Exchange. The maiden offer of shares was held in December of the reporting year and listing in January 2016; thereby, complying with the listing requirement and more so, as the first non-life sector insurer under the revised insurance regulations.

In the year, we looked at building on a strong governance structure, leveling our Board and proceeding process to be more in line with the best practices mandated and fitting for listed entities. Consequently, we appointed two Independent Directors whilst setting

up two important sub committees to the Board - Remuneration and Nomination Committee and Related Party Transactions Review Committee. The Company's Articles of Association were also revised to facilitate the listing and re-election of members to the Board.

Aside, we also brought in improvements to our risk management systems and processes, in effect, supporting us to be fully prepared for the new risk based capital regime, which came into effect formally in January 2016.

FUTURE – BEYOND SHORT-TERM GAINS

In just over a half-a-decade, we have reached our 'next phase'. We have successfully weathered the dynamics of an evolving industry and are now well poised to move forward, countering the adversities inherent in the industry whilst securing the burgeoning opportunities; through decisive strategic action, learning, innovation and above all, through sustainable engagement with our stakeholders, enabling us to fulfill their aspirations responsibly.

In the short to medium term, we will continue to strengthen group synergies whilst looking for direct marketing opportunities to boost our market share, enabling us to sustain a healthy top-line despite the growing competition from the industry peers. We intend to focus on disciplined underwriting and claims management with due investments

to strengthen technical and risk management expertise, and upgrade and streamline systems and processes. But the most significant task ahead is to ensure that we uphold corporate values, balancing short-term gains with social conscious initiatives, that will most definitely underscore our long-term journey.

FOR STAKEHOLDERS – WITH GRATITUDE

As we reflect back on our journey, it is fitting to recognise the key stakeholders who were beside us over the years, as pillars of our success.

My gratitude is extended to my Managing Director and the Board Directors for their pragmatic leadership and direction towards reaching our aspired goals. I also like to thank the respective Boards of People's Bank and our parent, People's Leasing & Finance PLC, for their guidance and synergistic support.

It is with heart-felt gratitude that I recognise our Chief Operating Officer, management and team for their dedication, loyalty and joint effort, that set the platform for our organisation to reach the 'next phase', notwithstanding the trails of our industry. Certainly, I look forward to their continued support in the year ahead.

I take this opportunity to thank our investors who placed their trust and confidence in our Initial Public Offering

(IPO) of shares on the Colombo Stock Exchange. It is indeed heart-warming to see that our IPO was one of the most successful in recent times, with strong investor interest, both institutional and retail in our young organisation.

My commendation is extended to our regulator, the Insurance Board of Sri Lanka, for its direction and effort to bring in a more structured industry framework, championing standards and best practices advocated globally.

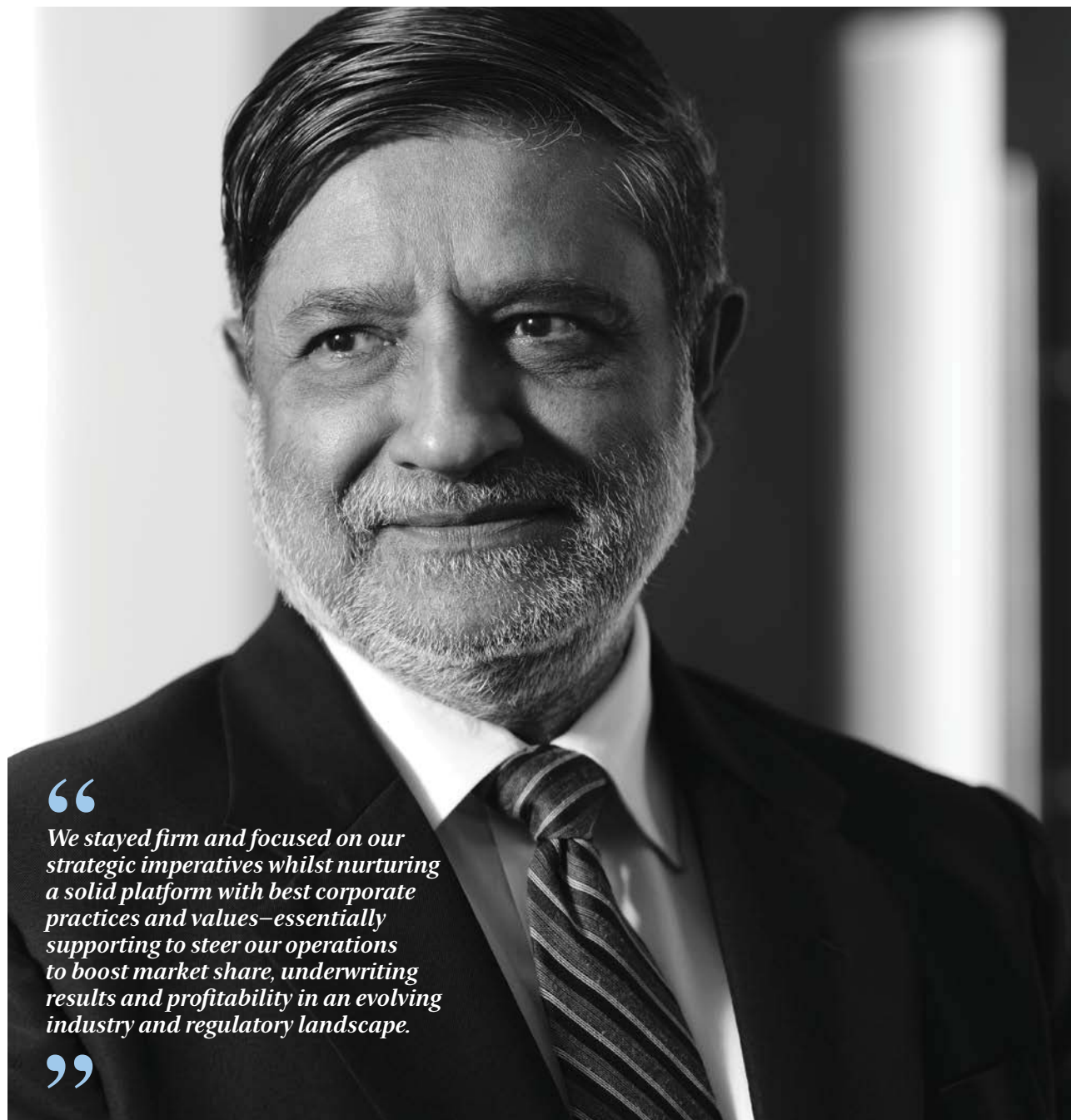
Whilst thanking all our stakeholders, I wish to reiterate my confidence that our Company is well poised and committed to raise the bar and move forward to accomplish our corporate goals.



Jehan P. Amaratunga
Chairman

11th May 2016
Colombo

Managing Director's Review



“

We stayed firm and focused on our strategic imperatives whilst nurturing a solid platform with best corporate practices and values—essentially supporting to steer our operations to boost market share, underwriting results and profitability in an evolving industry and regulatory landscape.

”

Moving on steadily to the 'next phase' of our operations, People's Insurance PLC (PI) marked a decisive year in 2015. We stayed firm and focused on our strategic imperatives whilst nurturing a solid platform with best corporate practices and values—essentially supporting to steer our operations to boost market share, underwriting results and profitability in an evolving industry and regulatory landscape. My review herein on the financial year 2015 seeks to set out how we have shaped our strategy to embrace a more holistic approach; highlights the year's performance and the milestones achieved; along with my perspective on the best way forward to reach long-term sustainability.

CREATING SHARED VALUE

In today's burgeoning business setting, our industry has progressively moved on as a significant sector with great potential for value creation and contributing to the nation's economic ascent. Our Company as a top-tier player, with solid fundamentals, is well poised to spur value within the industry. Yet, our value creation is not confined to mere commercial terms but, more inclusive. We seek to engage and collaborate with our stakeholders, increasingly interweaving their aspirations in our decision making from top-down—Board level to operations. We give much thought to our strategy building process and in the reporting year, we focused on creating shared value, upholding best practices as a responsible corporate.

WELL-ROUNDED STRATEGY

In the year, we were unwavering in our efforts to build and bolt on our strengths, buttressing our presence in a competitive industry as a responsible and trusted

insurer. We continued to look at how best we could gain market share and buoy our top-line. This year, whilst reinforcing our marketing links within our group companies, we increasingly concentrated on growing the non-captive customer base with focused marketing initiatives within the retail market and also the small and medium enterprises sector.



To this end, we were steadfast in strengthening our marketing team with new recruitments and training; boosting brand communications and customer and relationship service; delivering a set of versatile products with responsibility; due investments in technology towards more user-friendly and efficient systems and streamlined processes; and empowering the team with right skills, exposure, and fair and performance based remuneration, rewards and recognition. We also pursued

prudence in our underwriting operations and drove efficiency in claims settlement whilst staying within a lean overhead cost structure. Our investment portfolio was carefully evaluated and balanced for risk-returns, significantly so, amidst market vicissitudes experienced in the year.

Firming up on a more rounded strategy, we concentrated on reinforcing on controls for effective risk management; maintain sound relationships with reinsurers that command respect globally; and compliance to mandated regulatory requirements. We stayed committed to good governance and sought as elaborated in our Chairman's Message to strengthen the Board structure and effectiveness and efficacy of proceedings. We also invested and volunteered in socially responsible initiatives, some of which were carried out in collaboration with our parent, PLC. The Sustainability Charter we initiated in the year along with the Committee and a dedicated team stands true to our aspirations in this regard.

CORPORATE PERFORMANCE

Following through our strategy and the resultant action plan, we were successful in registering a healthy performance in the year 2015, enduring the trials entailed within our operating environment. Sustaining our market ranking at fifth within the non-life insurance sector, we managed to generate a gross premium income of Rs. 3,813 million, growing at 11% year-on-year. Our underwriting results were also strong and positive at Rs. 254 million, with an impressive growth of 67% whilst our bottom-line profit after tax posted Rs. 464 million—credible,

Managing Director's Review contd.

given the impact of a low interest rate backdrop combined with below potential capital market performance. The financial position as at the year-end was sound with more than Rs. 6 billion assets.

IN THE PUBLIC DOMAIN

In the reporting year, in line with the revised regulatory requirement, we issued 50 million shares at Rs. 15 per share representing a 25% ownership stake on the Colombo Stock Exchange. The investor interest in the initial public offering (IPO) held in December was noteworthy—seven times oversubscribed. We raised Rs. 750 million which will support to increase our investment income in the coming years whilst complementing the capital requirements under the risk based capital model which came in to effect in January 2016.

BUILDING THE TEAM

Our employees stand at the forefront of our corporate success, accomplishing significant milestones over just six years. Our commitment hence to nurture an energetic work-place with positive engagement remained true and steadfast.

Guided by our parent company policies and practices in human resources management, we furthered our efforts to be inclusive and fair in our approach, respecting employees for their diversity and extending equal opportunity based on performance in terms of promotions, compensation, rewards and incentives. We sought to attract young talent and extended opportunities for them to grow coveted careers with us. We stayed committed to build a well-rounded and

an outstanding team with professionalism at the core, as instilled across our group network.

We took firm measures to empower the team with relevant learning opportunities and sought to inculcate creativity and independent decision making in carrying out their job duties. Due investment continued to be made to bridge skills gap, especially targeting technical skills significant and essential to support and gear us to overcome the barriers and meet the demands of our industry. We followed through with the reimbursement scheme for further studies whilst our in-house programmes carried out structured training including on-the-job opportunities, cross placements with our parent company, professional development and orientation for new recruits.

GROUP COLLABORATION

With major synergistic and parental support from an established financial organisation with a strong track record, People's Leasing & Finance PLC (PLC), and from a highly respected and leading bank in the country, People's Bank, we have been able to contend with our peer organisations and shape our place and positioning within the industry; securing positive stakeholder conviction of our own brand and corporate standing.

Furthering our ties with the parent network, we sought in the reporting year to strengthen our distribution channels and thus, our outreach across the island. We strengthened our marketing representation within the PLC branch network whilst continuing with shared functions of HR, ICT, logistics, etc. which

in effect support to reap scale benefits and maintain leaner overhead costs, thus, cushioning our bottom-line profits. We followed through pursuing more opportunities on the bancassurance agreement with People's Bank.

We also sought to enhance our relationships with the sister network, seeking for collaborative opportunities to bolt and reap mutual goals. We firmed our working engagement with People's Leasing Fleet Management Ltd, seeking for their expertise in valuations in our claims settlement process whilst serving People's Leasing Property Development Ltd for their insurance requirements in their ongoing construction projects.

CUSTOMER FOCUS

This year, we strived to extend the best in customer service whilst remaining committed to be fair, transparent and responsible in our dealings with them. We engaged closely with our customers on drawing insurance policies with fair pricing and settling their claims with simpler and efficient processes and speedier turn-arounds; whilst taking firm measures to minimise leakages. Our 24-hour call centre, online support and training extended to marketing officers and agents on service excellence enabled us to keep our customer centric approach in-tact.

Aside, strengthening the product portfolio to be more inclusive in our offer, we launched and followed-up on two new policies—travel for the corporate clientele and Takaful to cover motor based Islamic finance facilities.

TOWARDS BETTER REPORTING

Over the past six years, we have consistently strived to be more focused and improve on our reporting efforts. This year under review, we looked at how we could improve on our reporting initiatives, reaching out to our key stakeholders with greater accountability for effective decision making. Following our initial steps taken in the previous year and as advocated across the PLC Group, we took firm strides to bring in greater integration to our reporting process—combining operational and financial reporting with sustainability facets. We also strived to bring our reporting in line with internationally acclaimed standards prescribed by the Global Reporting Initiative, GRI-G4.

Our Annual Report 2014, 'Celebrate the Big 5' Report was recognised at the Vision Awards Annual Report Competition 2014 – Asia-Pacific, with a gold award for excellence within the insurance industry and ranked amongst the overall top 50 in the region. We also received the certificate of compliance under the insurance sector category at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka, in December 2015.

JOURNEY AHEAD

Although confronted with challenges posed by the macroeconomic environment both globally and within, the post-conflict landscape has broadly paved the path for our nation to move forward to reach higher economic goals. This development drive encompassing higher disposable incomes and shift in demographics towards the middle-class with greater exposure to capital, bode

well on an emerging industry such as ours. Yet, competitiveness amongst insurers leading to price compromises together with the pace of the regulatory changes including the consolidation through mergers and acquisitions that are currently taking place have undermined the industry confidence, impeding on reaping the full potential, as anticipated.

Conscious of surmounting these trails and bolting on the opportunities present therein, we will continue to drive a pragmatic and a focused strategy. We intend to invest well and leverage on our expertise, brand, group synergies, systems and processes and on our energetic and loyal team. We will uphold disciplined and far-sighted approach to operational and financial management. In this light, we are poised to expand our market share including within the non-captive retail sector and grow the top-line whilst securing positive underwriting results, investment income and profits and returns.

Apart from our business goals, we will uphold responsible practices in customer service and product delivery whilst looking forward to support communities in need and further our efforts to adopt environmental friendly practices in our work-place. We will strengthen our internal controls, risk management and governance which will in effect be crucial to gear and to support us in our new role as a public quoted organisation.

THANK YOU

As we mark our beginning in the next phase, it is indeed apt to recognise and appreciate our Chief Operating

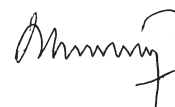
Officer and his dynamic team for their conscientious efforts to follow through our corporate mission. I am confident that the team in the coming year will be similarly spirited to reach greater summits.

I am grateful to the visionary thinking and direction of our Chairman and fellow Directors, leading us to secure and sustain our corporate positioning amongst front-runner insurers. I am also grateful to the Chairman and the respective Boards of People's Bank and People's Leasing & Finance PLC for their guidance and cooperation.

I wish to record my commendation to the Insurance Board of Sri Lanka for their regulatory vision and pro-activeness in taking the industry towards a 'level-playing field'.

I am grateful to our investors who participated in our maiden offer of shares for their enthusiasm shown and the trust placed in our organisation.

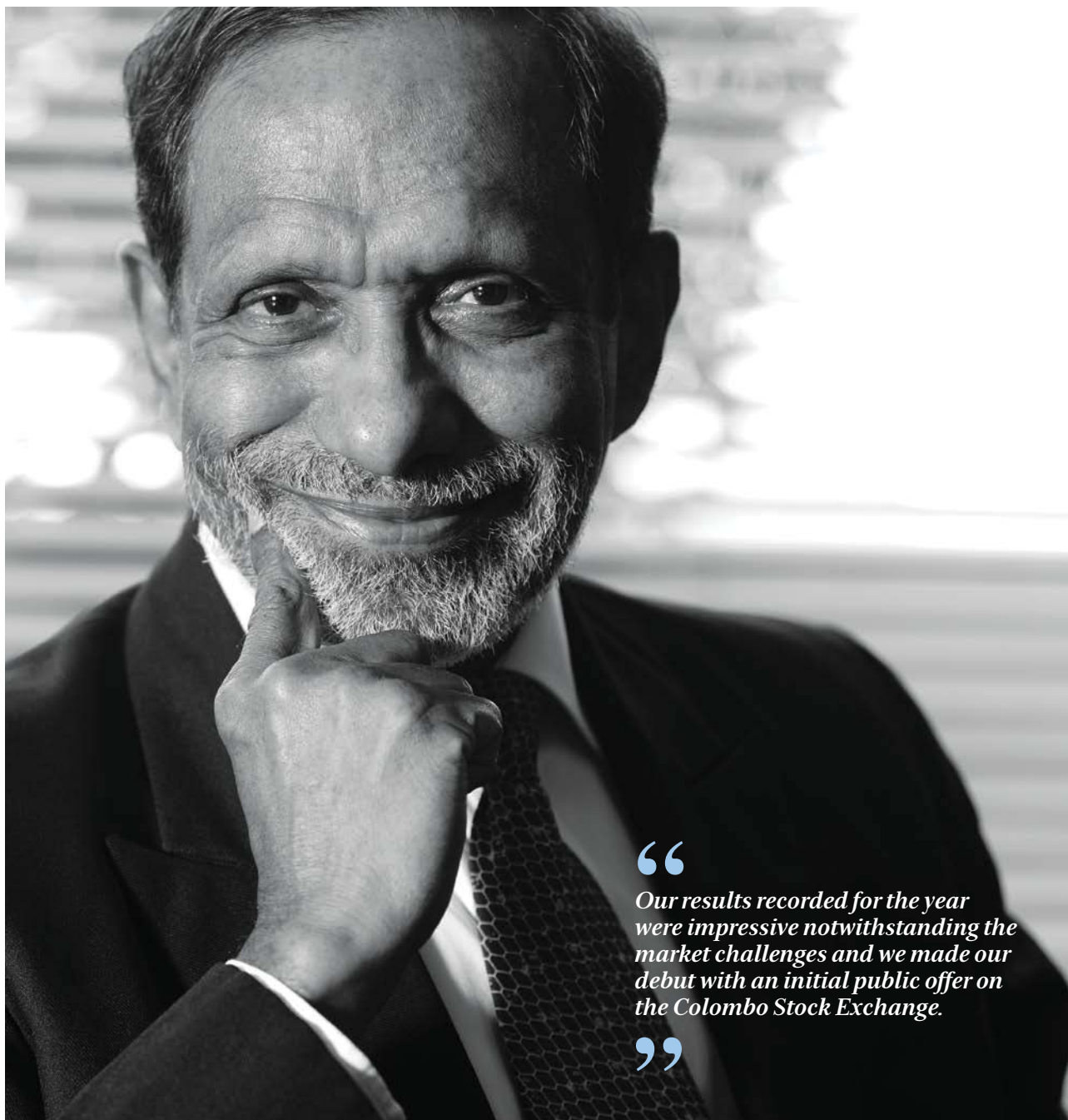
In closing, I place my appreciation to all our stakeholders for their support, trust and confidence, in taking our young organisation to the heights aspired.



D. P. Kumarage
Managing Director

11th May 2016
Colombo

Chief Operating Officer's Review



“

Our results recorded for the year were impressive notwithstanding the market challenges and we made our debut with an initial public offer on the Colombo Stock Exchange.

”

Within a span of six years, People's Insurance PLC (PI) has been able to make significant strides as a trusted insurer within the non-life insurance domain. We have nurtured a strong foundation with a clear vision and solid set of values whilst being steadfast in our efforts to secure sound operational results. In the year 2015, we were able to systematically and successfully pursue our corporate policy geared towards qualitative growth. We stayed committed to fair business practices, strict compliance with the laws and regulations and ethical standards. Our results recorded for the year were impressive notwithstanding the market challenges and we made our debut with an initial public offer on the Colombo Stock Exchange. Indeed, I am happy to present my review of the operation for the year 2015, setting forth our performance along with the strategies set for the years ahead.

PERFORMANCE OVERVIEW

We continued to give precedence to build a strong top-line with a quality portfolio. During the year, whilst further securing the captive business through the parent network, we sought to bring in a higher share of non-captive business through direct marketing initiatives, mainly targeting the retail sector. In this scenario, it was imperative that we stood firm in our efforts to sustain our presence and positioning, enduring the intense competition within the industry. We continued to focus on customer centricity with best service practices for a positive experience. We also looked at strengthening our cadre to be competent and responsive to customer needs whilst relying on technology to give us better

solutions to bring in clarity, convenience, and speed to our operational processes.

We were also committed to strengthen our underwriting expertise, without giving-in to soft pricing pressures of the market. We were structured and disciplined in our approach; and closely managed and monitored our claims settlement process, thus, cushioning our profitability and returns.



We made progress with managing claims. Net claims ratio for the year was recorded at 69%, down three percentage points from the ratio posted in the preceding year.

Resolute and focused in our strategy in the reporting year, we were able to navigate through the adversities we confronted within our operating environment, and delivered a creditable overall performance. We closely managed to keep our performance results broadly in line with our budgetary targets and perform within the industry averages, in most of the key indicators.

2015 marked another year of growth for People's Insurance. Gross written premium income in the year reaching Rs. 3,813 million, posting a healthy improvement of 11% as against the GWP recorded in 2014. The net earned premium after adjusting for reinsurance premiums and unearned premiums grew by 9% as against the preceding year. Motor class reported a growth of 12%; the non-motor segment including fire, marine, miscellaneous posted moderate growth, growing at 5% as against the preceding year.

We made progress with managing claims. Net claims ratio for the year was recorded at 69%, down three percentage points from the ratio posted in the preceding year. The net combined ratio registered an improvement of three percentage points to 92% over the preceding year, representing a key indicator of our performance. Our cost effective operating model and efficient internal processes with growing business volumes, contributed to this result. Supported by these improvements in key ratios, we witnessed an impressive increase in underwriting profits over the previous year, recording Rs. 254 million. Yet, investment income performance was restrained given the low interest rate environment coupled with an underperforming equity market recording a negative growth of 22% over the previous year. Our profit after tax which was cushioned by the strong underwriting results reached Rs. 464 million, recording a 3% growth compared to the previous year despite the drop in investment income.

Chief Operating Officer's Review contd.

FINANCIAL POSITION

Our financial position as at 31st December 2015 was sound and healthy. We maintained a quality asset base of Rs. 6,642 million. We continued to be prudent in managing our investment portfolio, maintaining diversity and thus balancing risks and returns in response to the series of challenges entailed within the investment climate. Our investment position, however, improved by 35% over the position in the preceding year to Rs. 4,931 million which was also supported by the funds raised through the IPO. Our liabilities increased to Rs. 4,391 million, up by 31% as compared to the position as at the prior year-end. The solvency position was robust with a margin of Rs. 568 million, above the prescribed margin of Rs. 702 million. The solvency ratio improved to 1.81% from 1.60% in 2014.

DRIVING GROWTH

In the year under review, we reinforced our cost effective distribution model through our parent network, supporting to boost our outreach and venture deeper into the retail business across the country. Following our expansionary plans, we established 11 new window offices within the PLC branch network, taking the total to 84 as at the year-end. We recruited 12 employees as marketing officers to support our direct business initiatives. Besides, we also have in place our staff at key People's Bank branches, under our bancassurance agreement with the bank.

The new unit established to develop business through the broker network, more focused on corporate businesses complemented our efforts in this regard.

Our two regional offices in Galle and Negombo also performed well supporting to strengthen our market outreach.

In the reporting year, we are expecting our market share to be 5.7% in terms of premium income, whilst sustaining our rank at fifth amongst the non-life insurers in the industry.

LISTING

We focused in the year with necessary approvals and documentation to take off our initial public offer of 25% ownership stake of 50 million shares at an issue price of Rs. 15 per share on the Colombo Stock Exchange, thus, becoming the first non-life insurer to comply with the listing requirement under the revised regulatory framework. The offer which attracted both institutional and retail investors was oversubscribed by seven times. With this issue, share ownership of our parent company, People's Leasing & Finance PLC, came down from a fully-owned status to 75% holding, amounting to 150 million shares. As intended, the total proceeds of Rs. 750 million generated was prudently invested in a mix of instruments including corporate debts, government securities, listed shares and fixed deposits. The monies thus invested are expected to be utilised in taking the Company's plans forward whilst strengthening the capital base, particularly significant in complying to the more stringent risk based capital regime.

TEAM DEVELOPMENT

Our talented team of 284 employees are our forte. It is no doubt that their competence, vitality and dedication underpinned our corporate ascent to

gain on goals and achieve some of the key milestone just over half-a-decade. As we stand at the next phase, we sought to reinforce our commitment to their wellbeing, development and advancement.

Upholding best practices in people management, we looked at engaging our employees more effectively and thus, building stronger and loyal relationships with them. Our performance management process—transparent and interactive—supported our efforts to build a dynamic team, determine the level of rewards and recognition, and assess skill-gaps and training requirements needed to reach the organisation goals. This process also supported us to obtain employee feedback and address their issues and grievances, ensuring higher productivity and motivation.

We stayed focused in our training efforts, nurturing employee skills and mentoring them for leadership roles. We continued to offer and encourage employees across the board to take up further professional studies through our non-bonded financial assistance scheme. As at the year-end, three employees were studying and benefiting under this scheme. The total training investment for the year reached Rs. 1.9 million with 4,560 hours of training.

RELYING ON DIGITAL SOLUTIONS

The dramatic pace of change taking place in today's business environment supports our case to increasingly embrace digital platforms to extend enabling solutions, to add value to our product suite, to

bring streamlined processes and hone operational efficiency, leading to positive customer engagement. In the reporting year, apart from the updates for the existing systems, we sought to design a web portal for our latest product, travel insurance, where customers can access policies and certificates online. We also initiated a system to accommodate Takaful products in line with Islamic finance principles.

FUTURE STRATEGIES

As the country moves towards a more measured period of growth, we look forward to opportunities to expand our business. Whilst being aware that growth will be amidst competition and volatility, our strategy will be to critically assess opportunities in all classes of business.

Our strategy for 2016, includes expansion of the current effective distribution channels through People's Insurance desks at People's Leasing & Finance PLC branch network. Also necessary improvements will be made in the bancassurance channel. Through the opening of regional branches in selected locations we strive to be in even better reach for our clients.

In December 2015, we were able to bolster protection of our portfolio with greater capacity and flexibility through our reinsurance treaty programme for 2016.

Whilst we are well poised to operate under the risk based capital regulatory framework, as a responsible listed company in the CSE, steps will be taken

to improve practices in governance, compliance and risk management capabilities with dedicated resources.

As we grow, it is imperative that we ensure that there will be no shortage of qualified, competent, motivated talent. We will continue to facilitate systematic personnel development through not only professional qualifications and skills but also with a sense of customer care and responsibility. This will encompass underwriting and claim management, asset management, risk management and other relevant fields to face the growing requirements of our business. It is our belief that growing strength of the Company encourages employees both in their work and achieving their personal development.

We also strive to help people in difficult situation in life and promote activities to contribute towards preservation of the environment and facilitate employees to understand and to get interested in social contribution activities.

We look forward to make analyses of our share performance at the end of 2016, to discuss great benefit to shareholders who have kept confidence on us at the Initial Public Offering (IPO).

IN CLOSING

It is with sincere gratitude that I record, on behalf of my team, our appreciation to our Chairman, Managing Director and the Board of Directors for their far-sightedness and guidance in taking People's Insurance on a path of sustainable growth.

My deep appreciation is extended to my team for their commitment and outstanding work. Well done!

I commend, the Insurance Board of Sri Lanka for their continued efforts in shaping the industry in alignment with international best practices.

To our partners in this business : clients, intermediaries, reinsurers, suppliers and all other stakeholders, thank you for the confidence placed and continuous support given over the past year. Your needs and interests lies at the heart of our service philosophy. As we step into 2016, I am confident of People's Insurance's sustainable success in growing with and serving the country.



Nimal Perera
Chief Operating Officer

11th May 2016
Colombo

Board of Directors





1. **Mr. Jehan P. Amaratunga** - *Non-Executive, Non-Independent Chairman*
2. **Mr. N. Vasantha Kumar** - *Non-Executive, Non-Independent Director*
3. **Mr. D. P. Kumarage** - *Managing Director/Executive Director*
4. **Mr. Lakshman Abeysekera** - *Non-Executive, Independent Director*
5. **Mr. Rohan Pathirage** - *Company Secretary*

Board of Directors contd.

1. MR. JEHAN P. AMARATUNGA

Non-Executive, Non-Independent Chairman

Mr. Amaratunga assumed duties as the Chairman of People's Insurance PLC in July 2010. He 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 (CSE) and also serves as a Director of People's Bank, People's Leasing & Finance PLC, JAT Holdings (Pvt) Ltd and Sri Lanka Institute of Information Technology (SLIIT). He is a Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and is a Fellow Chartered Management Accountant. He was awarded First in Order of Merit Prize at the final level examination of the ICASL. He is also a member of the Council, University of Colombo.

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 ICASL in 1987. He was also a Member of the Governing Council of the ICASL.

2. MR. N. VASANTHA KUMAR

Non-Executive, Non-Independent Director

Mr. N. Vasantha Kumar was appointed as a Director of People's Insurance PLC in May 2011. He 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, People's Merchant Finance PLC, 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 of 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/Executive Director

Mr. Kumarage was appointed as the Managing Director of People's Insurance PLC 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 finalist of the Chartered Institute of Management Accountants, UK. He is the Vice President of the Asian Leasing and Finance Association and was the Chairman of the Leasing Association of Sri Lanka. In addition, he serves as a Non-Executive Director of People's Merchant Finance PLC and Lanka Ashok Leyland PLC.

4. MR. LAKSHMAN ABEYSEKERA

Non-Executive, Independent Director

Mr. Lakshman Abeysekera, Chartered Accountant, was appointed as a Non-Executive Independent Director of People's Insurance PLC on 20th October 2015. He possesses over 25 years' experience in Accounting and Management fields. He currently functions as a Non-Executive Director of SANASA Development Bank PLC, and Director of JanRich Foods Limited, NovEx Pharmaceuticals Limited and is a Governing Council Member of AAT Sri Lanka. He has held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Accountant at Hoechst (Ceylon) Limited and was the Senior Accountant at Lankem Ceylon Limited.

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

5. MR. ROHAN PATHIRAGE

Company Secretary

Mr. Pathirage was appointed as the Company Secretary of People's Insurance PLC 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



MR. NIMAL PERERA

Chief Operating Officer

Mr. N. Perera joined People's Insurance in September 2009 as the Chief Operating Officer. Prior to his appointment, he served as General Manager (General Insurance) at Asian Alliance Insurance PLC. He has over 46 years of experience in the insurance industry, both in Sri Lanka and overseas. He was a CEO/General Manager of the National Insurance Corporation Limited, HNB Assurance PLC, Union Assurance PLC (General Manager - General Insurance) and Fidé Insurance Limited, Malawi. Mr. N. Perera is a Fellow of the Chartered Insurance Institute. He is a Member of the Asia-Pacific Risk and Insurance Association and Pan-Asia Risk and Insurance Management Association.



MS. JEEVANI KARIYAWASAM

Chief Manager - Operations

Ms. J. Kariyawasam joined People's Insurance in October 2009 and has been in charge of the operations of the Company since then. She counts over 21 years of experience in the insurance industry, including experience at National Insurance Corporation Limited and HNB Assurance PLC. Ms. J. Kariyawasam holds a BSc. Honours Degree in Bio Science from the University of Colombo. She is an Associate of the Chartered Insurance Institute, UK.



MR. NILUSHAN SOMARATHNA

Senior Manager - Finance

Mr. N. Somarathna joined People's Insurance in August 2012 and has been heading the finance department since then. Prior to joining the Company, he served as Manager - Finance at Union Assurance PLC. He altogether has over 12 years of finance and audit experience, including previous experience at Union Assurance PLC and PricewaterhouseCoopers. Mr. N. Somarathna has a BSc. Business Administration (Special) Degree from the University of Sri Jayewardenepura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and a prize winner of the intermediate examination conducted by the ICASL. He also holds a Master's Degree in Business Administration (MBA) from the University of Southern Queensland, Australia.



MR. HAREENDRA DISSANAYAKA

Senior Manager - Motor Claims

Mr. H. Dissanayaka joined People's Insurance in October 2009. He started his career at HNB Assurance PLC and counts over 12 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.



MS. KANTHI KEMPITIYA

Senior Manager - Motor Underwriting

Ms. K. Kempitiya joined People's Insurance in October 2009. She has more than 33 years of experience in the insurance industry, including the areas of underwriting, claims, administration and business development. Ms. K. Kempitiya 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.

Management Team



MS. SHALIKA DE SILVA

Manager - Legal



MR. DULIP DISSANAYAKE

Manager - Finance



MS. SUMUDU BANDARA

Manager - Non-motor Claims



MR. GEMUNU VITHANAGE

Assistant Manager - Fire and Miscellaneous Underwriting



MR. SASHIKA JAYATHILAKA
Assistant Manager - Reinsurance



MR. SHAMINDRA DISSANAYAKE
Assistant Manager - Business Development



MR. KOSALA JAYARATHNA
Motor Engineer

Support Service Team



MR. UDESH GUNAWARDENA

Deputy General Manager - Internal Audit (Group)

Mr. U. Gunawardena 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 is 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 PLC as appointed by the respective Boards.

MR. PRABATH GUNASENA

Deputy General Manager - ICT (Group)

Mr. P. Gunasena 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 Deputy General Manager - ICT and Head of ICT for the PLC Group.

MR. URESH JAYASEKARA

Chief Manager - Human Resources (Group)

Mr. U. Jayasekara joined People's Leasing & Finance PLC in 2007. He holds a 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.

MR. DANUSHKA LIYANAGE

Associate Business System Architect

Mr. D. Liyanage 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.

The Next Phase»

*is better value for
all our stakeholders*



Being a quoted public company, the Company has expanded its shareholder base and in turn, the responsibility towards all its stakeholders. With improved governance and visibility, we are better equipped to advance our transparency and commitment to quality, not only to our larger client base but also the environment and the community. The Company also introduced new products that cater to diverse needs and we hope to continue this growth into the future.

Management of Capitals



Financial Capital

With the synergistic support of our parent entities, we have made our mark as a top-tier non-life insurer in the industry. Fortified by solid fundamentals, we are well geared to be disciplined in managing our financial resources efficiently and creating value with responsibility. Our commitment is steadfast to ensure sustainable returns to our shareholders.



Natural Capital

With excessive life styles and businesses increasingly compromising our environment, we are conscious and responsible to uphold best practices, and thus, move towards carbon neutrality in our operations. This is well in line with our parent's commitment towards environmental sustainability.



Human Capital

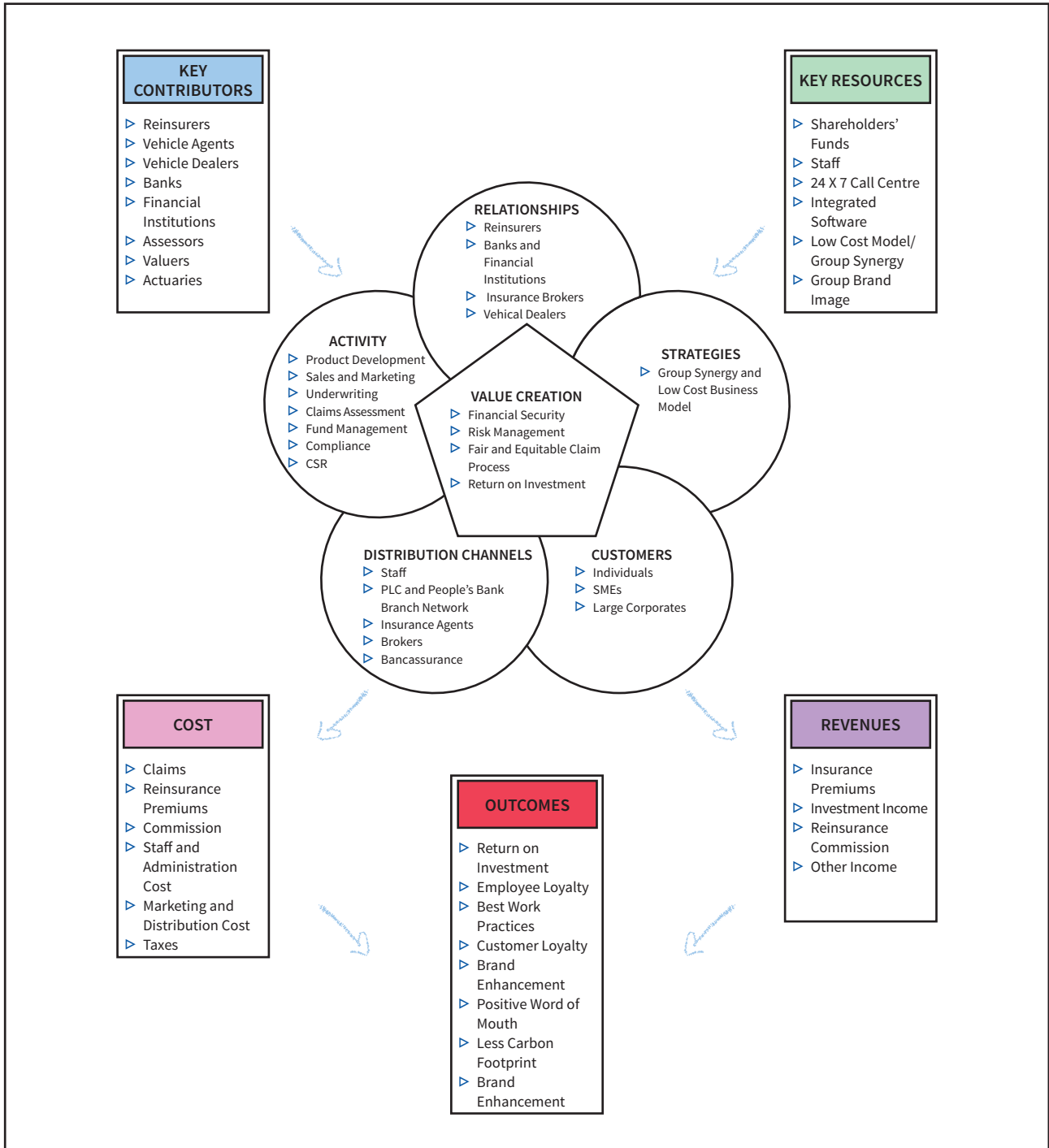
The dedication of our employees, their expertise and professionalism are key facets of our success. We are committed in creating a progressive work culture, nurturing their talents and empowering them to build solid careers. We share a common goal of being best in the industry.



Social and Relationship Capital

Social responsibility is intrinsic to our organisation and well in line with our group ethos. Our focus is on creating long term value—building loyal relationships, trust and reciprocity with key stakeholders and upholding the highest ideals of responsibility in business.

Business Model



Value Creation

VALUE CREATION

As a top-tier insurer, underscored by the PLC Group strength, PI is well poised to play a significant value creation role within the nascent insurance industry, with benefits cascading to the entire economy. The Company has the necessary expertise and standing to meet the expectations of a diverse set of stakeholders—returns for shareholders; supporting customers with comprehensive insurance products and excellence in service; employment opportunities with career development; business opportunities for insurance agents with commissions; paying taxes as a civic conscious corporate; and advocating best business practices, reflecting well on the industry.

The Approach

Within the six years since the inception, PI has been progressively moving towards sustainable value creation, benefitting stakeholders and mitigating the negative impacts of operations. The creation process is well aligned and guided by the parent, PLC's integrated business policies. Value creation is approached from a long-term standpoint, underlined by responsibility, ethical business values and best practices in governance and effective risk management. The strategic focus and the key related actions are on building up competitiveness and efficiency and thereby, the viability; whilst simultaneously seeking to reach out and address social and environmental issues that are relevant and closely linked to the Company's operations.

Within the value creation process, the Company's funds are generated by way of equity from its shareholders and internal cash flows. The funds thus raised are allocated to support business activities, including expansions and upgrades to spur

revenue, profits and returns. In the reporting year, the Company posted sound financial results—the net profit in the year stood at Rs. 464 million; enabling a total dividend of Rs. 240 million, including the proposed final dividend.

The Company also deploys the expertise, talent and committed service from the team as human capital. Investments are made to develop their level of competence through training, enabling them with performance based work culture, right networking exposure within the PLC Group and the latest IT systems and process support. In the year under review, the cadre employed in the value creation process stood at 284, including 72 new recruitments. Staff cost saw an increase of 18.5% over the previous year to Rs. 109 million including remuneration, rewards and increments and the investment for training was Rs. 1.9 million.

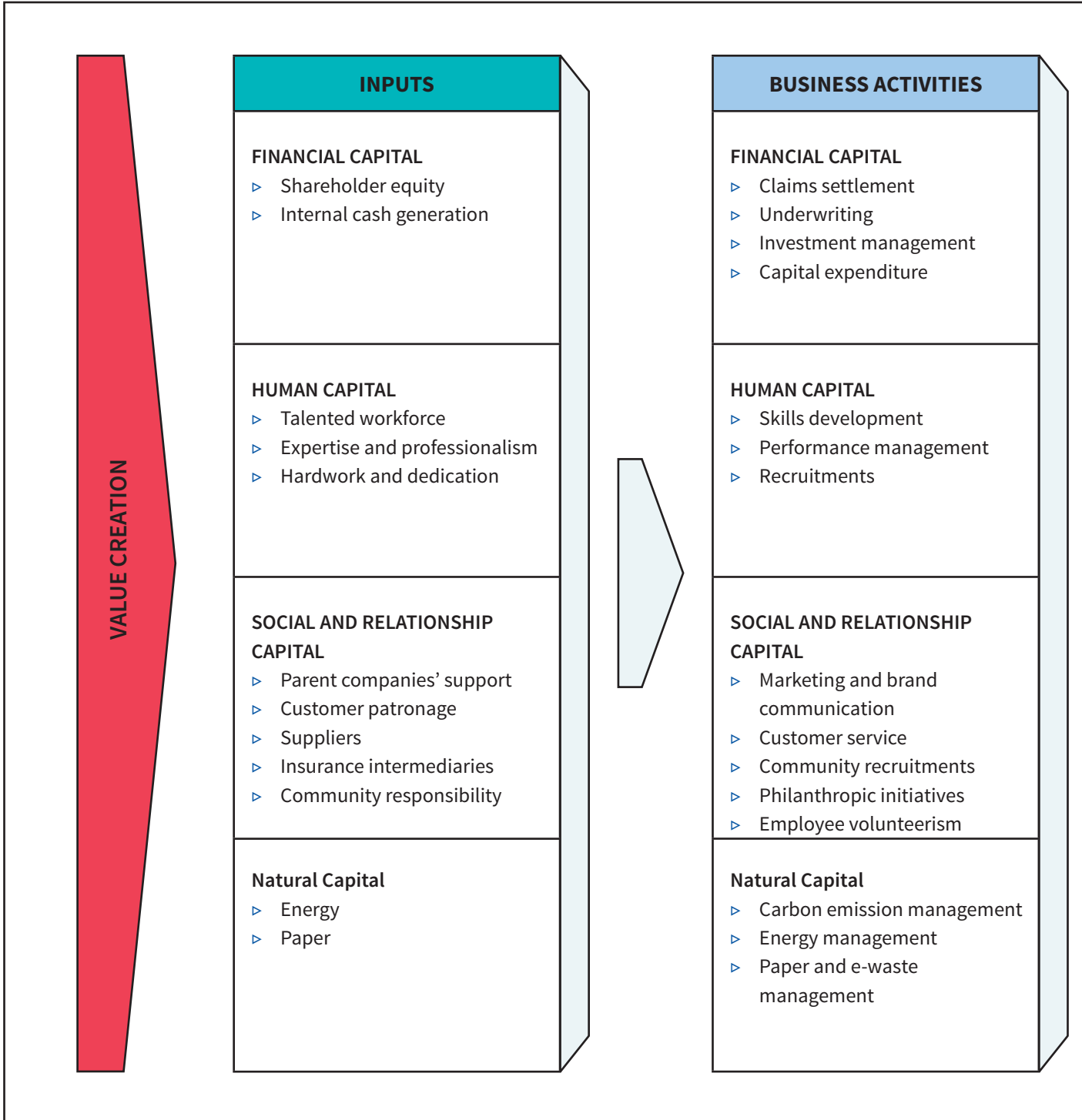
The customer patronage, the trust placed in the product offer and their loyalty take centre stage within the value creation process. In turn, the Company ensures product responsibility and satisfaction through exceptional service. The products are well planned and designed to cover risks entailed in motor vehicles, lifestyle products and even risks related to enterprises whilst extending fair pricing and claims settlement solutions. The monies entrusted by the customer as premiums are responsibly, but, strategically invested, balancing risks and returns whilst obtaining reinsurance from internationally acclaimed and rated organisations. The Company in the year had a customer base of 141,252, including the customers from the captive base through the parent, PLC and ultimate parent, People's Bank network and from the non-captive markets within the retail and the small and medium enterprises sector.

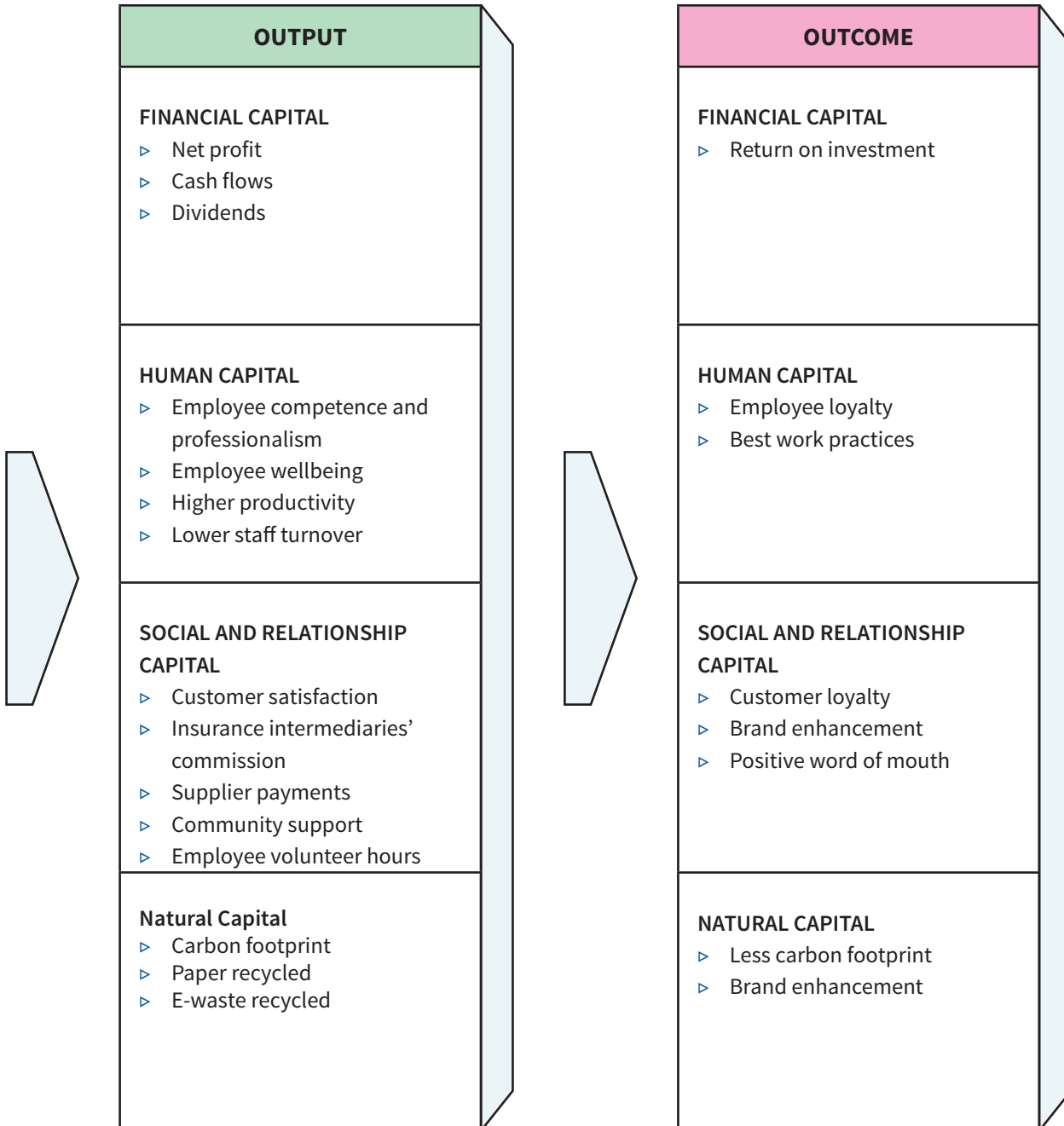
The Company has the backing of PLC synergies to support the value creation process—in distribution and sharing administrative functions, including large scale procurement enabling economies of scale and thereby, effective pricing. The brand strength of PLC and People's Bank is an ace in gaining the trust and confidence of customers, business partners and investors alike. In effect, within just six years into operations, PI has gained its positioning as a top-tier insurer in the industry. Having 84 window offices within the PLC branch network and the links through the bancassurance platform has enabled the Company to access the captive market as well as the non-captive markets across the island, cost effectively.

The relationships maintained with insurance intermediaries, including agents and brokers greatly supported the Company's value creation process. With 22 brokers and 21 agents, the Company is able to reach out to a larger customer base, particularly, in its quest to capture non-captive markets. In the reporting year, the Company paid out Rs. 338 million as commissions for the services rendered. Apart from this, relationships are well maintained with suppliers for procurement of stationary in the reporting year, Rs. 45 million was paid to suppliers.

PI maintains good relations with the relevant regulatory and statutory bodies; complying with the mandatory and voluntary codes and practices, and ensuring that the reporting requirements are met conscientiously. The Company is also prompt in meeting its obligations to the Department of Inland Revenue, thus, contributing to the tax revenue of the country. In the year under review, the Company provided Rs. 139 million as taxes.

Value Creation contd.





Stakeholder Engagement and Materiality Assessment

STAKEHOLDER ENGAGEMENT

The Approach

▷ G4-24 - G4-27

As a top-tier non-life insurer and being a foremost subsidiary of a leading group within the non-bank finance sector, PI is fully aware of the significance of building solid relationships with key stakeholders, through a pragmatic and active engagement process. The operations are carefully shaped and guided to be interactive, hands-on and responsive to multifaceted expectations and requirements of key stakeholders. Upholding their trust and seeking to reach out to address their needs and their material issues are interwoven with the organisation's decision making process. Best practices of professionalism, transparency and accountability underscore the stakeholder engagement process, well in line with PLC Group's ethos.

Identification of Key Stakeholders

The management team together with key executives during the annual planning and budgeting sessions (to be discussed further under materiality section) sought to fine-tune the list of stakeholders and prioritise them on the basis of their level of influence on the Company's operations and the level of impact the Company has on them through its operations. Accordingly, a key stakeholder list was formulated whilst determining the level of engagement the Company should follow through with each stakeholder group.

The stakeholder group categorised under high in impact and influence is given highest priority with close engagement.

Set out is the synopsis of the analysis, including the list of stakeholders, prioritisation matrix and their main issues, expectations and the process of engagement.

List of Stakeholders

EXTERNAL	INTERNAL
<ul style="list-style-type: none"> ▷ Customers ▷ Insurance Agents ▷ Insurance Brokers ▷ Industry Association ▷ Government ▷ Regulator ▷ Other Statutory Bodies ▷ Suppliers ▷ Community ▷ Environment ▷ Media 	<ul style="list-style-type: none"> ▷ Parent Company, PLC ▷ Ultimate Parent, People's Bank ▷ Sister Companies within PLC Group ▷ Employees

Stakeholder Prioritisation Analysis			
Level of Impact	High	HIGH IMPACT - LOW INFLUENCE Medium Priority – Engage Moderately <ul style="list-style-type: none"> ▷ Insurance Agents ▷ Insurance Brokers ▷ Communities ▷ Sister Companies ▷ Suppliers 	HIGH IMPACT - HIGH INFLUENCE Highest Priority - Engage Closely <ul style="list-style-type: none"> ▷ Customers ▷ Employees ▷ Parent Company, PLC
	Low	LOW IMPACT - LOW INFLUENCE Lowest Priority – Engage if necessary <ul style="list-style-type: none"> ▷ Industry Associations ▷ Environment ▷ Media 	LOW IMPACT - HIGH INFLUENCE Medium Priority – Engage Moderately <ul style="list-style-type: none"> ▷ Ultimate Parent, People's Bank ▷ Government ▷ Regulator ▷ Other Statutory Bodies
		Low	High
Level of Influence			

Stakeholder Engagement					
Key Stakeholders	Priority	Engagement Process	Frequency	Issues, Concerns and Expectations	PI's Response
Parent company, PLC	High	<ul style="list-style-type: none"> ▷ Board papers ▷ Progress reports ▷ Financial statements ▷ Group meetings ▷ Business agreements ▷ Annual report ▷ Annual General Meeting ▷ Extraordinary General Meeting ▷ Networking events 	<ul style="list-style-type: none"> ▷ Monthly ▷ Quarterly ▷ Semi-Annually ▷ Annually ▷ As and when required 	<ul style="list-style-type: none"> ▷ Operational and financial performance ▷ Business synergies ▷ Good governance and corporate ethics ▷ Risk management ▷ Internal controls ▷ Compliance ▷ Social responsibility 	<ul style="list-style-type: none"> ▷ Adopt an integrated strategy and deliver on goals in line with PLC Group ethos. ▷ Build strong ties with customers referred by PLC. ▷ Operate as a profitable venture with positive returns. ▷ Operate with due diligence, upholding good governance and risk management. ▷ Duly report on the organisation's plans and performance.

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Stakeholder Engagement and Materiality Assessment contd.

Stakeholder Engagement					
Key Stakeholders	Priority	Engagement Process	Frequency	Issues, Concerns and Expectations	PI's Response
Ultimate parent company, People's Bank	Medium	<ul style="list-style-type: none"> ▷ Bancassurance agreement ▷ Business meetings ▷ Annual report ▷ Networking events 	<ul style="list-style-type: none"> ▷ Quarterly ▷ Annually ▷ As and when required 	<ul style="list-style-type: none"> ▷ Operational and financial performance ▷ Good governance and risk management ▷ Business synergies 	<ul style="list-style-type: none"> ▷ Strengthen bancassurance ties with People's Bank. ▷ Organise and participate in networking events to build positive relationships with Bank staff. ▷ Operate with due diligence, upholding good governance and risk management.
Sister companies	Medium	<ul style="list-style-type: none"> ▷ Business agreements ▷ Business meetings ▷ Networking events 	<ul style="list-style-type: none"> ▷ Monthly ▷ Annually ▷ As and when required 	<ul style="list-style-type: none"> ▷ Business synergies 	<ul style="list-style-type: none"> ▷ Share, collaborate and leverage on business opportunities. ▷ Organise networking events to build positive relationships with sister companies.
Customers	High	<ul style="list-style-type: none"> ▷ Communication material ▷ Road shows ▷ Door-to-door promotions ▷ Website ▷ 24-hour call centre ▷ Customer feedback 	<ul style="list-style-type: none"> ▷ Daily ▷ Monthly ▷ Annually 	<ul style="list-style-type: none"> ▷ Value added product range ▷ Fair pricing ▷ Convenient and fair claims settlement ▷ Quick turnaround time for processing claims 	<ul style="list-style-type: none"> ▷ Due staff training on customer service and technical skills to ensure fair pricing and claims settlements. ▷ Invest in appropriate technology to extend streamlined processes and speedy insurance solutions. ▷ Focused efforts to uphold best business practices.
Employees	High	<ul style="list-style-type: none"> ▷ Team meetings ▷ General staff meetings ▷ Cluster meetings ▷ Performance appraisals ▷ Training programmes ▷ Staff circulars 	<ul style="list-style-type: none"> ▷ Daily ▷ Monthly ▷ Semi-Annually ▷ Annually 	<ul style="list-style-type: none"> ▷ Due promotions, rewards and remuneration ▷ Performance based culture and assessments ▷ Skills development ▷ Welfare 	<ul style="list-style-type: none"> ▷ Extended tactical training opportunities to develop staff skills and careers. ▷ Base rewards, recognition and promotions on a transparent performance appraisal mechanism. ▷ Extend industry competitive remuneration, bonuses and other welfare measures.

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Stakeholder Engagement					
Key Stakeholders	Priority	Engagement Process	Frequency	Issues, Concerns and Expectations	PI's Response
Supplier	Medium	<ul style="list-style-type: none"> ▷ Procurement meetings ▷ Supplier information questionnaire ▷ Supplier Feedback 	<ul style="list-style-type: none"> ▷ As and when required 	<ul style="list-style-type: none"> ▷ Supplier loyalty ▷ Prompt payments ▷ Best practices 	<ul style="list-style-type: none"> ▷ Ensure timely payments. ▷ Give fair referrals. ▷ Obtain supplier information through a simple questionnaire and feedback form to assess and nurture best practices.
Insurance Brokers and Agents	Medium	<ul style="list-style-type: none"> ▷ Meetings ▷ Training programmes 	<ul style="list-style-type: none"> ▷ As and when required 	<ul style="list-style-type: none"> ▷ Industry developments ▷ Product development ▷ Best practices 	<ul style="list-style-type: none"> ▷ Extend due commissions. ▷ Extend a training programme on products, latest regulations and best business practices.
Communities	Medium	<ul style="list-style-type: none"> ▷ Charity projects ▷ Employee volunteerism 	<ul style="list-style-type: none"> ▷ Annually 	<ul style="list-style-type: none"> ▷ Community recruitments ▷ Community service projects ▷ Philanthropic activities 	<ul style="list-style-type: none"> ▷ Organise relevant and community beneficial projects. ▷ Recruit marketing officers from the communities where regional and window offices are located.
Regulatory and statutory bodies	Medium	<ul style="list-style-type: none"> ▷ Quarterly and annual returns ▷ Meetings 	<ul style="list-style-type: none"> ▷ Quarterly ▷ Annually ▷ As and when required 	<ul style="list-style-type: none"> ▷ Compliance with regulations and statutory requirements ▷ Good corporate governance 	<ul style="list-style-type: none"> ▷ Comply with the latest regulatory requirements. ▷ Structure the Board with recommended sub-committees in line with good governance practices.
Environment	Low	<ul style="list-style-type: none"> ▷ Meetings ▷ Annual report ▷ Disclosures ▷ Industry forums 	<ul style="list-style-type: none"> ▷ As and when required 	<ul style="list-style-type: none"> ▷ Compliance to environmental laws and regulations ▷ Employee volunteerism ▷ Environment campaigns ▷ Recycling waste 	<ul style="list-style-type: none"> ▷ Recycling of paper and e-waste. ▷ Reduce carbon footprint.
Industry Association	Low	<ul style="list-style-type: none"> ▷ Association meetings ▷ Industry forums ▷ Association website 	<ul style="list-style-type: none"> ▷ Monthly 	<ul style="list-style-type: none"> ▷ Discussion of industry issues ▷ Lobby for industry issues 	<ul style="list-style-type: none"> ▷ Continue to be an active member of the association.

Stakeholder Engagement and Materiality Assessment contd.

MATERIALITY ASSESSMENT

▶ G4-18 - G4-21

An interactive session was held to validate the key stakeholders and determine the material aspects of the Company. The senior and middle level managers and key executives representing operations and finance divisions participated in these discussions. The findings of these sessions formed the basis of the materiality analysis; leading up to prioritisation. The team also took advice and guidance from officers attached to the parent company, PLC to draw up the evaluation criteria and to fine-tune the analysis results.

During the preliminary rounds, the long list of aspects as set out in GRI-G4 including the sector guidelines for financial services were categorised and analysed within a sustainability framework, comprising three valuation criteria. The team carefully evaluated and weighed the level of significance of each aspect as 'high', 'medium' and 'low' under the framework criteria, in terms of the level of significance for key external and internal stakeholders, including the organisation. The aspects thus analysed were prioritised, setting out in a '3x3' matrix. Material aspects categorised between high to medium significance both for external and internal stakeholders were given more weightage in determining the report content in the

preparation of this year's annual report. Aspects within low to medium categorisation have not been reported.

The final results were forwarded to the Chief Operating Officer of the organisation for his comments and concurrence.

Materiality Analysis - Sustainability Framework	
Evaluation Criteria	
EXTERNAL STAKEHOLDERS	ORGANISATION AND INTERNAL STAKEHOLDERS
<ul style="list-style-type: none"> ▶ Sustainability impacts, risks and opportunities ▶ Issues highlighted by civil society ▶ Sustainability interests and expectations in terms of organisation success ▶ Future challenges in the industry 	<ul style="list-style-type: none"> ▶ Values, policies, strategies and operational systems ▶ Relevant laws, regulations and agreements ▶ Risks and opportunities ▶ Critical success factors ▶ Core competencies

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Materiality Analysis					
Ref No.	Aspect	Significance - External Stakeholders		Significance - Organisation and Internal Stakeholders	
		Stakeholder Boundary	Level	Stakeholder Boundary	Level
Category: Economic					
Operating as an insurance provider, PI takes up a considerable role in value creation and distribution amongst key stakeholders. PI operations in effect support businesses and individuals to take on risks systematically, mobilise savings through premiums whilst engaging as an institutional investor within equity and money markets.					
1	Economic Performance	<ul style="list-style-type: none"> ▷ Customers ▷ Insurance Agents ▷ Insurance Brokers ▷ Suppliers ▷ Government 	High	<ul style="list-style-type: none"> ▷ Organisation ▷ Parent, PLC ▷ Sister Companies ▷ Ultimate Parent Company ▷ Employees 	High
2	Market Presence		Low		Low
3	Indirect Economic Impact		Low		Low
4	Procurement Practices		Medium		High
Category: Environmental					
As an insurance service provider, the impact of operations on the environment is relatively negligible. Energy and emissions through operational dependence on the motor segment have a moderate impact on the environment; along with paper and e-waste generated through daily operations.					
5	Materials	<ul style="list-style-type: none"> ▷ Society/Environment ▷ Government ▷ Regulator ▷ Other Statutory Bodies 	Low	<ul style="list-style-type: none"> ▷ Organisation, PI ▷ Parent, PLC 	Low
6	Energy		Medium		Medium
7	Water		Low		Low
8	Biodiversity		Low		Low
9	Emissions		Medium		Medium
10	Effluents and Waste		Medium		Medium
11	Products and Services		Low		Low
12	Compliance		Medium		Medium
13	Transport		Low		Low
14	Overall		Low		Low
15	Supplier Environmental Assessment		Low		Low
16	Environmental Grievance Mechanisms		Low		Low

Stakeholder Engagement and Materiality Assessment contd.

Materiality Analysis					
Ref No.	Aspect	Significance - External Stakeholders		Significance - Organisation and Internal Stakeholders	
		Stakeholder Boundary	Level	Stakeholder Boundary	Level
Category: Social: Labour Practices and Decent Work					
As an insurance service organisation, it is critical that employees have the expertise and empowerment to ensure customer service as well as efficient underwriting and claims management. Hence, good labour practices are relevant and significant – ensuring employee wellbeing, talent and careers whilst boosting productivity and sustainability of operations.					
17	Employment	<ul style="list-style-type: none"> ▷ Customers ▷ Insurance Agents ▷ Insurance Brokers ▷ Suppliers 	High	<ul style="list-style-type: none"> ▷ Organisation, PI ▷ Parent, PLC ▷ Employees 	High
18	Labour Management Relations		Medium		Medium
19	Occupational Health and Safety		Low		Medium
20	Training and Education		High		High
21	Diversity and Equality		Medium		High
22	Equal Remuneration for Men and Women		Low		High
23	Supplier Assessment for Labour Practices		Low		Low
24	Labour Practices Grievance Mechanism		Medium		High
Category: Social - Human Rights					
Best practices in human rights support to build PI's corporate image whilst boosting PLC Group's standing within the non-bank finance services sector.					
25	Investment	<ul style="list-style-type: none"> ▷ Customers ▷ Insurance Agents ▷ Insurance Brokers ▷ Suppliers ▷ Government ▷ Regulator and Statutory Bodies 	Low	<ul style="list-style-type: none"> ▷ Organisation, PI ▷ Parent, PLC ▷ Ultimate Parent, People's Bank ▷ Employees 	Low
26	Non-discrimination		Medium		Medium
27	Freedom of Association and Collective Bargaining		Low		Low
28	Child Labour		High		Low
29	Forced or Compulsory Labour		High		Low
30	Security Practices		Low		Low
31	Indigenous Rights		Low		Low
32	Assessments		Low		Low
33	Supplier Human Rights Assessments		Low		Low
34	Human Rights Grievance Mechanism		Medium		Medium

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Materiality Analysis					
Ref No.	Aspect	Significance - External Stakeholders		Significance - Organisation and Internal Stakeholders	
		Stakeholder Boundary	Level	Stakeholder Boundary	Level
<p>Category: Social - Society</p> <p>Aligned to the PLC Group ethos, social responsibility with best business practices is intrinsic within PI strategy and the delivery of goals; supporting to build a solid corporate image and brand.</p>					
35	Local Communities	▷ Customers	Low	▷ Organisation, PI	Low
36	Anti-Corruption	▷ Insurance Agents	High	▷ Parent, PLC	High
37	Public Policy	▷ Insurance Brokers	Low	▷ Ultimate Parent, People's Bank	Low
38	Anti-Competitive Behaviour	▷ Communities	High	▷ Employees	High
39	Compliance	▷ Government	High		Medium
40	Supplier Assessments for Impacts on Society	▷ Regulator and Statutory Bodies	Medium		Low
41	Grievance Mechanism for Impacts on Society	▷ Supplier	Medium		Low
<p>Category: Social - Product Responsibility</p> <p>Extending responsible insurance solutions, including fair pricing and claims settlements underscore the sustainability of operations, strengthening customer trust and confidence.</p>					
42	Customer Health and Safety	▷ Customers	Low	▷ Organisation, PI	Low
43	Product and Service Labelling	▷ Insurance Agents	High	▷ Parent, PLC	High
44	Marketing Communication	▷ Insurance Brokers	Medium	▷ Ultimate Parent, People's Bank	Medium
45	Customer Privacy	▷ Regulator and Statutory Bodies	High	▷ Employees	High
46	Compliance		High		High
<p>Financial Services Category: Social - Product Portfolio</p> <p>Non-life insurance product portfolio does not have significant environmental and social impacts where it necessitates to undertake systematic assessments. The audit function is under the purview of the parent company, PLC. There is no active ownership in terms of equity investments.</p>					
47	Product Portfolio	▷ Regulator and Statutory Bodies	Low	▷ Organisation, PI	Low
48	Audit		Low	▷ Parent, PLC	Low
49	Active Ownership		Low	▷ Ultimate Parent, People's Bank	Low

Stakeholder Engagement and Materiality Assessment contd.

Materiality Matrix				
Significance - External Stakeholders	High	28 29	39	01 17 20 36 38 43 45 46
	Medium	40 41	06 09 10 12 18 26 34 44	04 21 24
	Low	02 03 05 07 08 11 13 14 15 16 23 25 27 30 31 32 33 35 37 42 47 48 49	19	22
	Low	Medium	High	
Significance - Internal Stakeholders				

Note: 1) Numbers represent economic, environmental and social aspects derived from the materiality analysis table.
 2) Highlighted area in the matrix represents the aspects that have been prioritised in developing the report content.

Aspects	Colour Keys
Economic	
Environmental	
Social	

Report Content - Prioritisation

HIGH

- ▷ Economic performance
- ▷ Employment
- ▷ Training and education
- ▷ Anti-corruption
- ▷ Anti-competitive behaviour
- ▷ Product and service labelling
- ▷ Customer privacy
- ▷ Product responsibility - compliance

MEDIUM

- ▷ Procurement practices
- ▷ Energy
- ▷ Emissions
- ▷ Effluents and waste
- ▷ Environmental compliance
- ▷ Labour management relations
- ▷ Diversity and equality
- ▷ Labour practices grievance mechanism
- ▷ Non discrimination
- ▷ Human rights grievance mechanism
- ▷ Society - compliance
- ▷ Marketing communication

Management Discussion and Analysis

OUTLINE

The continuing volatility in the global economy and the geo-political scenario in the year 2015 did not portend well on domestic economic affairs. This coupled with the socio-political issues that prevailed in the year saw a reversal of the post-conflict growth momentum and uncertainty in the macroeconomic environment. In this backdrop and amidst the dynamics of the insurance industry including the regulatory challenges, insurers across-the-board witnessed structural changes, insecurity and subdued operational and financial results.

Notwithstanding the emerging trends within the industry, PI consolidated its positioning within the non-life insurance industry, ranking at fifth. PI focused on its integrated strategy, seeking to deliver on its corporate goals set for the year. Within this strategy, PI concentrated on reinforcing its captive market business opportunities coupled with the efforts to capture a larger slice of the market share of the non-captive sources through direct marketing initiatives. Complementing the top-line growth, PI exercised caution in underwriting and maintained a leaner cost structure to boost the bottom-line profits.

During the year 2015, PI resiliently operated amidst the undercurrents that prevailed within the industry and posted a creditable growth in premium income, above the rate of growth achieved in the

previous year; underwriting registered a noteworthy profit which together with investment income, albeit, moderate given the investment climate, resulted in solid bottom-line profits. The financial position was strong and the cash flows remained positive.

On the regulatory front, PI successfully carried out its initial public offering (IPO) of 25% stake in response to the mandated listing on the Colombo Stock Exchange and accordingly, made arrangements to strengthen the governance structure whilst preparing to transition to the risk based capital regime.

STRATEGIC REVIEW

▶ G4-1

Key risks and opportunities

The insurance industry is rapidly evolving—responding to the uncertainty that is inherent within the macroeconomic environment; slow-down in the growth momentum; changing demographic trends; competitiveness; along with firmer regulatory requirements. Operating as a non-life insurer, PI stands exposed to these risks. On the contrary, this emerging business backdrop also extends exciting and extensive opportunities for growth and profitability. The strategy of the Company as will be discussed is formulated and executed with due diligence, weighing the

risks factors and taking mitigatory action whilst pursuing and fastening potential opportunities for sustainable progress.

Key risks and opportunities that have a significant impact on PI along with the other market players in the non-life insurance sector are set out and discussed as follows:

RISKS	OPPORTUNITIES
<ul style="list-style-type: none"> ▷ Escalating operational cost ▷ Lack of insurance specialists and technical expertise ▷ Rapid changes within the regulatory framework ▷ Overcrowded industry and price competitiveness and compromises ▷ Volatility in market interest rates ▷ Volatility in import tariff structure ▷ Dependence on motor insurance 	<ul style="list-style-type: none"> ▷ Economic growth drive in Sri Lanka and rising per capita income levels ▷ Focus on rural development and growing retail and SME sector ▷ The rise of the middle-class and the favourable perception towards thrift, savings and investments ▷ Deployment of latest technology and changing lifestyles ▷ Due recognition and acceptance for adopting sustainable practices

Risks

Escalating operational cost

PI's response
<ul style="list-style-type: none"> ▷ Maintain a leaner operational cost structure, draw in parent synergies, particularly, leveraging on the distribution network and support services. ▷ Being disciplined and pragmatic with regard to claims management, minimising leakages.

Rising operational costs continue to be a critical risk factor weighing down the insurance industry profitability. The macroeconomic trends led by inflationary pressures along with the depreciating Rupee have impacted the claim ratios and profit margins, particularly in the recent years. This issue is further exacerbated given the intensity of the competition that prevails in the industry, limiting the ability of insurers to account for cost factors when pricing their products.

Management Discussion and Analysis contd.

Lack of technical expertise

PI's response

- ▶ Due measures are in place to extend training opportunities to selected employees to hone their technical skills.
- ▶ Encourage employees through a reimbursement scheme to further their professional studies, complementing insurance operations.

In a dynamic industry landscape, particularly given the on-going and proposed changes within the regulatory framework, the need for technically qualified and skilled human resource base has become more relevant and intense. This is more so in implementing the risk based capital regime. The lack of technical expertise is felt across the industry as a key challenge, limiting insurers in effectively adopting the best practices recommended and having implications on the operational performance as well as long-term sustainability.

Changes in the regulatory framework

PI's response

- ▶ A systematic path followed with employee training and changes to operations and processes to successfully transition to the risk based capital regime.
- ▶ Maintaining a healthy capital adequacy ratio throughout the period.
- ▶ Broad-based a stake of 25% with the IPO on the Colombo Stock Exchange.
- ▶ Further strengthened capital base to Rs. 1,350 million which is capital raised through the IPO well above the stipulated Rs. 500 million.

Despite the best intentions and prospective positioning of the industry at a level-playing field in the medium to long term under the revised regulatory framework, determined by the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto, the insurers across the industry are currently reckoning to operate in compliance with the mandated changes. Adopting the risk based capital model, segregation of business lines between life and non-life segments, listing on the Colombo Stock Exchange and maintaining the total available capital of Rs. 500 million have challenged many of the insurance entities, leading to uncertainty within the industry; and opening up for mergers and acquisitions.

Intense competition

PI's response

- ▶ Follow a disciplined and technically sound pricing policy without resorting to unscrupulous price-wars.
- ▶ Planned and sustainable diversification strategy in terms of penetrating the non-captive retail market.
- ▶ Consolidate the core customer base channelled through parent companies.

Notwithstanding the potential growth prospects given the modest penetration levels and low density relative to the total population, insurance industry remains overcrowded and aggressively competitive. This is more pronounced within the non-life insurance segment dominated by the motor class; leading to unprincipled marketing tactics to gain share; thus compromising the industry performance and standards.

Interest rate trends

PI's response

- ▶ Ensure an appropriate balance between interest bearing and non-interest bearing investments.
- ▶ Invest in longer term interest bearing assets at higher rates when a decline in interest rate is expected.
- ▶ Increase the exposure to fundamentally sound equities when interest rates are on a declining trend.
- ▶ Follow a cautious approach to ensure a quality investment portfolio; setting limits aligned to the assessed risk appetite, monitoring the portfolio at the Board level.
- ▶ Equity investments are in fundamentally strong companies whilst corporate debt and fixed deposit investments are made in investment grade securities.

Monetary policy and the resultant trends in market interest rates have a significant bearing on investment income derived from treasury bills and bonds, fixed term deposits, debentures, reverse repurchase agreements, savings accounts, etc. Downward rate changes may restrict the earning capacity of insurers and thereby, impact their bottom-line profitability. Adopting and managing prudent investment strategies stand key to optimise returns, particularly, in a low interest rate environment. This is more significant in today's context where the stock market also stands sluggish and performing below its potential.

Dependence on motor insurance segment

PI's response

- ▶ Diversify the product suit to minimise the dependence on the motor segment.
- ▶ Add value to the product range to be more competitive within the marketplace.
- ▶ Maintain a balanced motor portfolio with commercial and private vehicles.

With greater dependence, the non-life insurance industry stands vulnerable to the challenges faced by the motor vehicle industry. The ad-hoc revisions in the import duty structure and other mitigatory policy measures taken from time to time to curb the influx of imports of motor vehicles to the country, has adversely dampened motor industry prospects, in turn, impacting the top-line of the non-life insurance entities.

Management Discussion and Analysis contd.

Opportunities

Economic and political ideology

PI's response

- ▶ Strengthen the Company's positioning amongst the top-tier of the non-life insurance segment.
- ▶ Leverage on the well-established brand presence of the parent entities to better the market share, routing business from captive sources through customer referrals and directly from the small and medium enterprises and the retail market.
- ▶ Create awareness on the benefits of insurance and deliver and promote a versatile product offer.

The country is well set to move towards its growth and development objectives envisioned within the post conflict setting. The broad political consensus along with the economic roadmap has paved the way for inclusive growth—advocating development in the peripheries. By 2020, the country aspires to reach higher GDP growth, leading up to upper mid-income status with per capita income expected to reach US Dollars 7,000. This backdrop gives a firm foundation for the insurance industry to progress, reaping benefits from emerging economic opportunities.

Socio-dynamics

PI's response

- ▶ Focused efforts are in place to develop and extend a versatile product offer aligned with the present-day consumer patterns and needs.
- ▶ Penetrate new market segments in the periphery, through the cost-effective window representation within the parent branch network.

Closely following the burgeoning economic trends, nation's disposable income levels are significantly growing along with the middle class becoming a stronger force, resulting in up-beat and confident consumption trends. The demand for lifestyle and hi-tech products are in effect on the rise whilst the social media has taken a significant role in today's society. The ongoing social changes have opened up opportunities and paved the way for greater penetration especially in new market segments in the periphery.

Evolving technology

PI's response

- ▶ Collaborate with parent company IT team to deploy the latest but appropriate technology to modernise operations and establish online presence with access to policy documentation and processing.
- ▶ Access data and advance analytical tools to ensure effective underwriting.

Technology has revolutionised the way people think, along with their lifestyles and how they carryout businesses. Automation and streamlined processes and operations have enabled a business to be more productive whilst facilitating customer accessibility and good service. Communication within a business has evolved with the internet and mobile services, reaching out to customers with vast amount of data and information.

Insurance business, typically a customer-oriented service, is greatly dependent on technology—modernising the operational processes, extending progressive insurance solutions, effective under-writing and marketing communications.

Focus on social responsibility

PI's response

- ▶ Aligned to the PLC Group ethos, steps have been taken to ensure best practices in marketing, fair pricing and claims along with environmentally friendly and philanthropic activities.

Social responsibility has gained widespread recognition as a dynamic facet underpinning sustainable operations. Most of the stakeholders are keen to engage with companies that advocate a triple-bottom-line approach in managing their operations—bringing together commercial viability and environmental friendly, customer and community based activities and practices. Businesses today are aware of this and seek to prioritise social responsibility, integrating it with their business strategy in the short to long term.

Management Discussion and Analysis contd.

STRATEGY 2015, FOCUSED ACTIONS AND OUTPUT

Following the preceding year and responding proactively to the challenges present and the opportunities that arise within an emerging marketplace, PI sought to fine-tune its integrated approach to value creation. As the Company geared to embrace its new status as a listed entity, the Company's adage 'building lasting trust' assumed greater significance and the strategy followed in the year under review continued to lead the operations on a long-term path. The strategic focus remained steadfast on growing the top-line sustainably with disciplined underwriting combined with regulatory compliance and best practices in human resource management, customer service, product responsibility, social and environment responsibility and good governance.

The salient features of the Company's strategy and the interrelated action and output are detailed out below:

PI Strategy - 2015	
TOP-LINE GROWTH	<ul style="list-style-type: none"> ▶ Consolidate the captive-market through customer referrals by the parent entities and increase the non-captive direct business within the retail and small and medium enterprises sector.
UNDERWRITING AND FINANCIAL DISCIPLINE	<ul style="list-style-type: none"> ▶ Strengthen technical expertise to ensure optimal pricing, efficient claims management and maintain a lean operating cost structure.
EMPLOYEE DEVELOPMENT	<ul style="list-style-type: none"> ▶ Uphold best practices in human resources management, ensuring employee empowerment and wellbeing.
GOVERNANCE, COMPLIANCE AND RISK MANAGEMENT	<ul style="list-style-type: none"> ▶ Uphold best practices in governance and comply with the regulatory requirements along with firmer internal controls and risk management.
SOCIAL RESPONSIBILITY	<ul style="list-style-type: none"> ▶ Focus on customer service and product responsibility and initiate community based and environmental projects as an integral part of operations.

Strategic Targets vs. Actuals - 2015			
Indicators	Target	Actual	% Achievement
Group business growth	8%	7%	88%
Non-captive business growth	139%	144%	104%
Top-line growth	11%	11%	100%
Underwriting profit (Rs. Mn)	262	254	97%
Claims ratio	69%	69%	100%
Combined ratio	92%	92%	100%
Profit after tax (Rs. Mn)	459	464	101%
Human resources expenditure (Rs. Mn)	123	109	86%
Community and environmental initiatives expenditure (Rs. Mn)	1.5	1.0	67%

Top-line growth

The Company continued to focus on its two-pronged strategy, seeking to grow the top-line, sustainably and cautiously. With almost 90% of premium income coming from the PLC parent network and from its ultimate parent, People's Bank, the Company pursued synergistic collaborations and sought to enhance ties with the group network, thereby building its market base within the captive market.

Conversely, the Company also intensified its drive for direct customers, targeting the potential present within retail and the small and medium enterprises sectors.

Reinforcing the captive market:

Leveraging on the strengths of PLC

PI has always benefited from the strength of the parent company, PLC, in its mission to build market share and boost top-line results. The corporate standing of PLC, its brand presence and the solid outreach across the island has always supported PI to gain a solid customer base, assuming greater significance within an intensely competitive market.

Leveraging further on PLC strengths in the reporting year, the Company maintained its collaborative ties with PLC, seeking to address customer referral opportunities and optimise marketing and distribution through its cost-effective window offices and marketing representatives placed within the PLC branch network in key locations. In the reporting year, 12 new officers were recruited and placed within the key PLC branches.

Collaborating with sister companies

PI also concentrated on building stronger relations with its sister network, particularly People's Leasing Fleet Management Ltd (PLFML). Further synergistic collaborations with PLFML was sought, supporting the Company to carryout assessments in the motor claims management process through a competent team of assessors; in turn, facilitating the Company to boost its image as an efficient and fair customer centric organisation. In the year under review, 26,804 valuations were processed by 45 assessors by PLFML on behalf of the Company compared to 17,367 valuations by 34 assessors. PLFML has increased its assessor base to accommodate PI's valuation requirements.

Management Discussion and Analysis contd.

PI also serviced People's Leasing Property Development Ltd (PLPDL) extending non-life insurance services in fire and theft, securing Rs. 2.5 million worth of business.

Reinforcing ties with People's Bank

The Company continued to maintain the bancassurance arrangement seeking to further leverage on the opportunities present with its ultimate parent, People's Bank. In line with this arrangement, PI increased its representation within the branch network of People's Bank in key locations, resulting in 21% increase in business generated from this channel over the previous year.

Building the non-captive market

Reaching out to the non-captive market opportunities outside the group network, PI in the year focused on growing the retail customer base. Whilst reinforcing the operations at the regional branches in Galle and Negombo, the Company pursued its cost-effective distribution strategy; increasing its marketing presence within the parent branches across 22 locations with a total of 22 marketing representatives.

Marketing and communications

In the quest to capture a larger market share, particularly targeting the retail market in an intensely competitive non-life insurance industry, positioning the Company as a 'trusted' brand and marketing the product offer were given precedence within the Company's strategy. In the reporting

year, the Company strengthened its marketing representative team under two units—Business Development Unit and Corporate and Broker Business Development Unit—dedicated to canvass for direct customers and small and medium businesses. The dedicated teams comprising 22 marketing officers along with 21 insurance agents followed through promotional campaigns viz. door-to-door direct marketing and road shows in selected locations. Out of these campaigns, 192 were organised in collaboration with the parent, PLC, spanning 22 districts. Below-the-line communication material—brochures and leaflets with product information were distributed during these campaigns.

Customer service

Good customer service continued to be at the core of the Company's integrated strategy, essential to position the brand in a competitive environment and assuming a greater significance in its drive to increase its direct customer base. PI remained steadfast as being a responsible insurer, offering versatile product solutions, fair premium pricing and claims settlements. Due training was extended to the operational staff whilst investing well on technology, enabling efficient processing, fast turn-around times with lower costs.

Product development

The Company continued to give precedence to extend a well-rounded product offer. Seeking to control the

dependence on motor class, PI focused on taking-off its non-motor product in travel insurance, targeting the corporate clientele. A web portal was launched to support this product where customers can access policies and certificates online.

A Takaful motor product was also launched, complying with the laws stipulated under Islamic finance. A separate system to accommodate Islamic insurance was also implemented.

Underwriting and financial discipline

Complementing the top-line strategy, the Company sustained prudent pricing and claims management to ensure a positive underwriting result, contrary to the negative results achieved by many of the players in the non-life insurance industry. The Company carried on strengthening its technical expertise with due employee training and analytical tools to identify and carefully weigh the risks in the underwriting process. Pricing was carried out with an in-depth understanding of industry conditions, optimising on revenue potential; whilst assessing claims efficiently with minimum leakages and focusing on keeping the combined ratio with cost conscious operational measures. Investments were carefully managed, balancing between fixed income securities and equity, with due consideration of the low interest rate environment combined with the sluggishness in the equity market.

Employee development

Aligned to the PLC Group's strategy, human resource management continued to take up a central role in the year under review. The Company sought to encourage the staff to take up further professional studies funded under the Group's education reimbursement scheme, in turn, honing their skills essential to face the challenges intrinsic within the industry. Apart from this, the Company also continued to be conscious of extending a well-balanced work-place with due remuneration and performance based incentives.

Governance, compliance and risk management

Well aligned to the PLC Group ethos, PI remained committed to best governance practices and sought to comply with regulations and standards set by the regulator, the Insurance Board of Sri Lanka along with other relevant statutory bodies. Accordingly, during the year, good governance fundamentals were strengthened, gearing for the listing on the Colombo Stock Exchange. PI also continued to brace its risk management, systems and internal controls, preparing to transition in line with the risk based capital regime from the solvency regime—taking-off from the year 2016. The Company also maintained 'A' rated reinsurers; whilst continuing with the prudent provisioning—on the 75% confidence level basis for claim reserving to provide for incurred but not reported

(IBNR) claims which in general requires a higher provision than the commonly used central estimate basis.

Social responsibility

Advocated across the PLC Group, PI strived to refine its engagement with diverse set of stakeholders, balancing the strategic focus on commercial goals with social responsibility. In line with this integrated approach reinforcing sustainability, the Company upheld its responsibility in its product delivery, customer relations and carried out community based and philanthropic initiatives. PI collaborated with parent, PLC, to implement sound measures to lessen the Company's carbon footprint.

PEOPLE'S INSURANCE PLC

Annual Report 2015

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Management Discussion and Analysis contd.

Strategic Focus, Key Action and Output – 2015			
Strategic focus: Strengthen synergistic ties with parent, PLC, leveraging on PLC's corporate standing, brand and network			
Action	<ul style="list-style-type: none"> ▶ Access PLC's vast client base through customer referrals. ▶ Open window offices within the PLC's branch network in main locations. ▶ Organise and participate in joint promotional campaigns with PLC to grow retail volumes. 	Output	<ul style="list-style-type: none"> ▶ Secured 39,070 new customers with premium income valued at Rs. 1.21 billion through PLC customer referrals. ▶ Opened 11 new window offices in PLC branches in 9 districts. ▶ Placed 12 new marketing officers within the PLC branch network. ▶ Participated in joint marketing campaigns through road shows in 22 districts.
Strategic focus: Work closely with sister companies and draw on operational synergies			
Action	<ul style="list-style-type: none"> ▶ Seek synergies and work closely with PLFML on motor vehicle claims management and policy valuations. ▶ Draw on business opportunities with PLPDL for construction related insurance. 	Output	<ul style="list-style-type: none"> ▶ Increased the number of assessors at PLFML to 45 from 34 to accommodate the growing demand. ▶ Processed 26,804 valuations, an increase of 60% over 2014 through PLFML. ▶ Secured insurance business valued at Rs. 2.5 million from the construction projects carried out by PLPDL.
Strategic focus: Reinforce the bancassurance arrangement with the ultimate parent, People's Bank			
Action	<ul style="list-style-type: none"> ▶ Develop stronger networking ties with People's Bank. ▶ Jointly hold promotional campaigns. 	Output	<ul style="list-style-type: none"> ▶ Participated in two networking events organised to maintain good relations with People's Bank. ▶ Generated premium income of Rs. 95 million through People's Bank referrals.
Strategic focus: Maintain the cost-effective distribution channel and expand it in strategic locations with a wider outreach			
Action	<ul style="list-style-type: none"> ▶ Increase the marketing presence within PLC's branch network. ▶ Increase the window operations within PLC's branch network. 	Output	<ul style="list-style-type: none"> ▶ Established 11 new window offices. ▶ Placed 12 new marketing representatives at 12 PLC branches.
Strategic focus: Position PI brand and market the product suit through below-the-line marketing communications and promotions			
Action	<ul style="list-style-type: none"> ▶ Carryout joint promotions with PLC. ▶ Carryout street promotions to canvass direct business. ▶ Strengthen the marketing and promotions team. 	Output	<ul style="list-style-type: none"> ▶ Organised and participated in 192 roadshows and door-to-door campaigns in collaboration with PLC in 22 Districts. ▶ Developed promotional material worth Rs. 0.5 million. ▶ Recruited and placed 12 new marketing officers at PLC branches.

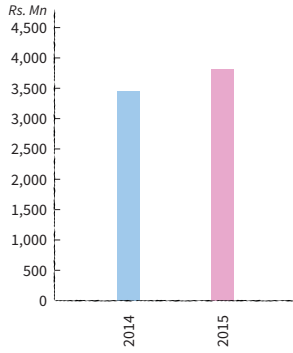
Strategic Focus, Key Action and Output – 2015			
Strategic focus: Efficient customer service			
Action	<ul style="list-style-type: none"> ▶ Deploy technology to extend an efficient service with quick turn-around times. ▶ Extend training opportunities for staff on customer service. ▶ Obtain customer feedback 	Output	<ul style="list-style-type: none"> ▶ Insurance system was developed to facilitate cross-selling transactions with PLC. ▶ New products - Travel and Takaful insurance were launched. ▶ Deployed 12 new marketing officers ▶ Settled Rs. 2.24 billion worth of claims in 2015 as opposed to Rs. 1.97 billion in 2014, an increase of 12%. ▶ Several training programmes, including a dedicated training programme on customer care were organised.
Strategic focus: Extend a versatile set of products with value-addition and product-bundling			
Action	<ul style="list-style-type: none"> ▶ Add value and design products to match customer needs. ▶ Extend product-bundle offers. ▶ Build brand identity for key products. 	Output	<ul style="list-style-type: none"> ▶ New products - Travel and Motor Takaful insurance were launched for commercial take-off. ▶ Developed separate product brands and logos for three products; motor, fire – commercial and fire – personal.
Strategic focus: Hone employee skills, and enhance workplace discipline and professionalism			
Action	<ul style="list-style-type: none"> ▶ Extend technical training opportunities to staff. ▶ Extend financial support for staff to carry out professional studies. ▶ Carryout performance based assessments and reward accordingly. ▶ Give preference to internal promotions based on performance. 	Output	<ul style="list-style-type: none"> ▶ Invested Rs. 1.88 million in staff training, including reimbursement for taking up further studies. ▶ 97% of the cadre was assessed on a structured performance appraisal scheme. ▶ Promoted 121 staff members. ▶ Up to four months' bonus was extended amounting to Rs. 18.74 million. ▶ Employees were given allocation of 5% of the IPO.
Strategic focus: Be disciplined in underwriting and uphold cost effective measures in operations			
Actions	<ul style="list-style-type: none"> ▶ Train staff on technical skills and enable them with advanced IT tools to ensure prudent underwriting. ▶ Deploy technology to streamline operations. ▶ Seek high return investment opportunities in the share market and balance fixed income investments. 	Output	<ul style="list-style-type: none"> ▶ Extended technical training to all staff members with 4,560 training hours. ▶ Deployed 45 assessors through People's Leasing Fleet Management Ltd. to ensure efficient claims assessment. ▶ Posted a positive underwriting result of Rs. 253.70 million, a growth of 67%. ▶ Received Rs. 9.52 million from the share market by way of dividends. ▶ Sustained the bottom-line profitability at Rs. 464.17 million.

Management Discussion and Analysis contd.

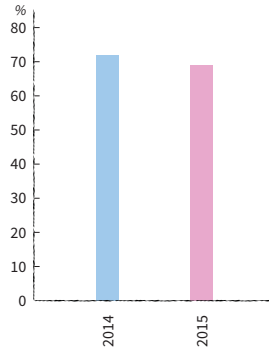
Strategic Focus, Key Action and Output – 2015			
Strategic Focus: Engage in philanthropic activities and adopt environmentally friendly practices in the workplace whilst supporting the parent, PLC's green campaigns and initiatives.			
Action	<ul style="list-style-type: none"> ▶ Form a sustainability team with clear social responsibility goals. ▶ Organise community service and philanthropic projects. ▶ Uphold green practices within the organisation. ▶ Collaborate with parent, PLC on environmental campaigns and carbon-neutral initiative. 	Output	<ul style="list-style-type: none"> ▶ Formulated a sustainability charter along with a dedicated team to carry out future social responsibility projects. ▶ Community service projects were carried out at a cost of Rs. 1 million with the participation of 80 employees and 580 volunteer hours. ▶ Continued the initiative to recycle used papers. ▶ Carbon emission was measured as part of the Group's carbon initiative.
Strategic focus: Comply with the regulations stipulated by the Insurance Board of Sri Lanka, listing rules by the Colombo Stock Exchange and other relevant authorities.			
Action	<ul style="list-style-type: none"> ▶ Prepare to list on the Colombo Stock Exchange by mid-January 2016. ▶ Adopt the risk based capital model as stipulated by January 2016 and ensure the required capital adequacy. ▶ Maintain a sound reinsurance base. ▶ Adopt prudent provisioning method. 	Output	<ul style="list-style-type: none"> ▶ Paved the way for listing on the Colombo Stock Exchange through a successful IPO. ▶ Appointed two Non-Executive, Independent Directors to the Board along with Remuneration and Nomination Committee and Related Party Transactions Review Committee. ▶ Fully geared operations to transition to the risk based capital model by the stipulated 1st January 2016. ▶ Maintained the capital adequacy ratio (CAR) well above the minimum CAR of 120%. ▶ Maintained relationships with 'A' rated reinsurers for business volumes of Rs. 304.97 million. ▶ Maintained Rs. 370.92 million for incurred but not reported (IBNR) claims based on actuarial valuation in addition to case reserves.

KEY PERFORMANCE INDICATORS

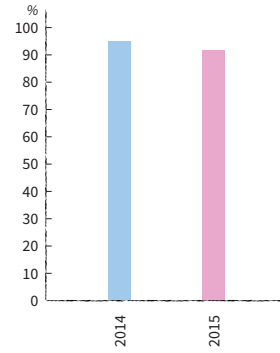
GROSS WRITTEN PREMIUM



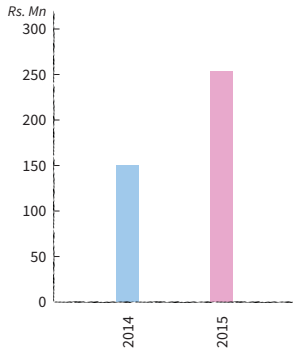
NET CLAIMS RATIO



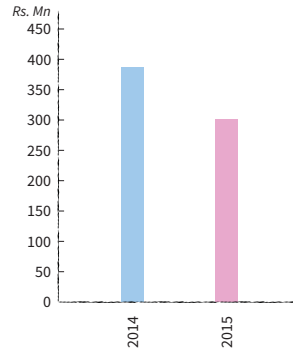
COMBINED RATIO



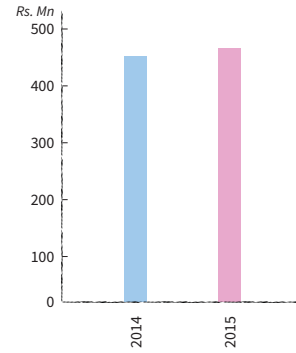
UNDERWRITING PROFIT



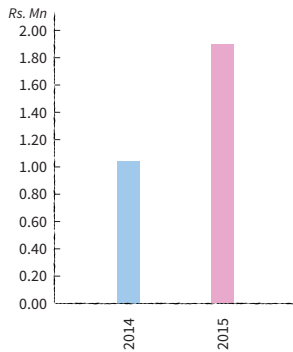
INVESTMENT INCOME



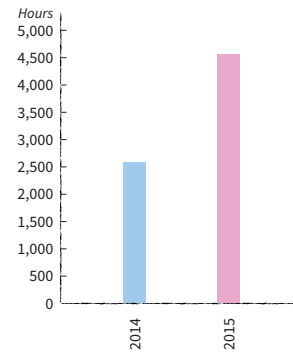
PROFIT AFTER TAX



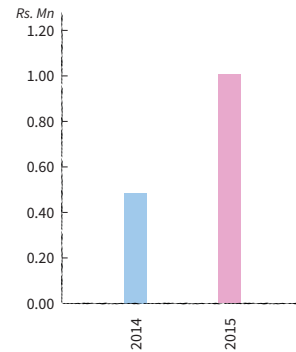
TRAINING INVESTMENT



TRAINING HOURS



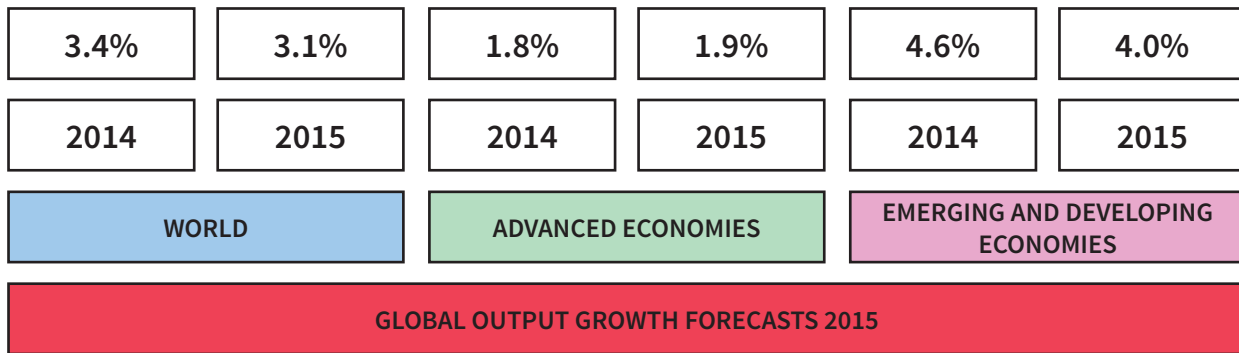
SOCIAL RESPONSIBILITY INVESTMENT



Management Discussion and Analysis contd.

ECONOMIC REVIEW

Global Economy



Source: World Economic Outlook Update, January 2016, International Monetary Fund

The subdued growth patterns across nations did not support the world economy to meet expectations of a stronger recovery from the recession that lasted for over half-a-decade. The gradual tightening of monetary policy adopted by the United States together with the appreciation of the US Dollar, the downward trends in oil and commodity prices and China's economic woes hindered the growth prospects in both advanced and emerging economies. The geo-political tension, particularly, between Russia and Ukraine, the persisting tension in the Middle-East and the spread of Islamic State of Iraq and Syria intensified the down-side risks, impacting the overall economic performance.

The advanced nations were more resilient, yet, modest, in its overall economic activity. United States of America was steady with greater confidence witnessed in housing and

labour markets; yet, remained below potential. The growth prospects for the euro-zone nations were buoyant whilst Japan turned-around, benefiting from the fiscal policies and lower oil prices. The emerging and developing economies, however, grappled with moderating economic activity. China, the largest emerging nation, continued to slow-down, yet, positive policy measures were adopted to support and re-balance its economy.

As per the 'World Economic Outlook Update, January 2016' published by the International Monetary Fund, world output in 2015 is projected to grow at a modest 3.1%, below the growth level achieved in the preceding year. In 2016, the output growth is set at 3.6%.

Sri Lankan Economy

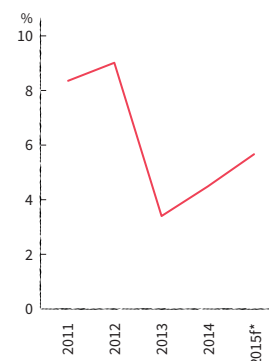
GDP	GDP Growth	2014: 4.5%	Jan-June 2015: 5.6%
Inflation	Headline Inflation (Y-o-Y)	Dec 2014: 2.1%	Sept 2015:(0.3%)
	Core Inflation (Y-o-Y)	Dec 2014: 3.2%	Sept 2015: 2.8%
Interest rate	Standard Deposit Facility Rate	Dec 2014: 6.5%	Sept 2015: 6.0%
	Standard Lending Facility Rate	Dec 2014: 8.0%	Sept 2015: 7.5%
	Private Sector Credit Growth	2014: 8.8%	Jan-Aug 2015: 21.3%
External sector	Trade Deficit	2014: US\$(8.3) Bn	Jan-Sept 2015 US\$(6.1) Bn
	Balance of Payments	2014: US\$ 1.4 Bn	Jan-Sept: US\$ (2.3) Bn
	External Reserves (Months of Imports)	2014: 5.1	Sept 2015: 4.2
Fiscal sector	Revenue (% GDP)	2014: 11.6%	Jan-Sept 2015: 8.5%
	Recurrent Expenditure (% GDP)	2014: 12.9%	Jan-Sept 2015: 10.7%
	Budget Deficit (% GDP)	2014: 5.7%	Jan-Sept 2015: 5.1%
Key Economic Indicators 2014 and 2015			

Source: Recent Economic Developments, Highlights of 2015 and Prospects for 2016; Sri Lanka: Macroeconomic Developments in Charts, September 2015, Central Bank of Sri Lanka

Resilient in the face of the challenges in the global economy and the domestic socio-political backdrop, the Sri Lankan economy moved ahead with GDP expected to grow by around 5.7% for the year 2015. All three sectors performed positively in the first half of the year. The macroeconomic front was managed, seeking to control the imbalances that tainted the economic performance. The inflation continued to be at lower single digits; supporting the Central Bank to keep an accommodative stance in monetary policy and thus, leading up to favourable credit flows in to the private sector. In the external front, the Rupee came under pressure against the stronger US Dollar whilst the balance of payments position moderated with a widening current account deficit and lower inflows to the financial account.

GDP Growth

REAL GDP GROWTH



Source: Recent Economic Developments, Highlights of 2015 and Prospects for 2016; Sri Lanka: Macroeconomic Developments in Charts, September 2015, Central Bank of Sri Lanka

Note: GDP Growth is based on re-based (2010 prices) published by the Department of Census and Statistics
2015f* - Forecast

The economy in the year 2015 is estimated to grow by 5.7%, ahead of 4.5% recorded in the preceding year. All three key sectors were buoyant in the first half of the year, posting stronger levels of activity than the previous year. Agriculture in particular, led by the paddy sector, picked up from the contraction in 2014 to record positive growth during the first six months.

Management Discussion and Analysis contd.

Yet, the plantation crops, tea and rubber contracted to record negative growth rates. The industry sector performed strongly, rebounding from negative growth in the first half of the previous year. This was supported by the manufacturing sub-sector, whilst the construction mining and quarrying sub-sector registered a contraction. The services sector backed by real estate, financial services, and wholesale and retail trade sub sectors, also posted higher growth than the corresponding period in 2014.

Macroeconomic Fundamentals**Inflation**

The lower commodity prices in the international market together with the downward adjustment of administered prices and improved supply conditions supported inflation to sustain at single digit levels in 2015, for the seventh consecutive year. The year-on-year headline inflation went in to negative territory in the third quarter of the year, at -0.3%, whilst core inflation stood at 2.3% on a year-on year basis. Head-line inflation is projected to be around 2.0%-3.0% by the year-end.

Balance of Payment

With the sluggish demand from Sri Lanka's key markets, the export sector earnings dominated by garments

and textiles and plantation crops, particularly, tea and rubber products decelerated by 3.4% in the first eight months as against the corresponding period in 2014. Conversely, fuelled by the high demand for vehicles and other consumer durables, import bill remained high as in the previous year. The trade deficit thus expanded in the period under review. This together with lower inward remittances from foreign employment adversely impacted the current account deficit to significantly widen. The inflows to the financial account also moderated. Accordingly, the balance of payment position turned from a surplus to a deficit, resulting in gross official reserves to fall at the end of September, adequate to cover 4.2 months of imports.

Exchange Rate

The Central Bank of Sri Lanka after the first eight months of the year, moved away from market intervention and followed a flexible policy in determining the exchange rate. The Rupee which was relatively stable in the first part of the year, slid against the US Dollar. The Rupee was further pressured given the weakened fundamentals in the country's balance of payments. The Rupee also depreciated against the Sterling Pound, the Japanese Yen and the Indian Rupee; but, appreciated against the Euro.

Fiscal Performance

The fiscal position continued to be challenged with the recurrent expenditure increasing significantly, whilst the level of revenue fell short of expectations. Expenditure as public investments, however, was curtailed. The overall deficit was fully financed through domestic sources. Net foreign financing was a repayment during this period.

Monetary Policy, Interest Rates and Credit

Supported by the subdued inflationary environment, the Central Bank of Sri Lanka broadly followed an easy monetary policy throughout 2015, with necessary modifications to spur greater economic activity. With the private sector credit picking up, the Bank removed the restriction placed on the Standing Deposit Facility (SDF) under open market operations. Subsequently, the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were reduced by 50 basis points each, bringing the rates to 6.00% and 7.50%, respectively. This facilitated the market rates to be maintained at lower levels and buoy the credit flows from commercial banks to the private sector. In the first eight months, private sector credit grew by 21.3% compared to 8.8% in 2014.

MONETARY POLICY MEASURES 2015	<p>02-MAR-2015 5.00% special SDF rate withdrawn.</p>
	<p>15-APR-2015 The SDFR and SLFR reduced by 50 bps to 6.00% and 7.50%, respectively.</p>
	<p>03-SEP-2015 The exchange rate allowed to be determined based on demand and supply conditions in the foreign exchange market.</p>
	<p>30-OCT-2015 Minimum cash margin of 100 % against Letters of Credit opened with commercial banks to import motor vehicles, effective until 01 December 2015.</p>
	<p>01-DEC-2015 Maximum loan to value (LTV) ratio of 70% for loans and advances by banks and financial institutions to purchase/utilise motor vehicles.</p>

Source: Recent Economic Developments, Highlights of 2015 and Prospects for 2016, Central Bank of Sri Lanka

*Management Discussion and Analysis contd.***Finance Sector**

The financial sector was broadly stable with sound fundamentals. The sector led by the banks and the non-bank financial institutions, recorded an improved operations performance, supported by the growth in loans and advances within a lower interest rate environment and greater accessibility. Assets and profitability registered a growth. The non-performing portfolio, however, saw an increase, although the ratio was controlled and was prudently covered by provisioning. The capital requirements were in line with the regulatory requirement; the banks also complied with capital requirements under Basel III. The Central Bank of Sri Lanka remained vigilant, closely monitoring and introducing prudential measures to maintain sector stability and accountability.

Equity Market

Even amidst a lower interest rate scenario, investor interest in the equity market was slack and sluggish. The challenging socio-political backdrop, accentuated by the weaker exchange rate and higher foreign outflows underscored investor indecisiveness and thus, led to the decline in price indices, both, All Share Price Index and S&P SL 20 and the market capitalisation and turnover.

Economic Outlook

In the backdrop of the global economy indicating a positive growth coupled with a more balanced macroeconomic environment and less volatility in the

socio-political scenario, supporting greater investor confidence, Sri Lanka in 2016 and in the medium term is expected to rebound and reach higher growth levels anticipated for the post-conflict period. The three key sectors with the participation of both public and private sectors, are expected to register stronger levels of economic activity, with GDP forecast to grow at 6.5% in 2016 and 7% in the medium term. (Recent Economic Developments, Highlights of 2015 and Prospects for 2016, Central Bank of Sri Lanka).

Inflation is forecast to sustain benign levels at low single digit in the medium term, supported by improved supply conditions. This backdrop is expected to give way to sustain a progressive monetary policy stance to spur greater economic growth.

In the external sector, export earnings are expected to buoy, following the projected improvements in economic activity in key export markets. This coupled with greater value addition will cushion the trade deficit; off-setting the impact of a higher import bill, particularly, in relation to intermediate and investment goods given the anticipated economic development programmes. Remittances from foreign employment, however, are expected to further slowdown, which may not have a full impact on the current account, given the tourism receipts and favourable trade activities. The inflows from foreign investments and loans are further

expected to strengthen. The overall balance of payment position is expected to achieve a surplus along with favourable external reserves.

The strategy towards fiscal consolidation is due to continue with more disciplined efforts to meet revenue targets whilst capping on the recurrent expenditure. The targeted reduction in the budget deficit will hold for the year-ahead.

Insurance Industry

Global Insurance Industry

The uneven growth patterns that continued to prevail in the global economy—with less than anticipated performance—did not portend well on the insurance industry across nations. Yet, in 2014, real premiums grew within the life insurance sector by 4.8%, turning-around from a negative growth of 0.5% in 2013. The growth in non-life premiums in real terms slowed to 2.5% compared to the growth of 3.0% posted in 2013.

Global Non-life Insurance

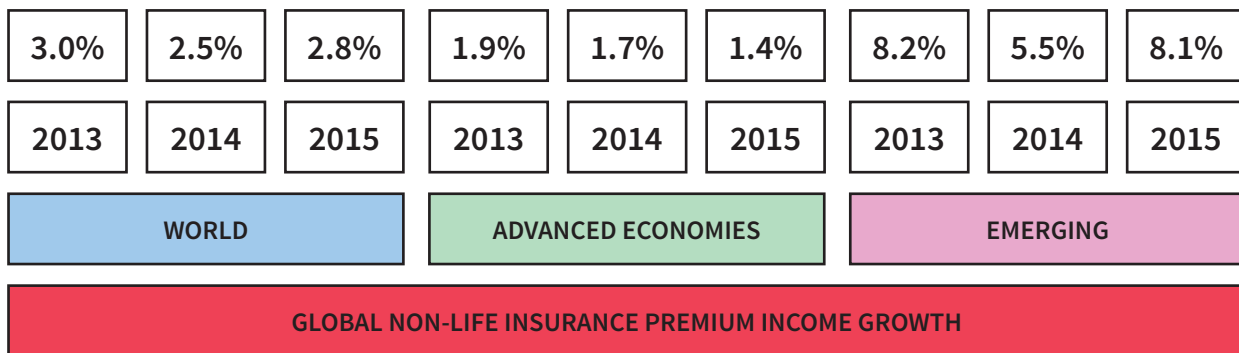
The global non-life insurance sector registered a modest performance in 2014. Premium growth in advanced nations witnessed a slow-down to 1.7% from 1.9% in 2013, mainly on account of weaker market dynamics in the United States and Canada. The western Europe led by Germany, France and the UK saw better premium income levels whilst southern Europe recorded a contraction, more so, given the falling demand in terms of

motor insurance. Within the emerging markets, the economic sluggishness in southeast Asia and in central and eastern European countries impacted premium performance growth to fall significantly to 5.5% in 2014, compared to 8.2% in 2013. Premiums in Latin America, Africa and the Middle East regions were also subdued. However, emerging market giant, China performed well with a double-digit increase, led by new car sales and infrastructure investments.

The underwriting profitability of the overall non-life industry saw a marginal improvement in 2014, following better pricing and claims control. The investment climate, however, was not lucrative and the returns remain subdued, in turn, impacting the operating profitability of the sector.

With an optimistic outlook within the global economy, the non-life sector is

expected to be stronger in 2015 and in 2016. Global premium growth is forecast to accelerate to 2.8% in 2015 and 3.2% in 2016, from 2.5% in 2014. Emerging markets are expected to perform ahead whilst advanced markets are expected to slow-down, albeit, marginally. In 2015, non-life premium income is forecast to grow at 1.4% in the advanced economies whilst rebounding to 8.1% in the emerging markets (Swiss Re 'Global Insurance Review 2014 and Outlook 2015/16').



Source: Swiss Re Global Insurance Review 2014 and outlook 2015/16, Swiss Re Economic Research and Consulting

Management Discussion and Analysis contd.

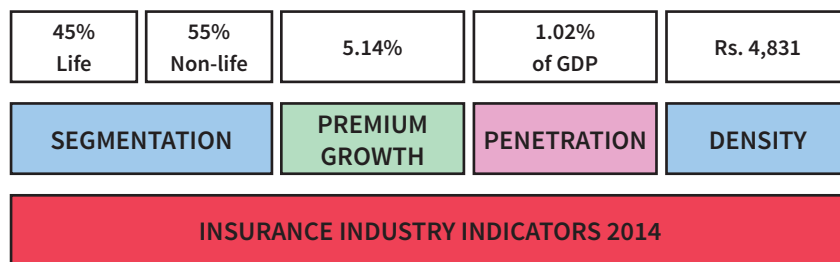
Insurance Industry – Sri Lanka

In the post-conflict years, insurance is widely recognised as a thrust industry within the nation's development paradigm. In response to the fast-paced changes taking place in the economy and as mandated by the revised regulatory framework, the industry in the recent years have been rapidly evolving—the adoption of best practices; segregation between business lines; listing on the Colombo Stock Exchange; and the consolidation through key mergers and acquisitions.

noteworthy growth in premium income, averaging out to 11%. The total premium in 2014 grew at 5.1% and the value touched almost Rs. 100 billion. The total assets as at the end-year 2014 was Rs. 407 billion. Yet, in terms of penetration, the industry remained modest just above 1% in 2014, below that of the average global penetration of 6.2%. Insurance density, represented by the per capita premium stood at Rs. 4,831 in 2014, up by just 4.2% as against the preceding year.

As at date, the industry comprises 29 registered insurance companies, 3 composite companies, 12 life and 14 non-life insurers. This included seven new companies, duly licensed in the reporting year as part of the segregation from 7 composite insurers. The industry also recorded 7 insurers, including PI, coming into the public domain with their initial share offer on the Colombo Stock Exchange.

During 2011-2014, the industry as a whole has been steadily moving forward, with a



Source: Annual Report 2014, Insurance Board of Sri Lanka

Non-life Insurance Sector

7.3%	3.7%	15.3%	62%	63%	64%	60.8%	65.4%	n/a	102.1%	109.7%	n/a
2013	2014	2015e	2013	2014	2015e	2013	2014	2015e	2013	2014	2015e
PREMIUM INCOME GROWTH			MOTOR MARKET SHARE			NET CLAIMS RATIO			NET COMBINED RATIO		
NON-LIFE INSURANCE INDUSTRY KEY INDICATORS											

Source: Annual Report 2014, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka

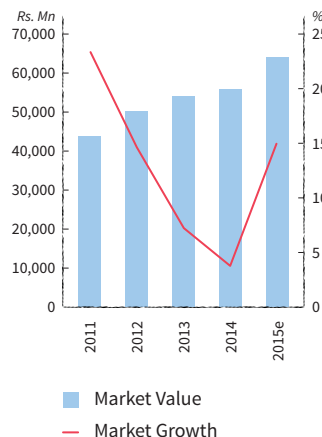
Note : 2015e - Estimate

n/a : Not available

Premium Income

Taking up a market share of 55% of the overall industry, non-life insurance sector progressed steadily, reflecting the nation's economic trajectory. Led by the motor-class segment, the non-life sector achieved an average growth of 12% during 2011-2014, including double-digit growth levels in 2011 and 2012. However, the sector could not keep up this momentum in the face of macroeconomic uncertainties and challenges faced within the industry. In 2014, the sector growth was as low as 3.7%. However, the latest available statistics indicate a noteworthy turn-around to double-digit growth of 15% in 2015. Mainly supported by the motor segment which is estimated to have grown by 19% amid conducive environment prevailed in 2015.

NON-LIFE INSURANCE MARKET VALUE AND GROWTH

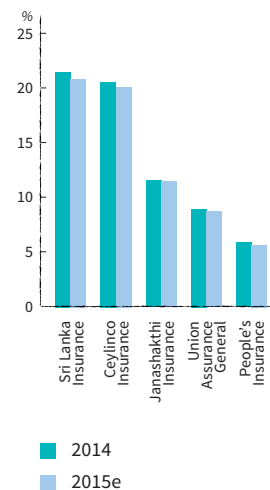


Source: Annual Report 2014, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka

Note: 2015e* - Estimate

Market Share

TOP NON-LIFE INSURERS - MARKET SHARE (%)



Source: Annual Report 2014, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka

Note: 2015e* - Estimate

Management Discussion and Analysis contd.

Continuing to lead the industry, Sri Lanka Insurance and Ceylinco Insurance sustained the ranking at number one and two respectively in the year 2015, as per the available statistics. These two insurers together took up a total share of slightly above 40% of the industry premium income. Janashakthi General and Union Assurance General maintained their positioning at the third and the fourth respectively, accounting for a total of almost 20% whilst PI sustained its positioning at the fifth.

Class-wise Analysis

Motor class continued in the year 2015 to take up centre-stage within the non-life insurance sector with a share of 64% of the total premium income. The balance share of 36% comprised fire, marine and

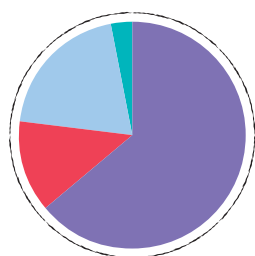
miscellaneous categorised as the non-motor segment.

Following the downward trends in 2013, the motor-class continued to be modest in premium income, growing at 5.4% to reach Rs. 34.9 billion in the year 2014. This was a sharp deviation from the average growth of over 20% witnessed in the period 2011-2012. However, the accommodative tariff structure for electric and small vehicles that came into effect in the year 2015 saw motor vehicle registrations increasing by an outstanding 56%. This coupled with the continuing low interest rate environment, is expected to have had a favourable impact on the motor segment-reviving the growth which is estimated to be around 19%.

Reversing the steady growth since 2012, the non-motor segment decelerated in the year 2014 with the growth touching below 1% compared to 11.6% in 2013. The market share accordingly dropped one notch to 37% of the non-life insurance sector compared to 38% in 2013. In the reporting year 2015, the growth in premium income of this segment is estimated to pick-up to be around 9.0%.

Within the non-motor segment, miscellaneous class comprising mainly that of medical and general accident insurance is estimated to account for 55% share whilst accounting for 20% of the total non-life insurance sector. The miscellaneous class continued to be sound, with an estimated growth sustained at around 13% in 2015,

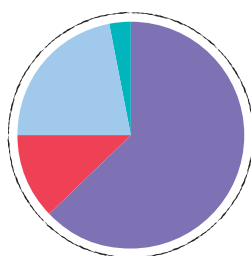
GROSS WRITTEN PREMIUM CLASS-WISE ANALYSIS - 2015



● Motor	64%
● Fire	13%
● Miscellaneous	20%
● Marine	3%

Source: Statistics compiled by the Insurance Association of Sri Lanka

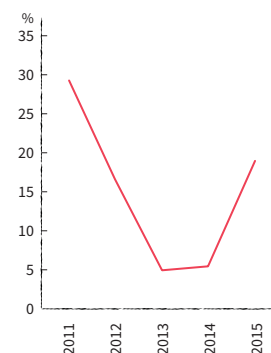
GROSS WRITTEN PREMIUM CLASS-WISE ANALYSIS - 2014



● Motor	63%
● Fire	12%
● Miscellaneous	22%
● Marine	3%

Source: Annual Report 2014, Insurance Board of Sri Lanka

MOTOR - PREMIUM INCOME GROWTH (%)



Source: Annual Report 2014, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka
Note: 2015e - Estimate

comparable that of 2014. Underpinned by the private sector healthcare, the health and the surgical sub-class is estimated to have grown at 8% in 2015 as against the previous year.

Accounting for nearly 36% of the non-motor segment, fire, is estimated to register a year-on-year growth of 4% in 2015 over the previous year.

Claims and Expenses

Claims during the period 2011-2014 has been recording an average growth of 17%. In the year 2014, claims saw an increase of 13%, up by almost six percentage points over the year 2013. Yet, the favourable net earned premium income of Rs. 44.2 billion which posted an increase of 5.2%, supported the industry's net claim ratio

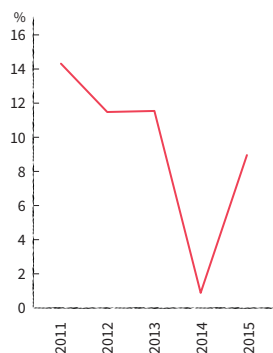
to be curtailed at 65.4% in 2014 as against the ratio of 60.8% in 2013.

In terms of sub classes, net motor claims ratio increased to 64.7% in 2014 from 62.1% in 2014. Net claims ratios in terms of marine insurance posted a significant improvement in 2014 whilst weakening in terms of fire and miscellaneous with the ratios increasing to 69.7% and 69.4% respectively compared to the ratios of 57.6% and 57.4% respectively in 2013.

The net expense and net combined ratios of the industry continued to be high in 2014, recording an increase up to 44.2% and 109.6% respectively as against 41.3% and 102.1% respectively recorded in 2013. The high ratios maintained by the industry resulted in underwriting losses

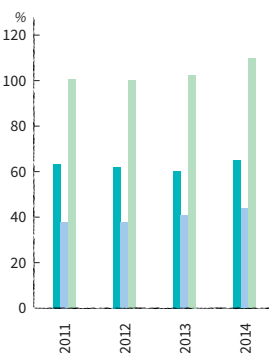
in 2014 as was the case in the preceding year. Many of the top-tier non-life insurers in effect posted underwriting losses in the year under review, except for a very few, including PI. Accordingly, the industry is expected to post similar results in terms of expense and combined ratios, reflecting adverse on the underwriting results in 2015.

NON-MOTOR - PREMIUM INCOME GROWTH (%)



Source: Annual Report 2014, Insurance Board of Sri Lanka and statistics compiled by the Insurance Association of Sri Lanka
Note: 2015e - Estimate

CLAIMS AND EXPENSES - RATIO ANALYSIS



■ Net Claims Ratio
■ Net Expense Ratio
■ Net Combined Ratio

Source: Annual Report 2014, Insurance Board of Sri Lanka

Management Discussion and Analysis contd.

Company Performance - Benchmark

Refer: Operational Performance, pages 75 to 78.

Within a short span, PI has achieved its positioning amongst the top-tier in an intensely competitive industry. Though the Company's premium growth of 11% is expected to be below the estimated growth of 15% of the non-life insurance sector, the net combined ratio which measures the operational profitability of an insurance company is far below the industry net combined ratio. Hence, PI has emerged as one of the most profitable general insurers in the country. This will be discussed in detail under the ensuing section, Operational Performance.

15%	*65%	*44%	*109%	11%	69%	23%	92%
GWP Growth	Net Claims Ratio	Expense Ratio	Net Combined Ratio	GWP Growth	Net Claims Ratio	Expense Ratio	Net Combined Ratio
NON-LIFE INSURANCE INDUSTRY				COMPANY - PI			
INDUSTRY VS. COMPANY							

Source: Statistics compiled by the Insurance Association of Sri Lanka

*Industry figures are 2014 since 2015 figures were not available

Operational Performance

PORTFOLIO ANALYSIS

54,835	93,370	Rs. 3,813 Mn	11%	12%	5%
New Business Policies	Renewed Policies	Gross Written Premium	Overall Premium Growth	Motor Premium Growth	Non-motor Premium Growth

PORTFOLIO ANALYSIS - 2015

POLICIES

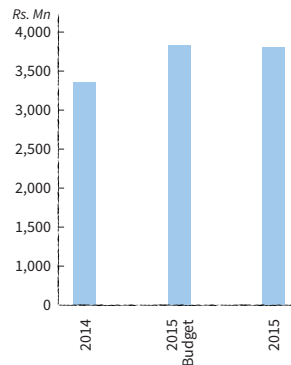
Reflecting the expansionary drive, the total number of policies registered a significant increase of 18% in 2015 to 148,205 as against 125,730 policies in the preceding year. Out of the total policies, 37% accounted for new business whilst the balance 63% accounted for policy renewals. New business was mostly generated, almost 77% of the total policies, through customer referrals from the parent, PLC and through the bancassurance agreement with the People's Bank. Direct marketing initiatives supported the Company to secure 12,612 new policies, accounting for the balance share of 23%.

GROSS WRITTEN PREMIUM

Closely following the budgetary targets, the total portfolio in value terms reached Rs. 3,813 million in the financial year 2015, reflecting an increase of almost 11% over the previous year. The rate of growth

in premium income in the year exceeded the rate of 6% recorded in the previous year. However, broadly in line with the motor segment trends as discussed below, premium income growth fell short by about 4% percentage points in meeting the industry average.

GROSS WRITTEN PREMIUM



Management Discussion and Analysis contd.

SEGMENTAL ANALYSIS

Motor Class

Characteristically, motor class continued to take the largest share of over 80% of the portfolio value in 2015, similar to the share recorded in the previous year. Out of the total motor policies, commercial purpose vehicles, including lorries, buses, three-wheelers contributed almost 61% of the total motor policies. Private cars, dual purpose vehicles and motor bikes accounted for 19%, 9% and 11% share respectively of the total motor policies.

The motor segment as a whole benefitted from the conducive tariff structure that prevailed in the year for electric and small cars and low interest rate environment. However, the Company's performance did not reflect the industry buoyancy in this regard. The exposure to electric and small cars was not significant enough to trickle

down substantially to the Company level premium income.

Anyhow, the growth in the motor segment in terms of premium income grew at 12% reaching Rs. 3,206 million; this was well ahead of the 5.5% growth achieved in the previous year.

Non-Motor Class

Fire and Engineering Insurance

Contributing nearly 7% as the third highest share of the total portfolio value and 46% of the non-motor segment, fire and engineering insurance continued to be modest in its performance in the financial year under review. The premium income from this sub-class in the year reached Rs. 279 million, representing a contraction of 4% as against the premium income of Rs. 291 million registered in the preceding year.

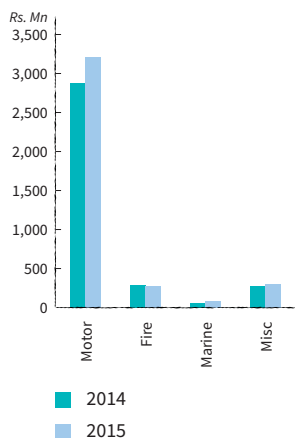
Marine Insurance

Marine insurance remained modest in its contribution-less than 1% to the total premium income generated in the year and 3% of the non-motor class income. Yet, as in the previous year, premium income from this class recorded a significant growth of 34% to touch Rs. 17.7 million.

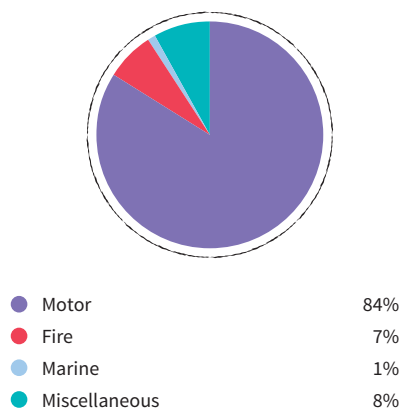
Miscellaneous

Led by personal accident and health insurance, miscellaneous class accounted for 8% of the total portfolio value and 51% of the non-motor segment. In the reporting year, miscellaneous class continued to be buoyant, posting a healthy growth of 14%, albeit moderate in comparison to the growth of 34% posted in the preceding year. Gross written premium generated from miscellaneous class stood at Rs. 311 million.

GROSS WRITTEN PREMIUM
2014 AND 2015



SEGMENTAL ANALYSIS 2015



Claims and Expenses, Ratio Analysis

Rs. 2,257Mn	4%	12%	23%	9%	92%	Rs. 254 Mn
Claims Incurred	Claims Growth	Expenses Growth	Expense Ratio	Net Earned Premium Growth	Net Combined Ratio	Underwriting Result

CLAIMS, EXPENSES AND RATIOS - 2015

Claims Ratio

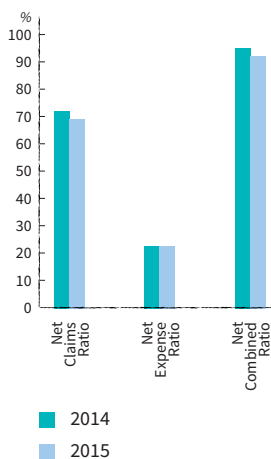
Prioritised within the Company’s strategy, focused efforts were in place in the reporting year to effectively manage claims settlements. Yet, given the market dynamics within the motor class which remained dominant—accounting for nearly 90% of the total claims settlements—claims paid in absolute terms grew by almost 14% to Rs. 2,237 million, exceeding the levels achieved in 2014. Motor claims paid also recorded an increase of 21% as against 1.5% of the previous year. Claims paid in marine, fire and engineering and miscellaneous sub classes, however, were well managed, posting a contraction of 25% as against 2014. The overall net claims ratio in the year under review was at 69%, reflecting an improvement over 72% registered in 2014.

nearly 15% as against the previous year. The administrative expenses and staff expenses alone given the recruitment drive to strengthen the marketing cadre recorded an increase of 18% each. The expense ratio, however, was maintained at 23% similar to the ratio registered in the previous year.

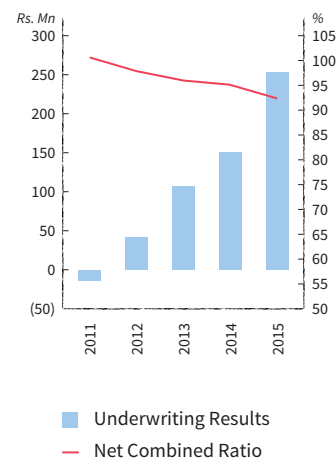
Expense Ratio

PI maintained its cost effective distribution model in collaboration with the vast branch network of the parent, PLC. This was a point of advantage for the Company over the other industry players. Yet, the business expansion and general inflation saw the year’s overheads increase by

NET CLAIMS, EXPENSE AND COMBINED RATIOS



UNDERWRITING RESULTS AND NET COMBINED RATIO



Management Discussion and Analysis contd.

Combined Ratio

The net earned premium income in the year posted an increase of nearly 9% as against the previous year to reach Rs. 3,268 million while claims and expenses only grew by 6%. The combined ratio, therefore, was effectively brought down from 95% in the previous year to 92%, which compared well with the industry norms expected to reach above 100% for most of the insurers. Diverging from the industry trends, PI thus managed to keep its underwriting result positive at Rs. 254 million with an impressive growth of just over 67% compared to the result of Rs. 152 million posted in the preceding year.

Interest and Dividend Income

Interest and dividend income continued to be dominated by fixed deposits, taking

up 37% slice whilst treasury bills/bonds and debentures accounted for 26% and 27% respectively.

In an accommodative monetary policy environment that kept the market interest rates at bay, fixed investment income was dampened this year as well. Overall interest and dividend income recorded a decline of 5% over the previous year, to reach Rs. 302 million. Interest income from government securities and fixed deposits saw a decline of 17%.

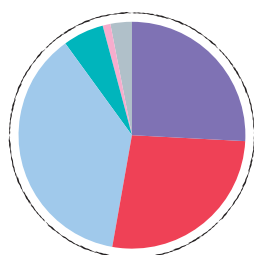
Fair Value Gains and Losses

Equity portfolio in the year entailed investments in blue-chip companies amounting to Rs. 334 million. The bearish trends that prevailed on the Colombo

Stock Exchange including the negative movements in price indices dampened the equity investment performance. The realised capital gains from listed shares in the year in effect recorded a sharp decline to Rs. 3.4 million as compared to the outstanding gains of Rs. 34.8 million recorded in the previous year.

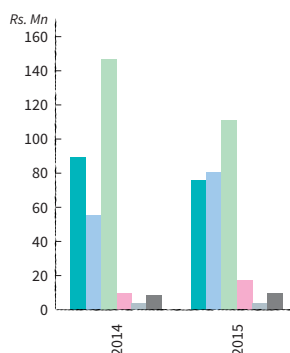
Unrealised losses in 2015 amounted to Rs. 4.8 million compared to unrealised gains of Rs. 35.7 million in 2014 mainly due to sluggish stock market performance in 2015.

INTEREST AND DIVIDEND INCOME 2015



● Treasury bills/bonds	26%
● Debentures	27%
● Fixed deposits	37%
● Reverse repurchase agreements	6%
● Unit trust	1%
● Quoted equity securities	3%

INVESTMENT INCOME COMPOSITION 2014 AND 2015



■ Treasury bills/bonds
■ Debentures
■ Fixed deposits
■ Reverse repurchase agreements
■ Unit trust
■ Quoted equity securities

Financial Capital Management

FINANCIAL REVIEW

Financial Performance Highlights

As the Company steps into the next phase of its operations, it is noteworthy to look back at its remarkable journey of six years. The key financial performance highlights since the commencement of its commercial operations in 2010 are provided below.

Financial Performance Indicator Rs. Mn	2015	2014	2013	2012	2011	2010
Gross written premium	3,813	3,441	3,251	2,944	2,415	933
Net earned premium	3,268	2,990	2,801	2,448	1,478	231
Net claims and expenses	(3,014)	(2,839)	(2,694)	(2,406)	(1,491)	(293)
Underwriting profit/(loss)	254	152	107	42	(13)	(62)
Other revenue	349	421	394	282	107	28
Profit before income tax	603	573	501	324	94	(34)
Income tax expense	(139)	(123)	(130)	(89)	(22)	4
Profit for the year	464	450	371	235	72	(30)

Performance Overview

The Company recorded a gross written premium of Rs. 3,813 million during the year under review, posting a growth of 11% over the previous year. Underwriting profit commendably increased by 67% to reach Rs. 254 million, despite the moderate growth in the premium income. The increased underwriting performance was mainly supported by the reduction in the overall net claims ratio and the increased premium income. Other revenue consisting of interest and dividend income, fair value gains and other income decreased by 17% due to low market interest rates and drastic decrease in fair value gains from listed equities. Improved underwriting performance helped the Company to post Rs. 603 million profit before tax with a growth of 5% and Rs. 464 million profit after tax with a growth of 3% amid the weakened investment income.

INCOME AND PROFITABILITY

Gross Written Premium

The Company wrote gross written premium (GWP) totalling to Rs. 3,813 million during the year 2015, an increase of 11% compared to 2014. This was attributable to 12% growth in the motor segment and 5% growth in the non-motor segment. Miscellaneous and marine classes were the main contributors to the growth of the non-motor segment, recording growth rates of 14% and 34% respectively. Motor insurance business segment contributed 84% towards the total GWP and non-motor business segment contributed 16%. The Company managed to maintain the fifth position in terms of the market share by the end of 2015 with an estimated market share of 5.66%.

Reinsurance Premium Ceded

During the year under review, the total reinsurance premium ceded increased only by 4% to Rs. 305 million compared to Rs. 294 million in 2014. This was mainly due to the Company's ability to negotiate better terms with reinsurers, underscored by improved claims experience and changes in the product mix of the non-motor segment.

Management Discussion and Analysis contd.

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

Indicator Rs. Mn	2015	2014	2013	2012	2011
Gross written premium	3,813	3,441	3,251	2,944	2,415
Premium ceded to reinsurers	307	294	322	307	243
Reinsurance ratio	8%	9%	10%	10%	10%

Net Earned Premium

Net earned premium increased by 9% from Rs. 2,990 million in 2014 to Rs. 3,268 million in 2015 mainly due to GWP growth of 11% and relatively low increase of reinsurance premium ceded by 4%. Accordingly, Rs. 234 million was transferred to unearned premium reserve in 2015 compared to Rs. 155 million transferred in 2014. Rs. 7 million was transferred from unearned reinsurance premium in 2015 compared to a transfer of Rs. 1 million to reserve for unearned reinsurance premium in 2014. This is an accounting adjustment required to match the premiums over the policy period.

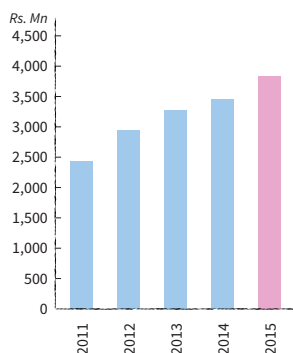
Insurance Claims

Gross claims paid increased by 14% to Rs. 2,237 million from Rs. 1,968 million in 2015 while gross change in contract liabilities decreased by 89% to Rs. 25 million in 2015 from Rs. 236 million in 2014. Accordingly, total gross claims incurred amounted to Rs. 2,262 million in 2015 compared to Rs. 2,204 million in 2014, depicting a marginal increase of 3%.

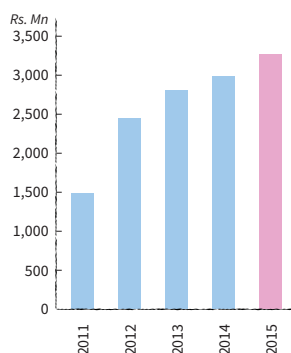
Claims recovered from reinsurers significantly increased by 422% to Rs. 38 million from Rs. 7 million in 2014 while the change in contract liabilities recoverable from reinsurers decreased by 197% to negative Rs. 33 million from Rs. 34 million in 2014. Accordingly, total claims recoveries amounted to Rs. 5 million in 2015 compared to negative Rs. 195 million in 2014, depicting an increase of 103%.

Net claims with the combination of the above, increased by 4% to Rs. 2,257 million in 2015 from Rs. 2,163 million in 2014. However, net claims ratio expressed as a percentage of net earned premium improved by 3 percentage points from 72% in 2014 to 69% in 2015 due to relatively low increase of 4% in net claims compared to 9% increase in net earned premium.

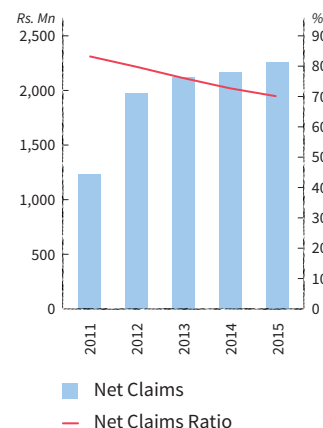
GROSS WRITTEN PREMIUM



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 9% to Rs. 338 million in 2015 from Rs. 311 million in 2014, almost in line with the growth of GWP.

Other Operating and Administrative Expenses

Other operating and administrative expenses incurred in 2015 amounted to Rs. 419 million, growing by 15% from Rs. 365 million in 2014. This increase was mainly due to business expansion. 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%.

Underwriting Results

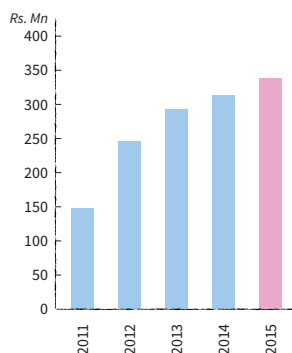
For the fourth consecutive year, the Company recorded a commendable underwriting profit which grew significantly by 67% over the previous year. Underwriting profit has been improving significantly during the last four years with an annual compounding growth rate of more than 50%. Accordingly, underwriting profit for the year 2015 increased to Rs. 254 million from Rs. 152 million recorded in 2014. This increase was mainly attributable to improved net claims ratio by three percentage points to 69% in 2015 from 72% in 2014 and increased net earned premium by 9% from Rs. 2,990 million in 2014 to Rs. 3,268 million in 2015. Underwriting results and net combined ratio of the Company during the last five

years are diagrammatically presented in the graph below.

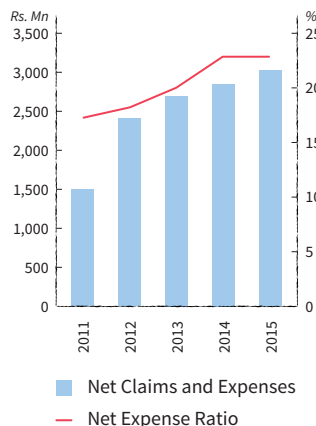
Other Revenue

Other revenue consisting of fee income, interest and dividend income, fair value gains and other operating revenue dropped by 17% from Rs. 421 million in 2014 to Rs. 349 million in 2015 due to low interest rates that prevailed and the bearish outlook of the stock market during the year under review. Interest income which represents the largest share in other revenue declined by 5% from Rs. 305 million in 2014 to Rs. 288 million in 2015 due to low interest rates experienced during the year under review. Fair value gains have dropped drastically from Rs. 71 million to negative Rs. 1.4 million by 102%. Fee income consisting of policy fees and administration fees charged from customers increased by 15% from Rs. 32 million in 2014 to Rs. 37 million in 2015, in view of increased GWP. Other operating revenue has increased by 736% mainly due to the Takaful

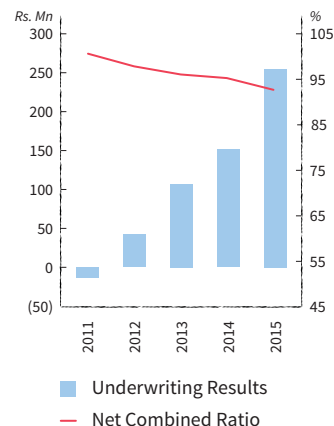
UNDERWRITING AND NET ACQUISITION COSTS



NET CLAIMS AND EXPENSES AND NET EXPENSE RATIO



UNDERWRITING RESULTS AND NET COMBINED RATIO



Management Discussion and Analysis contd.

management fees earned from the Takaful operations.

Profit Before Tax

Profit before tax increased by 5% from Rs. 573 million in 2014 to Rs. 603 million in 2015, mainly due to improved underwriting performance resulted from efficient claim management along with lean administration cost despite moderate growth in GWP, low market interest rates and bearish outlook in the stock market. Accordingly, increase in underwriting profit contributed Rs. 102 million to neutralise the drop of Rs. 72 million in investment and other income to reach Rs. 30 million increase in profit before tax.

Income Tax Expense

Income tax expense depicts an increase of 13% with Rs. 139 million in 2015

compared to Rs. 123 million in 2014, though the profit before tax increased only by 5%. This was reflected in the effective tax rate which also increased from 21.5% in 2014 to 23% in 2015. This increase is mainly due to the significant increase in income from taxable income sources and reduction in tax exempted income sources such as gains from listed shares.

Profit After Tax

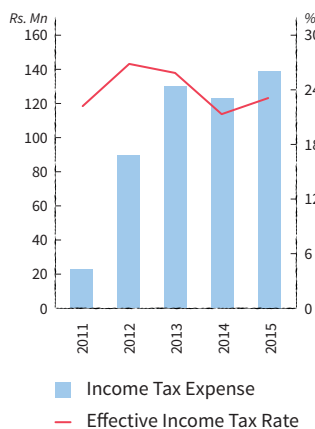
Profit after tax grew by 3% from Rs. 450 million in 2014 to Rs. 464 million in 2015, supported by the improved underwriting results notwithstanding by decreased investment income and increased income tax expenses.

Earnings Per Share

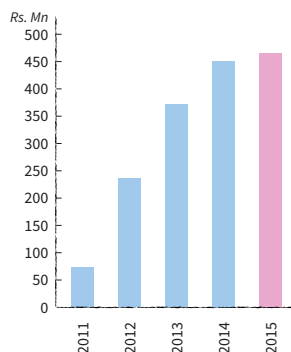
The positive momentum of the Company's earnings per share (EPS)

over the past years continued in 2015, showcasing the substantial value generated by the Company for its shareholders. During the year, the number of shares of the Company increased to 150 million from 60 million due to the share split carried out in October 2015. Further, with the Initial Public Offering (IPO) of 50 million, new shares were to be issued to the public and the allotment was pending as at 31st December 2015. As per Sri Lanka Accounting Standards (LKAS) 33, an adjustment is required retrospectively in order to compute the EPS. Therefore, the comparison is done based on the adjusted figures of all prior financial years. Accordingly, EPS grew by 3% from Rs. 3.00 in 2014 to Rs. 3.09 in 2015 as profit attributable to the equity holders increased by the same percentage.

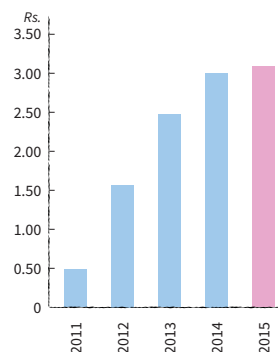
INCOME TAX EXPENSE AND EFFECTIVE INCOME TAX RATE



PROFIT AFTER TAX



EARNINGS PER SHARE



Dividends

Dividends continue to be the most important distribution mechanism to investors. The primary objective is to balance the shareholder expectations and Company growth, in turn boosting the attractiveness of the Company's investments. This sets the significance to keep the dividend per share stable and to increase it. The Company paid Rs. 120 million as an interim dividend and proposed a final dividend of Rs. 0.60 per share amounting to Rs. 120 million for the year ended 31st December 2015. Accordingly, the Company declared a total dividend of Rs. 240 million for the year 2015, paying out 52% as dividends as opposed to 47% paid out in 2014 as dividends. Dividend per share, dividend pay-out ratio and retention ratio are tabulated below.

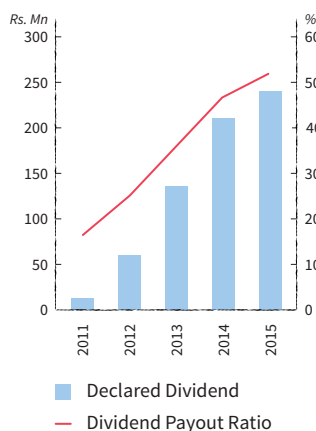
Indicator	2015	2014
Dividend per share - interim (Rs.)	2.00	1.50
Dividend per share - final (Rs.)	0.60	2.00
Dividend pay-out ratio	52%	47%
Retention ratio	48%	53%

Return on Equity

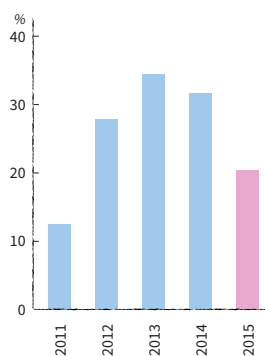
Return on equity (ROE) measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The amount of net income returned as a percentage of shareholder's equity is referred as

ROE and expressed as a percentage. The Company's ROE, taking other comprehensive income also into account decreased from 32.63% in 2014 to 20.14% in 2015, mainly due to the significant improvement in shareholder's equity with the infusion of Rs. 750 million capital through the IPO held in December 2015 which was pending for share allotment as at 31st December 2015. As the IPO was carried out only in mid December, IPO proceeds were not available for income generation till mid December 2015. The adjusted ROE excluding the capital raised through the IPO was 30.20% which indicates only a marginal decrease compared to ROE of 32.63% reported in 2014.

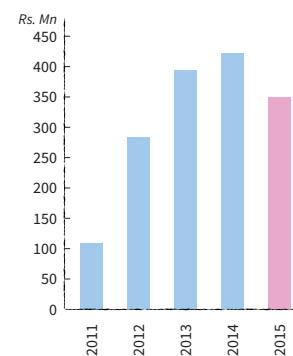
DIVIDEND DECLARED AND DIVIDEND PAYOUT RATIO



RETURN ON EQUITY



OTHER REVENUE



* The denominator, equity used in calculation of ROE includes IPO proceeds of Rs. 750 million received in December 2015. Please refer return on equity paragraph above

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Management Discussion and Analysis contd.

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

	2015 Rs. Mn	2014 Rs. Mn	Growth %
Assets			
Intangible assets and property, plant and equipment	58	75	(23)
Financial investments	4,931	3,645	35
Reinsurance and insurance receivables	686	661	4
Other assets	221	192	29
Cash and cash equivalents	746	185	304
Total assets	6,642	4,758	40
Equity and liabilities			
Equity			
Stated capital	1,350	600	125
Revenue reserves	901	810	13
Total equity	2,251	1,410	61
Liabilities			
Insurance liabilities	3,167	2,901	9
Financial and other liabilities	1,145	381	197
Reinsurance payables	37	62	(13)
Bank overdraft	42	4	1,150
Total liabilities	4,391	3,348	32
Total equity and liabilities	6,642	4,758	40

FINANCIAL POSITION HIGHLIGHTS

The asset base of the Company grew by 40% during the year under review and the net asset position was strong with a stated capital of Rs. 1,350 million, including the capital of Rs. 750 million raised through the IPO which was pending for the share allotment as at 31st December 2015. Investment portfolio grew by 35% to Rs. 4,931 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, PI achieved a substantial increase of 40% in total assets during the year under review. The main contributing factors for asset growth in the year 2015 were its profits and business growth achieved during the year under review, funds raised through the IPO which was pending for the share allotment as at 31st December 2015 and funds received in excess of the IPO size of Rs. 750 million which were to be refunded to investors. Return on assets and total asset growth is presented in the following table.

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Indicator	2015	2014	Change	
			Absolute	%
Total assets (Rs. Mn)	6,642	4,758	1,884	40%
Return on assets (%)	6.8	9.7	(2.9)	(30%)

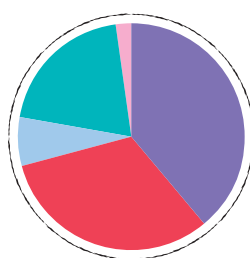
INVESTMENTS

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	2015	2014	Change	
			Absolute	%
Investment portfolio (Rs. Mn)	4,931	3,645	1,286	35
Interest and dividend income and fair value gains (Rs. Mn)	300	387	(87)	(23)
Total investment income as a percentage of average investments (%)	7.00	11.32	(4.32)	(38.16)

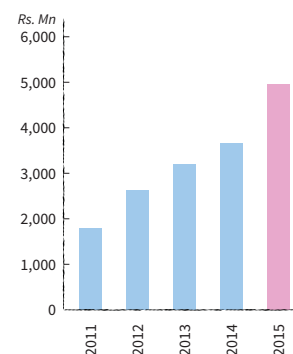
The total investment portfolio increased by 35% due to the growth of the business, improved profitability and the capital of Rs. 750 million raised through the IPO which was pending for the share allotment as at 31st December 2015. The Company also experienced the lower interest rate scenario prevailed in the market and the bearish outlook in the Colombo stock market throughout the year which hindered the performance of the investment portfolio, both in interest bearing securities and equity instruments. As depicted in the above table, investment income as a percentage of average investments declined by 4.32 percentage points, from 11.32% in 2014 to 7% in 2015. However, it may be noted that IPO proceeds amounted to Rs. 750 million was received only in mid December 2015 which could not generate an income throughout the year. The adjusted

COMPOSITION OF INVESTMENT PORTFOLIO 2015



● Government Securities	39%
● Fixed Deposits	32%
● Quoted Equity Securities	7%
● Corporate Debts	20%
● Unit Trusts	2%

INVESTMENT PORTFOLIO



Management Discussion and Analysis contd.

portfolio yield for IPO proceeds is 7.67% which is a decline of 3.65 percentage points compared to the yield of 11.32% in 2014 mainly attributable to low market interest rates and poor stock market performance. The Company actively engaged in listed shares trading during the year under review and increased investments by 46% in listed shares from Rs. 228 million in 2014 to Rs. 334 million in 2015. Accordingly, investment in listed shares increased to 7% of the total investment portfolio as opposed to 6% in 2014.

The Company has invested slightly above 90% in interest bearing instruments and also continued to increase investments in listed corporate debentures in view of benefiting from the tax concessions. Accordingly, 20% 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.

The Company invests a significant portion of investments in government securities which are considered as risk free. Fixed deposits represent the second largest proportion with 32% of the total investment portfolio. Investments in government securities accounted for 39% of the total investment portfolio as at 31st December 2015, representing the largest share. However, it may be noted that the entire IPO proceeds of Rs. 750 million have been temporarily invested in reverse repurchase agreements and included in government securities as at 31st December 2015. Investment in listed debentures was 20% while investment in quoted equity securities was only 7% in keeping with the Company's investment strategy. Details with regard to investment composition are provided below.

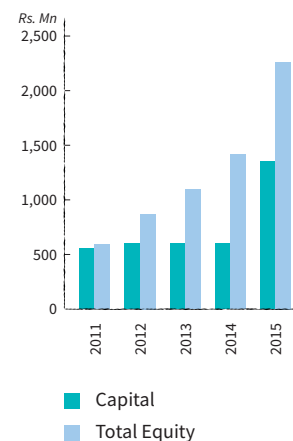
CAPITAL

Strong capital backing from its shareholders creates a good foundation for a company to stand strongly in the market. In view of further strengthening its capital base, the Company raised Rs. 750 million through the IPO which was pending for the share allotment as at 31st December 2015. With the share allotment in January 2016, the stated capital of the Company would be Rs. 1,350 million, making People's Insurance as one of the strongest companies in terms of the capital as well in the non-life insurance industry. This additional capital would enable the Company to maintain its capital adequacy ratio (CAR) well above the minimum CAR specified by the IBSL under the risk based capital (RBC) regime to be effective from 2016 onwards.

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

Investment instrument	2015		2014		Growth (%)
	Value Rs. Mn	Composition %	Value Rs. Mn	Composition %	
Government securities	1,952	39	1,115	31	75
Fixed deposits	1,584	32	1,558	43	2
Corporate debts	981	20	661	18	48
Quoted equity securities	334	7	228	6	46
Unit trusts	53	2	61	2	(13)
Other financial assets	26	-	22	-	18
Total	4,929	100	3,645	100	35

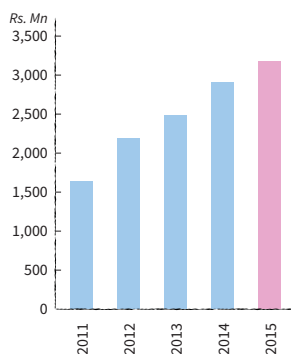
CAPITAL AND TOTAL EQUITY



regulator, the 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 PI as at 31st December 2015. 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 2015.

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). Consultant actuary of the Company, 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 2015.

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 13% in the solvency ratio from 1.60 in 2014 to 1.81 in 2015. A summary of the solvency position as at the end of year are provided below.

Indicator	2015	2014	Change	
			Absolute	%
Net admissible assets (Rs. Mn)	1,270	1,009	261	26%
Required solvency margin (Rs. Mn)	702	630	72	11%
Excess over required solvency margin (Rs. Mn)	568	379	189	50%
Solvency ratio (Times)	1.81	1.60	0.21	13%

Capital Adequacy Ratio

The Company maintained a healthy Capital Adequacy Ratio (CAR) throughout the year under review which was well above the minimum CAR of 120% stipulated by the IBSL. The risk based capital regime is effective from 1st January 2016. The Company was engaged in the parallel-run from the year 2014 and there was considerable improvement over the said period. The following table depicts the CAR of the Company for the four quarters of 2015.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Capital Adequacy Ratio (CAR)	202%	231%	199%	202%

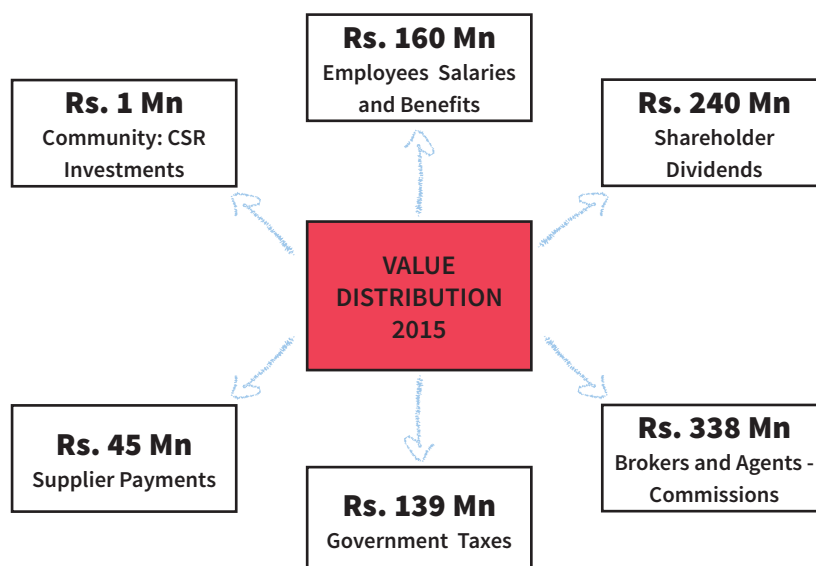
Management Discussion and Analysis contd.

VALUE ADDITION AND DISTRIBUTION

▶ G4-EC1

As set out in the value added statement for the financial year 2015, the value generated in the reporting year stood at Rs. 1,169 million, representing an increase of 9% over the previous year. Out of the value generated, Rs. 922 million, corresponding to 79% was distributed amongst key stakeholders. The balance 21% reaching to Rs. 247 million was retained within the organisation.

	2015		2014	
	Rs. Mn	%	Rs. Mn	%
Value Addition				
Net earned premium	3,268	-	2,990	-
Other revenue	349	-	421	-
Net claims	(2,257)	-	(2,161)	-
Cost of external services	(191)	-	(175)	-
Total value added	1,169	-	1,075	-
Value distribution				
Employees – salaries and other benefits	160	14	131	12
Intermediaries – insurance commissions	338	29	311	29
Government – taxes	139	12	126	12
Shareholders – dividends	240	20	135	13
Suppliers - payments	45	4	33	3
Retained value				
Depreciation	23	2	24	2
Reserves	224	19	315	29
Total value added	1,169	100	1,075	100



Human Capital Management

Over the six years since inception, PI has been firm in its commitment to all employees, engaging with them positively and nurturing an empowered team. The Company's accomplishments in reaching for the corporate goals and the ascent in to the new phase as a public quoted company are certainly a reflection of the hard-work, competence and diligence of the team.

THE APPROACH

Human capital at PI is managed centrally by the HR department of the parent company, PLC. All HR related functions and the decisions taken are in line with the HR policies and practices set and adopted by PLC. Liaising effectively, the management of PI is well guided by the HR department to uphold best and current practices in carrying out daily operations and delivering quality service.

As instilled within the PLC Group culture, PI focuses on being an 'equal opportunity' employer; upholding a fair and transparent HR policy, unprejudiced by gender, age, ethnicity, creed or class, the emphasis is on building a talented team with best-fit recruitments; and retaining staff with a multifaceted strategy underscored by an enabling workplace with a performance based culture; career development through training opportunities; and timely performance feedback combined with competitive remuneration and benefits.

CADRE POSITION

▶ G4-9

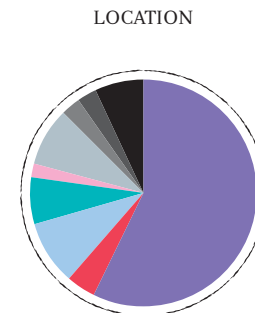
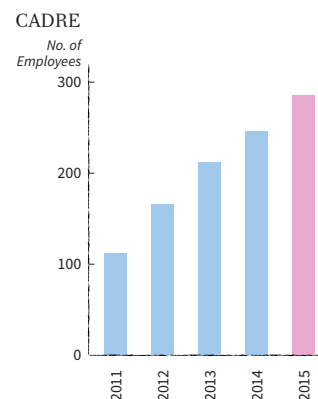
Expanding rapidly as a significant non-life insurer, the cadre has been growing steadily since its inception. The cadre position recorded a noteworthy increase to 284 employees as at the financial year-end 2015, representing an almost 16% growth from its position of 245 employees in the financial year-end 2014.

EMPLOYEE DIVERSITY

▶ G4-10, G4-LA12, G4-HR3

PI stands committed to create a workplace that is open, inclusive and respects diversity of employees. The HR policy along with the strategy is based on the principle of 'equal opportunity' as mentioned above. This underlies the process for recruitment, compensation, career development, rewards and recognition. In the reporting year, the Company did not record any incidents of discrimination of employees on social prejudice.

Although the present cadre composition does not represent diversity at its best, focused efforts are in place to bring in a more balanced cadre with better representation in gender, age, ethnicity as well other socio-economic indicators. The graphical presentation sets out the diversity of the Company's cadre including contract type, grade, location, gender, age and ethnicity for the reporting year 2015.

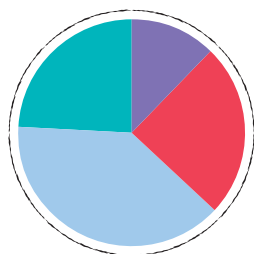


Western	57%
Uwa	4%
Southern	9%
Sabaragamuwa	7%
North	2%
North Western	8%
North Central	3%
Eastern	3%
Central	7%

Over half of the employees are stationed in the western province whilst there is a fair representation in other provinces including the periphery.

Management Discussion and Analysis contd.

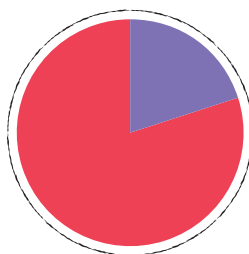
SERVICE ANALYSIS



Over 5 years 12%
 3 to 5 years 25%
 1 to 3 years 39%
 Less than One Year 24%

Nearly 37% have a satisfactory service record between three to over five years. The employees with service of less than one year is 24%, which also reflects the industry competition.

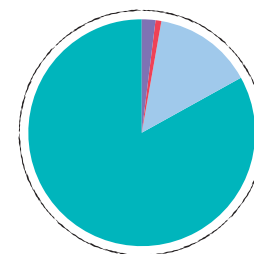
GENDER



Female 20%
 Male 80%

The cadre is skewed towards male employees, mainly within the non-executive grade. The executive grade however, reflects a greater balance in gender. The management cadre is represented by 38% of female employees whilst the Board has one female member.

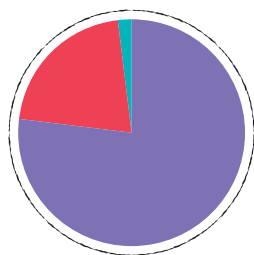
AGE



Over 50 years 2%
 41 to 50 years 1%
 31 to 40 years 14%
 20 to 30 years 83%

A majority of the employees fall under the age group between 20 to 30 years, reflecting a younger cadre with new age thinking and innovation. The balance 17% is spread amongst the more matured and stable employees between the 31 to over 50 years age group.

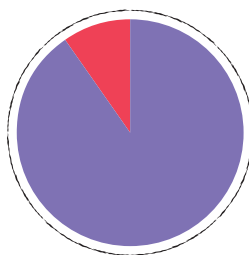
CONTRACT TYPE



Permanent 77%
 Probation 21%
 Contract 2%

Over 75% is employed on a permanent basis, nurturing employee job security and loyalty to the organisation.

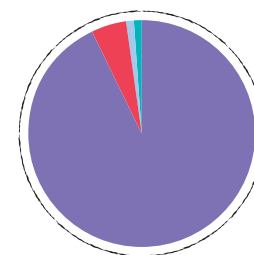
GRADE



Non-executive 90%
 Executive 10%

Cadre is dominated by the non-executive grade, mostly engaged in operations and sales.

ETHNICITY



Sinhalese 93%
 Tamils 5%
 Muslims 1%
 Other 1%

The cadre is skewed towards Sinhalese, the dominant ethnic group in the country. Minor ethnic groups represent 7% of the cadre.

RECRUITMENT

▶ G4-LA1

Refer: Community – page 106.

As an ‘equal opportunity’ employer, PI is steadfast in its drive to nurture diversity and build a rounded team. External recruitments are structured and competitive. The basis of selection is purely on merit as per the job descriptions with due precedence given to qualifications, skills, talent, experience, attitude and professionalism.

In the year under review, 72 new employees were recruited. Almost 97% of the total new recruits were within the non-executive grade. In terms of gender, out of the total new recruits, 61 were male employees, representing almost 85% whilst 95% were in the age group of 20-30

years. The skewness in recruitment both in terms of age and gender were in line with the job responsibilities.

Aside external recruitments, PI continued to give priority to internal recruitments including cross-placements and transfers within the Group and promotions for high achievers. These were based on available vacancies and the employee’s level of competence and best-fit in taking up their new job roles. The performance evaluations as discussed below enabled this process to be effective and fair. In the reporting year, there was one transfer whilst 121 were given promotions—25% were female employees.

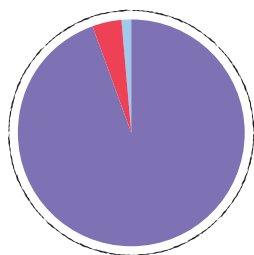
The Company continued to advocate community recruitments as will be discussed under Community section of the report. Nearly 89% of new recruits were selected on this basis.

RETENTION AND STAFF TURNOVER

PI remained committed to nurturing a quality workplace, supporting employees with due recognition, compensation with performance based incentives, welfare and best of training opportunities. In this progressive backdrop, the Company managed to further control the staff turnover.

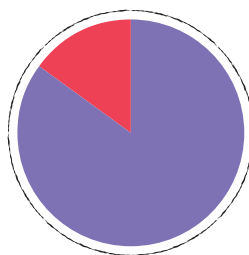
In the reporting year, 30 employees left the organisation—mainly by way of resignations and one termination due to disciplinary issues. The staff turnover typically was highest under the male employee category, aged between 20-30 years. The turnover ratio, however, stood at 11%, reflecting an improvement as against the ratio of 18% in the preceding year. Staff retention in the year stood at 89%.

RECRUITMENTS - AGE



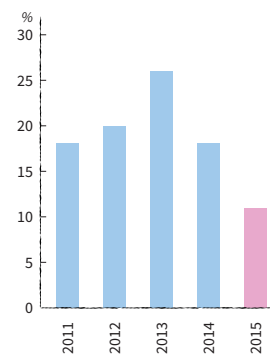
● 20 to 30 years 95%
 ● 31 to 40 years 4%
 ● 41 to 50 years 1%

RECRUITMENTS - GENDER



● Male 85%
 ● Female 15%

STAFF TURNOVER



Management Discussion and Analysis contd.

SKILLS BUILDING

▶ G4-LA9, G4-LA10

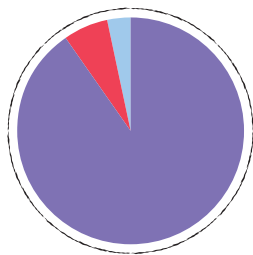
In navigating through the challenges of an emerging industry, PI is well aware of the strategic importance of developing employee skills. The benefits of training are not limited; but far-reaching both to the operations and to the employee, from a long-term perspective.

Training programmes are well structured, seeking to meet the skills gap that hinders the Company from reaching its true potential, whilst building an empowered employee with a solid career path. When drawing up the annual training plan along with the budgetary allocations, the immediate supervisors and the management are called upon for their feedback on training needs.

The employees are also well engaged to ascertain their aspirations from training.

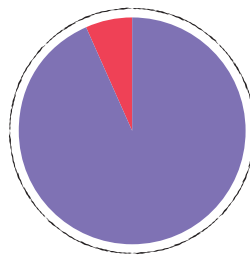
PI in the year remained committed and invested tactically to extend quality training opportunities, seeking to build functional skills, management and leadership and also, soft skills. Exposure was given to employees across all grades—management, executives and non-executives—ranging from focused training programmes organised internally and external, both local and foreign. The Company also continued to give financial assistance to further their professional studies.

STAFF TURNOVER - AGE



● 20 to 30 years 90%
 ● 31 to 40 years 7%
 ● 41 to 50 years 3%

STAFF TURNOVER - GENDER



● Male 94%
 ● Female 6%

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The total training investment saw an improvement of 98% to Rs. 1.9 million as against the prior year whilst the training hours reached 4,560 covering all employees.

Training Programmes – FY 2015					
Training Programme	Resource Persons	Training Goals	Employees	Employee Grade	Training Hours
Customer care and call handling skills	McQuire Rens & Jones (Pvt) Ltd	Reach excellence in customer service	5	Non-executive	40
Marketing programme	Internal resource persons	Create awareness on brand, product options and services	50	Both executive and non-executive	400
Corporate law conference	Corporate Lawyers Association	Create in-depth awareness on current laws and regulations	2	Executive	16
Motivational work shop	Dr. Neomal Balasooriya	Enhance employee productivity and improve work-life	140	Both executive and non-executive	1,120
Islamic insurance	Panel of lecturers from Shari'ah Board	Introduce Shari'ah principles and system changes	37	Non-executive	296
PI special forum	Internal resource persons	Enhance employee awareness on day- to-day office affairs	252	Both executive and non-executive	2,016
Management development programme	Panel of lecturers from AAT Business School	Develop employee skills and careers	3	Non-executive	288
Developing managers for the future	Panel of lecturers from Postgraduate Institute of Management (PIM)	Enhance managerial skills of future managers	4	Both executive and non-executive	384
Total training hours:					4,560

16.13 Average training hours per cadre	16.00 Average training hours per male employee	16.28 Average training hours per female employee	16.28 Average training hours per non-executive	13.92 Average training hours per executive	Rs. 6,631 Training investment per employee
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TRAINING - KEY INDICATORS

Management Discussion and Analysis contd.

Internal Training

Conducted by the corporate management, internal training programmes are targeted at developing functional skills in underwriting, claims management, products and sales and marketing. In the reporting year, internal training reached 284 employees across the head office, regional and window offices covering 2,712 training man hours. Exposure was also given to an employee through cross-placement/transfers.

Induction Programme

Refer: Regulatory and Statutory Bodies – Work Ethics, page 110.

New recruits are taken through a well-structured induction training programme, spreading throughout a month. The induction programme encompasses training on products and processes through rotational on-the-job training, covering all departments at the head office and at the branch level.

The programme extends opportunities for the new recruits to network with peers and the management. Work exposure and networking opportunities are also given with the parent, PLC and with the sister companies within the group. The Code of Ethical Conduct for employees is introduced during the induction period, stressing on the ethical business practices and the ethos of the Company and the PLC Group.

In the reporting year, induction programmes were carried out, covering 72 new recruits with 2,880 formal training hours.

External Training

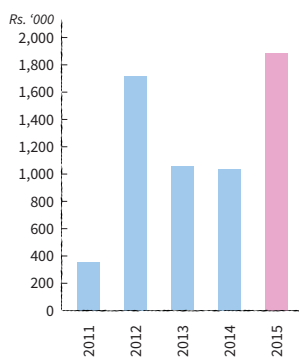
Committed to give a broader exposure and to be current on industry trends and practices, due investments are made for employees to attend external training programmes carried out by renowned resource professionals and private and government training institutions. This includes tactical training opportunities abroad. In the reporting year, 191 employees were sent for external training, clocking in 2,178 man-hours, including 34 foreign training hours.

Professional Education Scheme

Supporting the staff to carry out with further studies, particularly to obtain professional and post graduate qualifications, PI continued to offer non-bonded assistance to staff under executive and above grades. Special encouragement is given to take up further studies relating to insurance for effective underwriting.

In the reporting year, 5 members of the staff were availing the benefits under this scheme whilst the Company incurred a cost Rs. 121,959.

TRAINING INVESTMENT



Internal staff training programme



External staff training programme

REMUNERATION AND BENEFITS

▷ G4-LA2

Staff Cost – Remuneration and Benefits			
	2015	2014	Change
	Rs.	Rs.	%
Remuneration	76,612,443	65,669,481	17%
Incentives and Bonuses	18,736,404	16,084,594	16%
Other staff benefits	51,170,428	41,568,903	23%
EPF	8,594,221	7,155,090	20%
ETF	2,139,868	1,788,772	20%
Gratuity Liability	6,027,515	4,432,438	36%

The remuneration policy followed by PI reflects the dynamics of the PLC Group and is compatible with market trends. The employees accordingly are well remunerated as per their job responsibilities, underscored by qualifications, experience and competency. Due increments are given to adjust the remuneration to the cost of living. Incentives are based on performance whilst the bonus takes into account the Group norms, performance and service period.

As part of the compensation package, the Company also extends benefits to permanent employees, including car and motor bike loans depending on the eligibilities criteria; medical insurance covering OPD charges and surgical and hospitalisation charges for the employee and immediate family; death donations and other benefits to support a balanced work-life.

The total amount incurred as remuneration for the year was Rs. 77 million, up by 17% whilst, incentives and bonuses summed up to Rs. 19 million. The monetary value of other staff benefits offered increased by 23% as against the prior year and reached Rs. 51 million.

Medical insurance covering OPD and Hospitalisation	Death donation	Vehicle loans	Telephone facilities	Gymnasium facilities	Holiday bungalows at concessionary rates	Staff welfare society
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BENEFITS - PERMANENT CADRE

PI is conscientious in meeting its statutory benefit obligations on behalf of the employees as per the laws stipulated in the relevant acts. A contribution of 12% of the basic salary is made to the Employee Provident Fund (EPF) whilst 3% is made to the Employee Trust Fund (ETF). In the reporting year, the Company's contribution went up by 20% to Rs. 11 million for both EPF and ETF.

The Company was also committed to meet employee's end of the term benefits as per the law set out under the Gratuity Act. The gratuity provision as at the year end was Rs. 6 million.

Management Discussion and Analysis contd.

PERFORMANCE EVALUATIONS, REWARDS AND RECOGNITION

▶ G4-LA11

In an equal opportunity environment, performance evaluations take up a pivotal role, seeking to establish a fair and transparent platform where employees could be recognised and incentivised without prejudice.

PI's performance evaluations are carried out annually across the organisation, covering all staff grades including non-executives. Interactive and structured, performance is evaluated by the employee's immediate supervisor on pre-agreed targets in line with the Company's plan. Thus evaluated, the management gives constructive feedback on employee's progress in terms of both organisational goals and career development. A rating is ascertained during this process which forms the basis for increments, incentives and promotions.

In the reporting year, 200 employees representing 91% of the total permanent cadre were evaluated on performance. This represented an increase of 7% as against the previous year. In terms of diversity, 41 female employees were evaluated, representing 21% of the total evaluated cadre.

Rs. 19 Mn in staff bonuses	121 promotions	Up to 20% increments	284 employees trained
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PERFORMANCE EVALUATIONS - KEY INDICATORS

EMPLOYEE RELATIONS AND GRIEVANCE HANDLING

▶ G4-11, G4-LA4, G4-LA16, G4-HR12

The Company follows an interactive work policy where employees are positively engaged and solid relationships are nurtured. The flat cadre structure together with the performance evaluation platform enable employees to reach out to the management to give feedback, sort their daily issues and redress their grievances. This work culture, thus far, has paved the way for the Company to accomplish collective corporate goals, whilst supporting the employee to fulfil their individual aspirations.

If there are any grievances to be redressed formally on any violation of employee fundamental rights, the HR department has a mechanism in place—engaging both the employee, superiors and the management of the Company. In the reporting year, the Company did not record any grievances through the formal mechanism on labour practices as well as violations of their fundamental rights.

Employees of PI are not covered by any collective bargaining agreements and there is no formal mechanism nor a minimum notice period to inform employees on any structural and operational changes taking place within the Company. However, the management is proactive, ensuring that all employees are engaged in this regard.

In effect, the management kept the employees across the organisation informed on the listing initiative on the Colombo Stock Exchange, the 5% allocation of shares in the IPO and the transition and the responsibilities therein on changing status to a public quoted company. Staff meetings were held regularly to update employees and to obtain their feedback. Necessary circulars were sent whilst the intranet was also used to communicate with employees, particularly, those stationed outside the head office.



Staff members participating in games at the annual get-together



Staff members enjoying the musical show at annual get-together



Medical camp



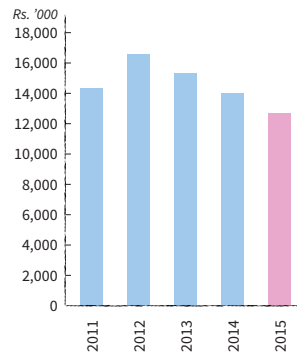
Diabetes testing and awareness programme

Management Discussion and Analysis contd.

EMPLOYEE PRODUCTIVITY INDICATORS

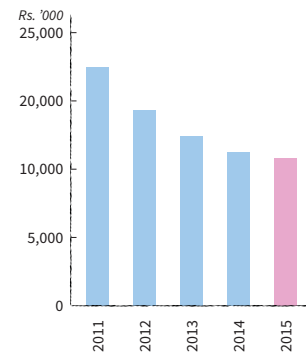
The productivity indicators of PI have registered an improvement over the years. Yet, reflecting the undertones within the industry, key indicators such as gross written premium (GWP) per employee and revenue per employee saw moderation since the financial year 2013. These indicators saw a further slide, albeit, marginally, in the year 2015 vis-à-vis 2014.

REVENUE PER EMPLOYEE



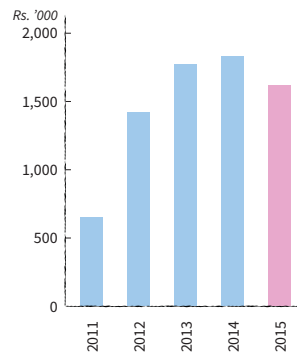
- ▷ 2014: Rs. 13.9 million
- ▷ 2015: Rs. 12.7 million

GWP PER EMPLOYEE



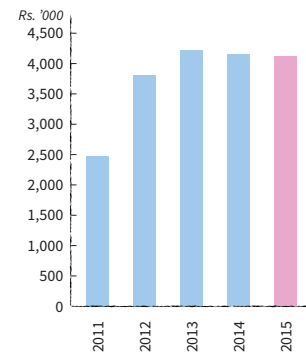
- ▷ 2014: Rs. 14.1 million
- ▷ 2015: Rs. 13.4 million

PROFIT PER EMPLOYEE



- ▷ 2014: Rs. 1.8 million
- ▷ 2015: Rs. 1.6 million

VALUE ADDED PER EMPLOYEE



- ▷ 2014: Rs. 4.2 million
- ▷ 2015: Rs. 4.1 million

Social and Relationship Capital Management

CUSTOMERS

Customer-centricity combined with ethical practices in delivering products and services in an intensely competitive backdrop is highly warranted. In line with the PLC Group policies and underscored by the Company's strategy, PI is committed and gives precedence to reach out to customers with a comprehensive set of products and excellence in its service offer, essentially paving the way for sustainable progress in value creation.

The approach

With close engagement, PI's approach to customer management is multifaceted and pragmatic. Consistent dialogue with timely feedback is maintained to ensure that customer needs are well understood whilst being diligent in handling customer complaints and thereby, building positive customer experience. Due investments are made to train employees to give their best in service to establish stronger relations both with the existing and potential customers.

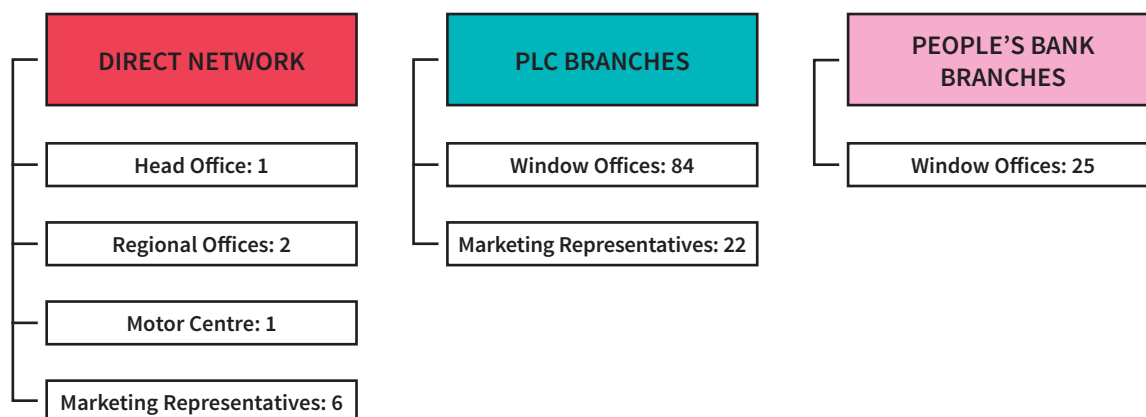
The Company also seeks to deliver an appropriate product offer—be it in the motor or non-motor class—to respond effectively to varied and dynamic customer requirements. New product development along with value-addition is pursued to enable the Company to extend a well-rounded product range. Digital solutions are sought after to facilitate user-friendliness, convenience and speedy turn-arounds whilst focusing on distribution channels to be accessible for a wider customer base.

Due emphasis is placed to ensure quality and standards with clear and firm measures adopted to be fair, transparent and accountable in extending product solutions. Customer privacy and security of data and information are maintained whilst complying with all applicable legislature and regulatory requirements laid down to ensure product responsibility.

Outreach

PI has access to the vast branch network of parent, PLC, across the country. The Company has established window offices with marketing and operational representation within the PLC branch network in strategic locations. The bancassurance agreement in place with the Peoples' Bank further supports PI's distribution and thus, the outreach. The cost-effectiveness of the Company's distribution model has stood as a point of differentiation, giving the Company a competitive edge to gain market share and supporting the bottom-line profitability.

In the reporting year, the Company established 11 new window offices within the PLC branches and placed 12 new marketing representatives. Under the bancassurance agreement, one new marketing representative was placed in one of the People's Bank branches.



Management Discussion and Analysis contd.

As at the year-end, 109 window offices were in operation in both PLC and People's Bank across 9 provinces; combined with the fully fledged regional branches in Negombo and Galle and the head office in Colombo. The marketing team totaled to 75, inclusive of marketing representatives, bancassurance officers and agents.

PRODUCT RESPONSIBILITY**Fair pricing and claim settlements**

In a competitive marketplace with socio-economic challenges, PI is fully aware of the necessity to be disciplined and prudent in underwriting; thus, ensuring a fair balance between premium pricing and the ability to cover claims whilst generating profits. Motor underwriting within PI comes under the purview of a well-experienced and competent senior manager and her team of 22 employees. Necessary actuarial services and advice are taken from an external consultancy firm.

The Company is also focused in its efforts to ensure fair claim settlements, in effect, underscoring PI's quest to reach customer centricity and serve as a market differentiator. The Company is committed to be responsible, efficient and within the contractual obligations, terms and conditions stipulated therein. Modern systems and due processes are in place to reduce claim costs whilst resorting to fair valuations through the support of a competent panel of valuers attached to the sister company, PLFML. The claims settlement operations, including systems

and processes are subject to periodic audits by the Group Internal Audit, supporting to keep a check on fraudulent practices, if any, thereby, minimising leakages and in turn, upholding fair pricing.

The Claims Panel inclusive of manager legal and heads of departments is responsible to look into the settlement of disputed claims and those that fall under stipulated thresholds according to the category. However, if the Claims Panel is unable to sort issues, the Insurance Ombudsman, a body established jointly by the IBSL is called upon to mediate between the customer and the Company.

In the year under review, 34,392 claims in total were settled; out of which 75 claims, representing 2% of total were evaluated by the Claims Panel. The Company referred 11 claim disputes to the Insurance Ombudsman where all such disputes were settled with its mediation.

Interactive engagement and product information

▶ G4-PR4, Former FS15

Refer: Statutory and Regulatory Bodies – Work Ethics, page 110.

As an insurance entity, PI has a fiduciary responsibility to ensure that customers are enabled to make informed decisions on products, policies and securing claims. Therefore, focused engagement in this regard is warranted.

One-to-one meetings are frequently held with customers, particularly, during the phase of entering into a policy agreement as well as during a claims settlement process. Correspondence through letters and emails complement the close engagement. The marketing and operational staff, including agents and brokers are fully trained to disseminate detailed information along with due advice to build their level of literacy on risks and risk migration through insurance, the product options and the right choices as per the customer profile. In effect, the 'Policy Work Ethics' along with the 'Code of Ethical Conduct for Sales Persons' as discussed under the section 'Work Ethics' sets this out as a priority area. The policies and other legal documentation detail out the terms, conditions and obligations that form the basis of their dealings with the Company. The management fees and other ancillary charges are communicated to them up-front at the time of negotiations.

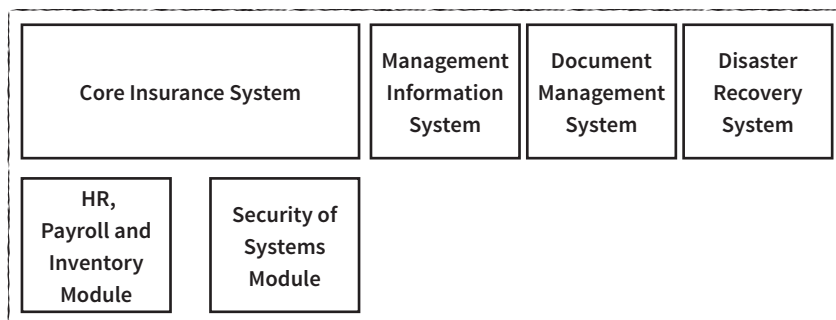
Internal systems, processes and procedures are well laid out to ensure that the Company upholds best practices in disseminating product and service information. The call centre, official website and marketing and communication initiatives, as discussed in detail below, support the customer to make right choices on their insurance requirements and related transactions.

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

INFORMATION TECHNOLOGY SOLUTIONS

Assuming greater significance in responding to the fast-paced business and regulatory environment, it is crucial that the Company keeps up-to-date in transforming its strategy into actions and thus, meeting the corporate goals. As a progressive organisation, PI relies and invests well in technology with necessary upgrades to enable speedy and smart digital solutions, systems and processes—essential to meet the growing demands of the industry. Managed as a shared service on a fee-based model by the group ICT department, technology has in effect facilitated re-engineered and streamlined work processes, productivity gains, but more so, customer centric solutions, in turn, boosting the Company's competitive edge and viability.

Insurance system



The core insurance system, developed in-house, is fully functional across the organisation, covering all operational aspects of motor and non-motor including underwriting, claims and reinsurance. The operational processes be it at the head office, regional or window offices, are automated and connected to the insurance system, centralised at the head office of PLC. The operational and marketing staff are savvy and all transactions are carried out on the system with real-time processing. The core system is linked to modules that support the automation and real-time processing for non-core functions including human resources management, inventory controls and payroll.

Apart from the core system, a management information system (MIS) is also in place, supporting the management decision making process both at the strategic level as well as on daily operational level.

In the reporting year, paving the way for inclusive insurance, a new system was designed to accommodate the work processes of Takaful insurance, including modules for motor

and non-motor insurance. The system is in accordance with the Shari'ah principles stipulated under Islamic finance.

Driving for efficiency, PI's core insurance system was integrated in the year with the parent, PLC's 'InBank' system, leading to streamlined coordination between the two organisations. This is particularly of significance for captive customers who have been referred by PLC—enabling efficient and speedy processing for such customers.

Official website and online facilities

The official website of the Company www.peoplesinsurance.lk stands as an enabling platform for positive customer engagement. Interactive and informative, the website is simple, but coherent with detailed content on the company profile and products and services on offer and with user-friendly features viz. the 'call you back' option to support customers address their queries and complaints with ease; 'frequently asked questions', creating awareness on the industry, its benefits and industry specific terms; and access to insurance plans, proposals and quotations with respect to both motor and non-motor insurance products.

In the reporting year, travel insurance, the latest addition to the product portfolio was launched online. A web portal was designed for customers to access and obtain travel insurance policies and certificates online.

Management Discussion and Analysis contd.

The official website is currently being revamped. More interactive features including trilingual facilities, a customer information portal and an online payment mechanism will be introduced; along with an HTML version, facilitating access from smart phones and more value-added features. The revamping exercise is expected to be completed and launched in mid of 2016.

Call centre

Call Centre – Customer Centric Features

- ▶ Competent customer service representatives
- ▶ 24X7 Service
- ▶ Vehicle breakdown support for emergency towing or vehicle carriers.

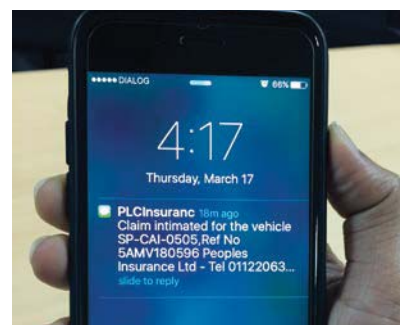
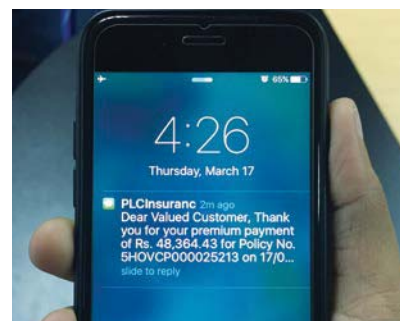
Taking a proactive role in a competitive business backdrop, the 24x7 call centre extends a personalised link between customers and the operational staff. Located at PLC head office and equipped with modern facilities, the call centre is manned by a team of 25 competent customer service representatives. The centre facilitates an interactive platform for customers, enabling them to communicate, access information, give feedback and obtain due solutions to their queries and complaints. This assumes greater significance for customers with motor insurance—reporting and processing accident claims with respect to their insured vehicles.



Call centre

SMS alerts

The short message service (SMS) is made used effectively to support customers and add value to their insurance policies whilst resulting in reduced transaction costs. SMS alerts and updates are sent, notifying customers on their claims status under motor insurance and on hospitalisation admission under health care insurance. SMS is also used to send key information to support assessors in ‘on-the-spot’ vehicle inspections, facilitating speedy processing of claims. An SMS gateway to notify customers on marketing and promotion is currently at the design stage and is expected to be launched in 2016.



SMS alerts

MARKETING COMMUNICATIONS AND PROMOTIONS

▶ G4-PR7, Former FS16

PI upholds an ethical marketing communication and promotion strategy, representing openness, integrity and fair competition. The Company broadly relies on a marketing mix skewed towards advertising on print media, personal selling and relying on below-the-line tools including brochures and leaflets. Road-shows, seminars and door-to-door marketing campaigns are carried out to promote the brand and product offer. The Company also collaborates with parent entities and the Group in this regard, thus, supporting its drive to gain on market share, particularly within the non-captive retail sector.

In the reporting year, the Company incurred a sum of Rs. 13.6 million on marketing promotions, including 192 road shows in 22 key districts. All initiatives were collaborations with PLC. Apart from supporting to increase market share, these marketing initiatives gave an ideal platform for PI to create awareness on the benefits of insurance, thus, taking on the industry's quest to increase the level of penetration of insurance, including within the periphery. The door-to-door campaigns were also carried out in key districts.

The Company in the year also sought to further invest on branding, seeking to reinforce the Company's brand and instil 'top-of-the mind' recall. Individual

product brands—motor, fire, medical and travel were also developed in the year under review.

In the year under review, the Company did not incur any incident of non-compliance with regulations and voluntary codes with respect to marketing communications.

CUSTOMER PRIVACY AND SECURITY OF INFORMATION

▶ G4-PR8

Audits 2015 Features

- ▶ Certified by Messrs. Det Norkse Veritas Sri Lanka for security management in line with the standards of ISO/IEC27001:2013. The certification is valid until 2017.

As part of a renowned group with well-established ethos, PI gives top priority to respect and maintain customer privacy along with confidentiality of information and data. Firm steps have been taken to ensure that customer identity and their personal data are protected. Without prior written permission or without a legal agreement, information is not shared with third parties including within the Group. If information is shared on agreement, the third part institutions are bound legally to maintain confidentiality.

However, customer information and data are shared in the event of a directive

from statutory or regulatory institutions including the industry regulator, the IBSL, the Central Bank of Sri Lanka (CBSL) and at present, as a public quoted company to the Securities and Exchange Commission of Sri Lanka (SEC) and the Colombo Stock Exchange (CSE). On a quarterly basis, the Company reports to the regulator, the IBSL on customers and all transactions above Rupees one million in compliance with 'Know Your Customer' policy under the Anti-Money Laundering Law are reported to the Central Bank of Sri Lanka.

Under the supervision of the ICT department, necessary steps have been taken to safeguard customer data and information within a well-structured business continuity plan. The disaster recovery system in place ensures that the data and information are secured with systematic back-up at external and internal locations. An SMS service is available to notify the server administrators to safeguard data when there is a power failure whilst the network monitoring system identifies and rectifies glitches, traffic build-up and prevents unwarranted online activity, thereby, eliminating any compromises on security of data and information. The security module entailed within the core system has in place an audit trail with dual authority levels for executing key transactions and thus, protecting customer data and information. Necessary security firewalls are active to prevent any malicious attacks on data and information.

Management Discussion and Analysis contd.

Upholding best practices in information security, independent assurance and audits are conscientiously carried out on systems and processes. The internal audit department of the parent, PLC, is responsible for structured audits together with external auditors and other auditing and certification bodies.

In the reporting year, the Company did not record any complaints on breaching customer privacy and on loss of data and information.

COMPLIANCE – PRODUCTS AND SERVICES

▶ G4-PR9

In the year under review, the Company did not record any fines for non-compliance with laws and regulations with respect to products and services.

BUSINESS PARTNERS

▶ G4-12

Recognising the significance on the value creation process, PI seeks to build strong and loyal relationships with its business partners—ranging from brokers, agents, reinsurers, reinsurance brokers, assessors and general suppliers of IT systems, hardware, software, stationery, furniture and fittings and other goods and services. PI is committed to nurture trust and transparency with them, in turn culminating in sustainable business operations.

The approach

As followed and advocated across the PLC Group, PI's approach to building business partnerships is consistent, structured and transparent. PI is proactive in its engagement and seeks for business partners who have adopted best practices in their operations, reflecting well and with a best-fit on PI's core value system. Business partners are selected on their corporate standing, professionalism, quality and standards, cost factors, on-time delivery and responsiveness to the Company's business requirements. The supplier assessment questionnaire introduced in the year under review measures operational performance, including their business practices and impacts on labour, human rights, environment and on the society as whole.

Insurance agents

PI has built ties with 21 insurance agents spanning across the country. Registered with the Company, agents are trained by Sri Lanka Institute of Insurance (SLII). The insurance regulator, the IBSL has set out the rules for agents to abide by and the SLII monitors their compliance. The institute has the authority to black-list agents if rules are violated.

The operational department within the Company is responsible to train agents on the PI product offer, whilst the Code of Ethical Conduct for Sales Persons set out under the Company's Policy of Work Ethics stipulates the responsibilities and the manner in which the agent should discharge his/her duties. All agents are

given due training on the Code of Ethical Conduct and they are monitored for compliance by the marketing division of PI. The group Internal Audit also monitors their compliance during the annual audit of the Company. In the year, the Company did not record any incidents of non-compliance to the Code of Conduct as well as with respect to the agent rules set by the IBSL.

In the reporting year, insurance agents brought in 2,379 new policies and contributed almost 2% of the total premium income, generating Rs. 66 million. This registered an increase of 491% in premium income over the previous year.

Brokers

PI has a solid network of brokers having established strong relationships with most of them. All brokering companies are registered with the regulator, the IBSL and therefore, are mandated to uphold competency and ethical work practices. As at the year-end, the Company transacted with 22 brokers and the business generated through this channel amounted to Rs. 26 million, accounting for 1% share of the income and reflecting 766% increase over the prior year.

Reinsurers and reinsurance brokers

Reinsurers and Reinsurance Brokers - FY 2015			
Name of Company	Country	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
National Insurance Trust Fund	Sri Lanka	AAA	RAM ratings Lanka (Ltd)
Swiss Reinsurance Company Ltd.	Switzerland	A+ (Superior)	A.M.Best
Trust International Insurance and Reinsurance Company	Bahrain	A- (Excellent)	A.M.Best
Lloyd's	UK	A (Excellent) A+(Strong)	A.M.Best Standard and Poor's
MAPFRE Asistencia, Compania International	USA	A (Excellent)	A.M.Best

Rating Analysis	No. of Reinsurers	% of Reinsurers
BBB	-	-
A-	6	67%
A	1	11%
A+	1	11%
AA	-	-
AA-	-	-
AA+	-	-
AAA	1	11%

As a policy, the Company only transacts with best rated agencies with solid corporate repute with prowess in the reinsurance business. As at the year-end, the Company had established links with 9 reinsurers, including brokering reinsurance companies. All of them had secured A rating, assessed by internationally acclaimed rating agencies. The reinsurance premiums for the year reached Rs. 305 million.

General suppliers

Leveraging on parent synergies, significant and substantial procurement transactions at PI are carried out centrally by the procurement team at PLC. The economies of scale entailed within the Group's procurement process lead to cost benefits and thereby, supporting a lean cost structure; in turn, cushioning the bottom-line profits.

Minor procurement mainly for materials and support services is directly handled by the Company. Established relationships are in place with most of the suppliers and transactions are based on quality, sound payment practices and timely delivery.

In the reporting year, the Company transacted with only local suppliers. The Company incurred a sum of Rs. 45 million for general supplies. This represented 15% increase over the previous year.

	Description	Rs. Mn
Large procurement negotiated by parent, PLC	IT hardware and software	30
Minor supplies	Paper, printing material	11
Services	Security, janitorial	4
Total cost		45

Management Discussion and Analysis contd.

Philanthropic Initiatives



Beach cleaning in Panadura



Establishing benches at Panadura beach



Donation of computer chairs



Ice-cream dansala

COMMUNITY

As advocated and valued across the PLC Group and as envisioned within the Company's integrated strategy, engaging communities and building positive relationships are very much a part of the business.

The approach

Beyond profit-making, the Company's strategy progressively seeks to support communities, particularly, enabling the needy through philanthropic and civic conscious initiatives. The Company also extends opportunities for community based recruitments, especially in key locations where the Company operates.

Community service

In the year under review, the Company invested a sum of Rs. 1 million on community service initiatives as set out below, representing an increase of 122% as against the investment of Rs. 0.45 million in the preceding year.

Expending Rs. 0.34 million, a beach cleaning campaign was organised in one of the most popular beaches in Panadura. The Company donated 10 benches, 10 dust-bins and five sign boards giving safety instructions and good habits which were placed along the beach. The campaign saw the voluntary participation of 80 employees from across the organisation with a total of 520 volunteer hours.

The Company also donated 30 computer chairs to Sri Bodhiya Primary School Gampaha in support of setting up a school computer laboratory at a cost of Rs. 0.1

million. This initiative is expected to benefit 1,440 students studying at the school.

Community recruitments

The recruitment strategy followed, seeks to give employment opportunities to people, particularly targeting the youth, that live in the environs where the Company operates. This strategy thus far has served PI well, reinforcing employees' commitment to the Company whilst enabling closer engagement with the communities leading up to better relationships and better market share within non-captive markets.

As at the year-end 2015, out of the new recruits of 72 employees, 64 were recruited directly from the communities, reflecting 89% of the total recruitments. With this, the total employees who have direct links to the communities increased to 261 employees. This represented 92% of the total cadre.

STATUTORY AND REGULATORY BODIES AND ASSOCIATIONS

Refer: Corporate Governance Report, page 129.

As part of a well-respected financial services group, PI is committed to be a responsible corporate citizen. Whilst steering the business well in line with the core values, embodying trustworthiness, responsibility and exemplary corporate conduct, the Company is conscientious in meeting, complying and upholding voluntarily as well as those mandatory rules, regulations and legal requirements set by relevant statutory and regulatory agencies.

The approach

PI's engagement with the statutory and regulatory agencies are multi-layered, maintaining sound relations with relevant ministries, government agencies, regulatory and statutory bodies. The Company strives to keep abreast of the latest developments within the legal and regulatory framework whilst responding positively to the policies, directives, rules, regulations and procedures applicable to both the Company and to the industry. Due training is extended to relevant employees in this regard and documentation is maintained systematically. Focused measures are in place to progressively raise the bar on corporate and employee conduct, aligning with current regulatory and policy trends, skewed towards sound practices in business and governance.

Insurance Board of Sri Lanka (IBSL)

PI is regulated by the IBSL under the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011. The Company is required to abide by and comply with mandatory set of rules and regulations.

Regulatory revisions

SEGREGATION OF COMPOSITE INSURERS - LIFE AND NON-LIFE <i>FEBRUARY 2015</i>	▶ Company's Response: Not Applicable
LIST ON THE COLOMBO STOCK EXCHANGE <i>FEBRUARY 2016</i>	▶ Company's Response: IPO was held on 16th December 2015 and the listing on the Main Board came into effect on 12th January 2016
MINIMUM PAID-UP SHARE CAPITAL TO BE RS. 500 MILLION <i>FEBRUARY 2015</i>	▶ Company's Response: Paid up share capital as at the year-end was Rs. 1,350 million, including IPO shares pending allotment
TRANSITION FROM SOLVENCY REGIME TO RISK BASED CAPITAL REGIME <i>JANUARY 2016</i>	▶ Company's Response: Necessary measures are in place to smoothly operate under the risk based capital regime

In response to the recent regulatory revisions that came into effect under the amended Regulation of Insurance Industry (RII) Act mentioned above, the Company made arrangements in the year under review to issue the maiden offer of shares to the public and list on the Main Board of the Colombo Stock Exchange—as the first general insurer to comply with the listing requirement, under the amended RII Act.

The Initial Public Offering (IPO) held on 16th December 2015, the Company issued 50 million ordinary voting shares at Rs. 15 per share. The issue was oversubscribed on the opening day by 6.92 times subscription with Rs. 5.2 billion worth of applications. The IPO saw the participation of both retail and institutional investors. In terms of allocation, the institutional investors were allocated 45% of the share issue whilst the retail investors received allocation of 40%. Out of the balance, 10% was allocated to the unit trusts whilst the employees of the Company along with the other employees of the PLC Group were allocated 5%. The IPO generated Rs. 750 million in funds which is expected to be invested in combination of instruments, including in government securities, equity, fixed deposits and corporate debt. The funds are expected to further strengthen its capital base, thereby capital adequacy ratio under the risk based capital regime.

The Company also adopted necessary measures including appropriate resources, training, systems and processes to be prepared and meet the transition to the risk based capital regime which is effective from 1st January 2016. The operations as at date are running smoothly under the new regime.

Spotlight

INITIAL PUBLIC OFFERING

IPO SIZE

Rs. 750 Mn

SHARES OFFERED

50 Mn ordinary shares
@ Rs. 15 per share

STAKE OFFERED

25%

OPENING DATE

December 16, 2015

TOTAL SUBSCRIPTION

Rs. 5.2 billion i.e. 5.9
times oversubscribed on
the opening day

NUMBER OF APPLICATIONS

2,034

LISTED DATE

12 January 2016

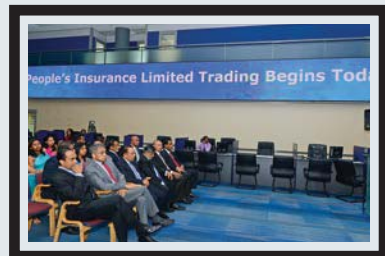
NUMBER OF SHARES LISTED

200Mn

Initial Public Offering Highlights



Investor Forum and Press Conference held on IPO



Listing of the Company at the Colombo Stock Exchange

Management Discussion and Analysis contd.

Work ethic, anti-corruption and fraud

▶ G4-S6, G4-S03, G4-S05

Business Ethics

- ▶ The business ethics of People's Insurance which is based on the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka and the People's Leasing Group ethics policy sets forth the values, desired expectations and ethics of service that shall guide and support the Board of Directors, senior management, employees and external resources such as agents, loss assessors/adjusters in all their professional activities with Company. It will also serve to maintain and enhance public confidence and integrity in the Company, and strengthen respect for, and appreciation of, the role played by the Company within the wider local, national and international community

Twelve-Point Framework - Salient Features

- ▶ Compliance
- ▶ Honesty, fairness and diligence
- ▶ Financial strength
- ▶ Information to policyholders and potential policyholders
- ▶ Relationship with intermediaries
- ▶ Relationship with community and public
- ▶ Protection of company information
- ▶ Protection of proper use of company assets
- ▶ Conflict of interest
- ▶ Safety, health and environment
- ▶ Personal obligations
- ▶ Resolution procedure and reporting of violations

The Company is guided by the Board approved 'Business Ethics Policy', upholding the highest ideals in corporate conduct within a twelve-point framework. The policy is well internalised across the organisation, underscoring the strength of the Company's mainstay. Within the policy, the employees are guided by two codes—the Code of Ethical

Conduct for Office Staff and the Code of Ethical Conduct for Sales Persons— setting out the principles, standards and professionalism that is required in carrying out their daily responsibilities; in effect forming the basis of operations across the Company. A blueprint for employees, the codes cover the work ethics and the responsibility towards meeting stakeholder expectations.

The codes are introduced at the time of recruitment during the induction sessions and consequently, periodic training is extended to internalise the guidelines amongst the employees. The codes are also published on the intranet to give easy access to all employees across the window operations, regional branches and at the head office.

The Group Internal Audit is responsible to carryout periodic audits on any violations of the employee codes, including on corruption and fraudulent business activities. The audit findings are submitted to the Board for deliberations and for punitive action in the event of violations. The Company also reports to the IBSL in this regard in the form of a compliance statement.

In the reporting year, the Internal Audit department of the Group carried out 10 audits on business operations covering the head office and the regional branches. The audit findings in the year did not record any incidents of violations of business ethics, employees' codes of conduct including any incidents of corruption or fraudulent practices.

Whistle-blower mechanism

PI has in place a structured whistle-blower mechanism. Employees are encouraged to alert the Board Audit Committee of any ongoing or potential illegal activities, unethical business practices, improper behaviour—violating the Company's values, employee code of conduct and laws. The whistle-blower under this mechanism is protected and confidentiality of his/her identity maintained during and after the investigation proceedings. The information given by the whistle-blower will only be disclosed with the Board consent as stipulated and directed by statutory and regulatory bodies. In the reporting year, employees did not report on any incidents of corruption, fraudulent, illegal and unethical activities under this mechanism.

Anti-competitive behaviour

▶ G4-S07

Refer: Customers – Fair Premiums and Claim Settlements, page 100.

The Company operates in a highly competitive business backdrop. The customers within this scenario are open to a range of choices. Yet, without resorting to anti-competitive behaviour, the Company is focused on gaining market share on its point of differentiation—well reflected in operational expertise, brand and corporate standing. As discussed under

the Customers section of this report, the efforts taken to ensure fair premiums and claim settlements stand as a testimony to the policy followed on ethical business practices. The Company is compliant with the regulatory requirements stipulated by the IBSL in this regard.

In the reporting year, the Company was not subject to legal action for anti-competitive activities.

MEMBERSHIPS

▶ G4-16

Being part of an esteemed financial services group and a front-liner within the non-life insurance sector, PI takes up its policy advocacy role in earnest. The Company maintains an active membership with the Insurance Association of Sri Lanka, ensuring its positive contribution towards lobbying for industry-wide issues and to upholding quality and standards acclaimed internationally. From an inward perspective, the Company stands with exemplary corporate governance and conduct of business affairs, fitting for its advocacy role and positioning within the industry.

PI also holds a training partnership with the Institute of Chartered Accountants of Sri Lanka (ICASL). Accordingly, in the reporting year, training opportunities were extended to 3 ICASL students within the Company under this scheme.

Capital Market Agencies

Refer: Corporate Governance Report, pages 138 to 161.

With the IPO taking off at the year-end, PI is well aware of its obligations to the SEC and the CSE. The Company within the listing process, complied with the listing requirements of the CSE and is well prepared to meet the continuous listing requirements. In effect, the Company has been following the guidelines set out in the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC since the year 2012. The compliance in this regard is discussed in detail under the Corporate Governance section of this Report.

Inland Revenue

The Company is committed towards meeting its tax liability. With disciplined financial management, tax-liability is conscientiously assessed and audited by independent external auditors. In the reporting year, PI settled a sum of Rs. 112 million as income tax payments.

Compliance - Society

▶ G4-S08

In the year under review, the Company did not record fines or non-monetary sanctions for non-compliance with laws and regulations.

*Management Discussion and Analysis contd.***Natural Capital Management**

Critical environmental issues leading up to climate change and global warming, have compelled the world to strive for more sustainable businesses and life-styles. Upholding responsible practices and seeking to be more in line with integrated thinking, PI has increasingly sought to include environmental sustainability as a strategic priority.

THE APPROACH

As an insurer, the operational impact on the environment is relatively less intense. Yet, firm but, simple measures and initiatives are in place to address environmental issues, particularly, those that have a closer link to operations and thus, reduce the corporate's carbon footprint. Accordingly, the Company invests well and focuses on greener initiatives that supports waste management of paper and e-waste, control and reduce energy usage and carbon and green-house gas emissions.

MANAGING WASTE MATERIAL

▶ G4-EN23

Operating as an insurance entity, PI's consumption of paper within the value creation process is fairly considerable. Seeking to take the organisation into a 'less-paper' operation, the Company continued to rely on the '3Rs'— 'Reduce, Reuse and Recycle'. All employees across the organisation are encouraged to be mindful in their paper usage, re-use when possible and ensure that used paper is sent for recycling.

The Company also continued to rely on technology to support with more comprehensive solutions to reduce paper consumption in daily operations. Most of the key functions and processes are automated and thereby, efficient. Internal communication is mostly done via email and intranet whilst the document management system facilitates electronic filing and access of information. Online solutions enable reporting, approvals, generating quotations, claims processing and even training. These in effect have supported the efforts to maintain a lower cost structure, leading up to viability along with a positive impact on the Company's environmental footprint.

Recycling at PI is carried out on a structured basis where paper waste is collected and stored systematically. Recycle bins are placed in convenient locations within the work areas at the head office whilst the administration department is tasked with the responsibility of sending the waste paper for recycling. Presently, an agreement is in place with Amanna Paper Collections to recycle paper in an environmentally friendly manner. In the reporting year, 704 kilograms of paper were sent for recycling.


Apart from paper, the Company is also conscientious in disposing electronic waste (e-waste) responsibly. In collaboration with the parent company, e-waste including discarded computers, printers, mobile phones and other electronic appliances are collected for recycling, periodically. This is done through an e-waste exporting organisation that certifies on the recycling process, following the internationally accepted standards. In the reporting year, 44 kilograms of e-waste were collected for recycling.

Waste Management			
	2014	2015	% Change
Paper consumption (Kg)	5,985	7,270	21%
Paper sent for recycling (Kg)	1,680	704	(58%)
e-waste collected for recycling (Kg)	41	44	7%

Energy


▶ G4-EN3 - G4-EN5

As an emerging insurer, it is beneficial for the Company to keep a close check on energy consumption from both an economic and environment perspective. Although, the business in itself has relatively a lesser impact on the environment from energy usage, it is pertinent that the Company seeks to be conscious of conserving energy and being energy efficient in day to day operations. Henceforth, the Company continued in the



Greenhouse Gas Verification Statement

Sri Lanka Carbon Fund
Ministry of Mahaweli Development and Environment



Certifies that the GHG Inventory developed based on Historical data submitted by
People's Insurance PLC


is at Reasonable Level of assurance* according to the requirements of
ISO 14064-1:2006 as shown in the inventory given below.


Certificate No : SLCF/CFP/0014
Date of Certification : 15/03/2016
Period of Assessment : 01.01.2015 – 31.12.2015
Scope of Certification : Operationally controlled business operations of People's Insurance PLC

Head Office at No. 53, Dharmapala Mawatha, Colombo 03.
Motor centre at No.167, Union Place, Colombo 02, Call centre No.1161, Maradana Rd, Colombo 08,
Negombo branch at No.159, Colombo Rd, Negombo. And Gall branch at No.118, Samudra Mawatha, Galle.

Greenhouse Gas Inventory – 2015

Scope 1 – Direct GHG Emissions (Emission from hired vehicle Specially for official transportation-Transportation, Emission from company owned vehicles-Business purposes And Employee to and from office from company owned vehicles)	: 27.28 tonnes of CO ₂ equivalent
Scope 2 – Indirect GHG Emissions from Electricity (Purchased electricity)	: 62.2 tonnes of CO ₂ equivalent
Scope 3 – Other indirect GHG Emissions (Emissions from water consumption, Paper Recycling, Overseas Business Travel, Transportation of Capital Goods, Electricity Transmission Loss, Employee commuting and Emission from Generators)	: 43.4 tonnes of CO ₂ equivalent
TOTAL GHG Emissions	: 133 tonnes of CO₂ equivalent





Chief Executive Officer
Sri Lanka Carbon Fund
17th March 2016

Period of Validity- 2016/01/01- 2016/12/31
Exclusions: GHG emissions due to waste and GHG emissions related to transport of office items
*Reasonable level of assurance- Materiality threshold is below 5%

year, to encourage the staff to be more proactive in conserving electricity; rely more on energy efficient appliances; and invest well in technology to bring more streamlined processes.

In this regard, the insurance portfolio of hybrid and recently, of electric vehicles, strategically complemented the Company's energy saving efforts.

In the year under review, electricity consumption in total reached 260,625 kilowatt-hours whilst fuel consumption reached 11,781 litres.

Emissions

▶ G4-EN15 - G4-EN18

Predominantly covering the motor segment risks, striving to reduce greenhouse gas emissions assumes a greater significance and is indeed apt and fitting for a responsible organisation such as PI. Following up on the parent, PLC's 'carbon neutral' campaign, PI sought the collaboration of Sri Lanka Carbon Fund, a carbon consulting firm, to ascertain the Company's carbon footprint. Accordingly, carbon and other green-house gas emissions were tracked under three-scope approach across the head office, regional offices and window operations.

The carbon footprint in the year was 133 tonnes with an intensity of 0.468 tonnes per employee. This reflects a better position compared to the footprint of 561 tonnes calculated by PLC as part of its

Management Discussion and Analysis contd.

campaign in the preceding year. The Company is expected to off-set the footprint in the year ahead with more focused green initiatives covering reforestation.

Emissions and Carbon Footprint Calculation (tCO ₂ e)					
Scope 1		Scope 2		Scope 3	
Source	Scope	Source	Scope	Source	Scope
Refrigerant gas loss	-	Purchase electricity	62.20	Emission from water consumption	0.32
Emission from hired vehicles specially for official transportation	9.45	-	-	Paper recycling	0.02
Emission from the Company owned vehicles – Business purposes	10.79	-	-	Overseas business travel	1.41
Emission from generators	0.58	-	-	Transportation of capital goods	Excluded
Employee travel to and from office in Company owned vehicles	7.04	-	-	Electricity transmission loss	8.09
				Employee commuting	33.00
Total	27.86	Total	62.20	Total	42.84
Total carbon footprint (tonnes): 133					
Carbon footprint per employee/tonnes: 0.468					

COMPLIANCE

▶ G4-EN29

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

FUTURE OUTLOOK

Insurance Industry

In the backdrop of the global economy moving towards higher ground and the domestic economy tipped to strengthen in 2016 and to achieve higher growth rates in the medium term, the insurance industry outlook is positive and is expected to progress with greater accessibility and penetration levels.

The insurance sector, however, in the short term, will have to brace against the transitional challenges that are in-built within the regulatory revisions that are currently taking place in the industry. The possible mergers and acquisitions, mandatory listing, increased share capital requirements up to Rs. 500 million for each line of business, have set-off a sense of uncertainty and distress within industry, particularly, affecting the smaller players. This combined with the higher overhead expenses given the segregation of business lines, will unduly pressure the industry and may even erode the bottom-line profits. The shortage of technically competent workforce to support the present day needs will be acutely felt, hampering the industry from navigating through the paradigm shift that demands international best practices and standards. The intense competition in the non-life insurance sector, in particular, will further hinder the industry's way forward.

The motor class, the key most active segment in the industry, is expected to be mediocre in its growth potential. The recent impositions of loan to value ratio and higher tariff structure especially

brought in to curtail the rapid increase in vehicle imports to the country, will dampen the segment's performance. Intense competition will remain a challenge and spur further price-wars and in turn, impact the combined ratios and compromise the underwriting result. However, the motor performance will be cushioned to some extent, if the accommodative monetary policy stance continues in the year ahead.

In terms of investment income, improvement is expected in 2016, especially in the context of the present monetary policy. There is much anticipation that the policy rates will move upwards, further in the latter part of the year, and if so, will broadly increase the market rates and support to mitigate the underwriting weaknesses of the industry. The capital market returns given the subdued market sentiments may not be forthcoming in the short-term; but in the medium term, with the anticipated stronger fundamentals, the market is expected to boost investment income and thereby, the bottom-line.

Company

Six years in the making and as the Company takes its first strides in the next phase, PI is well set to reach higher goals, despite the challenging market backdrop. Backed by two strong-holders in the financial services sector, parent PLC and ultimate parent, People's Bank, combined with solid corporate fundamentals, the Company is expected to navigate the industry obstacles and take on the emerging opportunities.

At the strategy level, the Company will continue to drive top-line growth, with focused efforts to capture a larger market slice. Whilst reinforcing the captive market channels, the strategic focus will be on growing the non-captive market, which is vast and untapped. Synergistic support will be further sought from the Group network, in terms of the distribution with a leaner cost structure, customer referrals, brand enhancements and collaborative and shared services. Right pricing and quality of the portfolio will continue to take centre stage whilst smart investment strategies will be sought after to optimise returns in a mediocre investment climate. Aside, the Company will further strengthen the sustainability measures and engagement with key stakeholders. The Sustainability Charter established in the year under review will direct social responsibility and environmental programmes to be more in alignment with the core operations.

On the regulatory front, PI will remain committed and focused on adopting and complying with mandatory and voluntary regulations and codes set by the regulators and statutory bodies. This will include compliance to the Continuing Listing Requirements as part of the new responsibilities as a listed entity. The Company will seek to bolster its share performance and maintain the mandated 20% public float on the Main Board of the Colombo Stock Exchange; thereby, ensuring the eligibility for the tax concessions offered for newly listed entities for the next three years, 2016-2018.

Management Discussion and Analysis contd.

Set out below are the salient strategy, key actions planned and targets set for the financial year 2016:

Strategic Priorities, Key Actions and Targets - 2016		
	Strategic Priorities/Actions	Targets
Top-line Growth	<ul style="list-style-type: none"> ▶ Drive focused marketing and promotions to gain share from the non-captive direct business. ▶ Reinforce strategic relations with PLC and the bancassurance working ties with Peoples Bank. ▶ Pursue new bancassurance relationships and business opportunities with other leading banks. ▶ Increase the window network at PLC. ▶ Set up new regional offices in strategic locations. ▶ Promote products online and through SMS gateway. ▶ Set up a customer information portal with user-friendly accessibility features. ▶ Design an online premium settlement mechanism. 	<ul style="list-style-type: none"> ▶ Growth in premiums: 13% ▶ Growth in non-captive business: 100% ▶ New window offices: 16 ▶ New marketing recruits: 40
Underwriting and Financial Discipline	<ul style="list-style-type: none"> ▶ Improve claims management through efficient processes. ▶ Reinforce working ties with People's Leasing Fleet Management for accurate and efficient valuations in claims settlements. ▶ Follow-up on a prudent but smart investment policy to optimise returns. 	<ul style="list-style-type: none"> ▶ Net claims ratio to improve by: one percentage point to 68% ▶ Achieving more than Rs. 200 million as the underwriting profit ▶ Increase in investment income more than 30%
Employee Development	<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. 	<ul style="list-style-type: none"> ▶ Training investment to increase by: 59% ▶ Appraise the performance: 100% of the total cadre
Social Responsibility	<ul style="list-style-type: none"> ▶ Internalise the Sustainability Charter and drive the Sustainability Troop to be more focused and drive social responsibility initiatives in line with operations. 	<ul style="list-style-type: none"> ▶ Increase CSR investment by: 50% ▶ Recycle paper: 1,000 kilograms ▶ Recycle e-waste: 100 kilograms ▶ Reduce carbon footprint: 75 tCO2e ▶ Employee volunteer hours: 750
Governance, Risk Management and Compliance	<ul style="list-style-type: none"> ▶ Improve the quality of the Board with Independent Directors. ▶ Strengthen the workings of the Board sub-committees. 	<ul style="list-style-type: none"> ▶ Maintain two Independent Director positions on the Board ▶ Regular meetings and review of the sub-committees

Enterprise Risk Management

OVERVIEW

The core business of People's Insurance PLC (PI) is to accept, pool and effectively manage risks to the benefit of policyholders and shareholders. A successful Enterprise Risk Management (ERM) initiative can mitigate the likelihood and consequences of risks materialising in its core business, as well as deliver benefits through informed strategic decisions and increased operational efficiency. Effective risk management is at the heart of an insurer's business and operation, and is the key driver in creating value to all stakeholders.

We at People's Insurance believe that risk management is proactive rather than a reactive process. 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. We consider a number of risk factors, many of which can have a significant strategic impact. These range from marketing position and changing consumer demand to strategic investments, stakeholder communications and investor relations. Often, these risks tend to prompt management to focus on what could go wrong.

RISK GOVERNANCE

The ultimate responsibility for setting the risk appetite, communication of the risk management strategy and accordingly, approving of policies comes under the purview of 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.

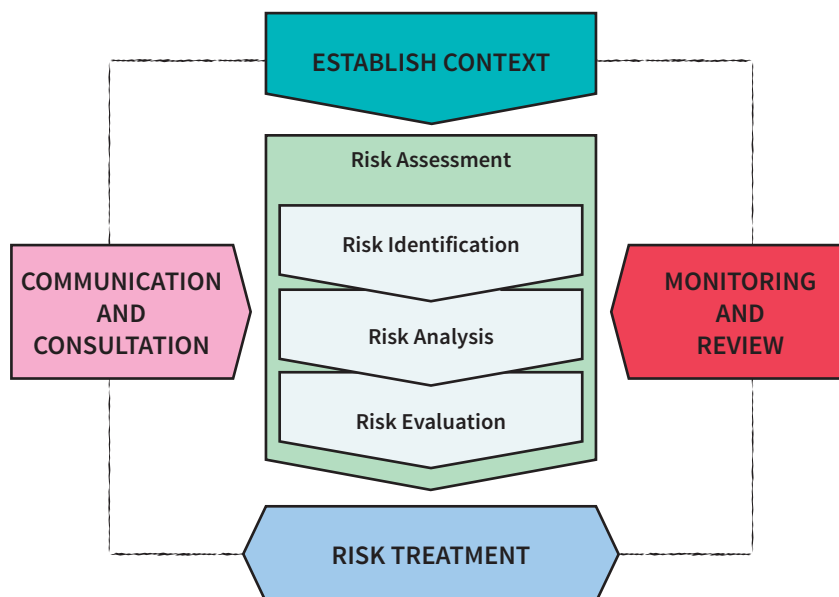
The Company has an internal audit function which focuses on providing an independent oversight to the Board of Directors and Board Audit Committee on the processes and controls to mitigate major risks.

The Enterprise Risk Management Committee represented by the senior management is responsible for 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 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

▶ G4-14

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



Enterprise Risk Management contd.

Risk Assessment

Our risk management framework encompasses strategic risks, assumed risks and the operational risks that are inherent within the insurance business.

Process of risk identification

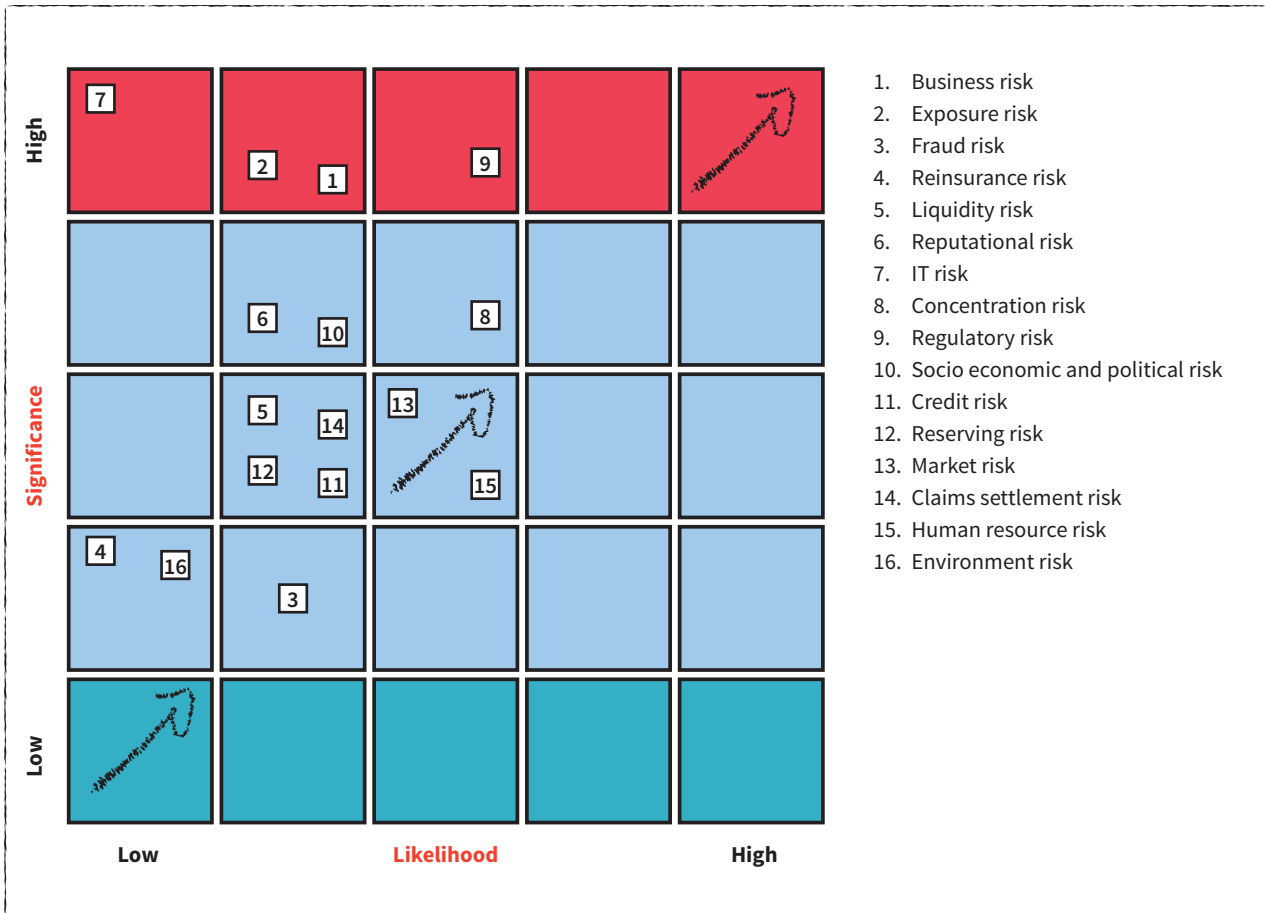
1. Continuous monitoring of internal and external environments.
2. Identify and categorise risks in terms of their source, their impact to the Company and the preferred strategies for dealing with them.
3. Rate the risks based on the likelihood of occurrence and possible consequences or impacts.
4. Prioritise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

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

The general risk exposure of PI as an insurance company is diagrammatically presented below.

Risks	
STRATEGIC	UNDERWRITING
<ul style="list-style-type: none"> ▷ Business risk ▷ Regulatory risk 	<ul style="list-style-type: none"> ▷ Exposure risk ▷ Claim settlement risk ▷ Reserving risk ▷ Reinsurance risk ▷ Credit risk
INVESTMENT	OPERATIONAL
<ul style="list-style-type: none"> ▷ Concentration risk ▷ Liquidity risk ▷ Credit risk ▷ Market risk 	<ul style="list-style-type: none"> ▷ Socio-economic and political risk ▷ Environmental risk ▷ Information and communication technology risk ▷ Human resource risk ▷ Reputational risk ▷ Fraud risk

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



Enterprise Risk Management contd.

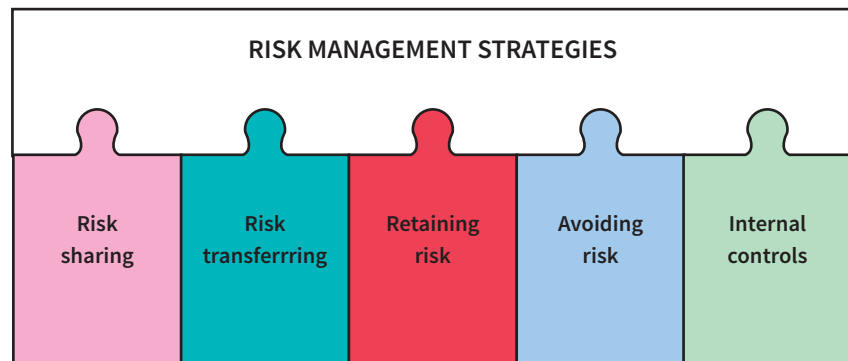
Risk Treatment

Risk treatment is the activity of selecting and implementing appropriate control measures to modify the risk. Risk treatment includes as its major element, risk control (or mitigation), but extends further to, for example, risk avoidance, transfer and 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.

PEOPLE'S INSURANCE PLC

Annual Report 2015

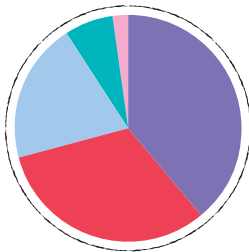
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A summary of the controls that PI has implemented to manage risks that are generally faced by insurance companies is given in the following table.

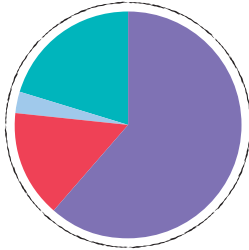
Risk	Controls
Strategic Risks	
<p>Business Risk This relates to poor strategic business decisions. Business risk may arise if the Company's strategy is not compatible with the market and customer expectations, or with socio economic/political parameters.</p>	<ul style="list-style-type: none"> ▶ The Company's 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 This 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 the 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 a 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 contd.

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 This refers to the risk of inadequate transfer of underwriting risks to reinsurers and the inability to meet their commitments due to insufficient financial stability.</p>	<ul style="list-style-type: none"> ▷ 100% of the Company's reinsurance receivables were 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" data-bbox="534 944 946 1163"> <tbody> <tr> <td>A+</td> <td>2%</td> </tr> <tr> <td>A</td> <td>5%</td> </tr> <tr> <td>A-</td> <td>64%</td> </tr> <tr> <td>Guaranteed by the Government of Sri Lanka (i.e. NITF)</td> <td>29%</td> </tr> </tbody> </table> <p style="text-align: center;">REINSURANCE RECEIVABLE BY RATING</p> <p style="text-align: center;"> ● A+ ● A ● A- ● Guaranteed by the Government of Sri Lanka (i.e. NITF) </p>	A+	2%	A	5%	A-	64%	Guaranteed by the Government of Sri Lanka (i.e. NITF)	29%
A+	2%								
A	5%								
A-	64%								
Guaranteed by the Government of Sri Lanka (i.e. NITF)	29%								

Risk	Controls										
<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. 										
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 monitor the single investment exposure limits prescribed by the Insurance Board of Sri Lanka. ▷ A significant amount of total investments is 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 2015 is given below.</p> <table border="1" data-bbox="534 982 946 1176"> <tbody> <tr> <td>Government securities</td> <td>39%</td> </tr> <tr> <td>Fixed deposits</td> <td>32%</td> </tr> <tr> <td>Corporate debts</td> <td>20%</td> </tr> <tr> <td>Quoted equity securities</td> <td>7%</td> </tr> <tr> <td>Unit trust</td> <td>2%</td> </tr> </tbody> </table> <p style="text-align: center;">INVESTMENT COMPOSITION</p>  <ul style="list-style-type: none"> ● Government Securities ● Fixed Deposits ● Corporate Debts ● Quoted Equity Securities ● Unit Trust 	Government securities	39%	Fixed deposits	32%	Corporate debts	20%	Quoted equity securities	7%	Unit trust	2%
Government securities	39%										
Fixed deposits	32%										
Corporate debts	20%										
Quoted equity securities	7%										
Unit trust	2%										

Enterprise Risk Management contd.

Risk	Controls								
<p>Liquidity Risk This arises when a security or asset cannot be traded in the market on time 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 debt and fixed deposits as at 31st December 2015 is given below.</p> <table border="1" data-bbox="536 712 948 868"> <tbody> <tr> <td>0-6 months</td> <td>61%</td> </tr> <tr> <td>7-12 months</td> <td>15%</td> </tr> <tr> <td>1-2 years</td> <td>3%</td> </tr> <tr> <td>More than 2 years</td> <td>20%</td> </tr> </tbody> </table> <p style="text-align: center;">MATURITY ANALYSIS OF GOVERNMENT SECURITIES, CORPORATE DEBTS AND FIXED DEPOSITS</p>  <ul style="list-style-type: none"> ● 0-6 Months ● 7-12 Months ● 1-2 Years ● More than 2 Years 	0-6 months	61%	7-12 months	15%	1-2 years	3%	More than 2 years	20%
0-6 months	61%								
7-12 months	15%								
1-2 years	3%								
More than 2 years	20%								

Risk	Controls								
<p>Credit Risk This refers to the potential that a 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 monitor the single investment exposure limits prescribed by the Insurance Board of Sri Lanka. <p>Analysis of investments in government securities, fixed deposits and corporate debts with credit ratings of the investees as at 31st December 2015 is given below.</p> <table border="1" data-bbox="536 712 948 868"> <tr> <td>Risk free*</td> <td>43%</td> </tr> <tr> <td>AAA to AA-</td> <td>22%</td> </tr> <tr> <td>A+ to A-</td> <td>31%</td> </tr> <tr> <td>BBB+ to BB-</td> <td>4%</td> </tr> </table> <p><i>*Government securities were assumed to be credit risk free instruments</i></p> <p>GOVERNMENT SECURITIES, CORPORATE DEBTS AND FIXED DEPOSITS INVESTMENTS BY RATING</p> <p>Legend:</p> <ul style="list-style-type: none"> ● Risk Free ● AAA to AA- ● A+ to A- ● BBB+ to BBB- 	Risk free*	43%	AAA to AA-	22%	A+ to A-	31%	BBB+ to BB-	4%
Risk free*	43%								
AAA to AA-	22%								
A+ to A-	31%								
BBB+ to BB-	4%								
<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. 								

Enterprise Risk Management contd.

Risk	Controls
Operational Risks	
<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. ▶ 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>Environmental Risks This refers to actual or potential adverse impacts on the Company's operations and product responsibility with respect to emissions, waste and resource depletion.</p>	<ul style="list-style-type: none"> ▶ Sustainability Charter and a team are in place to promote and give leadership, inter alia, to environmental based campaigns and initiatives and monitor and take mitigation action to prevent negative impacts on the environment. ▶ Paper waste and e-waste are systematically collected and sent for responsible recycling on a periodic basis. ▶ Guided by the carbon footprint initiative advocated by the parent company, measures are in place to monitor and record carbon emissions and thus ascertain the footprint.
<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 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.
<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 are given the opportunity to meet their senior managers at any time to discuss work related matters. ▶ Employees are provided with in-house or external training in view of improving their skills.
<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/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 risk sensitive minimum capital regime developed by the Insurance Board of Sri Lanka (IBSL) for the insurance sector has successfully completed two years' parallel run on 31st December 2015. Accordingly, the Risk Based Capital (RBC) model came in to effect from January 2016.

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

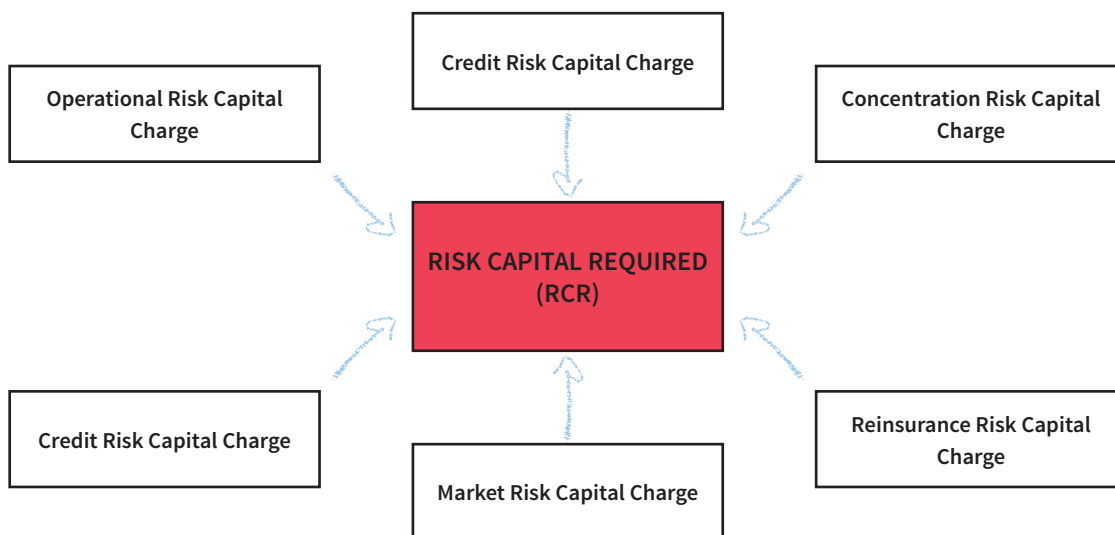
consistent valuation methodology to be used in determining the amounts under the risk based capital formula.

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

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

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 CAR based on the draft risk based capital framework, as a proactive measure during this time period. The Company successfully completed participating in the parallel run that commenced in 2014, which continued 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. The funds raised through the IPO further strengthened the CAR of the Company and thereby meeting RBC requirements comfortably.



Corporate Governance

A duty of responsible trusteeship, faithful stewardship and uncompromising accountability underpins People's Insurance's commitment to good governance. Its effective, transparent and accountable governance of affairs of the Company facilitates effective entrepreneurial and prudent management that in return ensures the long-term success of the Company. Its commitment to striking a balance between its performance roles of formulating the strategy and policy and conformance roles of accountability, monitoring and control evidences that in its pursuit of creating value and accumulating financial and non-financial

wealth for its stakeholders, duties of good governance is strictly adhered to and complied with.

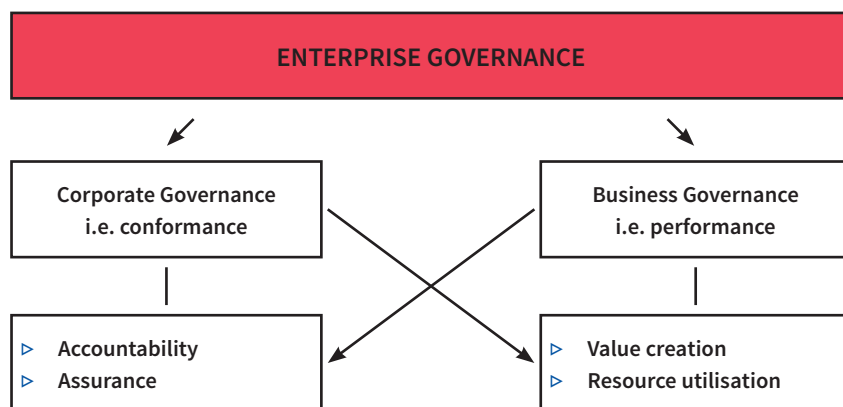
This thus signifies that the conformance and performance aspects of governance should be identified at the inception in the Board room and continued down the line throughout its value creation process. Accordingly, the Board is of the firm view that good corporate governance on its own cannot make the organisation successful, hence balancing the two dimensions of conformance and performance needs to be addressed to ensure long-term success of the Company.

CORPORATE GOVERNANCE

The Board firmly believes that good corporate governance is fundamental to the Company's competitiveness, growth and sustainability. The Board acknowledges that good corporate governance is not an end in itself but is a means to support economic efficiency, sustainable growth and financial stability. Hence, the Board strives to discharge its duties with a high level of transparency, accountability, oversight and respect in accepting the position of trusteeship and stewardship that is placed upon it.

Highlighting the Board's commitment towards high quality governance, the following actions were taken by People's Insurance during the year under review in view of further strengthening its governance framework.

- ▶ Appointed two independent, Non-Executive Directors to the Board.
- ▶ Appointed the following Board sub-committees;
 - Remuneration and Nomination Committee
 - Related Party Transactions Review Committee
- ▶ Reconstituted the Board Audit Committee
- ▶ Amended the Articles of Association of the Company to conform to the provisions of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 as amended (SEC Act), Listing Rules of the Colombo Stock Exchange (CSE) and Central



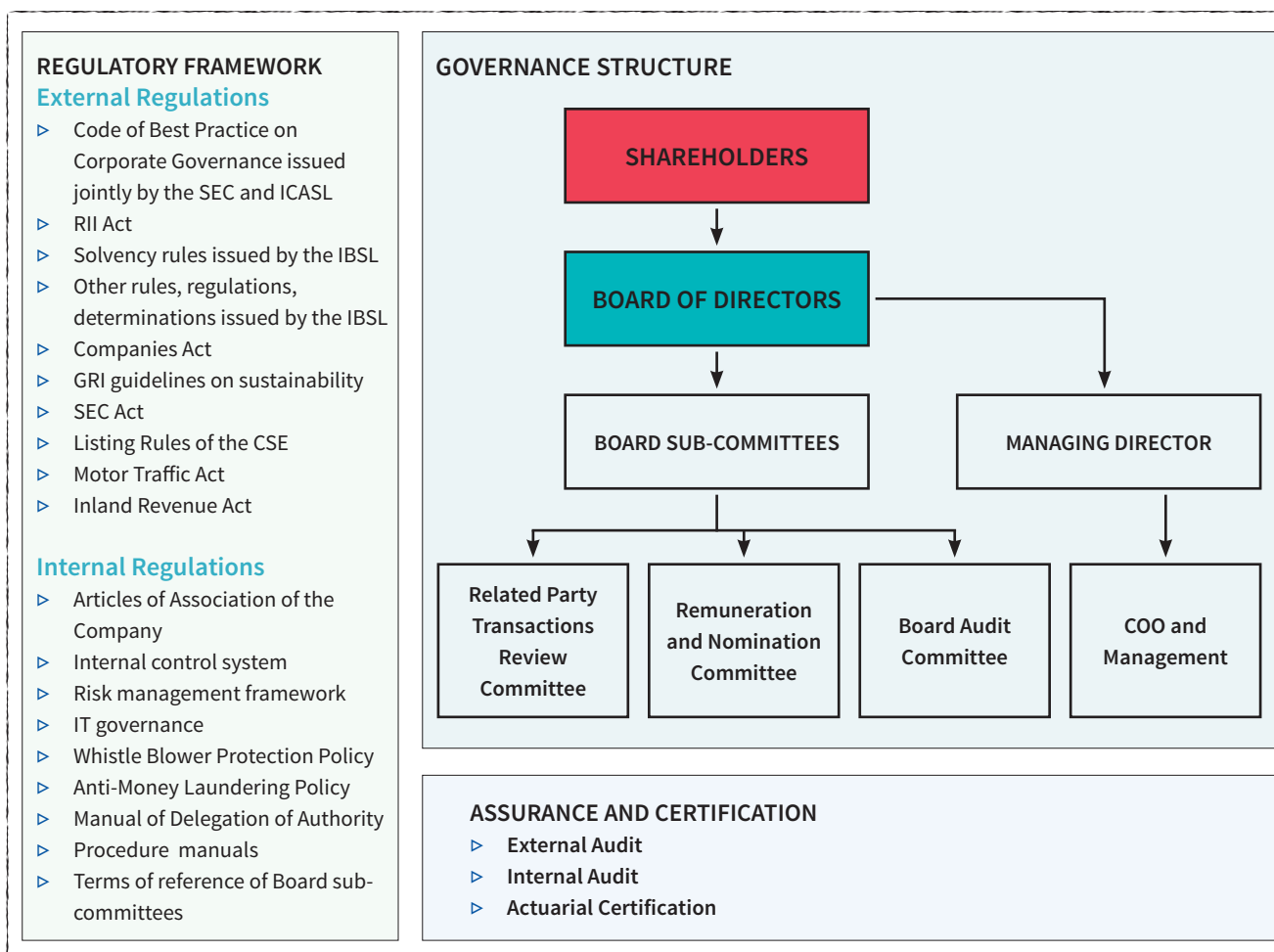
Depository Systems to facilitate the listing of the shares of the Company on the Main Board of the CSE and fulfilling the continuous listing requirements thereafter.

- ▶ Continued to assess the potential impact from the Risk Based Capital (RBC) regime which is effective from 2016 onwards with the support of the Consultant Actuary.

Governance Framework

The ultimate responsibility for good governance rests with the Board of Directors. In order to effectively fulfil this responsibility, the Board has in place a governance structure and a process to monitor its effectiveness. The re-constituted Board Audit Committee and newly formed Remuneration and Nomination Committee and Related

Party Transactions Review Committee are expected to play a leading role in ensuring effective governance in the Company. The governance framework consists of a governance structure, regulation framework and assurance and certification sources.



*Corporate Governance contd.***Governance chain****Shareholders**

Shareholders participate in the supervision and control of the Company and exercise their right to speak and vote at General Meetings. Shareholders' rights to influence the Company centre on certain fundamental corporate changes, such as the election/removal of Board members, suggesting amendments to the Company's articles of association, approving of major transactions, approval or election of auditors, distribution of profits and other basic issues as specified in the Companies Act.

One of the main objectives of the Board of Directors of People's Insurance is to represent, formulate and realise the interests and expectations of its shareholders, who are the owners of the Company and in fulfilling the expectations of the shareholders, the Company's primary objective is to maximise the shareholders' value by maintaining a satisfactory return on equity and healthy distribution of dividends and efficient and effective communication about the affairs of the Company.

Communication with shareholders

As at the financial year ended 31st December 2015, the Company was solely owned by People's Leasing & Finance PLC. However, with the Initial Public Offering (IPO) of 50,000,000 ordinary shares of the Company in December 2015, and its subsequent listing on the Main Board of the Colombo Stock Exchange on 12th January 2016, the shareholder base increased to 1,904 and 25% of its ownership was transferred to the public.

Annual General Meeting

The Annual General Meeting is held each year as required by the provisions of the Companies Act to give the shareholders an opportunity to actively participate in the most crucial decisions of the Company, including approving of its financial statements and appointment of auditors. The 6th Annual General Meeting of the Company was held on the 29th of April 2015 at People's Leasing & Finance PLC Head Office with the participation of its sole shareholder, People's Leasing & Finance PLC after having been given them fifteen (15) working days' notice in advance of the meeting as required by the Companies Act.

In addition to the general matters that were agreed upon at the Annual General Meeting, during the last financial year, the Company had an efficient and effective form of communication with its parent undertaking through the following means,

- ▶ Progress reports and meetings
- ▶ Monthly financial statements
- ▶ Group meetings
- ▶ Business agreements
- ▶ Annual Report
- ▶ Annual General Meeting
- ▶ Networking events
- ▶ Reports and meetings

Annual Report

The Company's Annual Report is the main document that is used to disclose corporate information to the shareholders. The Company discloses financial and non-financial information on a voluntary basis exceeding the expectations of regulatory requirements.

Despite the Company being in operation for only six years, its Annual Report has been recognised and awarded for excellence in varying aspects. Some of the key achievements have been detailed below:

12th Vision Awards Annual Report Competition 2012 - Asia-Pacific

- ▶ Excellence within the Insurance Industry - Gold
- ▶ Top 10 Sri Lankan Annual Reports of 2012

13th Vision Awards Annual Report Competition 2013 - Asia-Pacific

- ▶ Excellence within the Insurance Industry - Gold
- ▶ Best Annual Report Narrative Honours
- ▶ Top 80 Annual Reports in the Asia-Pacific Region

14th Vision Awards Annual Report Competition 2014 - Asia-Pacific

- ▶ Excellence within the Insurance Industry - Gold
- ▶ Top 50 Annual Reports in the Asia-Pacific Region

The very first Annual Report of the Company prepared for the financial year 2012 was recognised at the Vision Awards organised by the League of American Communication Professionals (LACP). Subsequently, the Annual Reports for the financial years 2013 and 2014 were also recognised and awarded at the 13th and 14th Vision Awards Annual Report Competition. LACP located in 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. Nearly 1,000 corporates competed each year at these awards, representing 25 countries. Further, the Annual Report for 2013 received a special regional achievement honours for the Best Annual Report Narrative.

28th International ARC Awards 2013

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

The Annual Report of People's Insurance for the year 2013 was also 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 the 2013 awards. The 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.

Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2013

- ▶ Insurance Companies Certificate of Compliance

Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2014

- ▶ Insurance Companies Certificate of Compliance

The very first Annual Report of the Company (2012) and the Annual Reports

for 2013 and 2015 were presented with Certificates of Compliance at the Annual Report Awards organised by the Institute of Chartered Accountants of Sri Lanka (ICASL) in 2013, 2014 and 2015 respectively, thereby affirming the Company's outstanding commitment to compliance with all regulatory rules and regulations in the insurance industry.

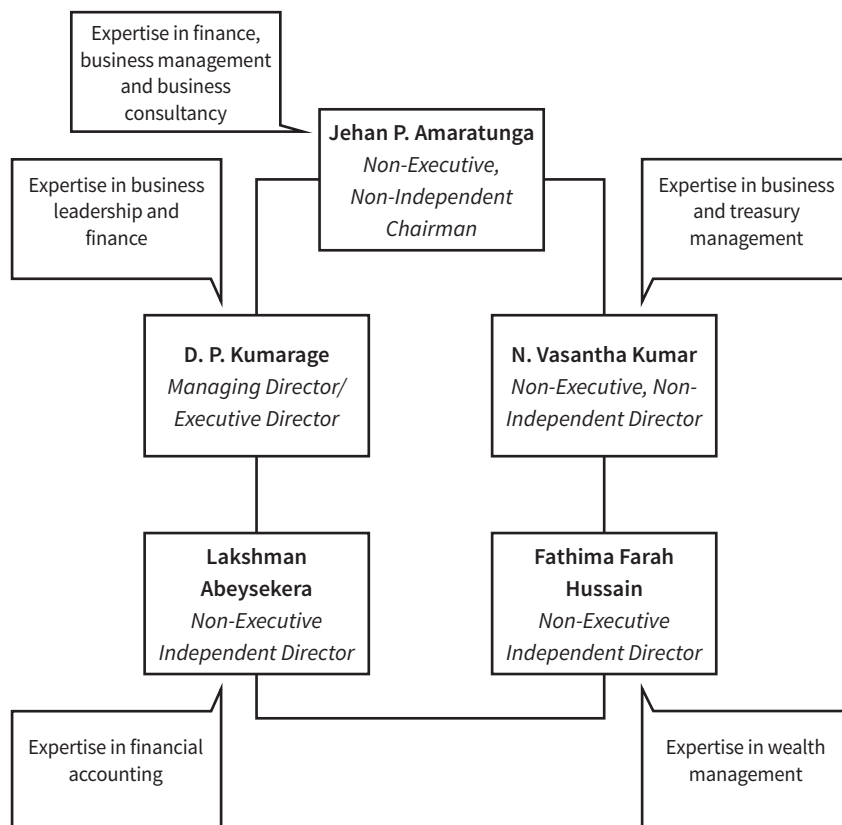
Board of Directors

The Board of the Company discharges its responsibility in overseeing the management and governance of the Company at the top of the hierarchy.

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 Executive Non-Executive and Independent and Non-Independent balance was maintained in the Board room.

As of the financial year ended 31st December 2015, the Boardroom table was as follows:



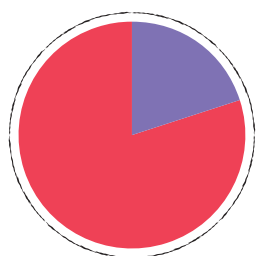
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Corporate Governance contd.

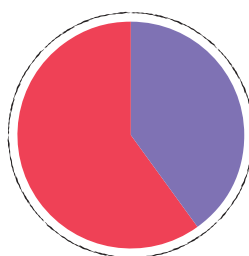
EXECUTIVE/NON-EXECUTIVE DIRECTORS COMPOSITION AS AT 31ST DECEMBER 2015



● Executive Directors
● Non-Executive Directors

1
4

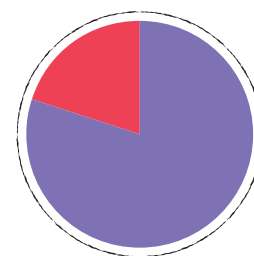
INDEPENDENT/NON-INDEPENDENT DIRECTORS COMPOSITION AS AT 31ST DECEMBER 2015



● Independent Directors
● Non-Independent Directors

2
3

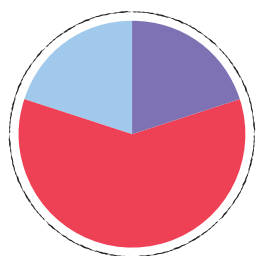
BOARD GENDER SPLIT COMPOSITION AS AT 31ST DECEMBER 2015



● Male
● Female

4
1

AGE OF THE DIRECTORS AS AT 31ST DECEMBER 2015



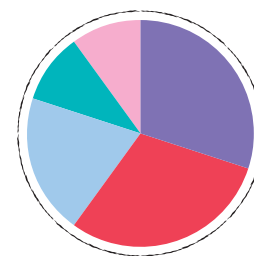
● Less than 50 years
● 50-60 years
● 60-70 years

1
3
1

Board's Time Utilisation

Board meetings are held on a monthly basis. The Board spends a substantial amount of time in evaluation of the Company's strategies and provides guidance to the management on a regular basis. In addition, the Board evaluates the Company's performance at each meeting. The Board also reviews compliance with applicable regulations on a monthly basis, particularly considering the fact that the Company is under the purview of the Insurance Board of Sri Lanka and its stringent regulations. The Board also discusses a wide variety of subjects depending on the circumstances. The main areas focused with the main subjects discussed during the year are presented as follows.

BOARD'S TIME UTILISATION



● Performance 30%
● Business Strategy 30%
● Governance 20%
● Finance 10%
● People Strategy 10%

Corporate Governance contd.

Board Committees

Board Audit Committee

	Description
Members	Three Non-Executive Directors
Chairman as at 31.12.2015	Mr. Lakshman Abeysekera
Other members as at 31.12.2015	Ms. Fathima Farah Hussain Mr. N. Vasantha Kumar
Invitees	Any officer of the Company, external auditors and any outsider on invitation by the Committee
Main functions	<p>Main responsibilities are;</p> <ul style="list-style-type: none"> ▶ Ensuring that a good financial reporting system is in place and well managed in order to give accurate, appropriate and timely information to all key parties ▶ 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

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Remuneration and Nomination Committee

	Description
Members	Three Non-Executive Directors
Chairman as at 31.12.2015	Mr. Jehan P. Amaratunga
Other members as at 31.12.2015	Ms. Fathima Farah Hussain Mr. Lakshman Abeysekera
Invitees	Managing Director or Chief Operating Officer
Main functions	<p>Some key responsibilities include;</p> <ul style="list-style-type: none"> ▷ Responsibility for the remuneration policy and its specific application to the Executive Directors and key Management Personnel ▷ Make recommendations to the Board on the remuneration and incentive framework of the Executive Directors and key management personnel on their remuneration and incentive awards ▷ Evaluate the performance of the Executive Directors and key management personnel, management development plans and succession planning of the Company ▷ Responsibility for formalising the strategic human resource policy ▷ Recommend and ensuring that appropriate service contracts are available for the Executive Directors and key management personnel ▷ Determine the terms of any compensation package in the event of early termination of the contract of any Executive Directors or key management personnel ▷ Identify few suitable candidates to the Board, for the purpose of appointing the most suitable candidate/s to fill any vacancy/vacancies of the Board and consider all re-appointments to the Board ▷ Provide advice and recommendations to the Board or the Chairman (as the case may be) on any such appointment or reappointment

Corporate Governance contd.

Related Party Transactions Review Committee

	Description
Members	Three Non-Executive Directors
Chairman as at 31.12.2015	Ms. Fathima Farah Hussain
Other members as at 31.12.2015	Mr. Lakshman Abeysekera Mr. D. P. Kumaraage
Invitees	None
Main functions	<p>Some key responsibilities include;</p> <ul style="list-style-type: none"> ▶ Review in advance all proposed related party transactions of the Company except those explicitly exempted in the Code of Best Practices on Related Party Transactions - December 2013 ▶ Adopt policies and procedures to review related party transactions of the Company ▶ Determine whether such related party transaction require the approval of the Board or shareholders of the Company ▶ If related party transactions are on-going (recurrent related party transactions) the Committee shall establish guidelines for senior management to follow in its on-going dealings with the relevant related party ▶ If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approve the proposed related party transaction ▶ Ensure that immediate market disclosures and disclosures in the Annual Report

Assurance and Certification

External Audit

External Auditors are appointed annually at the Company's Annual General Meeting. The current external auditors of the Company are Messrs. Ernst & Young, a leading firm of Chartered Accountants. Financial statements of the Company for the year ended 31st December 2015 have been audited by Messrs. Ernst & Young and they have issued an unqualified audit opinion in respect of the financial statement for the year ended 31st December 2015.

Internal Audit

Internal audit process is carried out by the Group 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 reviews the assignments conducted in accordance with the annual internal audit plan guided by the Board Audit Committee.

Actuarial Certification

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 the central estimate actuarial valuation basis for both premium and claim liabilities. Undiscounted 75% confidence level basis includes a provision of risk margin for adverse deviation and usually requires a company to have more provisions for claim 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 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 186.

Internal Controls

At People's Insurance, the system of internal control is designed to provide reasonable assurance regarding the achievement of the following objectives.

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources. The second relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements. The third deals with complying with those laws and regulations to which the entity is subject. These distinct but overlapping categories address different needs and allow a directed focus to meet the separate needs.

The Company has implemented effective systems to secure integrity of internal controls. 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.

Risk Management 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 risk management framework is further elaborated in the Enterprise Risk Management report.

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

Corporate Governance contd.

to enhance its operational efficiency, functionality and security among other benefits. The Board has also taken initiatives to conduct an independent review of IT application controls in view of enhancing IT governance.

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 (MDA). The MDA 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 MDA is reviewed on an on-going basis in light of changing circumstances and amendments are made based on the Board of Directors' approval.

Whistle Blower Protection Policy

A formal whistle-blower 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 whistle blowing 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.

External Regulations

The Company strives to adhere to all relevant external regulations some of which are presented in the succeeding sections of this report.

Code of Best Practice on Corporate Governance

Statement of Compliance

During the period prior to being listed on the Colombo Stock Exchange, People's Insurance took the initiative to comply with the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange Commission (SEC) on a voluntary basis.

The Company's level of compliance with each section of the Code of Best Practice on Corporate Governance issued jointly by the ICASL and SEC as at 31st December 2015 is provided below.

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Section	Principle	Level of Compliance
Directors		
A.1 The Board		
A.1	The Board should direct, lead and control the Company	<p>As of the financial year ended 31st December 2015, the Board of Directors of the Company comprised five Directors of whom four Directors functioned as Non-Executive Directors.</p> <p>The Board plays a pivotal role in setting the direction for the Company and the process of implementation of strategies and seeks to exercise leadership, integrity and judgment in pursuit of its strategic goals and objectives to achieve long term sustainability, growth and prosperity for the Company.</p> <p>In the exercise of its power to manage and control the Company, the Board has given authority and responsibility to the Management to implement and execute the strategies formulated by the Board. The Company is thus managed by a team of professionals with expertise in their respective areas and is headed by the Managing Director (MD) who functions as an Executive Director and is in charge of the overall management of the Company. The Company performance is reviewed periodically with the performance indicators, budgets, and necessary action is taken by the Board when deemed necessary.</p> <p>The Directors bring a range of skills, expertise and experience to the Board and their ability to leverage their collective skills and wisdom is considered one of the biggest strengths. The profiles of the Board members are provided on pages 24 to 27.</p>

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Corporate Governance contd.

Section	Principle	Level of Compliance
A.1.1	Frequency of Board meetings and Directors' attendance at Board meetings	<p>Board Meetings are held on a monthly basis unless business exigencies demand otherwise the convening of additional Board Meetings to discuss specific matters. Due to the reconstitution of the Board of Directors towards the end of the financial year to facilitate the listing of the Company on the CSE, the Company had only 10 meetings for the year under review and the attendance of each Director at these meetings is presented on page 133.</p> <p>The Board has appointed the following Board sub-committees during the year under review.</p> <ol style="list-style-type: none"> 1. Remuneration and Nomination Committee 2. Related Party Transactions Review Committee <p>However, due to the reconstitution of the Board of Directors as stated above, no sub-committee meetings were held during the financial year under review.</p>
A.1.2	Formulation and implementation of a sound strategy	<p>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.</p>
	Competency of the MD and the Management to implement the Company strategy	<p>The Managing Director and the management team possess essential knowledge and skills with widespread experience in the industry.</p> <p>The profiles of the Managing Director and senior management are presented on pages 24 to 29.</p>
	Effective succession planning for the MD and senior management	<p>In terms of the policy decision made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally. The structure of the Company facilitates subordinates to replace senior management positions where necessary. The Company also invests in human resources development which enables employees to develop their careers.</p>

PEOPLE'S INSURANCE PLC

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Section	Principle	Level of Compliance
	<p>Effective systems to secure integrity of information, internal controls and risk management</p>	<p>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.</p> <p>The Board Audit Committee is empowered by the Board to oversee the financial reporting, internal controls, internal audit, whistleblowing and assessment of independence and performance of external auditors.</p> <p>The main roles of the Board Audit Committee are disclosed on page 180.</p>
	<p>Compliance with laws, regulations and ethical standards</p>	<p>The Company is in compliance with all applicable laws and regulations according to the best of its knowledge and belief. The Company also adheres to the highest level of ethical standards.</p>
	<p>Consideration of stakeholder interests in corporate decision making</p>	<p>The Company's key stakeholder groups include shareholders, customers, employees, regulators, the 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.</p>
	<p>Sustainable business development in corporate strategy, decisions and activities</p>	<p>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.</p> <p>Details are presented in the Stakeholder Engagement and Materiality Assessment on pages 40 to 49.</p>

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Corporate Governance contd.

Section	Principle	Level of Compliance
	Adoption of appropriate accounting policies and fostering compliance with financial regulations	<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	The Board makes every endeavour to fulfil their stewardship obligations on behalf of the stakeholders.
A.1.3	Act in accordance with the laws and regulations relevant to the organisation and procedures to obtain independent advice	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.
A.1.4	Access to the Company Secretary and functions of the Company Secretary	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.
A.1.5	Independent judgment of Directors	All Directors exercise independent judgment in decisions made by the Board on issue of strategy, performance, resource allocation and the conduct of business.

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Section	Principle	Level of Compliance
A.1.6	Dedication of adequate time and effort by the Board and Board Committees	<p>To ensure that the duties and responsibilities owed to the Company are satisfactorily discharged, the Directors attend monthly Board meetings and discuss 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. An electronic Board paper system namely the 'Board PAC' is in place, facilitating the Directors with online 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 133.</p> <p>The details of the time spent by the Board during the year with main areas discussed are provided on pages 132 to 133.</p>
A.1.7	Training for Directors	<p>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.</p> <p>The Directors are also kept abreast of applicable legislation and regulations, changes to rules, standards and codes as well as relevant regulatory changes in the insurance industry that could affect the Company.</p>
A.2 The Chairman and MD		
A.2	Division of responsibilities between the Chairman and MD	<p>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 and is charged with the responsibility of providing leadership to the Board whilst the MD serves as an Executive Director responsible for the management and operations of the Company with the support of the Company's management.</p>
A.2.1	Disclosure required if the positions of the Chairman and the CEO are combined	<p>The roles of Chairman and MD have not been combined.</p>

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Corporate Governance contd.

Section	Principle	Level of Compliance
A.3 Chairman's Role		
A.3	Chairman's role	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.
A.3.1	Key responsibilities of the Chairman	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 valued to take strategically viable decisions and to ensure that stakeholders' interests are not adversely affected. Overall the Chairman is responsible for preserving of good corporate governance and running the Board in an orderly effective manner.
A.4 Financial Acumen		
A.4	Availability of sufficient financial acumen and knowledge	<p>During the period under review, the Board comprised members with academic and professional qualifications in finance, accounting management and financial services. Two of the Directors on Board of the Company were Chartered Accountants including the Chairman. In addition, the members of the Board have extensive experience in various aspects of financial management.</p> <p>The profiles of the Board of Directors are set out on pages 24 to 27.</p> <p>The expertise of each Director is summarised on page 131.</p>
A. 5 Board Balance		
A.5	Board composition	<p>As of the financial year ended 31st December 2015, four out of five Directors on the Board were Non-Executive Directors of which two were independent.</p> <p>A chart reflecting the above is depicted on page 132.</p>
A.5.1	Balance of Executive and Non-Executive Directors	As mentioned above, the majority of the Board comprised Non-Executive Directors who bring a wealth of knowledge and experience covering a wide spectrum of topics and their views carry a significant weight in the Board's decision making process.
A.5.2	Independence of Non-Executive Directors	As of the financial year ended 31st December 2015, the Board possessed two Independent, Non-Executive Directors.

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Section	Principle	Level of Compliance
A.5.3	Criteria to evaluate Independence of Non-Executive Directors	Both Independent, Non-Executive Directors met the criteria for independence as per the Code of Best Practice on Corporate Governance (Code) and the Listing Rules and are deemed to be independent of management and free of any business or other relationship that could materially interfere with the exercise of his/her unfettered and independent judgment.
A.5.4	Annual declaration of Non-Executive Directors	All Non-Executive Directors have submitted the declaration of independence or non-independence as per the code.
A.5.5	Annual determination of Independence of Non-Executive Directors by the Board	The Board considers on an annual basis the independence or non-independence of the Non-Executive Directors, based on the declaration made and other information available to the Board.
A.5.6	Appointment of an Alternate Director	Mr. Sabry Ibrahim, Senior DGM Credit of People's Bank was appointed as an Alternate Director by Mr. N. Vasantha Kumar in his absence to attend the special Board meeting held on 9th October 2015.
A.5.7, A.5.8	Requirement to appoint a Senior Independent Director (SID)	The requirement to appoint a Senior Independent Director does not arise as the roles of the Chairman and MD are separate.
A.5.9	Meetings to be held with Non-Executive Directors only	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.
A.5.10	Recording of Directors' concerns in the Board minutes	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.
A.6 Supply of Information		
A.6	The Board should be provided with timely and quality information to discharge its duties	All financial and non-financial information are analysed and presented to the Board to make informed and accurate decisions.
A.6.1	Management obligation for providing information in a timely manner	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.

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Corporate Governance contd.

Section	Principle	Level of Compliance
A.6.2	Preparation of minutes, agenda and Board papers	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 online via their iPad devices, at any time.
A.7 Appointments to the Board		
A.7	Appointment of new Directors to the Board	Appointment of Directors takes place in terms of the Articles of Association of the Company.
A.7.1	Presence of a Nomination Committee	<p>A Remuneration and Nomination Committee comprising of two Independent Directors and one Non-Independent, Non-Executive Director was appointed during the year under review.</p> <p>Details and composition of the Remuneration and Nomination Committee are provided on page 135.</p>
A.7.2	Assessment of Board composition	The Board as a whole assesses its own composition to ascertain whether the experience and the exposure of the Board members are adequate to meet the strategic demands faced by the Company and findings of these assessments are taken into consideration in the appointment of new Directors.
A.7.3	Disclosure of profiles of the newly appointed Directors	<p>All appointments of new Directors are informed to the shareholders and the IBSL, with sufficient details, via immediate disclosure to the Colombo Stock Exchange and subsequently through the Company's Annual Report.</p> <p>Prior approval for appointment of new Directors is obtained from the IBSL in terms of the applicable regulations.</p> <p>The profiles of the Directors are provided on pages 24 to 27.</p>
A.8 Re-election		
A.8	Re-election of Directors at regular intervals	<p>In terms of Article 27 (2) of the Articles of Association of the Company, all Directors, including the Chairman are subject to re-election by shareholders at the first opportunity after their appointment.</p> <p>Mr. Lakshman Abeysekera and Ms. Fathima Farah Hussain were appointed as Non-Executive, Independent Directors on 20th October 2015 to facilitate the listing of the Company's shares on the Colombo Stock Exchange. However, Ms. Farah Hussain tendered her resignation from the office of Director subsequently. Accordingly, Mr. Lakshman Abeysekera will offer himself for re-election at the Annual General Meeting of the Company scheduled for 28th June 2016 in terms of the aforesaid Article 27(2).</p>

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Section	Principle	Level of Compliance
A.8.1	Appointments of Non-Executive Directors for specified terms, subject to re-election	Although the Non-Executive Directors are not appointed for a specified time period, they are nevertheless subject to re-election at the Annual General Meeting in terms of the Articles of Association of the Company.
A.8.2	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	<p>In terms of Article 27(8) of the Articles of Association of the Company, 1/3 of the Directors of the Company, except the Managing Director/Joint Managing Director is subject to retirement and re-election by shareholders at the every Annual General Meeting.</p> <p>Accordingly, Mr. Jehan P. Amaratunga, being the Director who has been longest in office retires and offers himself for re-election at the Annual General Meeting of the Company scheduled for 28th June 2016 in terms of the aforesaid Article 27(8).</p>
A.9 Appraisal of Board Performance		
A.9, A.9.1 A.9.2, A.9.3	Board appraisal	<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
A.10 Disclosure of Information		
A.10	Shareholders should be kept advised of relevant details in respect of Directors	The Company places importance on the disclosure of information with accuracy, completeness, transparency and equality for financial statements and general information and other information that would impact the Company's share price.
A.10.1	Information in relation to each Director	<p>The following information in relation to Directors is disclosed in the Annual Report.</p> <ul style="list-style-type: none"> ▷ The profiles of all Board members are presented on pages 24 to 27 ▷ Details of related party transactions are presented on pages 246 to 250 ▷ Attendance of Directors at Board meetings is presented on page 133

Corporate Governance contd.

Section	Principle	Level of Compliance
A.11 Appraisal of MD		
A.11	Appraisal of MD	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.
A.11.1	Financial and non-financial targets	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.
A.11.2	Performance of the MD	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.
B. Directors' Remuneration		
B.1 Remuneration Procedure		
B.1	Directors' remuneration	The Board has established a formal and transparent procedure for developing policy on remuneration for Directors. There is a formal process for approving remuneration for Executive and Non-Executive Directors with the establishment of the Remuneration and Nomination Committee. As such no Director is involved in deciding their own remuneration.
B.1.1,B.1.2, B.1.3, B.1.4 B.1.5	Remuneration Committee and determining remuneration of the Directors	The Remuneration and Nomination Committee has been appointed and functions within an agreed terms of reference. The Committee comprises majority of Independent, Non-Executive Directors. The Chairman of the Board chairs the Remuneration and Nomination Committee. The composition of the Remuneration and Nomination Committee is given on page 135.
B.2 The level and make up of Remuneration		
B.2,B.2.1 B.2.2,B.2.3, B.2.4,B.2.5, B.2.6,B.2.7, B.2.8, B.2.9	Level of remuneration and executive share options	The level of remuneration is decided upon the PLC Group policy. The Company does not have any share option scheme for the Directors or employees at present.
B.3 Disclosure of Remuneration		
B.3, B.3.1	Disclosure of remuneration	Directors' fees and remuneration are disclosed on page 210.

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Section	Principle	Level of Compliance
C. Relations with Shareholders		
C.1 Constructive use of AGM and conduct of General Meetings		
C.1	Constructive use of AGM and conduct of General Meetings	<p>The Board encourages all shareholders to attend and actively participate in the AGM.</p> <p>The shareholders may raise any queries they have with the Directors. The Chairman, Chief Operating Officer, Chief Financial Officer and the Chairmen of the principal committees of the Company are present at the Annual General Meeting (AGM) to answer any queries.</p>
C.1.1	Consideration of proxy votes	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.
C.1.2	Separate resolutions on each substantially separate issues	The Company proposes separate resolutions on each substantially separate issue and the adoption of the reports and accounts is proposed as separate resolutions.
C.1.3	Availability of Board sub-committee Chairmen to answer queries	The Chairmen of the Board Audit Committee, Remuneration and Nomination Committee and Related Party Transactions Review Committee are available to answer questions at the AGM.
C.1.4	Circulation of notice of AGM	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.
C.1.5	Procedures governing voting at AGM	Instructions on appointing a proxy with regard to representation of shareholders at the 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.
C.2 Communication with Shareholders		
C.2	Effective communication with shareholders	The Board implements effective communication with shareholders.
C.2.1	Communication channel to reach shareholders	The Company has many channels to reach all shareholders of the Company in order to disseminate timely information of which the primary channels are the Annual Report and Annual General Meeting. Furthermore, by way of disclosures made to the Colombo Stock Exchange, the shareholders are kept abreast of any key changes in the Company.

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Section	Principle	Level of Compliance
C.2.2	Disclosure on communication channel to reach shareholders	Communication channels to reach shareholders are presented on pages 41 to 43.
C.2.3	Company's communication policy and methodology	Company is in the process of developing a communication policy.
C.2.4	Contact person for communication purposes	The Company Secretary and the Managing Director will be the main contact persons with regard to any public disclosures. Further, the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.
C.2.5	Process to make Directors aware of major issues and concerns of shareholders	The Company Secretary maintains records of all correspondence received from shareholders and direct the same to the appropriate channel. If there are any major issues and/or concerns raised by shareholders they are referred to the Board.
C.2.6	Person to be contacted on shareholder matters	The relevant person to contact in relation to shareholders' matters is the Company Secretary, whose details are given on page 271.
C.2.7	Formulation of a process for responding to shareholders & disclosure on them	Upon receipt of instructions from the Board or other relevant channel on issues/concerns referred to them by the shareholders, the Company Secretary responds as directed.
C.3 Major and Material Transactions		
C.3	Disclosure of major and material transactions	<p>The Company obtained the approval of the shareholders by way of special resolution for the following during the period under review:</p> <ul style="list-style-type: none"> ▶ Adoption of new Articles of Association ▶ Initial Public Offering (IPO) ▶ Change of name pursuant to change of status of the Company <p>However, the Company did not have any major transaction in terms of Section 185 of the Companies Act No. 7 of 2007.</p>
C.3.1	Disclosure of major and material transactions which have a material impact on net assets	All transactions which have a material impact on the Company's net asset base are disclosed. Through the IPO of the Company, the Company raised Rs. 750 million and net assets of the Company increased by the same amount.

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Section	Principle	Level of Compliance
D. Accountability and Audit		
D.1 Financial Reporting		
D.1	The financial statements present a balanced and understandable assessment of the Company	<p>The financial statements present a balanced and understandable assessment of the Company.</p> <p>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 12 to 15 ▷ Managing Director's Review on pages 16 to 19 ▷ Chief Operating Officer's Review on pages 20 to 23 ▷ Management Discussion and Analysis on pages 50 to 116
D.1.1	Responsibility of the Board in respect of financial reporting	The responsibility of the Board in respect of financial reporting is stated in the Statement of Directors' Responsibility for Financial Reporting on pages 181 to 182.
D.1.2	Directors' Report	Directors' declaration on the Company's governance is disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 175.
D.1.3	Responsibilities of the Board and auditors for preparation of financial statements	<p>Directors' responsibility in preparation and presentation of financial statements are disclosed in the Statement on Directors' Responsibility for Financial Reporting on pages 181 to 182.</p> <p>Directors' Statement on Internal Control is set out on pages 184 to 185.</p> <p>Auditor's responsibility over the financial statements is set out in the Independent Auditor's Report on page 187.</p>

Corporate Governance contd.

Section	Principle	Level of Compliance																		
D.1.4	Inclusion of a 'Management Discussion and Analysis' report	<p>The requirements in detail are provided in the following reports.</p> <table border="1" data-bbox="683 554 1425 1538"> <thead> <tr> <th data-bbox="683 554 949 592">Description</th> <th data-bbox="949 554 1425 592">Reference</th> </tr> </thead> <tbody> <tr> <td data-bbox="683 592 949 662">Industry structure and developments</td> <td data-bbox="949 592 1425 662">Management discussion and Analysis on pages 69 to 73.</td> </tr> <tr> <td data-bbox="683 662 949 733">Opportunities and threats</td> <td data-bbox="949 662 1425 733">Management Discussion and Analysis on pages 51 to 55.</td> </tr> <tr> <td data-bbox="683 733 949 803">Risks and concerns</td> <td data-bbox="949 733 1425 803">Enterprises Risk Management on pages 121 to 126.</td> </tr> <tr> <td data-bbox="683 803 949 1037">Internal control systems and their adequacy</td> <td data-bbox="949 803 1425 1037">Enterprise Risk Management on pages 121 to 127. Board Audit Committee Report on page 180. Director's Statement on Internal Control on pages 184 to 185.</td> </tr> <tr> <td data-bbox="683 1037 949 1170">Social and environmental protection activities carried out by the Company</td> <td data-bbox="949 1037 1425 1170">Management Discussion and Analysis on page 106.</td> </tr> <tr> <td data-bbox="683 1170 949 1241">Financial performance</td> <td data-bbox="949 1170 1425 1241">Management Discussion and Analysis on pages 79 to 87.</td> </tr> <tr> <td data-bbox="683 1241 949 1348">Material developments in human resource/ industrial relations</td> <td data-bbox="949 1241 1425 1348">Management Discussion and Analysis on pages 89 to 98.</td> </tr> <tr> <td data-bbox="683 1348 949 1538">Prospects for the future</td> <td data-bbox="949 1348 1425 1538"> <ul style="list-style-type: none"> ▷ Chairman's Message on page 15 ▷ Managing Director's Review on page 19 ▷ Chief Operating Officer's Review on page 23 ▷ Management Discussion and Analysis on pages 115 to 116 </td> </tr> </tbody> </table>	Description	Reference	Industry structure and developments	Management discussion and Analysis on pages 69 to 73.	Opportunities and threats	Management Discussion and Analysis on pages 51 to 55.	Risks and concerns	Enterprises Risk Management on pages 121 to 126.	Internal control systems and their adequacy	Enterprise Risk Management on pages 121 to 127. Board Audit Committee Report on page 180. Director's Statement on Internal Control on pages 184 to 185.	Social and environmental protection activities carried out by the Company	Management Discussion and Analysis on page 106.	Financial performance	Management Discussion and Analysis on pages 79 to 87.	Material developments in human resource/ industrial relations	Management Discussion and Analysis on pages 89 to 98.	Prospects for the future	<ul style="list-style-type: none"> ▷ Chairman's Message on page 15 ▷ Managing Director's Review on page 19 ▷ Chief Operating Officer's Review on page 23 ▷ Management Discussion and Analysis on pages 115 to 116
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D.1.5	Declaration of going concern by the Directors	This information is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 179.																		

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Section	Principle	Level of Compliance
D.1.6	Extraordinary General Meetings in the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds	This type of a situation has not arisen during the period under review. The Company commits to hold an Extraordinary General Meeting in the event the net assets of the Company fall below 50% of the value of the Company's shareholders funds.
D.1.7	Adequate and accurate disclosure of related party transactions	<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>A Related Party Transactions Review Committee was established in 2015 and details of the Committee are presented in page 136.</p> <p>Related party transactions are disclosed on pages 246 to 250.</p>
D.2 Internal Control		
D.2	Implementation of sound system of internal control and a process of risk management	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.
D.2.1	Review of effectiveness of internal control system and review of the risks	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.
D.2.2	Need to have an internal audit function	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.

Corporate Governance contd.

Section	Principle	Level of Compliance
D.2.3	Audit Committee to carry out reviews of the process and effectiveness of risk management and Internal Controls	The Board Audit Committee is empowered by the Board of Directors to oversee the financial reporting, internal controls, internal audit, whistle blowing and assessment of independence and performance of external auditors. The functions of the Board Audit committee are presented on page 180.
D.2.4	Responsibility of maintaining a sound system of internal control and content of Statement of Internal Controls	The Directors' Statement of Internal Control is given on pages 184 to 185.
D.3 Audit Committee		
D.3	Availability of an Audit Committee with written terms of reference	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.
D.3.1	Composition of the Audit Committee	The Board Audit Committee comprised three Non-Executive Directors of the Company as at 31st December 2015. Please refer the Board Audit Committee Report on page 180 for details of the Board Audit Committee.
D.3.2	Independence and objectivity of the auditors	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.
D.3.3	Written terms of reference	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 ICASL and SEC.
D.3.4	Disclosures of name of Directors on the Audit Committee and basis of determination of independence of external auditors	The names of the Directors on the Board Audit Committee and its functions and meetings are disclosed in the Board Audit Committee Report on page 180. 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 179.

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Section	Principle	Level of Compliance
D. 4 Code of Business Conduct and Ethics for Directors		
D.4	Adoption of a code of business conduct and ethics for Directors & senior management	The Company believes that ethics are an integral part of good corporate governance and has adopted a code of business conduct and ethics. Therefore, it practices established business ethics across all sections of the Company.
D.4.1	Disclosure on presence of code of business conduct and ethics	The Company has adopted a code of business conduct and ethics applicable to all employees of the Company. There were no material violations of the code during the year.
D.4.2	Affirmation by the Chairman that there is no violation of the code of business conduct and ethics	The required affirmation is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 175.
D.5 Corporate Governance Disclosure		
D.5	Disclose extent of adherence to established principles and practices	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 ICASL and SEC.
D.5.1	Inclusion of a corporate governance report in the Annual Report	This report on corporate governance on pages 128 to 164 serves this purpose.
E. INSTITUTIONAL INVESTORS		
E. 1 Shareholder Voting		
E.1	Encourage institutional shareholders to translate their voting intentions into practice	All shareholders are encouraged to participate at AGM and cast their votes.
E.1.1	Regular and structured dialogue with shareholders	The AGM is used as a forum to have a structured, objective dialogue with shareholders.
E. 2 Evaluation of Governance Disclosures		
E.2	Evaluation institutional investors to give due weight to relevant governance arrangements	Sufficient attention has been given to the interests of institutional investors. The Corporate Governance report in the Annual Report set out the Company's governance arrangements.
F. OTHER INVESTORS		
F. 1 Investing/ Divesting Decision		
F.1	Independent advice with regard to investing and divesting decision	Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or diverting decisions. The Annual Report and other publications contain sufficient information to make an informed decision.

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Section	Principle	Level of Compliance																								
F.2 Shareholder Voting																										
F.2	Encourage individual shareholders to participate in General Meetings	All shareholders are encouraged to participate at Annual General Meeting and cast their votes.																								
G. Sustainability Reporting																										
G.1	Principles of sustainability reporting	<table border="1"> <thead> <tr> <th>Ref.</th> <th>Description</th> <th>Reference</th> </tr> </thead> <tbody> <tr> <td>G.1.1</td> <td>Economic sustainability</td> <td>Page 88</td> </tr> <tr> <td>G.1.2</td> <td>Environment</td> <td>Pages 112 to 114</td> </tr> <tr> <td>G.1.3</td> <td>Labour practice</td> <td>Pages 89 to 98</td> </tr> <tr> <td>G.1.4</td> <td>Society</td> <td>Page 106</td> </tr> <tr> <td>G.1.5</td> <td>Product responsibility</td> <td>Page 100</td> </tr> <tr> <td>G.1.6</td> <td>Stakeholder identification, engagement and effective communication</td> <td>Pages 40 to 49</td> </tr> <tr> <td>G.1.7</td> <td>Sustainable reporting and disclosure as part of the Company's reporting process</td> <td>Pages 166 to 171</td> </tr> </tbody> </table>	Ref.	Description	Reference	G.1.1	Economic sustainability	Page 88	G.1.2	Environment	Pages 112 to 114	G.1.3	Labour practice	Pages 89 to 98	G.1.4	Society	Page 106	G.1.5	Product responsibility	Page 100	G.1.6	Stakeholder identification, engagement and effective communication	Pages 40 to 49	G.1.7	Sustainable reporting and disclosure as part of the Company's reporting process	Pages 166 to 171
		Ref.	Description	Reference																						
		G.1.1	Economic sustainability	Page 88																						
		G.1.2	Environment	Pages 112 to 114																						
		G.1.3	Labour practice	Pages 89 to 98																						
		G.1.4	Society	Page 106																						
		G.1.5	Product responsibility	Page 100																						
		G.1.6	Stakeholder identification, engagement and effective communication	Pages 40 to 49																						
G.1.7	Sustainable reporting and disclosure as part of the Company's reporting process	Pages 166 to 171																								

COMPLIANCE WITH REQUIREMENTS OF RULE 7.6 AND CORPORATE GOVERNANCE IN RULE 7.10 OF THE LISTING RULES OF THE CSE

Statement of Compliance

Although People's Insurance was not an entity listed on the CSE as at the end of the financial year ended 31st December 2015, its level of compliance with rules 7.6 and 7.10 of the Listing Rules of the CSE is illustrated below.

Compliance with Rule 7.6

Rule ref.	Information required to be disclosed	Annual Report Section Reference
7.6 (i)	Names of persons who during the financial year were Directors of the Company	Please refer Annual Report of the Board of Directors on the Affairs of the Company on page 178.
7.6 (ii)	Principal activities of the Company and any changes therein	Please refer ▶ Annual Report of the Board of Directors on the Affairs of the Company on page 174 ▶ Note 1 in Notes to the Financial Statements on page 194
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Please refer Shareholder Information section for the 20 largest shareholders of voting shares on page 253. The Company has not issued any non-voting shares.
7.6 (iv)	The public holding percentage	Please refer Shareholder Information section on page 254.
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Company at the beginning and end of each financial year	Please refer Shareholder Information on page 254.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Company	Please refer ▶ Enterprise Risk Management Report on pages 121 to 126 ▶ Management Discussion and Analysis on pages 51 to 53
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Company	During the financial year, there were no material issues pertaining to employees and industrial relations of the Company.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties	The Company does not possess any land holdings and investment properties.
7.6 (ix)	Number of shares representing the Company's stated capital	Please refer note 25 on page 223 under the Notes to the Financial Statements.

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Rule ref.	Information required to be disclosed	Annual Report Section Reference
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Please refer Shareholder Information section on pages 255 to 256.
7.6 (xi)	The following ratios and market price information: Equity 1. Dividend per share 2. Dividend pay out 3. Net asset value per share 4. Market value per share (highest and lowest values recorded during the financial year and value as at the end of financial year)	Please refer Shareholder Information section on page 256.
	Debt (only if listed) 1. Interest rate of comparable government security 2. Debt/equity ratio 3. Interest cover 4. Quick asset ratio 5. The market prices & yield during the year 6. Any changes in credit rating	The Company does not have any listed debts.
7.6 (xii)	Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value	There was no significant change in the Company's fixed assets (please refer pages 214 to 215). The Company does not have any land.
7.6 (xiii)	Details of funds raised through a public issue, right issue and a private placement	Please refer ▶ Annual Report of the Board of Directors on the Affairs of the Company on page 177 ▶ Spotlight - Initial Public Offering on page 108
7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	The Company does not have any Employee Share Ownership or Stock Option Schemes at present.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Please refer pages 159 to 161.
7.6 (xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower	The Company did not have any related party transaction exceeding this threshold during the year under review.

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Compliance with Rule 7.10

Rule ref.	Requirement	Details of the Company's action for compliance
7.10.1 Non-Executive Directors		
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non- Executive Directors	Four out of five Directors were Non-Executive Directors.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	At the conclusion of the last AGM, two out of the three Directors on Board were Non-Executive Directors. During the year, two new Non-Executive, Independent Directors were appointed. Please refer Annual Report of Board of Directors on page 178.
7.10.1 (C)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of change	No changes in the ratio of Non-Executive Directors took place during the year under review.
7.10.2 Independent Directors		
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent	The Board comprised two Independent, Non-Executive Directors.
7.10.2 (b)	Each Non-Executive Directors should submit a declaration of independence/ non-independence in the prescribed format	All Non-Executive Directors have submitted the required declarations as at 31.12.2015.
7.10.3 Disclosures relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report	Please refer Director's profiles on pages 24 to 27.
7.10.3 (b)	In the event a Director does not qualify as independent as per rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	No such situation has arisen during the year.
7.10.3 (C)	A brief resume of each Director should be published in the annual report including the areas of expertise	Please refer the profiles of the Board of Directors on pages 24 to 27.
7.10.3 (d)	In the event of an appointment of a new Director, a brief resume of such Director should be submitted immediately to the CSE for dissemination to the public	Profiles of the two new Directors appointed prior to the listing were forwarded to the CSE via the Prospectus.

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Corporate Governance contd.

Rule ref.	Requirement	Details of the Company's action for compliance
7.10.4 Criteria for defining Independence		
7.10.4 (a - h)	Requirement for meeting criteria to be independent	All the Independent Directors of the Company met the criteria for independence specified in this rule.
7.10.5 Remuneration Committee		
7.10.5 (a)	The Remuneration Committee shall comprise a minimum of two Independent, Non-Executive Directors or a majority of Independent, Non-Executive Directors, whichever is higher	The Remuneration and Nomination Committee comprised three Non-Executive Directors out of whom two were Independent, Non-Executive Directors.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Mr. Jehan P. Amaratunga, Non-Executive, Non-Independent Director functions as Chairman of the Remuneration and Nomination Committee.
7.10.5 (b)	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors	Please refer page 135.
7.10.5 (c)	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee	Please refer page 135 for the composition of the Remuneration & Nomination Committee.
	A statement of Remuneration Policy	The Company's reward strategies and remuneration structure is design to attract, motivate and retain high caliber people, at all levels of the organisation, in a highly competitive environment.
	Aggregate Remuneration paid to Executive and Non-Executive Directors	Please refer the Annual Report of the Board of Directors on the Affairs of the Company on page 178.

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Rule ref.	Requirement	Details of the Company's action for compliance
7.10.6 Audit Committee		
7.10.6 (a)	<p>The Audit Committee shall comprise a minimum of two Independent, Non-Executive Directors, or a majority of Independent, Non-Executive Directors, whichever is higher</p> <p>One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board</p> <p>The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings</p> <p>The Chairman or one member of the Committee should be a member of a recognised professional accounting body</p>	<p>The Board Audit Committee comprised three Non-Executive Directors out of whom two were independent, Non-Executive Directors.</p> <p>Please refer the Board Audit Committee Report on page 180.</p> <p>Mr. Lakshman Abeysekera, a Non-Executive, Independent Director functions as Chairman of the Committee.</p> <p>Both the Chief Operating Officer and Chief Financial Officer attend the Board Audit Committee meetings by invitation.</p> <p>Mr. Lakshman Abeysekera, who functions as the Chairman of the Board Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL).</p>
7.10.6 (b)	The functions of the Audit Committee shall be set out in section 7.10 of the Listing Rules	The Board Audit Committee Report on page 180 provides a brief description of its functions.
7.10.6 (c)	The annual reports shall set out; The names of the Directors who comprise the Audit Committee	Please refer page 180 for the composition of the Board Audit Committee.
	The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination	Please refer the Board Audit Committee Report on page 180 for required disclosure.
	A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the Listing Rules	Please refer the Board Audit Committee Report on page 180.

Corporate Governance contd.

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 165, total admissible assets and total liabilities including technical reserves were Rs. 5,396 million and Rs. 4,126 million respectively, resulting in an excess of Rs. 568 million above the required solvency margin as at 31st December 2015.

Risk Based Capital Regime

A risk based capital regime is planned to be implemented in Sri Lanka by the IBSL, replacing the 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 also completed the parallel run which was effective from 1st January 2014 to 31st December 2015 as per the directions of the IBSL. The Company was able to maintain the Capital Adequacy Ratio and Total Available Capital (TAC) well above the minimum CAR of 120% and minimum of Rs. 500 million stipulated by the IBSL. The Company has also set up necessary processes in place to report under risk based capital rules and is confident of compliance.

Performance Governance

The performance dimension centres on strategy and value creation. This tends to take a forward looking view. The focus is on helping the Board to make strategic decisions, to understand its appetite for risk and its key performance drivers.

The primary responsibility with regard to performance governance lies with the Board, which pays keen attention on the performance of the Company from different perspectives. The Board sub-committees i.e. Board Audit Committee, Remuneration and Nomination Committee and Related Party Transactions Review Committee strengthen the supervision in this

regards. Further, the Company maintains a performance based culture within the Company. Achieving a panacea of good corporate governance that is linked strategically with performance management has enabled the Company to focus on the key drivers that move business forward.

Progress Study and Key Performance Indicators

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 Board and Management. Class-wise and aggregated key performance indicators are used for the above purpose. Benefits and rewards to employees are also linked to their performance.

The following table depicts the performance governance mechanism of the Company.

Area of operation	Performance Governance Mechanism
Corporate plan and budget	<ul style="list-style-type: none"> ▷ Review of the corporate plan by the Board ▷ Review of the actual results against the budget by the Board on a monthly basis ▷ Review the actual and budgeted key performance indicators by management on a monthly basis
Underwriting and reinsurance	<ul style="list-style-type: none"> ▷ Implementation of internal controls in line with procedural manuals ▷ Update procedural manuals based on the environmental and regulatory changes ▷ Review the processes and relevant key performance indicators at monthly management meetings
Claims management	<ul style="list-style-type: none"> ▷ Implementation of internal controls in line with procedural manuals ▷ Update procedural manuals based on the environmental and regulatory changes ▷ Reference of high valued claim files to claims panel ▷ Review the processes and relevant key performance indicators at monthly management meetings ▷ Follow a prudent claims reserving policy and obtaining quarterly actuarial valuations
Business development, direct marketing and commission process	<ul style="list-style-type: none"> ▷ Review the processes and relevant key performance indicators at monthly management meetings ▷ Payment of commissions subject to the IBSL approved maximum rates ▷ Maintain healthy relationships with the parties who introduce businesses to achieve set targets ▷ Implementation of internal controls
Finance and related process	<ul style="list-style-type: none"> ▷ Implementation of internal controls according to the Manual of Delegation of Authority ▷ Segregation of duties and delegation of authority according to Manual of Delegation of Authority ▷ Forecast results and budget review ▷ Attend the Board meetings by the Chief Financial Officer

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Corporate Governance contd.

Area of operation	Performance Governance Mechanism
Investment management	<ul style="list-style-type: none"> ▷ Obtain the Board approval for the key investment decisions ▷ Obtain Managing Director's approval through an internal memo prior to making investment decisions ▷ Review relevant key performance indicators at monthly management meetings ▷ Forecast results and implement remedies in order to achieve the set targets ▷ Close monitoring on risk and compliance on investment decisions ▷ Implementation of internal controls according to the Manual of Delegation of Authority
Information technology (IT) and IT governance	<ul style="list-style-type: none"> ▷ Review the processes and get user feedback from other departments in monthly management meetings ▷ IT help desk ▷ Group monitoring on IT Governance ▷ Offline check on each internal system developments prior to go live ▷ Independent audit on ISO certification on IT at group level
Human resources	<ul style="list-style-type: none"> ▷ Performance evaluation of employees ▷ Conduct employee orientation programs ▷ Identify and organise employee and management training programs ▷ Appointment of dedicated HR staff from the group HR Department to communicate HR related issues ▷ Develop and enhance employee code of conduct practices among employees ▷ Conduct employee exit interviews ▷ Frequent dissemination of information on HR policies and practices through HR portal and e-mails
Risk management	<ul style="list-style-type: none"> ▷ Prepare the Risk Dash Board quarterly ▷ Frequent monitoring of key risks identified and implementation of risk mitigating actions agreed by the Management ▷ Risk Dash Board is reviewed by the Group Risk Management Committee ▷ Adoption of risk based capital regime as per the IBSL regulations ▷ Incorporate impact to risk based capital in decision making of the Company
Legal and compliance	<ul style="list-style-type: none"> ▷ Tabling a monthly compliance report to the Board on the Company's compliance with applicable laws and regulations ▷ Table a compliance report at the Board meeting ▷ Update monthly compliance checklist on all applicable regulations and returns ▷ Consider the compliance aspect in all decision making
Sustainability approach	<ul style="list-style-type: none"> ▷ Adopt a sustainability charter ▷ Incorporate sustainability in other business aspects ▷ Include corporate social responsibility expense into the budget

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	2015 Rs. Mn	2014 Rs. Mn
Value of admissible assets	5,396	4,063
Total liabilities including technical reserves	4,126	3,054
Net admissible assets	1,270	1,009
Required solvency margin	702	630
Excess over required solvency margin	568	379
Solvency ratio	1.81	1.60

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	2015 Rs. Mn	2014 Rs. Mn
Approved assets		
Approved assets maintained	4,831	4,063
Technical reserves	2,871	2,582
Approved assets in excess of the technical reserve	1,960	1,481
Investment in government securities		
Investment in government securities (20% of the technical reserves)	574	516
Investment in government securities	1,952	1,115
Excess over the required investment in government securities	1,378	599

GRI-G4 Content Index - “In Accordance” - Core

External Assurance has not been obtained for standard and specific disclosures.

Standard Disclosure	Description	Report Section	Page
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker on the relevance of sustainability to the organisation and the strategy to address sustainability	Chairman's Message	12 - 15
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Information	271
G4-4	Primary brands, products, and services	Our Products	05
G4-5	Location of the organisation's headquarters	Corporate Information	271
G4-6	Number of countries where the organisation operates	Corporate Information	271
G4-7	Nature of ownership and legal form	Corporate Information	271
G4-8	Markets served	Management Discussion and Analysis - Social and Relationship Capital Management	99 - 100
G4-9	Scale of the organisation - employees, operations, net sales, capitalisation, products	Management Discussion and Analysis - Operation's Review and Financial Review	75 - 88
G4-10	Total number of employees by contract and gender, permanent employees, supervised workers, region	Management Discussion and Analysis - Human Capital Management	89 - 90
G4-11	Percentage of total employees covered by collective bargaining agreements	Management Discussion and Analysis - Human Capital Management	96
G4-12	Describe the organisation's supply chain	Management Discussion and Analysis - Social and Relationship Capital Management - Business Partners	104 - 105
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Organisational Profile Management Discussion and Analysis - Financial Capital Management	04 79 - 87
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	Enterprise Risk Management	117 - 127
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	About the Report	03

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G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations	Management Discussion and Analysis - Social and Relationship Capital Management - Memberships	111
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents	About the Report	03
G4-18	Process for defining the report content and the aspect boundaries, reporting principles for defining report content	Stakeholder Engagement and Materiality Assessment	40 - 49
G4-19	List all the material aspects identified in the process for defining report content		
G4-20	For each material aspect, report the aspect boundary within the organisation		
G4-21	For each material aspect, report the aspect boundary outside the organisation		
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	About the Report	03
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	About the Report	03
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder Engagement and Materiality Assessment	40
G4-25	The basis for identification and selection of stakeholders with whom to engage		40 - 41
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement and an indication if the engagement was specifically a part of the report preparation process		41 - 43
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns		44 - 48

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Standard Disclosure	Description	Report Section	Page
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About the Report	03
G4-29	Date of most recent previous report		
G4-30	Reporting cycle (such as annual, biennial)		
G4-31	Provide the contact point for questions regarding the report or its contents		
G4-32	Report the 'in accordance' option the organisation has chosen		
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report		
GOVERNANCE			
G4-34	Governance structure of the organisation, including committees and responsibilities	Corporate Governance	128 - 164
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Vision and Mission	06
		Management Discussion and Analysis - Social and Relationship Capital Management	110
SPECIFIC STANDARD DISCLOSURES			
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Value Creation - Value Addition and Distribution	37 - 39 88
G4-EC1	Direct economic value generated and distributed		
G4-EC3	Coverage of the organisation's defined benefit plan obligations	Management Discussion and Analysis - Human Capital Management	95
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ASPECT: ENERGY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Natural Capital Management	112 - 113
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G4-EN4	Energy consumption outside of the organisation		
G4-EN5	Energy intensity		

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G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)		
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)		
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)		
G4-EN18	Greenhouse gas (GHG) emissions intensity		
ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Natural Capital Management	112
G4-EN23	Total weight of waste by type and disposal method		
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Natural Capital Management	114
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region		91 - 92
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		95
ASPECT: LABOR/MANAGEMENT RELATIONS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements		96

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G4-LA9	Average hours of training per year per employee by gender, and by employee category		93
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings		92 - 94
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category		96
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity		89 - 90
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms		96
SUB-CATEGORY: HUMAN RIGHTS			
ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-HR3	Total number of incidents of discrimination and corrective actions taken		96
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Human Capital Management	89
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		96

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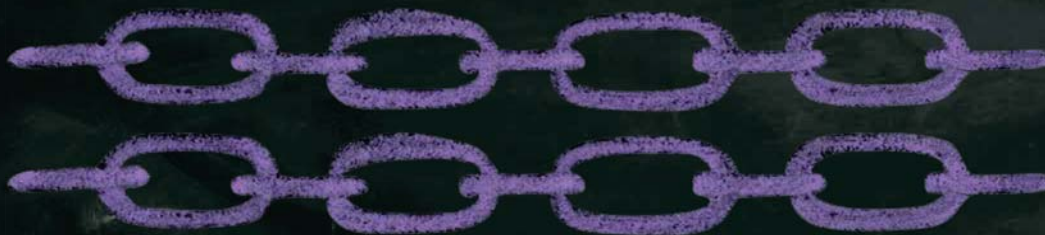
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Standard Disclosure	Description	Report Section	Page
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G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	110
G4-S03	Operations assessed for risks related to corruption and the significant risks identified		
G4-S05	Confirmed incidents of corruption and actions taken		
ASPECT: ANTI-COMPETITIVE BEHAVIOR			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	111
G4-S07	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	111
G4-S08	Fines and total number of non-monetary sanctions for non-compliance with laws and regulations		
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	100
G4-PR4	Incidents of non-compliance with regulations and voluntary codes concerning product and service information		104
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G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	103
G4-PR7	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications		
ASPECT: CUSTOMER PRIVACY			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	103 - 104
G4-PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data		
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Management Discussion and Analysis - Social and Relationship Capital Management	104
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		

The Next Phase»

*is adding value to our
financial strength*



Funds raised through the IPO have made People's Insurance one of the leading non-life insurance companies in terms of the capital base as well, which not only ensures a high capital adequacy but the opportunity to provide more assurance to our customers. We have emerged as one of the most profitable non-life insurers in the country, generating significant underwriting profits and we hope to continue this trend while managing our investments in a prudent manner to improve our bottom line and our financial strength.

Financial Information



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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 PLC ('the Company') has pleasure in presenting this report to the shareholders together with the audited financial statements for the year ended 31st December 2015 of the Company and the Independent Auditor's Report thereon in compliance with the requirements of the Companies Act. People's Insurance PLC is an insurance company registered under the Regulation of Insurance Industry Act No. 43 of 2000 and is a public limited liability company incorporated in Sri Lanka on 22nd July 2009 under the Companies Act.

The registered office 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.

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

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.

CHANGES TO THE COMPANY OWNERSHIP STRUCTURE

As per section 52 (1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 (RII Amendment Act), every insurance company in existence when the RII Amendment Act came into operation is required to have itself listed within five years from the effective date of the said RII Amendment Act on a stock exchange licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987. Accordingly, in compliance with this requirement, the Company carried out an Initial Public Offering ('IPO') in December 2015 through which 50 million new ordinary shares of the Company were issued to the public at Rs. 15 per share. Accordingly, the shareholding percentage of People's Leasing & Finance PLC in the Company decreased to 75% from 100%. Subsequent to the IPO, the ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange on 12th January 2016. Accordingly, in terms of Section 11 (3) of the Companies Act, the Company changed its name to People's Insurance PLC with effect from 12th February 2016 and obtained a new registration number namely "PB 3754 PQ".

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 12 to 15), Managing Director's Review (pages 16 to 19), Chief Operating Officer's Review (pages 20 to 23) and Management Discussion and Analysis (pages 74 to 88 and 115 to 116). 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 188 to 251 and Independent Auditor's Report on the financial statements is provided on page 187.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is presented in the Chairman's Message (page 15), Managing Director's Review (page 19), Chief Operating Officer's Review (page 23) and Management Discussion and Analysis (pages 115 to 116).

SYSTEM OF INTERNAL CONTROLS

The Board of Directors have 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 Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided necessary resources and installed appropriate processes and procedures in compliant with the relevant code of best practices issued by regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka ('SEC') and the Institute of Chartered Accountants of Sri Lanka ('ICASL').

The measures taken in this regard and information to fulfil disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set out in the Corporate Governance Report on pages 139 to 161 of this Annual Report.

Further, the Directors declare that:

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

BOARD SUB-COMMITTEES

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

- ▶ Board Audit Committee
- ▶ Remuneration and Nomination Committee
- ▶ Related Party Transactions Review Committee

The composition of each Board subcommittee is given on pages 134 to 136.

RELATED PARTY TRANSACTIONS

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

Such transactions disclosed by the Directors are given in note 38 to the financial statements on pages 246 to 250 and form a part of the Annual Report of the Board.

As required by the Code of Best practices on Related Party Transactions issued by the SEC, the Board decided to set up a new Board Sub Committee to review the related party transactions of the Company. Thus, the responsibility for reviewing the related party transactions of the Company is now under the purview of the Related Party Transactions Review Committee and some of the responsibilities that were previously assigned to the Board Audit Committee in respect of related party transactions have now been transferred to the Related Party Transactions Review Committee.

During the year, there were no transactions which exceeded 10 percent of the equity or 5 percent of the total assets which require immediate disclosure to the CSE and separate disclosure in the Annual Report. The Company has complied with the requirements of the Code of Best Practices

PEOPLE'S INSURANCE PLC

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

on Related Party Transactions issued by SEC and has complied with all disclosure requirements as per the Code.

The Related Party Transactions Review Committee comprised three (3) Directors including two (2) Independent, Non-Executive Directors and one (1) Executive Director as at 31st December 2015, in accordance with the Code.

REMUNERATION AND NOMINATION COMMITTEE

The details of the Remuneration and Nomination Committee is given on page 135 of this Annual Report.

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 page 180.

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on the 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 117 to 127.

AUDITOR'S REPORT

Auditor's Report on the financial statements is given on page 187.

TURNOVER

The Company underwrote an amount of Rs. 3,813 million in 2015 (Rs. 3,441 million in 2014) as gross written premium.

FINANCIAL RESULTS

The Company recorded a net profit of Rs. 464 million for the year. A synopsis of the Company's performance is presented below.

	2015 Rs. '000'	2014 Rs. '000'
Profit after taxation	464,167	450,127
Profit brought forward from previous year	810,041	484,881
Super gain tax	(99,360)	-
Share issue transaction cost	(22,969)	-
Profit available for appropriation	1,151,879	935,008
Appropriations		
Final dividend paid in respect of previous year	(120,000)	(45,000)
Interim dividend paid in respect of current year	(120,000)	(90,000)
Other comprehensive income	(10,885)	10,033
Un-appropriated profit carried forward	900,994	810,041

DIVIDENDS

An interim dividend of Rs. 2.00 per share was paid in September 2015 and the Directors recommended a final dividend of Cents Sixty (Rs. 0.60) per share for the financial year ended 31st December 2015.

The Board of Directors ensured that the Company would meet the requirement of the solvency test in terms of Section 56(3) of the Companies Act No. 07 of 2007 immediately after the payment of the said interim dividend and would ensure the compliance with the Solvency Test after the payment of the said final dividend as well. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the Auditors in respect of each dividend payment thereby strictly conforming to the above statutory provision.

PROVISION FOR TAXATION

The tax position of the Company is disclosed in note 14 (page 211) to the financial statements.

SUPER GAIN TAX

As per the Finance Bill passed in Parliament on 20th October 2015, a one-off Super Gain Tax (SGT) of 25% was levied on any company or group which posted a taxable profit exceeding Rs. 2,000 million for the year of assessment 2013/14. Accordingly, the Company was liable to SGT under the group category and paid Rs. 99.3 million as SGT.

The above tax payment is deemed to be an expenditure for the year of assessment which commenced on 1st April 2013 and the same has been recorded as an adjustment to the opening retained earnings reported in statement of changes in equity as at first day of financial year as per statement of alternative treatment (SoAT) on accounting for SGT under Part III of the Finance Act, No. 10 of 2015. The details of SGT and related disclosure are given on page 177 of this report.

PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are shown in note 18 (pages 214 to 215).

RESERVES

The movement in reserves during the year is set out in the statement of changes in equity on page 191.

INVESTMENTS

Details of investments held by the Company are disclosed in note 19 (pages 215 to 220) to the financial statements.

STATED CAPITAL AND SHAREHOLDERS' FUNDS

In compliance with the Companies Act, 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. 2,251 million as at 31st December 2015 (Rs. 1,410 million as at 31st December 2014), details of which are provided in note 25 (page 223) to the financial statements.

In pursuance of the IPO, a subdivision of shares was effected in order to attract significant levels of retail participation, enabling the Company to satisfy minimum public shareholder requirements to qualify for a main board listing.

Accordingly, a subdivision of every two (2) shares into five (5) shares was approved by the shareholders of the Company in October 2015.

The number of shares and the value of the stated capital before and after the subdivision of shares are depicted below;

Scenario	No. of Shares	Value
Before the subdivision	60,000,000	600,000,000
After the subdivision	150,000,000	600,000,000

There was no change to the stated capital of the Company pursuant to the subdivision. However subsequent to the issue of fifty million shares at Rs. 15 per share through the IPO, the stated capital of the Company increased to Rs. 1,350 million.

SHARE INFORMATION

Information relating to earnings, dividends and net assets per share is given in the Five Year Summary on page 260.

SUBSTANTIAL SHAREHOLDINGS

The details of the shareholdings are given on page 174 of this report.

INFORMATION TO SHAREHOLDERS

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

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

DIRECTORS

As at 31 December 2015, the Board of Directors of People's Insurance PLC consisted of four Directors with wide financial knowledge and experience. The following persons were Directors of the Company as at 31 December 2015.

- ▶ Jehan P. Amaratunga - Chairman
(Non-Executive, Non-Independent Director)
Appointed to the Board on 30th July 2010
Appointed as the Chairman on 30th July 2010
- ▶ N. Vasantha Kumar
(Non-Executive, Non-Independent Director)
Appointed to the Board on 27th May 2011
- ▶ D. P. Kumarage - Managing Director
(Executive Director)
Appointed to the Board on 20th July 2009
- ▶ Lakshman Abeysekera
(Non-Executive, Independent Director)
Appointed to the Board on 20th October 2015
- ▶ Fathima Farah Hussain
(Non-Executive, Independent Director)
Appointed to the Board on 20th October 2015

INTERESTS REGISTER

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

DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors of the Company have made general declarations as provided for in section 192 (2) of the Companies Act. Arising from this, details of contracts in which they have an interest are found in note 38 on pages 246 to 250, under related party transactions.

SHARE DEALINGS

There have been no share dealings by the Directors during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN SHARES

The Directors did not own any shares in the Company as at 31 December 2015.

REMUNERATION TO DIRECTORS

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

	2015 Rs. '000	2014 Rs. '000
Executive Director's fees and emoluments	230	130
Non-Executive and Non-Independent Directors' fees and emoluments	420	240
Non-Executive, Independent Directors' fees and emoluments	-	-
Total	650	370

DIRECTORS' MEETINGS

Details of Directors' meetings are presented on page 133.

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, 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 181 to 182 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 38 on pages 246 to 250 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 40 (page 251) 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 SEC and ICASL 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 and Young, Chartered Accountants. A sum of Rs. 1,628,880 (2014 - Rs. 1,530,000) was payable to them as audit fees during the year under review and a sum of Rs. 1,686,169 (2014 - Rs. 958,500) was payable by the Company for tax related services and other non-audit work performed. Based on the declaration from Messrs. Ernst and 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 and 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.

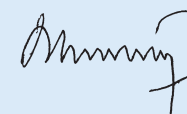
ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the People's Bank Staff Training College Auditorium 38, D. R. Wijewardhana Mawatha, Colombo 10 on 28th June 2016 at 4.00 p.m. The Notice of the Meeting relating to the 7th Annual General Meeting is given on page 272.

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



Jehan P. Amarantunga
Chairman



D. P. Kumara
Managing Director



Rohan Pathirage
Company Secretary

11th May 2016
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. As of the financial year ended 31st December 2015, the Board Audit Committee comprised the following Directors.

- ▶ Mr. Lakshman Abeysekera (Non-Executive, Independent Director) - Chairman
- ▶ Ms. Fathima Farah Hussain (Non-Executive, Independent Director)
- ▶ Mr. N. Vasantha Kumar (Non-Executive, Non-Independent Director)

On the invitation of the Committee, any officer of the Company, external auditors and any outsider may attend all or part of any meeting.

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 is 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.

AUTHORITY

The Committee has the explicit authority to investigate into any matter, including call any employee to be questioned at a meeting of the committee, full access to information; and authority to obtain external professional advice, at the Company's expense.

MEETINGS

The Committee was reconstituted on the 20th of October 2015 in order to facilitate the listing of the Company on the Colombo Stock Exchange. The Committee expects to act in its full capacity in the year ahead.

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 whistle-blower protection policy.

WHISTLE BLOWING AND FRAUD

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



Lakshman Abeysekera

Chairman - Board Audit Committee

11th May 2016
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 187.

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 2015, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto. Accordingly, the Directors confirm that the financial statements of the Company give a true and fair view of:

1. The state of affairs of the Company as at 31st December 2015; 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 17th February 2016 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 2015 prepared and presented in this annual report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

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

Statement of Directors' Responsibility for Financial Reporting contd.

The Board of Directors having been satisfied that the Company would satisfy the solvency test immediately after the dividends are paid, authorised and recommended the distribution of an interim and full and final dividend in respect of the financial year ended 31st December 2015.

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

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

Compliance Report

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

By order of the Board



Rohan Pathirage
Company Secretary

11th May 2016
Colombo

MD's and CFO's Responsibility Statement

The financial statements are presented in compliance with the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the requirements of the Companies Act No. 7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

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

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

be recognised in weighing the assurances provided by any system of internal controls and accounting.

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

The financial statements of the Company were audited by Messrs. Ernst and Young, Chartered Accountants and their report is given on page 187 of this Annual Report.

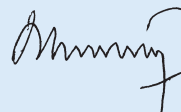
We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review.
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance.

4. There are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business.
5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2015 have been paid, or where relevant provided for.



Nilushan Somarathna
Chief Financial Officer



D. P. Kumara
Managing Director

11th May 2016
Colombo

Directors' Statement on Internal Control

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

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

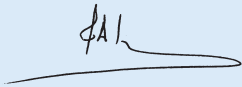
- ▶ Committees are established by the Board to assist the Board in ensuring the effectiveness of the Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have 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 page 180.
- ▶ 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.

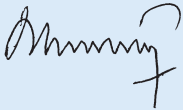
Based on the above processes, the Board of Directors confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance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

By order of the Board



Jehan P. Amaratunga

Chairman



D. P. Kumarage

Managing Director



Lakshman Abeysekera

Chairman - Board Audit Committee

11th May 2016

Colombo

Incurred But Not Reported (IBNR) Claims and Liability Adequacy Test (LAT) Certification



People's Insurance Ltd 31 December 2015 Net IBNR and LAT Certification

I hereby certify that the undiscounted 75% confidence level IBNR provision of LKR 370,928,191, inclusive of Claims Handling Expenses, is adequate in relation to the Claim Liability of People's Insurance Ltd as at 31st December 2015, net of reinsurance. This provision applies to claims from Accident Quarters 2010 to December 2015. 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 2015, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 1,938,267,412 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of People's

Insurance Ltd as at 31st December 2015, 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.

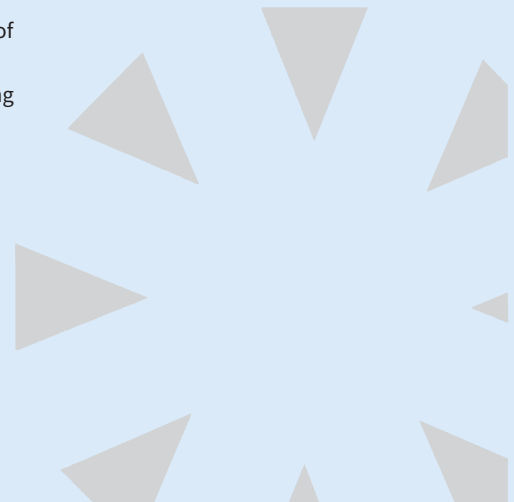
A handwritten signature in black ink, appearing to read 'Matthew Maguire'.

Matthew Maguire

Fellow of the Institute of Actuaries of Australia (FIAA)

For and on behalf of NMG Consulting

Dated: 21st January 2016



Independent Auditors' Report



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

Report on the Financial Statements

We have audited the accompanying financial statements of People's Insurance PLC, ("the Company"), which comprise the statement of financial position as at 31 December 2015, 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 188 to 251).

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 2015, 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, 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 and
 - ▷ The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No 7 of 2007.

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

17 February 2016
Colombo

PEOPLE'S INSURANCE PLC

Annual Report 2015

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Statement of Income

For the year ended	Note	31.12.2015 Rs.	31.12.2014 Rs.
Revenue	3	3,617,209,197	3,411,464,345
Gross written premium	4	3,813,271,656	3,440,608,282
Net change in reserve for unearned insurance premium		(233,573,271)	(155,403,811)
Gross earned premium		3,579,698,385	3,285,204,471
Premium ceded to reinsurers	5	(304,969,079)	(293,936,371)
Net change in reserve for unearned reinsurance premium		(6,789,280)	(800,936)
Net earned premium		3,267,940,026	2,990,467,164
Claims and expenses			
Net claims	6	(2,257,436,973)	(2,162,703,667)
Underwriting and net acquisition costs	7	(337,631,756)	(310,773,268)
Other operating and administrative expenses	8	(419,175,966)	(365,149,241)
		(3,014,244,695)	(2,838,626,176)
Underwriting results		253,695,331	151,840,988
Other revenue			
Fee income	9	37,183,722	32,260,290
Interest and dividend income	10	301,754,272	316,793,143
Net fair value gains/(losses)	11	(1,406,653)	70,523,465
Other operating revenue	12	11,737,830	1,420,283
		349,269,171	420,997,181
Profit before tax	13	602,964,502	572,838,169
Income tax expense	14	(138,797,208)	(122,711,070)
Profit for the year		464,167,294	450,127,099
Basic earnings per share	15	3.09	3.00
Dividend per share - Interim	16	2.00	1.50
- Final	16	0.60	2.00

The notes to the financial statements on pages 194 to 251 form an integral part of the financial statements.

Statement of Comprehensive Income

For the year ended	Note	31.12.2015 Rs.	31.12.2014 Rs.
Profit for the year		464,167,294	450,127,099
Other comprehensive income			
Other comprehensive income to be reclassified to statement of income:			
Available-for-sale financial instruments			
Net change in fair value during the year		(10,473,902)	9,089,697
Deferred tax effect		(578,094)	1,575,378
		(11,051,996)	10,665,075
Other comprehensive income not to be reclassified to statement of income:			
Actuarial gain/(loss) on defined benefit plans	29	166,793	(631,969)
		166,793	(631,969)
Total other comprehensive income for the year, net of tax		(10,885,203)	10,033,106
Total comprehensive income for the year, net of tax		453,282,092	460,160,205

The notes to the financial statements on pages 194 to 251 form an integral part of the financial statements.

PEOPLE'S INSURANCE PLC

Annual Report 2015

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Statement of Financial Position

As at	Note	31.12.2015 Rs.	31.12.2014 Rs.
Assets			
Intangible assets	17	36,164,330	48,940,550
Property, plant and equipment	18	21,600,023	26,056,186
Financial investments	19	4,931,438,835	3,644,915,439
Reinsurance receivables	20	94,907,488	137,282,451
Insurance receivables	21	591,448,312	523,732,541
Deferred expenses	22	200,827,593	180,766,259
Other assets	23	20,016,352	11,942,400
Cash and cash equivalents	24	745,691,980	184,614,106
Total assets		6,642,094,913	4,758,249,932
Equity and liabilities			
Equity			
Stated capital	25	1,350,000,000	600,000,000
Retained earnings	26	899,641,415	797,803,529
Available-for-sale reserves	27	1,952,501	13,004,499
Other reserves		(599,783)	(766,576)
Total equity		2,250,994,133	1,410,041,452
Liabilities			
Insurance contract liabilities	28	3,166,616,516	2,901,132,149
Employee defined benefit obligations	29	6,027,515	4,432,438
Other financial liabilities	30	1,034,275,097	276,831,117
Other liabilities	31	24,448,328	23,703,110
Reinsurance payable		36,820,195	62,262,572
Income tax payable		75,219,452	62,430,094
Deferred tax liability	32	5,940,989	13,576,697
Bank overdraft	33	41,752,688	3,840,303
Total liabilities		4,391,100,780	3,348,208,480
Total equity and liabilities		6,642,094,913	4,758,249,932

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

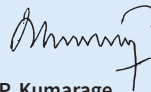


Nilushan Somarathna
Chief Financial Officer

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. Kumarage
Managing Director

The notes to the financial statements on pages 194 to 251 form an integral part of the financial statements.

17 February 2016
Colombo

PEOPLE'S INSURANCE PLC

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Statement of Changes in Equity

	Note	Stated capital Rs.	Retained earnings Rs.	Available- for-sale reserves Rs.	Other reserves Rs.	Total Rs.
Balance as at 1 January 2014		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
Actuarial loss on defined benefit plans	29	-	-	-	(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
Adjustment for super gain tax	34	-	(99,360,657)	-	-	(99,360,657)
Adjusted balance as at 1 January 2015		600,000,000	698,442,872	13,004,499	(766,576)	1,310,680,795
Issue of ordinary shares pending allotment		750,000,000	-	-	-	750,000,000
Share issue transaction cost		-	(22,968,751)	-	-	(22,968,751)
Profit for the year		-	464,167,294	-	-	464,167,294
Actuarial gain on defined benefit plans	29	-	-	-	166,793	166,793
Net change in fair value of						
available-for-sale financial assets	-	-	(11,051,998)	-	(11,051,998)	
Dividend paid during the year		-	(240,000,000)	-	-	(240,000,000)
Balance as at 31 December 2015		1,350,000,000	899,641,415	1,952,501	(599,783)	2,250,994,133

The notes to the financial statements on pages 194 to 251 form an integral part of the financial statements.

PEOPLE'S INSURANCE PLC

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Statement of Cash Flows

For the year ended	Note	31.12.2015 Rs.	31.12.2014 Rs.
Operating activities			
Premium received from customers		3,739,795,196	3,351,895,307
Reinsurance premium paid		(330,411,466)	(332,219,628)
Claims paid		(2,237,231,243)	(1,967,811,816)
Reinsurance receipts in respect of claims		67,206,593	7,238,168
Interest received		301,232,235	284,586,940
Dividends received		13,303,456	12,250,322
Other operating cash flows		44,122,259	(510,532,478)
Cash flows from operating activities	A	1,598,017,030	845,406,815
Income tax paid		(112,145,955)	(112,693,074)
Super gain tax paid		(99,360,657)	-
Net cash flows from operating activities		1,386,510,418	732,713,741
Investing activities			
Purchase of liquid investments		(12,763,232,431)	(12,167,139,525)
Purchase of other investments		(2,148,726,039)	(1,769,668,218)
Sale of liquid investments		12,025,385,428	12,222,181,704
Sale of other investments		1,542,264,489	1,303,106,980
Purchase of property, plant and equipment		(6,067,624)	(8,610,403)
Net cash flows used in investing activities		(1,350,376,177)	(420,129,462)
Net cash flows before financing activities		36,134,240	312,584,279
Financing activities			
Issue of ordinary shares pending allotment		750,000,000	-
Share issue transaction cost		(22,968,751)	-
Ordinary dividends paid		(240,000,000)	(135,000,000)
Net cash flow from/(used in) financing activities		487,031,249	(135,000,000)
Net increase in cash and cash equivalents	B	523,165,489	177,584,279

The notes to the financial statements on pages 194 to 251 form an integral part of the financial statements.

PEOPLE'S INSURANCE PLC

Annual Report 2015

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NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended	Note	31.12.2015 Rs.	31.12.2014 Rs.
A. Cash flows generated from operating activities			
Profit before tax		602,964,502	572,838,169
Unrealised (gain)/loss on quoted equity securities at market value		10,665,054	(35,675,809)
Provision for retirement benefit obligations		1,796,345	1,307,256
Depreciation and amortisation expenses		23,174,342	23,640,735
Provision - Insurance receivables		1,872,255	1,713,687
Changes in working capital			
(Increase)/decrease in reinsurance assets		42,374,956	(26,277,229)
Increase in insurance receivables and other assets		(75,789,660)	(88,171,593)
Increase in deferred expenses		(20,061,334)	(13,410,632)
Increase in insurance liabilities		265,484,370	385,094,718
Increase in other liabilities		745,536,199	24,347,513
Cash flows from operating activities		1,598,017,030	845,406,815
B. Increase in cash and cash equivalents			
Cash in hand and balance at bank	24	745,691,980	184,614,106
Bank overdraft	33	(41,752,688)	(3,840,303)
Net cash and cash equivalents at the end of the period		703,939,292	180,773,803
Less: Net cash and cash equivalents at the beginning of the period		180,773,803	3,189,524
Net increase in cash and cash equivalents during the period		523,165,489	177,584,279

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting entity

People's Insurance PLC (Previously known as People's Insurance Limited - up to 12th February 2016) 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. Ordinary shares of the Company were listed on the Colombo Stock Exchange (CSE) on 12 January 2016.

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 2015 was 284 (2014 - 245).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with Sri Lanka

Accounting Standards, promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act No. 7 of 2007 and the Regulation of Insurance Industry Act No. 43 of 2000 and the listing rules of the CSE.

The financial statements include the following components:

- ▶ a statement of income and statement of comprehensive income providing information on the financial performance of the Company for the year under review (pages 188 and 189);
- ▶ a statement of financial position providing information on the financial position of the Company as at the year-end (page 190);
- ▶ a statement of changes in equity depicting all changes in shareholders' equity (page 191);
- ▶ a statement of cash flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows (pages 192 to 193); and
- ▶ notes to the financial statements comprising accounting policies and other explanatory information (pages 194 to 251).

2.2 Basis of measurement

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

Item	Basis of measurement	Note No.	Page reference
Financial investments at fair value through profit or loss	Fair value	19.1	216 to 217
Financial investments - Available-for-sale	Fair value	19.3	219

2.3 Presentation of financial statements

The assets and liabilities of the Company in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement period is presented in note 36 (Risk management framework – exposure to liquidity risk). No adjustments have been made for inflationary factors affecting the financial statements.

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

or interpretation, and as specifically disclosed in the accounting policies of the Company.

2.4 Functional and presentation currency

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

2.5 Materiality and aggregation

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

2.6 Approval of financial Statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2015 were approved and authorised for issue on 17th February 2016 in accordance with the resolution of the Board of Directors on 17 February 2016.

2.7 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Further, the management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that

have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgments, estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

2.7.1 Going concern

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

2.7.2 Valuation of 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 (IBNR) at the reporting date.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder method, Bornheutter-Ferguson method and frequency/severity method.

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Notes to the Financial Statements Contd.

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.

The net carrying value at the reporting date of non-life insurance contract liabilities which includes case reserves held by the Company and the incurred but not reported (IBNR) claims on undiscounted 75% confidence level is Rs. 1,133,441,615 (2014: Rs. 1,065,944,842).

2.7.3 Fair value of financial instruments

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

2.7.4 Valuation of employee benefit obligations

The cost of defined benefit obligations (gratuity) is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used by the actuary in the estimates are contained in note 29.

2.7.5 Impairment of deferred acquisition cost

An impairment review of deferred acquisition cost (DAC) is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income. No such indication of impairment was experienced during the year.

DAC is derecognised when the related contracts are either settled or disposed of.

2.7.6 Assessment of impairment

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances

necessitate to do so. This requires the estimation of the 'value in use' of such individual assets or the cash-generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, hence, they are subject to uncertainty.

2.7.7 Provisions for liabilities and contingencies

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

2.7.8 Transfer pricing

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly, critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices

and selection of appropriate pricing mechanism. The current tax change is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulations.

2.8 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.

All the products sold by the Company are insurance contracts. Therefore, classified as insurance contracts under the SLFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

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.

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross premium.

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 adjustment 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.

Fees and commission income

Policyholders are charged for policy administration services and other

contract fees. These fees are recognised as revenue upon receipt or become due.

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.

Profit/loss on sale of property, plant and equipment

Profit/loss on sale of property, plant and equipment is recognised in the period in which the sale occurs and is classified under other income.

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

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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 (IBNR) claims 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) Deferred acquisition expenses

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

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

e) Other expenses

Other expenses are recognised on accrual basis. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment is charged to the statement of income.

Share issue expenses which are incremental and directly attributable are charged against the reserves in the statement of changes in equity and other expenses are charged to the statement of income.

f) Underwriting results

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

g) 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.

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 the statement of income is recognised outside the statement of income. 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.

h) Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

i) Economic service charge

As per the provisions of the Economic Service Charge Act No. 13 of 2006, economic service charge (ESC) is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set off against the income tax payable as per the relevant provisions in the Act.

However with the amendment made to the above mentioned Act, if a company in relation to any relevant quarter commencing on or after 1 April 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act No. 10 of 2006 is more than zero, the relevant turnover for such quarter is considered as zero.

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

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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

Basis of recognition

Property, plant and equipment are tangible items that are held for servicing or for administrative purposes and are expected to be used for more than one year.

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

Measurement

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

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

Repairs and maintenance

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

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Depreciation

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

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

De-recognition

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of an item of plant and equipment is included in the statement of income when the item is derecognised.

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

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

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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 as 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:
 - has transferred substantially all the risks and rewards of the asset, or

- 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.

Off-setting 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 assets 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

Reinsurance 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

The costs of acquiring new businesses including commission, underwriting, marketing and policy issue expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs (DAC) for non-life insurance is amortised over the period on the basis unearned premium is amortised

Changes in the expected useful life or the expected pattern of consumption of

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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 demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Bank overdrafts, which form an integral part of cash management, are included as a component of cash and cash equivalents for the purposes of the statement of cash flows. In the statement of financial position, bank overdrafts are included under liabilities.

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 reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the

notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

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

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of income by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Company performs a

Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of the external actuary.

q) Other financial liabilities

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. 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) Employee defined plans
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 plan 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 defined benefit liability, which comprises actuarial gains and losses are charged or credited to other 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 29 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 the Employees' Provident Fund under the Employees' Provident Fund Act No. 15 of 1958 as amended and Employees' Trust Fund under the Employees' Trust Fund Act No. 46 of 1980, covering all employees are recognised as an employee benefit expense in 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 Directors and shareholders as appropriate. Dividends are deducted from equity when they are paid.

2.7 New standards and interpretation not yet adopted

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) 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

SLFRS 9 replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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 LKAS 18 - Revenue, LKAS 11 - Construction Contracts and IFRIC - 13 Customer Loyalty Programmes. SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Management believes that the SLFRS 14 would not be applicable for the Company, as it is an existing SLFRS preparer/does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

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3. REVENUE

For the year ended

	31.12.2015	31.12.2014
	Rs.	Rs.
Net earned premium	3,267,940,026	2,990,467,164
Other revenue	349,269,171	420,997,181
	3,617,209,197	3,411,464,345

4. GROSS WRITTEN PREMIUM

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

	31.12.2015			31.12.2014		
	Basic	*SRCC & TC	Total	Basic	*SRCC & TC	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor	2,742,500,008	463,742,915	3,206,242,923	2,460,545,928	404,400,627	2,864,946,555
Fire	177,693,059	100,867,824	278,560,883	187,394,504	103,300,608	290,695,112
Marine	17,621,719	33,622	17,655,341	13,117,429	63,138	13,180,567
Miscellaneous	307,975,739	2,836,770	310,812,509	269,126,479	2,659,569	271,786,048
	3,245,790,525	567,481,131	3,813,271,656	2,930,184,340	510,423,942	3,440,608,282

*SRCC & TC - Strike, Riot and Civil Commotion Cover (SRCC) and Terrorism Cover (TC); both ceded to the SRCC and TC Fund.

5. PREMIUM CEDED TO REINSURERS

For the year ended

	31.12.2015	31.12.2014
	Rs.	Rs.
Class-wise		
Motor	(88,481,369)	(85,481,860)
Fire	(177,676,962)	(179,415,274)
Marine	(16,387,569)	(11,902,447)
Miscellaneous	(22,423,179)	(17,136,790)
	(304,969,079)	(293,936,371)
Payee-wise		
National Insurance Trust Fund		
Compulsory reinsurance cessions	(43,674,514)	(42,063,429)
Strike, Riots and Civil Commotion and Terrorism cover	(159,387,365)	(153,724,940)
Foreign reinsurers	(101,907,200)	(98,148,002)
	(304,969,079)	(293,936,371)

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6. NET CLAIMS

For the year ended

	Note	31.12.2015 Rs.	31.12.2014 Rs.
Claims paid	6.1	(2,237,231,242)	(1,967,811,816)
Claims recovered from reinsurers	6.2	37,779,244	7,238,168
Net change in contract liabilities	6.3	(57,984,975)	(202,130,019)
		(2,257,436,973)	(2,162,703,667)

6.1 Claims paid

For the year ended

	31.12.2015 Rs.	31.12.2014 Rs.
Motor	(1,981,026,846)	(1,801,064,687)
Fire	(65,860,841)	(31,935,649)
Marine	(1,449,700)	(1,149,764)
Miscellaneous	(188,893,855)	(133,661,716)
	(2,237,231,242)	(1,967,811,816)

6.2 Claims recovered from reinsurers

For the year ended

	31.12.2015 Rs.	31.12.2014 Rs.
Motor	428,167	114,179
Fire	15,265,229	4,274,581
Marine	1,085,848	1,040,428
Miscellaneous	21,000,000	1,808,980
	37,779,244	7,238,168

6.3 Net change in contract liabilities

For the year ended

	31.12.2015 Rs.	31.12.2014 Rs.
Gross change in insurance claims outstanding	(25,121,817)	(236,131,383)
Change in reinsurance recoverable on claims outstanding	(32,863,158)	34,001,364
	(57,984,975)	(202,130,019)

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7. UNDERWRITING AND NET ACQUISITION COSTS

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Acquisition cost	(387,888,561)	(351,915,222)
Change in deferred acquisition cost	21,381,345	12,678,975
	(366,507,216)	(339,236,247)
Reinsurance commission	30,195,719	27,731,324
Change in unearned commission reserve	(1,320,259)	731,655
	28,875,460	28,462,979
	(337,631,756)	(310,773,268)

8. OTHER OPERATING AND ADMINISTRATIVE EXPENSES

For the year ended	Note	31.12.2015	31.12.2014
		Rs.	Rs.
Staff expenses	8.1	(108,999,805)	(92,005,194)
Administrative expenses		(285,129,565)	(247,789,625)
Depreciation and amortisation		(23,174,341)	(23,640,735)
Net impairment loss		(1,872,255)	(1,713,687)
		(419,175,966)	(365,149,241)

8.1 Staff expenses

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Wages and salaries	(95,348,847)	(80,689,533)
Contribution to defined benefit plan	(1,796,345)	(1,307,256)
Staff benefit expenses	(1,120,524)	(1,064,543)
Contributions made to the Employees' Provident Fund (EPF)	(8,594,221)	(7,155,089)
Contributions made to the Employees' Trust Fund (ETF)	(2,139,868)	(1,788,773)
	(108,999,805)	(92,005,194)

9. FEE INCOME

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Policy fee	25,685,380	21,920,734
Administration fee	11,498,342	10,339,556
	37,183,722	32,260,290

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10. INTEREST AND DIVIDEND INCOME

For the year ended

	Note	31.12.2015 Rs.	31.12.2014 Rs.
Interest income	10.1	288,450,816	304,542,822
Dividend income	10.2	13,303,456	12,250,321
		301,754,272	316,793,143

10.1 Interest income

For the year ended

	31.12.2015 Rs.	31.12.2014 Rs.
Interest income from available-for-sale financial assets		
Treasury bills	67,878,878	89,989,113
Treasury bonds	8,537,665	-
Interest income from loans and receivables		
Debentures	80,479,584	55,312,574
Fixed deposits	111,212,271	147,049,243
Reverse repurchase agreements	17,203,537	9,788,373
Staff loans	2,297,559	2,007,096
Others	841,322	396,423
	288,450,816	304,542,822

10.2 Dividend income

For the year ended

	31.12.2015 Rs.	31.12.2014 Rs.
Dividend income from available-for-sale financial assets		
Unit trust	3,786,444	3,786,444
Dividend income from financial assets at fair value through profit or loss		
Quoted equity securities	9,517,012	8,463,877
	13,303,456	12,250,321

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11. FAIR VALUE GAINS AND LOSSES

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
- Realised	3,434,242	34,847,656
- Unrealised	(4,840,895)	35,675,809
	(1,406,653)	70,523,465

12. OTHER OPERATING REVENUE

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Other income	11,737,830	1,420,283
	11,737,830	1,420,283

13. PROFIT BEFORE TAX

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

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Auditors' remuneration - Statutory audit services	1,628,880	1,530,000
- Other services	1,686,169	958,500
Amortisation of intangibal assets	12,776,220	12,776,220
Depreciation of property, plant and equipment	10,398,120	10,864,515
Directors' emoluments	650,000	370,000
Share issue transaction cost not directly attributable	8,237,538	-

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14. INCOME TAX EXPENSE

Major components of income tax expense are as follows;

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Current tax		
Income tax on current year's profits	(147,818,274)	(127,892,117)
Over provision for income tax in respect of previous year	807,265	1,968,738
	(147,011,009)	(125,923,379)
Deferred tax		
Origination of deferred tax liability	7,767,180	(542,983)
Origination of deferred tax asset	446,621	3,755,292
Income tax expense	(138,797,208)	(122,711,070)

14.1 Reconciliation of effective tax rate

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Profit for the year	464,167,294	450,127,099
Income tax expense	147,011,009	125,923,379
Deferred taxation reversal	(8,213,801)	(3,212,309)
Profit before income tax	602,964,502	572,838,169
At the statutory income tax rate of 28% (2014: 28%)		
Income exempt from tax	(108,509,571)	(138,086,574)
Aggregate allowable expenses	(11,825,892)	(13,874,804)
Aggregate disallowed expenses	45,293,368	35,880,767
	527,922,407	456,757,558
Statutory tax rate	28%	28%
Tax at applicable rate	(147,818,274)	(127,892,117)
Net deferred taxation reversal	8,213,801	3,212,309
Over provision for income tax in respect of previous year	807,265	1,968,738
Total income tax expense	(138,797,208)	(122,711,070)

14.2 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.

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15. BASIC EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the net profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Profit for the period (Rs.)	464,167,294	450,127,099
Weighted average number of shares	150,000,000	150,000,000
Basic earnings per share (Rs.)	3.09	3.00
	2015	2014
Weighted average number of shares		
Issued ordinary shares as at 1 January	60,000,000	60,000,000
Effect of share split	90,000,000	90,000,000
	150,000,000	150,000,000

The Company carried out a share split of two existing ordinary shares into five ordinary shares on 13 October 2015, resulting in the 60,000,000 issued and fully paid ordinary shares of the Company as at 31 December 2014 being increased to 150,000,000 ordinary shares consequent to the share split without affecting any increase to the stated capital of the Company. Newly issued ordinary shares of 50,000,000 in January 2016 which were pending for allotment as at 31 December 2015 have not been considered in the computation of earnings per share.

15.1 Diluted earnings per share

There is no material change to basic EPS due to potential dilutive ordinary shares outstanding. Hence, no diluted earnings per share is presented.

16. DIVIDENDS

	2015	2014
Interim dividend		
Interim dividend paid (Rs.)	120,000,000	90,000,000
Number of ordinary shares	60,000,000	60,000,000
Interim dividend per share	2.00	1.50
Final dividend		
Final dividend proposed (Rs.)	120,000,000	120,000,000
Number of ordinary shares	Note 200,000,000	60,000,000
Final dividend per share	0.60	2.00

Note: The Company issued 50,000,000 ordinary shares in January 2016, increasing the total number of shares to 200,000,000, subsequent to the share split carried out in October 2015 which also resulted in an increase in the number of shares to 150,000,000 from 60,000,000. The Board of Directors proposes that the final dividend be paid in respect of all 200,000,000 shares which is to be approved at the forthcoming Annual General Meeting.

16.1 Final dividend proposed

The Board of Directors of the Company has proposed a final dividend of Rs. 0.60 per share for the financial year ended 31 December 2015 to be approved at the forthcoming Annual General Meeting, subsequent to the reporting date. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2015.

16.2 Compliance with section 56 and 57 of the Companies act No. 7 of 2007

As required by section 56 of the Companies Act No. 7 of 2007, the Board of Directors of the Company has satisfied the Solvency Test in accordance with section 57, prior to recommending the interim and final dividend for the year ended 31 December 2015.

17. INTANGIBLE ASSETS

	Software Rs.
Cost	
As at 1 January 2014	64,021,180
Additions	-
Disposals	-
As at 31 December 2014	64,021,180
Additions	-
Disposals	-
As at 31 December 2015	64,021,180
Accumulated amortisation	
As at 1 January 2014	2,304,410
Amortisation during the year	12,776,220
As at 31 December 2014	15,080,630
Amortisation during the year	12,776,220
As at 31 December 2015	27,856,850
Carrying amount	
As at 31 December 2014	48,940,550
As at 31 December 2015	36,164,330

17.1 There were no fully amortised intangible assets which are still in use and idle intangible assets as at the reporting date. No restrictions existed on the title of the intangible assets and no items pledged as securities for liabilities. There were no acquisition of intangible assets and capitalised borrowing costs of intangible assets during 2015.

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18. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware Rs.	Equipment Rs.	Furniture and fittings Rs.	Motor vehicles Rs.	Total Rs.
Cost					
As at 1 January 2014	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
Additions	3,035,400	2,979,041	53,183	-	6,067,624
Disposals	-	-	(290,000)	-	(290,000)
As at 31 December 2015	24,778,410	28,765,443	9,627,693	110,755	63,282,301
Accumulated depreciation					
As at 1 January 2014	7,133,905	9,045,074	4,353,312	51,685	20,583,976
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
Charge for the year	4,128,356	4,776,390	1,471,223	22,151	10,398,120
Disposals	-	-	(164,333)	-	(164,333)
As at 31 December 2015	15,341,509	18,639,231	7,605,551	95,987	41,682,278
Carrying amount					
As at 31 December 2014	10,529,857	11,923,561	3,565,849	36,919	26,056,186
As at 31 December 2015	9,436,901	10,126,212	2,022,142	14,768	21,600,023

18.1 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment (PPE) amounting to Rs. 6,067,624 (2014 - Rs. 8,610,403). Cash payments amounting to Rs. 6,067,624 (2014 - Rs. 8,610,403) were made during the year to purchase PPE.

18.2 Fully depreciated PPE in use

PPE includes fully depreciated assets which are in the use of normal business activities.

The initial cost of fully depreciated PPE which are still in use as at reporting date, is as follows:

As at	31.12.2015	31.12.2014
Computer hardware	4,003,710	660,740
Equipment	9,202,763	44,500
Furniture and fittings	3,987,050	8,753
	17,193,523	713,993

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18.3 Title restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

18.4 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities as at the year ended 31 December 2015 (2014 - Nil).

18.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of PPE during the year (2014 - Nil).

18.6 Temporarily idle PPE

There were no temporarily idle property as at the year ended 31 December 2015 (2014 - Nil).

19. FINANCIAL INVESTMENTS

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

As at	Note	31.12.2015 Rs.	31.12.2014 Rs.
Fair value through profit or loss	19.1	333,570,843	228,202,390
Loans and receivables	19.2	3,528,479,543	2,464,562,014
Available-for-sale	19.3	1,069,388,449	952,151,035
		4,931,438,835	3,644,915,439

The following table consists of the fair values of the financial investments together with their carrying values.

Fair value through profit or loss investments and available-for-sale investments have been valued at fair value. Loans and receivable investments have been valued at amortised cost.

As at	Carrying value		Fair value	
	31.12.2015 Rs.	31.12.2014 Rs.	31.12.2015 Rs.	31.12.2014 Rs.
Fair value through profit or loss	333,570,843	228,202,390	333,570,843	228,202,390
Loans and receivables	3,528,479,543	2,464,562,014	3,538,136,343	2,481,347,584
Available-for-sale	1,069,388,449	952,151,035	1,069,388,448	952,151,035
	4,931,438,835	3,644,915,439	4,941,095,634	3,661,701,009

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Notes to the Financial Statements Contd.

19. FINANCIAL INVESTMENTS (Contd.)

Analysis of financial investments based on characteristics

Following notes provide disclosures of the financial investments based on characteristics of the each class of instruments.

19.1 Fair value through profit or loss

As at	31.12.2015 Rs.	31.12.2014 Rs.
Quoted equity securities	333,570,843	228,202,390
	333,570,843	228,202,390

Details of investment in quoted equity securities are given below.

	31.12.2015		31.12.2014	
	No. of shares	Carrying value /fair value Rs.	No. of shares	Carrying value /fair value Rs.
Bank, finance and insurance				
Seylan Bank PLC	-	-	202,284	13,447,343
Hatton National Bank PLC	100,000	17,790,000	100,000	15,290,000
Commercial Bank of Ceylon PLC	245,476	33,336,572	242,863	38,686,527
National Development Bank	60,855	11,811,956	60,855	15,213,750
Sampath Bank PLC	647,865	160,670,520	300,000	70,890,000
Sector total	1,054,196	223,609,048	906,002	153,527,620
Diversified holdings				
John Keells Holdings PLC	295,813	52,684,295	88,837	22,209,250
Hemas Holdings PLC	50,000	4,645,000	-	-
Sector total	345,813	57,329,295	88,837	22,209,250
Health care				
Asiri Hospital Holdings PLC	500,000	12,000,000	500,000	10,800,000
The Lanka Hospital Corporation PLC	25,000	1,507,500	-	-
Sector total	525,000	13,507,500	500,000	10,800,000
Beverage food and tobacco				
Distilleries Company of Sri Lanka PLC	100,000	24,600,000	100,000	21,000,000
Sector total	100,000	24,600,000	100,000	21,000,000
Chemicals and pharmaceuticals				
CIC Holdings PLC	50,000	5,015,000	176,512	15,003,520
Sector total	50,000	5,015,000	176,512	15,003,520

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	31.12.2015		31.12.2014	
	No. of shares	Carrying value /fair value Rs.	No. of shares	Carrying value /fair value Rs.
Motors				
United Motors Lanka PLC	50,000	4,595,000	50,000	5,180,000
Sector total	50,000	4,595,000	50,000	5,180,000
Manufacturing				
Kelani Cables PLC	35,000	4,487,000	-	-
Sector total	35,000	4,487,000	-	-
Plantations				
Horana Plantations PLC	20,000	428,000	20,000	482,000
Sector total	20,000	428,000	20,000	482,000
Total	2,180,009	333,570,843	1,841,351	228,202,390

19.2 Loans and receivables

As at	Note	Carrying value		Fair value	
		31.12.2015 Rs.	31.12.2014 Rs.	31.12.2015 Rs.	31.12.2014 Rs.
Reverse repurchase agreements		935,537,054	223,649,982	935,537,053	223,649,982
Staff loans		23,914,016	17,038,349	24,006,231	18,881,507
Rent deposits		1,664,114	1,334,217	1,664,114	1,334,217
Fixed deposits	19.2.1	1,583,541,877	1,558,430,779	1,607,964,477	1,563,225,398
Savings accounts		2,542,719	2,664,587	2,542,719	2,664,587
Listed debentures	19.2.2	981,279,763	661,444,099	966,421,749	671,591,893
		3,528,479,543	2,464,562,013	3,538,136,343	2,481,347,584

19.2.1 Fixed deposits

As at		31.12.2015 Rs.	31.12.2014 Rs.
Licensed commercial banks	19.2.1.1	992,244,237	1,118,755,591
Licensed specialised banks		158,470,772	93,462,296
Registered finance companies	19.2.1.2	432,826,868	346,212,892
		1,583,541,877	1,558,430,779

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Notes to the Financial Statements Contd.

19. FINANCIAL INVESTMENTS (Contd.)

19.2.1.1 Licensed commercial banks

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Fixed deposits with related parties - People's Bank	59,136,055	99,132,033
Other banks	933,108,182	1,019,623,558
	992,244,237	1,118,755,591

19.2.1.2 Registered finance companies

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Fixed deposits with related parties - People's Leasing & Finance PLC	126,502,951	81,055,514
Other finance companies	306,323,917	265,157,378
	432,826,868	346,212,892

19.2.2 Listed debentures

As at	Carrying value	
Institution	31.12.2015	31.12.2014
	Rs.	Rs.
People's Leasing & Finance PLC		
16.75% 500,000 debentures redeemable on 26.03.2018	54,230,539	54,229,150
17.00% 500,000 debentures redeemable on 26.03.2018	58,540,750	58,534,798
Merchant Bank of Sri Lanka		
17.50% 938,800 debentures redeemable on 27.03.2018	110,377,062	110,363,345
Housing Development Finance Corporation (HDFC) Bank of Sri Lanka		
14.50% 99,500 debentures redeemable on 14.12.2019	10,314,268	10,314,193
Sampath Bank PLC		
13.00% 298,000 debentures redeemable on 04.12.2018	31,755,735	31,755,460
13.40% 298,000 debentures redeemable on 04.12.2018	33,798,504	33,797,876
8.25% 1,250,000 debentures redeemable on 14.12.2019	135,323,049	125,435,708
9.90% 500,000 debentures redeemable on 18.12.2020	50,562,901	-
Abans Limited		
14.00% 500,000 debentures redeemable on 20.12.2016	53,535,248	53,534,547

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As at Institution	Carrying value	
	31.12.2015 Rs.	31.12.2014 Rs.
National Development Bank PLC		
13.00% 75,700 debentures redeemable on 19.12.2018	8,066,618	8,066,571
13.40% 75,700 debentures redeemable on 19.12.2018	8,584,908	8,584,845
Zero coupon 282,800 debentures redeemable on 24.06.2020	18,784,209	-
DFCC Bank PLC		
8.50% 646,600 debentures redeemable on 19.08.2017	66,639,828	66,655,360
9.49% 332,100 debentures redeemable on 10.06.2020	34,928,918	-
Seylan Bank PLC		
8.00% 1,000,000 debentures redeemable on 22.12.2018	104,036,749	100,172,247
MTD Walkers PLC		
9.75% 500,000 debentures redeemable on 30.09.2018	51,215,469	-
Commercial Credit and Finance PLC		
10.40% 1,000,000 debentures redeemable on 10.12.2020	100,585,007	-
Sanasa Development Bank PLC		
10.30% 500,000 debentures redeemable on 31.12.2020	50,000,000	-
	981,279,762	661,444,100

19.2.3 Impairment of loans and receivable financial investments

At the reporting date, there were no loans and receivables that were overdue and impaired.

19.3 Available-for-sale

As at	31.12.2015 Rs.	31.12.2014 Rs.
Treasury bills	960,930,530	890,999,955
Unit trust	52,536,919	61,151,080
Treasury bonds	55,921,000	-
	1,069,388,449	952,151,035

19.3.1 Impairment of available-for-sale financial investments

At the reporting date, there were no available-for-sale financial investments that were overdue and impaired.

*Notes to the Financial Statements Contd.***19. FINANCIAL INVESTMENTS (Contd.)****19.4 Movement in financial investments**

	Fair value through profit or loss Rs.	Loans and receivables Rs.	Available- for-sale Rs.
As at 1 January 2014	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
Purchases	432,411,241	19,343,847,632	3,590,116,703
Maturities	(309,077,919)	(18,279,930,103)	(3,462,405,385)
Fair value losses recorded in statement of income	(17,964,869)	-	-
Fair value losses recorded in statement of comprehensive income	-	-	(10,473,904)
As at 31 December 2015	333,570,843	3,528,479,543	1,069,388,449

19.5 Methodologies and assumptions used to determine fair value of the financial investments are disclosed in note 36 to the financial statements.

19.6 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in note 37 to the financial statements.

19.7 Financial investments pledged as security

No financial investments except for the fixed deposit of Rs. 10,000,000 at People's Bank (pledged against the overdraft facility obtained from People's Bank) have been pledged as a security as at the reporting date.

20. REINSURANCE RECEIVABLES

As at	31.12.2015 Rs.	31.12.2014 Rs.
Reinsurance receivables on outstanding claims	94,907,488	137,282,451
	94,907,488	137,282,451

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

20.1 Reinsurance receivables on outstanding claims

This includes reinsurance reserve of claims that has not been paid yet and hence, the reinsurance portion of receivable that has not materialised.

20.2 Collateral details

The Company does not hold collateral as security against potential default by reinsurance counter parties.

20.3 Assessment of impairment of reinsurance receivables

The Board of Directors has assessed the potential impairment indicators of reinsurance receivables as at 31 December 2015. Based on the assessment, no impairment indicators were identified. Please refer note 37 for reinsurers' ratings.

20.4 Risk management

For risk management initiatives relating to reinsurance, please refer note 37 to the financial statements.

21. INSURANCE RECEIVABLES

As at	Note	31.12.2015 Rs.	31.12.2014 Rs.
Policyholders		67,117,198	45,745,308
Related parties	21.1	509,986,527	475,980,332
Brokers and intermediates		20,105,277	5,921,632
		597,209,002	527,647,272
Less: Impairment		(5,760,690)	(3,914,731)
Insurance receivable net of impairment		591,448,312	523,732,541

21.1 Insurance receivables from related parties

As at	31.12.2015 Rs.	31.12.2014 Rs.
People's Leasing & Finance PLC	498,424,914	461,385,252
People's Bank	33,943	9,378,675
People's Microfinance Limited	10,075,967	2,976,987
Other related parties	1,451,703	2,239,418
	509,986,527	475,980,332

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

21.2 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

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21. INSURANCE RECEIVABLES (Contd.)

21.3 Assessment of impairment of insurance receivable

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 December 2015. Based on the assessment, it was concluded that there is no need for an additional impairment loss provision other than amounts provided.

22. DEFERRED EXPENSES

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Reserve for deferred acquisition expenses		
As at 1 January	190,815,736	178,136,761
Increase in deferred acquisition expenses	21,381,593	12,678,975
As at 31 December	212,197,329	190,815,736
Reserve for deferred reinsurance commission		
As at 1 January	10,049,477	10,781,132
Increase/(decrease) in deferred reinsurance commission	1,320,259	(731,655)
As at 31 December	11,369,736	10,049,477
	200,827,593	180,766,259

23. OTHER ASSETS

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Non-financial assets		
Advances, deposits and prepayments	16,216,114	9,561,212
Inventory	1,964,070	664,840
Other receivables	1,836,168	1,716,348
	20,016,352	11,942,400

23.1 Loans to Directors

No loans have been granted to the Directors of the Company.

24. CASH AND CASH EQUIVALENTS

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Cash in hand	120,380	146,370
Balances at bank	745,571,600	184,467,736
	745,691,980	184,614,106

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24.1 For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and balance at bank net of outstanding bank overdrafts. Significant increase in cash and cash equivalents is due to the funds received in excess of the initial public offering (IPO) size of Rs. 750,000,000 which was to be refunded upon allotment. 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	31.12.2015 Rs.	31.12.2014 Rs.
Cash in hand and balances at bank	745,691,980	184,614,106
Bank overdraft	(41,752,689)	(3,840,303)
	703,939,291	180,773,803

25. STATED CAPITAL

	2015		2014	
	No. of shares	Rs.	No. of shares	Rs.
Balance as at 1 January	60,000,000	600,000,000	60,000,000	600,000,000
Effect of share split	90,000,000	-	-	-
Pending allotment	-	750,000,000	-	-
Balance as at 31 December	150,000,000	1,350,000,000	60,000,000	600,000,000

The Company carried out a share split of two existing ordinary shares into five ordinary shares on 13 October 2015, resulting in the 60,000,000 issued and fully paid ordinary shares of the Company as at 31 December 2014 being increased to 150,000,000 ordinary shares consequent to the share split without affecting any increase to the stated capital of the Company. 50,000,000 ordinary shares offered to the public through the IPO in December 2016 were pending for allotment as at 31 December 2015.

25.1 Rights of ordinary shareholders

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Company.

26. RETAINED EARNINGS

As at	Note	31.12.2015 Rs.	31.12.2014 Rs.
Balance as at 1 January		797,803,529	482,676,430
Adjustment for super gain tax	34	(99,360,657)	-
Adjusted balance as at 1 January 2015		698,442,872	482,676,430
Profit for the year		464,167,294	450,127,099
Share issue transaction cost		(22,968,751)	-
Dividend paid		(240,000,000)	(135,000,000)
Balance as at 31 December		899,641,415	797,803,529

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27. AVAILABLE-FOR-SALE RESERVE

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Balance as at 1 January	13,004,499	2,339,424
Other comprehensive income for the year	(11,051,998)	10,665,075
Balance as at 31 December	1,952,501	13,004,499

27.1 The available-for-sale reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

28. INSURANCE CONTRACT LIABILITIES

As at	Note	31.12.2015	31.12.2014
		Rs.	Rs.
Provision for net unearned premium	28.2	1,938,267,412	1,697,904,856
Provision for gross outstanding claims	28.3	813,614,237	800,605,066
Provision for gross incurred but not reported (IBNR) claims	28.4	414,734,867	402,622,227
		3,166,616,516	2,901,132,149

28.1 Insurance contract liabilities

As at		2015			2014		
	Note	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Provision for net unearned premium	28.2	1,993,088,802	(54,821,390)	1,938,267,412	1,759,515,526	(61,610,670)	1,697,904,856
Outstanding claims							
Provision for gross outstanding claims	28.3	813,614,237	(51,100,818)	762,513,419	800,605,066	(73,560,225)	727,044,841
Provision for incurred but not reported (IBNR) claims	28.4	414,734,867	(43,806,676)	370,928,191	402,622,227	(63,722,226)	338,900,001
		3,221,437,906	(149,728,884)	3,071,709,022	2,962,742,819	(198,893,121)	2,763,849,698

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28.2 Provision for net unearned premium

As at	2015			2014		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	1,759,515,526	(61,610,670)	1,697,904,856	1,604,111,715	(62,411,606)	1,541,700,109
Premium written during the year	3,813,271,656	(304,969,079)	3,508,302,582	3,440,608,282	(293,936,371)	3,146,671,911
Premium earned during the year	(3,579,698,385)	311,758,359	(3,267,940,026)	(3,285,204,471)	294,737,307	(2,990,467,164)
As at 31 December	1,993,088,797	(54,821,390)	1,938,267,412	1,759,515,526	(61,610,670)	1,697,904,856

28.3 Provision for gross outstanding claims

As at	2015			2014		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	800,605,066	(73,560,225)	727,044,841	711,448,887	(63,634,065)	647,814,822
Claims incurred in the current accident year	2,250,240,413	(15,319,837)	2,234,920,581	2,056,967,995	(17,164,328)	2,039,803,667
Claims paid during the year	(2,237,231,242)	37,779,244	(2,199,451,998)	(1,967,811,816)	7,238,168	(1,960,573,648)
As at 31 December	813,614,237	(51,100,818)	762,513,424	800,605,066	(73,560,225)	727,044,841

28.4 Provision for gross incurred but not reported claims

As at	2015			2014		
	Gross liabilities	Reinsurance	Net liabilities	Gross liabilities	Reinsurance	Net liabilities
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 January	402,622,227	(63,722,226)	338,900,001	262,888,436	(46,888,436)	216,000,000
Provision made during the year	12,112,640	19,915,550	32,028,190	139,733,791	(16,833,790)	122,900,001
As at 31 December	414,734,867	(43,806,676)	370,928,191	402,622,227	(63,722,226)	338,900,001

28.5 Reconciliation between insurance provision and technical reserves

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance contract liabilities	3,166,616,516	2,901,132,149
Reserve for net deferred acquisition expenses	(200,827,593)	(180,765,610)
Reinsurance on case reserves	(51,100,818)	(70,858,397)
Reinsurance on IBNR provision	(43,806,676)	(63,722,226)
Technical reserves	2,870,881,429	2,585,785,916

*Notes to the Financial Statements Contd.***28. INSURANCE CONTRACT LIABILITIES (Contd.)****28.6 Liability adequacy test**

A liability adequacy test (LAT) was performed by NMG Financial Services Consulting Pte Limited, a firm of professional actuaries as at 31 December 2015 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the Company adequately satisfies the LAT as at 31 December 2015. Hence, no additional provision was required as at 31 December 2015.

28.7 Valuation of IBNR and IBNER

The incurred but not reported claims reserve has been actuarially computed by NMG Financial Services Consulting Pte Limited as at 31 December 2015.

28.7.1 Changes in assumption

There were no material estimation changes from valuation previous valuation done on 31 December 2014.

29. EMPLOYEE DEFINED BENEFIT OBLIGATIONS**29.1 Defined benefit plans - Provision for employee benefits**

As at	31.12.2015 Rs.	31.12.2014 Rs.
Present value of unfunded obligation	6,027,515	4,432,438

29.1.1 Movement in the present value of the Employee Benefits

	Note	2015 Rs.	2014 Rs.
As at 1 January		4,432,438	2,493,213
Expenses recognised during the year	29.1.2	1,796,345	1,307,256
Payments during the year		(34,475)	-
Actuarial (gain)/loss	29.1.3	(166,793)	631,969
As at 31 December		6,027,515	4,432,438

29.1.2 Expenses recognised in statement of income

For the year ended	31.12.2015 Rs.	31.12.2014 Rs.
Interest cost	398,919	299,185
Current service cost	1,397,426	1,008,071
	1,796,345	1,307,256

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29.1.3 Expenses recognised in statement of comprehensive income

For the year ended	31.12.2015 Rs.	31.12.2014 Rs.
Actuarial (gain)/loss during the year	(166,793)	631,969
	(166,793)	631,969

29.1.4 Valuation of employee benefit obligations

As at 31 December 2015, the gratuity liability was actuarially valued under the Projected Unit Credit method by Messers. Piyal S. Goonatileke and Associates, a firm of professional actuaries as required by LKAS - 19 - Employee Benefits.

29.1.5 Principal actuarial assumptions used

	2015	2014
(a) Discount rate	10%	9%
(b) Salary increase	8%	7%
(c) Incidence of withdrawal		
20 years	8%	8%
25 years	7.50%	7.50%
30 years	7%	7%
35 years	5%	5%
40 years	1.50%	1.50%
45 years	0.90%	0.90%
50 years	0.00%	0.00%
Expected average future working life of the active participants (years)	14.1	13.9

29.1.5.1 Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

As at	31.12.2015		31.12.2014	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate 1%	(619,779)	758,117	(429,129)	526,070
Future salary growth 1%	751,046	(624,694)	519,942	(431,285)

*Notes to the Financial Statements Contd.***30. OTHER FINANCIAL LIABILITIES**

As at	Note	31.12.2015		31.12.2014	
		Carrying value	Fair value	Carrying value	Fair value
Other creditors including accrued expenses	30.1	858,479,969	849,745,565	109,482,286	109,482,286
Outstanding commission payable		139,278,623	139,278,626	132,457,379	132,457,379
Amounts due to related parties	30.2	36,516,505	36,516,506	34,891,452	34,891,452
		1,034,275,097	1,025,540,697	276,831,117	276,831,117

30.1 Other creditors including accrued expenses

Other creditors including accrued expenses also includes funds amounting to Rs. 684,778,595 received in excess of the initial public offering (IPO) size of Rs. 750,000,000 which was to be refunded upon allotment of shares.

30.2 Amounts due to related parties

As at	31.12.2015 Rs.	31.12.2014 Rs.
People's Leasing Fleet Management Limited	38,477	410,544
People's Leasing & Finance PLC	36,478,028	34,480,908
	36,516,505	34,891,452

31. OTHER LIABILITIES

As at	31.12.2015 Rs.	31.12.2014 Rs.
Government levies payable	24,448,328	23,703,110

32. DEFERRED TAX LIABILITY

As at	31.12.2015 Rs.	31.12.2014 Rs.
Deferred tax assets	(1,966,666)	(2,098,138)
Deferred tax liabilities	7,907,655	15,674,835
	5,940,989	13,576,697

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As at	31.12.2015		31.12.2014	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
32.1 Deferred tax asset				
Employee benefits	(6,027,515)	(1,687,705)	(4,432,439)	(1,241,083)
Fair value gains recognised in statement of comprehensive income	(1,859,743)	(278,961)	(3,060,911)	(857,055)
32.2 Deferred tax liabilities				
Property, plant and equipment	45,017,477	7,907,655	55,981,554	15,674,835
Recognised net deferred tax liability	37,130,219	5,940,989	48,488,204	13,576,697
33. BANK OVERDRAFT				
As at	31.12.2015		31.12.2014	
		Rs.		Rs.
Bank overdraft		41,752,688		3,840,303

The bank overdraft amounting to Rs. 9,000,000 is subject to variable over draft 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.

34. SUPER GAIN TAX

As per the provisions of Part III of the Finance Act No. 10 of 2015 which was certified on 30 October 2015, the Company was liable for super gain tax (SGT) of Rs. 99,360,657. According to the Act, SGT shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of SGT was accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

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Notes to the Financial Statements Contd.

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

As at	31.12.2015			31.12.2014		
	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	36,164,330	-	36,164,330	48,940,550	-	48,940,550
Property, plant and equipment	21,600,023	-	21,600,023	26,056,186	-	26,056,186
Financial investments	4,931,438,835	3,995,266,831	936,172,004	3,644,915,439	2,902,617,324	742,298,115
Reinsurance receivables	94,907,488	94,907,488	-	137,282,451	137,282,451	-
Insurance receivables	591,448,312	591,448,312	-	523,732,541	523,732,541	-
Deferred expenses	200,827,593	200,827,593	-	180,766,259	180,766,259	-
Other assets	20,016,352	20,016,352	-	11,942,400	11,942,400	-
Cash and cash equivalents	745,691,980	745,691,980	-	184,614,106	184,614,106	-
Total assets	6,642,094,913	5,648,158,556	993,936,357	4,758,249,932	3,940,955,081	817,294,851
Equity and liabilities						
Equity						
Stated capital	1,350,000,000	-	1,350,000,000	600,000,000	-	600,000,000
Revenue reserves	900,994,133	-	900,994,133	810,041,452	-	810,041,452
Total equity	2,250,994,133	-	2,250,994,133	1,410,041,452	-	1,410,041,452
Liabilities						
Insurance contract liabilities	3,166,616,516	3,104,457,241	62,159,275	2,901,132,149	2,840,191,683	60,940,466
Employee defined benefit obligations	6,027,515	-	6,027,515	4,432,438	-	4,432,438
Other financial liabilities	1,034,275,097	1,034,275,097	-	276,831,117	276,831,117	-
Other liabilities	24,448,328	24,448,328	-	23,703,110	23,703,110	-
Reinsurance payable	36,820,195	36,820,195	-	62,262,572	62,262,572	-
Income tax payable	75,219,452	75,219,452	-	62,430,094	62,430,094	-
Deferred tax liability	5,940,989	-	5,940,989	13,576,697	-	13,576,697
Bank overdraft	41,752,688	41,752,688	-	3,840,303	3,840,303	-
Total liabilities	4,391,100,780	4,316,973,001	74,127,779	3,348,208,480	3,269,258,879	78,949,601
Total equity and liabilities	6,642,094,913	4,316,973,001	2,325,121,912	4,758,249,932	3,269,258,879	1,488,991,053

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36. FINANCIAL ASSETS AND LIABILITIES

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

As at	Note	31.12.2015				Fair value Rs.
		Fair value through profit or loss Rs.	Available for sale Rs.	Loans and receivables Rs.	Total carrying amount Rs.	
Financial assets						
Financial investments	19					
Measured at fair value		333,570,843	1,069,388,449	-	1,402,959,292	1,402,959,292
Measured at amortised cost		-	-	3,528,479,544	3,528,479,544	3,538,136,343
Reinsurance receivables	20	-	-	94,907,488	94,907,488	94,907,488
Insurance receivables	21	-	-	591,448,312	591,448,312	591,448,312
Cash and cash equivalents	24	-	-	745,691,980	745,691,980	745,691,980
Total		333,570,843	1,069,388,449	4,960,527,324	6,363,486,616	6,373,143,415
Financial liabilities						
Reinsurance payable		-	-	36,820,195	36,820,195	36,820,195
Bank overdraft	33	-	-	41,752,688	41,752,688	41,752,688
Other financial liabilities						
(Excluding government levies and accruals)	30	-	-	1,034,275,097	1,034,275,097	1,034,275,097
		-	-	1,112,847,980	1,112,847,980	1,112,847,980

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Notes to the Financial Statements Contd.

36. FINANCIAL ASSETS AND LIABILITIES (Contd.)

As at	Note	31.12.2014				Fair value Rs.
		Fair value through profit or loss Rs.	Available for sale Rs.	Loans and receivables Rs.	Total carrying amount Rs.	
Financial assets						
Financial investments	19					
Measured at fair value		228,202,390	952,151,035	-	1,180,353,425	1,180,353,425
Measured at amortised cost		-	-	2,464,562,014	2,464,562,014	2,481,347,584
Reinsurance receivables	20	-	-	137,282,451	137,282,451	137,282,451
Insurance receivables	21	-	-	523,732,541	523,732,541	523,732,541
Cash and cash equivalents	24	-	-	184,614,106	184,614,106	184,614,106
Total		228,202,390	952,151,035	3,310,191,112	4,490,544,537	4,507,330,107
Financial liabilities						
Reinsurance payables	-	-	-	62,262,572	62,262,572	62,262,572
Bank overdraft	33	-	-	3,840,303	3,840,303	3,840,303
Other financial liabilities						
(Excluding government levies and accruals)	30	-	-	276,831,117	276,831,117	276,831,117
		-	-	342,933,992	342,933,992	342,933,992

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

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36.2 Fair value measurement

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

As at 31st December,	2015				2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value;								
Financial investments								
carried at fair value								
Quoted equity securities	333,570,843	-	-	333,570,843	228,202,390	-	-	228,202,390
Available-for-sale								
financial assets								
Treasury bills	960,930,530	-	-	960,930,530	890,999,955	-	-	890,999,955
Unit trust	52,536,919	-	-	52,536,919	61,151,080	-	-	61,151,080
Treasury bonds	55,921,000	-	-	55,921,000	-	-	-	-
Assets measured at								
amortised cost and								
fair values are disclosed*;								
Loans and receivables								
Reverse repurchase agreements	-	935,537,054	-	935,537,054	-	223,649,982	-	223,649,982
Staff loans	-	24,006,231	-	24,006,231	-	18,881,507	-	18,881,507
Rent deposit	-	1,664,114	-	1,664,114	-	1,334,217	-	1,334,217
Fixed deposits	-	1,607,964,477	-	1,607,964,477	-	1,563,225,398	-	1,563,225,398
Savings accounts	-	2,542,719	-	2,542,719	-	2,664,587	-	2,664,587
Listed debentures	-	966,421,749	-	966,421,749	-	671,591,893	-	671,591,893

Total financial assets

* Fair values are determined based on the assumptions given in the note 36.3.

*Notes to the Financial Statements Contd.***36. FINANCIAL ASSETS AND LIABILITIES (Contd.)****36.3 Financial instruments not carried at fair value**

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

Assets and liabilities 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
Reverse repurchase agreements	Outstanding commission payable
Fixed deposits with less than three months remaining maturity	Amounts due to related parties
Savings accounts	Other creditors including accrued expenses
Insurance receivables	Reinsurance payables
Reinsurance receivables	

Fixed deposits with more than three months remaining maturity

Fair values are estimated based on discounted cash flows using current market yields of treasury bills with similar maturity plus a risk premium determined based on the credit rating of the institution.

Debentures

Fair values are calculated based on published market prices.

Staff loans

Fair values are computed based on the interest rate that prevailed at reporting date.

37. 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.

▶ **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 time 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 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 premiums before settling claims to reduce the credit risk. The Company has implemented an impairment review for premiums receivables periodically and provide for the same based on the results of the review.

*Notes to the Financial Statements Contd.***37. RISK MANAGEMENT FRAMEWORK (Contd.)**

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 reinsurers of the Company with their ratings.

Reinsurer	Rating	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
MAPFRE Asistencia, Compania Internacional	A (Excellent)	A.M.Best
Lloyd's	A (Excellent)	A.M.Best
	A+ (Strong)	Standard and Poor's

In addition to the above reinsurers, the Company makes the compulsory contributions to the National Insurance Trust Fund, owned by the Government of Sri Lanka, on a regular basis.

The Company evaluates the credit ratings of the respective investee and/or respective issue prior to the investment decision 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 monitor 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 2015 and 2014 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.

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As at 31 December 2015	Neither past-due nor impaired				Past-due but		Total Rs.
	Risk free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	not impaired Rs.	
Available-for-sale financial assets							
Investments in							
government securities	1,016,851,530	-	-	-	-	-	1,016,851,530
Loans and receivables							
Reverse repurchase agreements	935,537,054	-	-	-	-	-	935,537,054
Debentures	-	223,148,351	629,961,847	128,169,565	-	-	981,279,763
Fixed deposits	-	758,682,527	793,583,285	31,276,067	-	-	1,583,541,878
Savings accounts	-	2,542,719	-	-	-	-	2,542,719
Staff loans and rent deposits	-	-	-	-	25,578,130	-	25,578,130
Insurance receivables (gross)	-	498,184,768	-	-	84,338,969	14,685,265	597,209,002
Reinsurance receivables	-	26,782,109	68,125,379	-	-	-	94,907,488
Cash in hand and balance at bank	-	744,995,462	-	-	120,380	-	745,115,842
Total	1,952,388,584	2,254,335,936	1,491,670,511	159,445,632	110,037,479	14,685,265	5,982,563,406

As at 31 December 2014	Neither past-due nor impaired				Past-due but		Total Rs.
	Risk free Rs.	AAA to AA- Rs.	A+ to A- Rs.	BBB+ to BB- Rs.	Non-rated Rs.	not impaired Rs.	
Available-for-sale financial assets							
Investments in							
government securities	890,999,955	-	-	-	-	-	890,999,955
Loans and receivables							
Reverse 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

*Notes to the Financial Statements Contd.***37. RISK MANAGEMENT FRAMEWORK (Contd.)*****Collateral adequacy***

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Carrying value of investments in reverse repurchase agreements	935,537,054	223,649,982
Fair value of collaterals	1,023,359,827	250,124,500
Excess value of collaterals	87,822,773	26,474,518

▶ **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.

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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 are provided below.

As at 31 December 2015

Financial assets/liabilities	0-6 months Rs.	7-12 months Rs.	1-2 years Rs.	Over 2 years Rs.	No stated maturity Rs.	Total Rs.
Financial assets						
Fair value through profit or loss						
quoted equity securities	-	-	-	-	333,570,844	333,570,844
Available-for-sale financial assets						
Investments in						
government securities	804,873,512	177,132,700	5,600,000	66,800,000	-	1,054,406,212
Investment in unit trust	-	-	-	-	52,536,919	52,536,919
Loans and receivables						
Reverse repurchase agreements	935,537,054	-	-	-	-	935,537,054
Debentures	-	163,503,583	157,841,478	918,102,150	-	1,239,447,211
Fixed deposits	1,218,374,074	393,987,760	-	-	-	1,612,361,834
Savings accounts	-	-	-	-	2,542,719	2,542,719
Staff loans and rent deposits	3,070,092	2,907,337	7,069,008	11,186,863	-	24,233,300
Insurance receivables	591,448,309	-	-	-	-	591,448,309
Reinsurance receivables	94,907,495	-	-	-	-	94,907,495
Cash in hand and balance at bank	745,691,980	-	-	-	-	745,691,980
Total	4,393,902,516	737,531,380	170,510,486	996,089,013	388,650,482	6,686,683,877
Financial liabilities						
Bank overdraft	49,910,963	-	-	-	-	49,910,963
Insurance liabilities						
and reinsurance payables	2,088,201,206	1,055,214,532	20,006,989	40,013,978	-	3,203,436,715
Other financial liabilities	1,025,540,697	-	-	-	-	1,025,540,697
Total	3,163,652,866	1,055,214,532	20,006,989	40,013,978	-	4,278,888,375

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Notes to the Financial Statements Contd.

37. RISK MANAGEMENT FRAMEWORK (Contd.)

As at 31 December 2014						
Financial assets/liabilities	0-6 months	7-12 months	1-2 years	Over 2 years	No stated maturity	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets						
Fair value through profit or loss						
quoted equity securities	-	-	-	-	228,202,390	228,202,390
Available-for-sale financial assets						
Investments in						
government securities	680,714,500	230,574,300	-	-	-	911,288,800
Investment in unit trust	-	-	-	-	61,151,080	61,151,080
Loans and receivables						
Reverse 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	-	-	-	-	2,664,587	2,664,587
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	292,018,057	4,739,853,549
Financial liabilities						
Bank overdraft	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

▷ **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 financial markets. This principally comprises 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 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. 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 monitor 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 is given below.

As at Category	31.12.2015		31.12.2014	
	Composition	Rs.	Composition	Rs.
Government securities	39.61%	1,952,388,583	30.58%	1,114,649,937
Corporate debts	19.91%	981,279,763	18.14%	661,444,099
Quoted equity securities	6.77%	333,570,844	6.26%	228,202,390
Fixed deposits	32.13%	1,583,541,878	42.76%	1,558,430,780
Unit trusts	1.07%	52,536,919	1.68%	61,151,080
Others	0.51%	25,603,290	0.58%	21,037,153
Total	100.00%	4,928,921,277	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.

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%.

*Notes to the Financial Statements Contd.***37. RISK MANAGEMENT FRAMEWORK (Contd.)**

As at	31.12.2015			31.12.2014		
	Net asset value Rs.	Profit before tax Rs.	Other comprehensive income before tax Rs.	Net asset value Rs.	Profit before tax Rs.	Other comprehensive income before tax Rs.
Interest rate risk						
Government securities						
+100 basis points	(2,300,912)	-	(2,300,912)	(3,306,846)	-	(3,306,846)
-100 basis points	2,319,504	-	2,319,504	3,340,227	-	3,340,227
+200 basis points	(4,583,514)	-	(4,583,514)	(6,580,858)	-	(6,580,858)
-200 basis points	4,657,889	-	4,657,889	6,714,394	-	6,714,394
Equity market risk						
10% increase in equity market prices	33,357,084	33,357,084	-	22,820,239	22,820,239	-
10% decrease in equity market prices	(33,357,084)	(33,357,084)	-	(22,820,239)	(22,820,239)	-
20% increase in equity market prices	66,714,169	66,714,169	-	45,640,478	45,640,478	-
20% decrease in equity market prices	(66,714,169)	(66,714,169)	-	(45,640,478)	(45,640,478)	-

(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.

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The table below sets out the concentration of insurance claim liabilities by type of contract.

As at	31.12.2015			31.12.2014		
	Gross liabilities	Reinsurance receivable	Net liabilities	Gross liabilities	Reinsurance receivable	Net liabilities
Motor	934,189,155	32,248,191	901,940,964	828,500,077	47,930,632	780,569,445
Marine	2,477,912	1,657,057	820,854	4,215,966	1,731,306	2,484,660
Fire	116,503,348	57,124,027	59,379,322	133,001,095	60,110,630	72,890,465
Miscellaneous	175,178,695	3,878,221	171,300,474	237,510,155	27,509,883	210,000,271
Total	1,228,349,110	94,907,496	1,133,441,614	1,203,227,293	137,282,451	1,065,944,841

Claims development table

The following tables show the estimates of cumulative incurred claims for each year, together with cumulative payments to date.

Gross non-life insurance outstanding claims provision for 2015

(All figures are in Rupees thousands unless otherwise stated)

Accident period	Current estimate of cumulative claims incurred						Total
	2010	2011	2012	2013	2014	2015	
2015	1,703	6,377	(5,165)	35,874	31,044	2,182,703	
2014	1,465	1,577	28,391	(15,126)	2,040,473		
2013	3,148	50,297	(167,837)	2,042,094			
2012	4,224	(58,704)	2,042,934				
2011	2,762	1,396,938					
2010	213,653						
Current estimate of cumulative claims incurred	226,955	1,396,485	1,898,323	2,062,842	2,071,517	2,182,703	9,838,827

Accident period	Cumulative payments to date						Total
	2010	2011	2012	2013	2014	2015	
2015	(1,718)	(16,664)	(53,691)	(28,525)	(395,616)	(1,743,314)	
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)		
2013	(3,495)	(57,574)	(252,384)	(1,621,312)			
2012	(5,154)	(311,763)	(1,465,583)				
2011	(72,227)	(893,614)					
2010	(134,902)						
Cumulative payments to date	(219,825)	(1,298,830)	(1,801,418)	(1,979,830)	(1,981,995)	(1,743,314)	(9,025,212)
Total gross claims outstanding	7,130	97,655	96,905	83,012	89,522	439,389	813,614

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Notes to the Financial Statements Contd.

37. RISK MANAGEMENT FRAMEWORK (Contd.)

Net non-life insurance outstanding claims provision for 2015

(All figures are in Rupees thousands unless otherwise stated)

Accident period	Current estimate of cumulative claims incurred						Total
	2010	2011	2012	2013	2014	2015	
2015	1,599	6,454	(3,982)	34,203	16,076	2,185,517	
2014	1,465	2,382	28,151	(15,127)	2,023,094		
2013	3,157	51,344	(158,485)	2,034,121			
2012	4,239	(15,515)	1,976,422				
2011	4,621	1,224,086					
2010	209,132						
Current estimate of cumulative claims incurred	224,213	1,268,751	1,842,106	2,053,197	2,039,170	2,185,517	9,612,954

Accident period	Cumulative payments to date						Total
	2010	2011	2012	2013	2014	2015	
2015	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)	
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,581,958)		
2013	(3,495)	(32,280)	(226,969)	(1,616,605)			
2012	(5,123)	(248,760)	(1,457,470)				
2011	(71,904)	(890,083)					
2010	(132,617)						
Cumulative payments to date	(217,082)	(1,205,204)	(1,745,451)	(1,974,371)	(1,951,444)	(1,756,890)	(8,850,442)
Total net claims outstanding	7,131	63,547	96,655	78,826	87,726	428,627	762,512

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Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation

Table 1: Impact on claim liability to changes in key variables

Variable	Change in variable	75% claim	Change in 75%
		liabilities	claim liabilities
		Rs.	Rs.
Original	-	1,131,945,818	-
Claim handling expenses (CHE)	+10%	1,135,773,654	3,827,836
Claim handling expenses (CHE)	-10%	1,128,117,981	(3,827,836)
Loss development factors (LDF)	+10%	1,178,384,869	46,439,052
Loss development factors (LDF)	-10%	1,083,562,719	(48,383,099)
Provision for adverse deviation (PRAD)	Double	1,252,771,514	120,825,696
Provision for adverse deviation (PRAD)	Halve	1,071,532,969	(60,412,848)

Table 2: Impact on premium liability to changes in key variables

Variable	Change in variable	URR at 75%	Premium	Change in
		confidence	liabilities (PL)	premium
		level	Rs.	liabilities
		Rs.		Rs.
Original		1,563,153,359	1,938,267,412	-
Claim handling expenses (CHE)	+10%	1,571,351,198	1,938,267,412	-
Claim handling expenses (CHE)	-10%	1,554,955,520	1,938,267,412	-
Provision for adverse deviation (PRAD)	Double	1,620,026,257	1,938,267,412	-
Provision for adverse deviation (PRAD)	Halve	1,534,716,910	1,938,267,412	-

*Notes to the Financial Statements Contd.***38. RELATED PARTY TRANSACTIONS**

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in LKAS 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

38.1 Transactions and outstanding balances with the ultimate parent - People's Bank**Transactions**

For the year ended	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium in respect of their own policies	236,115,079	239,529,213
Insurance premium in respect of customers introduced	109,197,326	78,682,553
Service charge expense	13,492,768	11,178,781
Claims expense	98,724,538	43,623,889
Investment in reverse repurchase agreements (Including reinvestments made during the year)	12,469,230,771	9,976,020,281
Settlement of reverse repurchase agreements (Including settlement for reinvestments)	11,809,442,434	9,879,502,059
Investment income from overnight reverse repurchase agreements	7,799,567	9,788,373
Treasury bills purchased	3,134,672,673	2,183,864,677
Interest income from fixed deposits	5,025,876	7,774,084
Interest income from savings account	640,243	53,161
Building rent expense	900,000	900,000

Outstanding balances

As at	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	33,942	9,378,675
Insurance premium receivable in respect of customers introduced	21,552,047	11,082,787
Service charge expense payable	2,904,541	3,806,307
Claims outstanding	161,679,094	241,165,187
Fixed deposits	59,136,055	96,967,838
Savings account	1,475,111	1,784,137
Building rent expenses payable	150,000	75,000
Cash at bank	744,956,447	182,683,599
Bank overdraft	41,752,688	3,840,303

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38.2 Transactions and outstanding balances with the immediate parent - People's Leasing & Finance PLC

Transactions

For the year ended

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium in respect of their own policies	117,730,807	89,190,076
Insurance premium in respect of customers introduced	3,391,437,904	2,805,516,015
Service charges	362,619,757	346,426,949
Claims expense	5,518,836	775,408
Support service expense ^{Note}	16,675,841	13,905,121
Computer maintenance expense	17,866,868	18,412,694
Debenture interest	16,882,342	17,076,388
Interest income from savings accounts	684,226	110,517
Interest income from fixed deposits	6,363,750	8,883,473
Building rent expense	5,713,692	8,026,653

Outstanding balances

As at

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	1,337,231	4,004,663
Insurance premium receivable in respect of customers introduced	496,975,230	458,352,198
Service charges payable	164,417,201	163,872,624
Claims outstanding	3,392,296	175,000
Support service payable	3,858,834	3,185,584
Debentures	112,771,289	100,000,000
Savings accounts	1,067,614	2,664,587
Fixed deposits	126,193,560	73,429,575
Building rent expenses payable	476,141	6,301,541
Inter company current account payable	36,478,029	34,480,908

Note: Support service expenses mainly include amounts payable in respect of information and communication technology, human resources and logistics services provided to the Company.

*Notes to the Financial Statements Contd.***38. RELATED PARTY TRANSACTIONS (Contd.)****38.3 Transactions and outstanding balances with the key management personnel**

According to the LKAS 24 - Related Party Disclosures, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity.

People's Insurance PLC considers its Board of Directors as the key management personnel of the Company. Transactions with close family members of key management personnel are also taken into account in the transactions with the key management personnel.

Transactions**For the year ended**

31.12.2015	31.12.2014
Rs.	Rs.

Directors' fees	650,000	370,000
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38.4 Transactions and outstanding balances with subsidiary companies of parent company**People's Leasing Fleet Management Limited****Transactions****For the year ended**

31.12.2015	31.12.2014
Rs.	Rs.

Insurance premium in respect of their own policies	7,338,788	6,516,461
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Vehicle hiring expenses	2,406,288	2,410,579
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Outstanding balances**As at**

31.12.2015	31.12.2014
Rs.	Rs.

Insurance premium receivable	149,786	490,947
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Current account balance	38,478	410,545
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People's Leasing Property Development Limited**Transactions****For the year ended**

31.12.2015	31.12.2014
Rs.	Rs.

Insurance premium in respect of their own policies	2,499,495	2,594,079
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People's Microfinance Limited

Transactions

For the year ended

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium in respect of their own policies	5,456,663	2,859,094
Insurance premium in respect of customers introduced	38,646,879	9,885,597
Service charges	4,154,804	1,090,645

Outstanding balances

As at

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	413,768	614,473
Insurance premium receivable in respect of customers introduced	10,075,967	2,976,987
Service charges payable	3,508,712	704,761

People's Merchant Finance PLC

Transactions

For the year ended

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium in respect of their own policies	795,827	969,162
Insurance premium in respect of customers introduced	575,765	502,074
Service charges	150,575	50,959

Outstanding balances

As at

	31.12.2015	31.12.2014
	Rs.	Rs.
Insurance premium receivable in respect of their own policies	787,241	858,426
Insurance premium receivable in respect of customers introduced	178,325	62,070
Service charges payable	87,416	74,389

*Notes to the Financial Statements Contd.***38. RELATED PARTY TRANSACTIONS (Contd.)****38.5 Transactions with other related entities**

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

Name of the Company	Control, joint control or significant influence by key management personnel	Nature of transaction	2015 Rs.	2014 Rs.
MTD Walkers PLC	Mr. Jehan P. Amarathunga	Investment income from debentures	1,215,469	-
		Carrying amount of debenture investments	51,215,469	-
Sanasa Development Bank	Mr. Lakshman Abeysekera	Investment income from debentures	-	-
		Carrying amount of debenture investments	50,000,000	-

38.6 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 benefit - EPF and ETF
- ▷ Transactions with National Insurance Trust Fund on reinsurance arrangements

38.6 Terms and conditions of transactions with related parties

Transactions with related parties were made on the basis of the price listed in force with non related parties, but subject to approved discounts. Outstanding balances at the year-end relating to the related companies are unsecured, interest free and all related party dues are on demand. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31 December 2015. The Company has not recorded any impairment of receivables relating to amounts owed by related parties other than considering for collecting impairment of insurance receivables (2014 - Rs. Nil).

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39. ASSETS PLEDGED

The following asset has been pledged as a security for liabilities.

Nature of asset	Nature of liability	2015 Rs.	2014 Rs.	Classification
Fixed deposit - People's Bank	Bank overdraft facility	10,000,000	10,000,000	Loans and receivables

40. EVENTS AFTER THE REPORTING DATE

40.1 Issue of ordinary shares and listing on the CSE

Subsequent to the reporting date, the Company issued and allotted 50,000,000 ordinary shares which were offered to public in December 2015, through an initial public offering at Rs. 15 per share amounting to Rs. 750 million. All ordinary shares of the Company, including the said 50,000,000 new shares were also listed on the CSE on 12 January 2016.

40.2 Dividend

The Board of Directors of the Company has proposed a final dividend of Rs. 0.60 per share for the financial year ended 31 December 2015 to be approved at the forthcoming Annual General Meeting. In accordance with LKAS 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2015.

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than disclosed above.

41. CAPITAL COMMITMENTS AND CONTINGENCIES

41.1 Capital commitments

There were no significant capital commitments as at the reporting date.

41.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigation against the Company will not have a material impact on the reported financial results or future operations of the Company.

All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

Shareholder Information

COMPANY OVERVIEW

People's Insurance PLC was incorporated as a public limited liability company on 22 July 2009 under the Companies Act No. 7 of 2007 and was registered as a non-life insurance provider under the Regulation of Insurance Industry Act No. 43 of 2000.

The Company commenced operations in January 2010, with its main focus being on motor insurance, although many other non-life insurance products were also offered to its clients.

As per section 52 (1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 (RII Amendment Act), every insurance company in existence when the RII Amendment Act came into operation is required to have itself listed within five years from the effective date of the said RII Amendment Act on a stock exchange licensed under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987. Accordingly, in compliance with this requirement, the Company carried out an Initial Public Offering (IPO) in December 2015 through which 50 million new ordinary shares of the Company were issued to the public at Rs. 15 per share. Accordingly, the shareholding percentage of People's Leasing & Finance PLC in the Company decreased to 75% from 100%. Subsequent to the IPO, the ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange on 12th January 2016.

Disclosed below the information required by section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) in its annual report and accounts.

NAMES OF DIRECTORS

The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 178.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company during the year are given in the Annual Report of the Board of Directors on page 174 and Notes to the Financial Statements on page 194.

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TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 12th January 2016 together with their shareholding as at 31st December 2015 are given in the following table.

Name of the Shareholder	12th January 2016		31st December 2015	
	Shareholding	% on Total No. of Shares	Shareholding	% on Total No. of Shares
People's Leasing & Finance PLC	150,000,000	75.00	150,000,000	100.00
Trading Partners (Pvt.) Ltd.	2,880,800	1.44	-	-
NDB Investment Bank Limited	2,880,800	1.44	-	-
NDB Capital Holdings PLC	2,880,800	1.44	-	-
J.B. Cocoshell (Pvt.) Ltd.	2,880,800	1.44	-	-
Rubber Investment Trust Limited A/C # 01	2,689,400	1.34	-	-
JB Vantage Value Equity Fund	2,306,900	1.15	-	-
Askold (Private) Limited	2,306,900	1.15	-	-
The Ceylon Investment PLC A/C # 02	1,765,200	0.88	-	-
The Ceylon Guardian Investment Trust PLC A/C # 02	1,765,200	0.88	-	-
NDB Wealth Growth Fund	1,400,000	0.70	-	-
Jafferjee Brothers (Exports) Limited	1,159,300	0.58	-	-
Dunamis Capital PLC	1,004,400	0.50	-	-
Mr. Murtaza Ali Jafferjee	769,100	0.38	-	-
Mr. Gulzar Hussein Ibrahim Jafferjee	769,100	0.38	-	-
Mr. Mufaddal Gulzar Hussein Ibrahim Jafferjee	769,100	0.38	-	-
Cocoshell Activated Carbon Company Limited	600,000	0.30	-	-
Associated Electrical Corporation Limited	585,500	0.29	-	-
ACL Plastics Limited	585,500	0.29	-	-
Candor Opportunities Fund	583,200	0.29	-	-

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*Shareholder Information contd.***PUBLIC SHAREHOLDING**

The details of the public shareholding is given below.

	12th January 2016		31st December 2015	
	No. of Shareholders	% on Total No. of Shareholders	No. of Shareholders	% on Total No. of Shareholders
Number of shareholders	1,902	99.89	-	-

	12th January 2016		31st December 2015	
	No. of Shares	% on Total no. of Shares	No. of Shares	% on Total no. of Shares
Number of shares	49,970,000	24.98	-	-

DIRECTORS' SHAREHOLDING

The details of the Directors' Shareholding at the beginning and at the end of the year are given as follows.

Name of the Director	No. of Shares as at 12th January 2016	No. of Shares as at 31st December 2015	No. of Shares as at 31st December 2014
Jehan P. Amaratunga - Chairman	Nil	Nil	Nil
N. Vasantha Kumar	Nil	Nil	Nil
D. P. Kumarage - Managing Director	30,000	Nil	Nil
Lakshman Abeysekara	Nil	Nil	Nil
Fathima Farah Hussain	Nil	Nil	Nil

MATERIAL FORESEEABLE RISK FACTORS OF THE COMPANY

Information pertaining to material foreseeable risk factors is given on the Enterprise Risk Management Report on pages 121 to 126.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS OF THE COMPANY

There were no material issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review which require disclosure as per Rule No.7.6 (vii) of the Listing Rules of the CSE.

COMPANY'S LAND HOLDINGS AND INVESTMENT PROPERTIES

The Company does not hold any land or investment properties as of the reporting date.

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STATED CAPITAL

The number of shares representing the Company's stated capital is given below.

	No. of Shares as at 12th January 2016	No. of Shares as at 31st December 2015	No. of Shares as at 31st December 2014
Stated Capital (Rs.)	1,350,000,000	600,000,000	600,000,000
No. of shares	200,000,000	150,000,000	60,000,000
Class of shares	Ordinary shares	Ordinary shares	Ordinary shares
Voting rights	One vote per ordinary share	One vote per ordinary share	One vote per ordinary share

SHAREHOLDINGS

a) Distribution and Composition of Shareholding

There were 1,904 registered shareholders as at 12th January 2016. The distribution and composition of shareholders as per the above rule are given as follows,

Shareholding	Resident			Non-resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares
1 - 1,000 shares	694	432,680	0.21	-	-	-	694	432,680	0.21
1,001 - 10,000 shares	882	4,674,678	2.34	-	-	-	882	4,674,678	2.34
10,001 - 100,000 shares	268	6,278,807	3.14	5	97,600	0.05	273	6,376,407	3.19
100,001 - 1,000,000 shares	36	11,382,435	5.69	6	1,213,300	0.61	42	12,595,735	6.30
Over 1,000,000 shares	13	175,920,500	87.96	-	-	-	13	175,920,500	87.96
Total	1,893	198,689,100	99.34	11	1,310,900	0.66	1,904	200,000,000	100.00

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Shareholder Information contd.

b) Analysis of Shareholders

i. Resident/Non-resident

	12th January 2016		
	No. of Shareholders	No. of Shares	%
Resident	1,893	198,689,100	99.34
Non-resident	11	1,310,900	0.66
Total	1,904	200,000,000	100.00

ii. Individual /Institutional

	12th January 2016		
	No. of Shareholders	No. of Shares	%
Individual	1,792	14,769,500	7.38
Institutional	112	185,230,500	92.62
Total	1,904	200,000,000	100.00

INVESTOR RATIOS

Year	Earnings Per Share (EPS) Rs.	Dividend Per Share (DPS)		Dividend pay-out Ratio %	Net Assets Per Share (NAPS) Rs.
		Interim Rs.	Final Rs.		
2011	0.48	-	0.20	12	10.67
2012	1.56	-	1.00	25	14.38
2013	2.47	1.50	0.75	36	18.08
2014	3.00	1.50	2.00	47	23.50
2015	3.09	2.00	0.60	52	15.01

Market Value per Share

There were no market transactions taken place to disclose under the CSE Listing Rule No. 7.6 (XI) as the listing is took place only on 12th January 2016.

VALUATION OF PROPERTY PLANT AND EQUIPMENT

There were no significant changes in the Company's fixed assets and Company did not own land as assets. Details relating to the changes in the Company's fixed assets are given in note 18 to the financial statements on pages 214 to 215.

RAISE OF FUNDS

The Company offered 50 million ordinary shares at Rs. 15 per share to the public in December 2016 and raised Rs. 750 million from the IPO carried out in December 2015. New ordinary shares in respect of the IPO were issued in January 2016. The main objectives of the IPO were to meet the regulatory requirement of listing the Company on a licensed stock exchange by 7th February 2016 as per section 52(1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 and further strengthen the equity base of the Company and thereby the Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) regime implemented by the IBSL effective from 2016. The proceeds from the IPO were to be invested in financial securities keeping in line with asset allocation strategy of the Company. The proposed allocation as per the Prospectus was as follows;

Instrument type	Allocation
Corporate debts	50%
Fixed deposits	25%
Government securities	15%
Equity	10%

EMPLOYEE SHARE OPTION SCHEME

There is no employee share ownership scheme in the Company.

DISCLOSURES PERTAINING TO THE CORPORATE GOVERNANCE

Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5 (c), and 7.10.6 (c) of section 7 of the rules are given in the Corporate Governance Report on pages 159 to 161.

RELATED PARTY TRANSACTIONS

There were no individual transactions exceeding the limit of 10% of the equity or 5% of the total assets during the year with any related party of the Company. However, all related party transactions at aggregate level have been disclosed in note 38 to the financial statements.

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Quarterly Analysis 2015

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	854,772,244	893,556,001	906,194,721	962,686,231	3,617,209,197
Gross written premium	826,946,606	958,712,052	1,057,165,016	970,447,982	3,813,271,656
Net change in reserve for unearned insurance premium	25,475,769	(74,425,056)	(152,618,611)	(32,005,373)	(233,573,271)
Gross earned premium	852,422,375	884,286,996	904,546,405	938,442,609	3,579,698,385
Premium ceded to reinsurers	(44,504,317)	(153,242,489)	(56,565,682)	(50,656,591)	(304,969,079)
Net change in reserve for unearned reinsurance premium	(30,885,383)	67,900,317	(24,113,508)	(19,690,706)	(6,789,280)
Net earned premium	777,032,675	798,944,824	823,867,215	868,095,312	3,267,940,026
Claims and expenses					
Net claims	(527,632,978)	(540,109,729)	(598,684,866)	(591,009,400)	(2,257,436,973)
Underwriting and net acquisition costs	(78,761,846)	(82,963,155)	(86,202,258)	(89,704,497)	(337,631,756)
Other operating and administrative expenses	(95,390,298)	(102,721,568)	(111,052,754)	(110,011,346)	(419,175,966)
	(701,785,122)	(725,794,452)	(795,939,878)	(790,725,243)	(3,014,244,695)
Underwriting results	75,247,553	73,150,372	27,927,337	77,370,069	253,695,331
Other revenue					
Fee income	8,330,234	8,716,572	10,109,790	10,027,126	37,183,722
Interest and dividend income	69,492,985	74,466,422	73,023,484	82,473,822	299,456,713
Net fair value gains/(losses)	(1,799,881)	9,909,613	(6,281,887)	(3,234,498)	(1,406,653)
Other operating revenue	1,716,231	1,518,570	5,476,119	5,324,469	14,035,389
	77,739,569	94,611,177	82,327,506	94,590,919	349,269,171
Profit before tax	152,987,122	167,761,549	110,254,843	171,960,988	602,964,502
Income tax expense	(38,809,915)	(49,852,295)	(25,877,043)	(24,257,955)	(138,797,208)
Profit for the period	114,177,207	117,909,254	84,377,800	147,703,033	464,167,294

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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)
	(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
	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 period	113,355,316	115,524,401	107,880,324	113,367,058	450,127,099

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Five Year Summary

Statement of Income (Rs.)	2015	2014	2013	2012	2011
Revenue	3,617,209,197	3,411,464,345	3,194,839,580	2,730,309,771	1,584,813,377
Gross written premium	3,813,271,656	3,440,608,282	3,251,084,198	2,944,487,069	2,414,788,213
Net earned premium	3,267,940,026	2,990,467,164	2,800,480,830	2,448,241,131	1,477,971,086
Net claims	(2,257,436,973)	(2,162,703,667)	(2,120,218,765)	(1,970,048,532)	(1,235,213,750)
Underwriting and net acquisition costs	(337,631,756)	(310,773,268)	(292,259,004)	(243,880,865)	(145,402,538)
Other operating and administrative expenses	(419,175,966)	(365,149,241)	(281,481,769)	(192,384,167)	(110,079,326)
Underwriting results	253,695,331	151,840,988	106,521,292	41,927,567	(12,724,528)
Other revenue	349,269,171	420,997,181	394,358,750	282,068,640	106,842,291
Profit/(loss) before tax	602,964,502	572,838,169	500,880,042	323,996,207	94,117,763
Income tax expense	(138,797,208)	(122,711,070)	(130,055,888)	(89,338,958)	(22,161,958)
Profit/(loss) for the year	464,167,294	450,127,099	370,824,154	234,657,249	71,955,805

Statement of Financial Position (Rs.)

Assets					
Intangible assets	36,164,330	48,940,550	61,716,770	3,492,990	95,060
Property, plant and equipment	21,600,023	26,056,186	28,310,298	25,529,408	17,602,003
Financial assets	4,931,438,835	3,644,915,439	3,190,344,558	2,609,366,419	1,763,276,493
Reinsurance and insurance receivables	686,355,800	661,014,992	546,024,788	509,690,530	575,832,533
Deferred expenses	200,827,593	180,766,259	167,355,627	155,523,082	126,387,783
Other assets	20,016,352	11,942,400	22,204,603	14,948,847	30,587,931
Deferred tax asset	-	-	-	-	842,914
Cash in hand and balance at bank	745,691,980	184,614,106	5,221,146	391,104	26,667,959
Total assets	6,642,094,913	4,758,249,932	4,021,177,790	3,318,942,380	2,541,292,676

Equity and liabilities

Equity					
Stated capital	1,350,000,000	600,000,000	600,000,000	600,000,000	550,000,000
Reserves	900,994,133	810,041,452	484,881,247	263,001,884	36,771,702
Total equity	2,250,994,133	1,410,041,452	1,084,881,247	863,001,884	586,771,702

Liabilities

Insurance liabilities	3,166,616,516	2,901,132,152	2,516,037,434	2,171,701,475	1,755,609,548
Retirement benefit obligations	6,027,515	4,432,438	2,493,213	1,386,394	793,063
Financial and other liabilities	1,133,942,877	362,964,321	373,410,580	218,718,248	157,174,148
Reinsurance payable	36,820,195	62,262,569	23,979,309	45,239,822	40,944,215
Deferred tax liability	5,940,989	13,576,697	18,344,385	1,313,153	-
Bank overdraft	41,752,688	3,840,303	2,031,622	17,581,404	-
Total liabilities	4,391,100,780	3,348,208,480	2,936,296,543	2,455,940,496	1,954,520,974
Total equity and liabilities	6,642,094,913	4,758,249,932	4,021,177,790	3,318,942,380	2,541,292,676

Investor Information

Return on net assets (%)	*20.62	31.92	34.18	27.19	12.26
Earnings per share (Rs.)	3.09	3.00	2.47	1.56	0.48
Dividend per share - Interim (Rs.)	2.00	1.50	1.50	-	-
Dividend per share - Final (Rs.)	0.60	2.00	0.75	1.00	0.20
Net assets per share (Rs.)	15.01	23.50	18.08	14.38	10.67

Other Information

Number of employees	284	245	210	165	111
Number of shares	150,000,000	60,000,000	60,000,000	60,000,000	55,000,000

* Total equity used as the denominator in calculation of return on net assets includes capital raised through the IPO amounting to Rs. 750 million in December 2015.

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 (CHE)

Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

CLAIMS INCURRED

Claims incurred include paid claims and movements in outstanding claims.

CLAIMS NOTIFICATION CLAUSE

A clause in an insurance or reinsurance contract which sets out the procedure that the insured or reassured must follow in order to make a claim under the contract. Such clauses frequently provide for prompt notification of claims and events which may give to claims in the future.

CLAIMS OUTSTANDING

The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date, including incurred but not reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

CO-INSURANCE

An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

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.

Glossary of Insurance Terms contd.

COVER NOTE

A document issued by an insurer/broker, pending the issue of a policy which confirms the arrangement of cover for the named insured/reassured. Motor insurance cover notes that are issued in Sri Lanka are usually of short duration.

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.

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.

LOSS DEVELOPMENT FACTORS (LDF)

There is a general upward trend in claim totals after the initial reporting period called "loss development." A common method of adjusting losses for the growth in claims and incurred but not reported (IBNR) losses is to apply loss development factors.

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.

PREMIUM LIABILITY

The amount required to be held in respect of the unexpired period of exposure and considers the unearned premium reserves held and central estimate of unexpired risk reserves.

PROVISION OF RISK MARGIN FOR ADVERSE DEVIATION (PRAD)

The provision of risk margin for adverse deviation that relates to the inherent uncertainty in the central estimate value of both the premium and claim liabilities at a 75% level of sufficiency.

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.

Glossary of Insurance Terms contd.

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 to be allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments.

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 PREMIUM

The proportion of premium that relates to the unused period of cover.

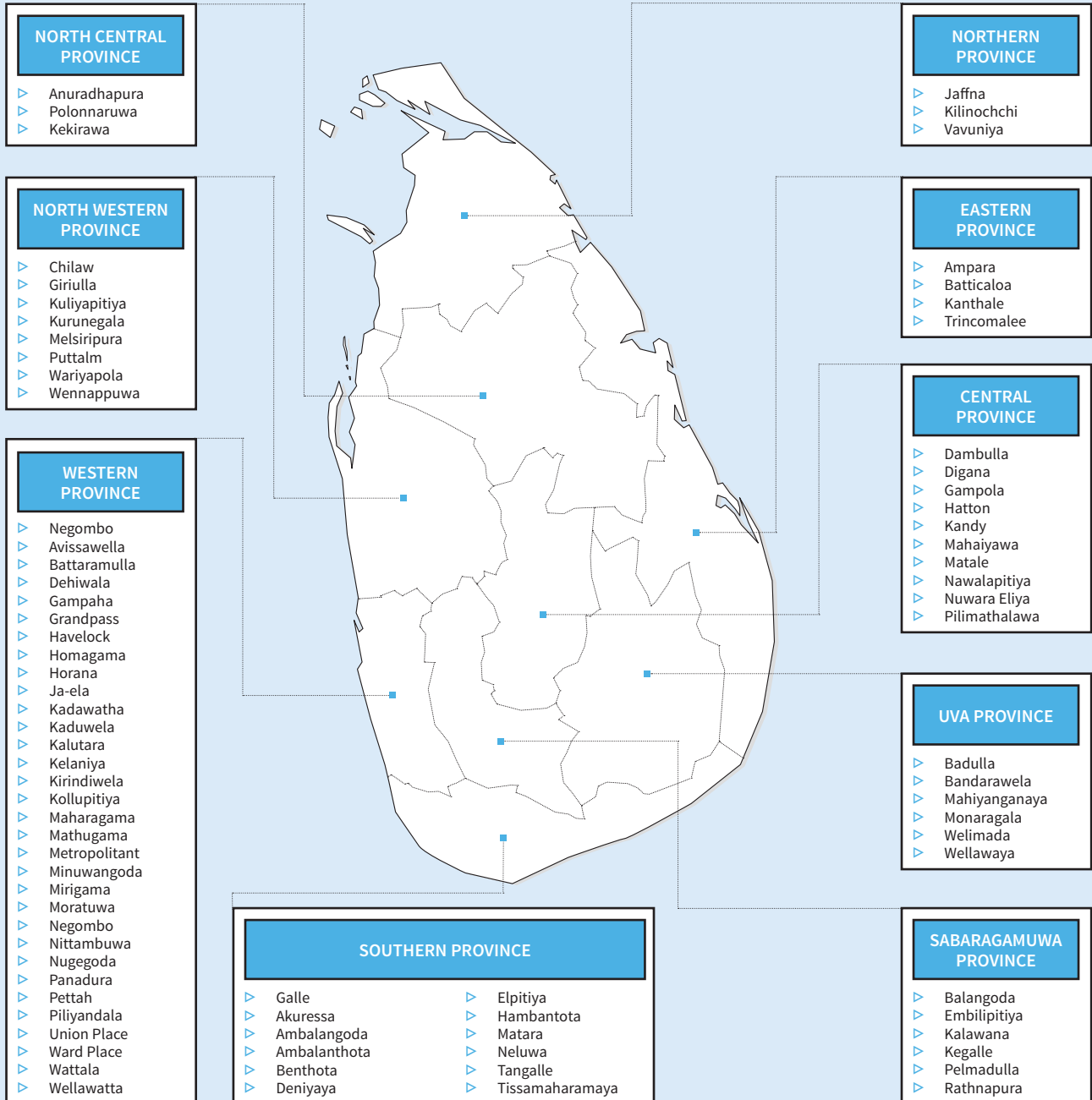
UNEXPIRED RISK RESERVE (URR)

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

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



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Distribution Network contd.

HEAD OFFICE

No. 53, Dharmapala Mawatha,
Colombo 03.
Tel : 011-2206406
Fax : 011-2206436

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

MOTOR CENTRE

No. 167, Union Place,
Colombo 02.
Tel : 011-2161900
Fax : 011-2161929

- Window office at People's Leasing & Finance PLC branch network with direct marketing presence
- Window office at People's Leasing & Finance PLC branch network without direct marketing presence

	Branch	Address	Telephone Number	Fax Number	Contact Persons
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
●	Hatton	No. 199/B-1, Dimbulla Road, Hatton.	051-2224667	051-2225681	Mr. Kittnasamy Vijadhasan
●	Kandy	No. 177, D. S. Senanayaka Veediya, Kandy.	081-2205419	081-4471654	Mr. Lahiru Madusanka
			071-9410918	081-4471654	Mr. Rangana Lakmal
●	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
			077-7228962	081-2205937	Mr. Anuruddha Abeyrathne
●	Matale	No. 96/1/1, Kings 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
			077-7880958	063-2224850	Mr. Rohan Ranjith

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	Branch	Address	Telephone Number	Fax Number	Contact Persons
●	Batticaloa	No. 26, New Kalmunai Road, Batticaloa.	065-2226537	065-2226754	Mrs. Tharaha Priyandren
			075-7054472	065-2226754	Mr. N. Thivahararuban
●	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
			075-2175578	026-2225286	Mr. P. Kokilan
North Central Province					
●	Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura.	025-2226053	025-2234966	Mr. Niluka Sampath
			071-9406158	025-2234966	Mr. Nimsara Suranga
●	Kekirawa	No. 12/A, Thalawa Road, Kekirawa .	025-2264820	025-2264566	Mr. Manoj Maduranga
●	Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Chamika Bandara
			077-2957575	027-2222961	Mr. Sampath Thushara
Northern Province					
●	Jaffna	No. 12, Stanly Road, Jaffna.	021-2220398	021-2229627	Mr. Thuraisingam Thusjendran
			077-6590322	021-2229627	Mr. Nadesapillai Subaangan
●	Kilinochchi	No. 253, Kandy Road, Kilinochchi.	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. Chamara Ranga
●	Giriulla	No. 199, Kurunagala Rd , Giriulla	037-2288316	037-2288805	Mr. Sameera Sampath
●	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
			077-0290031	037-2231505	Mr. Chanaka Weediawatta
●	Melsiripura	No. 237, Dambulla Road, Melsiripura.	037-2250229	037-2250482	Mr. Amal Ranasinghe
●	Puttalam	No. 97/B, Kurunegala Road, Puttalam.	032-2266893	032-2266895	Mr. Imsaf Ahamed
●	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

PEOPLE'S INSURANCE PLC

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	Branch	Address	Telephone Number	Fax Number	Contact Persons
●	Embilipitiya	No. 122, New Town Road, Embilipitiya.	047-2261387	047-2261972	Mr. Asha Tharanga
●	Kalawana	No. 43, Mathugama Road, Kalawana.	045-2256001	045-2566003	Mr. Chamindu Chathuranga
●	Kegalle	No. 345, Main Street, Kegalle.	035-2230101	035-2230195	Mr. Shalitha Gunathilake
●	Pelmadulla	No. 118/1, Rathnapura Road, Pelmadulla.	045-2276081	045-2276083	Mr. Amila Wijayanayake
●	Rathnapura	No. 102, Colombo Road, Rathnapura.	045-2223674	045-2230678	Mr. Gayan Ravinatha
			071-8796476	045-2230678	Mr. Sachinthana Piyasena
Southern Province					
●	Akuressa	No. 77, Matara Road, Akuressa.	041-2284711	041-2283199	Mr. Dushara Maduranga
●	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
●	Benthota	No. 147, Galle Road, Benthota.	034-2271640	034-2271633	Mr. Gregon Binoy
●	Deniyaya	No. 144, Main Street, Deniyaya.	041-2273341	041-2273713	Mr. Madhura Chathuranga
●	Elpitiya	No. 44/A, Ambalangoda Road, Elpitiya.	091-2900817	091-2291847	Mr. Achala Isuru
●	Galle Direct Marketing Unit	No. 118, Matara Road, Galle.	077-3749686	091-2227388	Mr. Achala Weraniyagoda
●	Hambantota	No. 102K, Main Street, Hambantota.	047-2221276	047-2221277	Mr. Supun Tharuka
●	Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara.	041-2220129	041-2225985	Mr. Isuru Sachithra
			077-9343585	041-2225985	Mr. Isuru Prabath
●	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. Ashan Dinuka
●	Thissamaharama	No. 171, Main Street, Tissamaharamaya.	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
			071-8304851	055-2223777	Mr. Karunarathne Dissanayake
●	Bandarawela	No. 35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Anil Madushanka
			077-3657329	057-2221149	Mr. Buddhika Rathnayake
●	Mahiyanganaya	No. 03, Sri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257738	055-2257737	Mr. Palitha Dharmasiri

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	Branch	Address	Telephone Number	Fax Number	Contact Persons
●	Monaragala	No. 32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Supun Anuradha
●	Welimada	No. 11 A, Boralanda Road, Welimada.	057-2244994	057-2244995	Mr. Chanaka Samantha
●	Wellawaya	No. 128, Monaragala Road, Wellawaya.	055-2274035	055-2274025	Mr. Manahara Prasad
Western Province					
●	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
			071-4344581	011-2886824	Mr. Chirath Diluka
●	Dehiwala	No. 119, Galle Road, Dehiwala.	011-2720770	011-2725904	Mr. Nuwan Amarasinghe
			078-3886711	011-2725904	Mr. Dhanushka Sampath
●	Gampaha	No. 65, Yakkala Road, Gampaha.	033-2233892	033-2232733	Mr. Sheron Perera
			078-5001514	033-2232733	Mr. Harsha Abeyrathna
●	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. Sahanjaya Gunathilaka
●	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
●	Kaluthara	No. 314/1/1, Main Street, Kaluthara South, Kaluthara.	034-2235336	034-2235800	Mr. Kavishan Randika
●	Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya.	011-2914112	011-2908484	Mr. Yohan Uditha
			071-5702588	011-2908484	Mr. Kasun Chamara
●	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. Thilina Shiroshana
			077-4428610	011-2481123	Mr. Dinesh Sampath

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	Branch	Address	Telephone Number	Fax Number	Contact Persons
●	Minuwangoda	No. 26H, Colombo Road, Minuwangoda.	011-2298641	011-2298655	Mr. Chathuranga Lahiru
●	Mirigama	No. 69/A, Giriulla Road, Mirigama.	033-2275528	033-2275521	Mr. Harshana Abeywardhana
●	Moratuwa	No. 207/1/1, Moratuwella, Moratuwa.	011-2648474	011-2648472	Mr. Tharanga Madumal
●	Negombo	No. 29/1, Colombo Road, Negombo.	031-2227775	031-2224882	Mr. Shanaka Maduranga
●	Negombo Direct Marketing Unit	No. 159, Colombo Road, Negombo.	071-9338931	031-2224882	Mr. Suneth Chinthaka
●	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
			075-7006589	011-2813990	Mr. Perumal Dilip
●	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 - Alsafa	No. 167, Union Place, Colombo 02.	011-2377877	011-2304463	Mr. Mohomad Sharaff
●	Ward Place	No. 24/A, Ward Place, Colombo 07.	011-2678692	011-2678696	Mr. Sandaruwan Wijjethilaka
			072-8441626	011-2678696	Mr. Sasanka Priyankara
●	Wattala	No. 540/A, Negombo Road, Wattala.	011-2948441	011-2947411	Mr. Shehan Anjana
●	Wellawatta	No. 507, Galle Road, Colombo 06.	011-2361562	011-2361564	Mr. Danidu Niroshana
			075-5182687	011-2361565	Mr. Hasitha Udayanga

Corporate Information

NAME OF COMPANY

People's Insurance PLC
(Subsidiary of People's Leasing & Finance PLC)

LEGAL FORM

Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)

DATE OF INCORPORATION

22nd July 2009

COMPANY REGISTRATION NUMBER

PB 3754 PQ

STOCK EXCHANGE LISTING

The ordinary shares of the Company were listed on the Main Board of the Colombo Stock Exchange (CSE) on 12th January 2016.

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 PRINCIPLE 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
- ▷ Mr. Lakshman Abeysekera

COMPANY SECRETARY

Mr. Rohan Pathirage
No. 1161, Maradana Road,
Colombo 08.

REGISTRARS

SSP Corporate Services (Pvt) Ltd.
No. 101, Inner Flower Road,
Colombo 03, Sri Lanka.

AUDITORS

Messrs. Ernst and 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
Sampath 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
- ▷ MAPFRE Assistencia, Compania International

INVESTOR RELATIONS

Chief Operating Officer
People's Insurance PLC,
No. 53, Dharmapala Mawatha, Colombo 03.
Telephone : +94 11 2206406
Fax : +94 11 2206436

FOR ANY CLARIFICATION ON THIS REPORT PLEASE WRITE TO;

Senior Manager - Finance
People's Insurance PLC
No. 53, Dharmapala Mawatha, Colombo 03.
Telephone : +94 11 2206406
Fax : +94 11 2206436

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Seventh (7th) Annual General Meeting of People's Insurance PLC will be held on the 28th day of June 2016 at 4.00 p.m. at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 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 2015 together with the report of the Auditors thereon.
2. To declare a final dividend of Cents Sixty (Rs. 0.60) per Ordinary Share as recommended by the Board of Directors.
3. To re-elect as a Director Mr. J. P. Amaratunga, who retires in terms of Article 27 (8) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. L. Abeysekera, who having been appointed to the Board in terms of Article 27 (2) of the Articles of Association of the Company, retires at this Annual General Meeting.
5. 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.
6. 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

People's Insurance PLC
Colombo, on this 11th day of May 2016

Notes:

Any member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote in his/ her stead. A form of proxy is sent herewith for this purpose. A Proxy need not be a member of the Company.

The completed form of proxy must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited at No. 101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.

PEOPLE'S INSURANCE PLC

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Form of Proxy

I/we of being a member/s of People's Insurance PLC

hereby appoint Mr./Mrs./Miss (holder of N.I.C. No) of whom failing him/her

- 1. Mr. Jehan Prasanna Amaratunga whom failing
2. Mr. Namasivayam Vasantha Kumar whom failing
3. Mr. Don Padmasiri Kumarage whom failing
4. Mr. Lakshman Abeysekera

as my/ our proxy to represent me/ us and vote on my/ our behalf at the Seventh (7th) Annual General Meeting of the Company to be held on 28th June 2016 at 4.00 p.m. at People's Bank Staff Training College Auditorium, 38, D. R. Wijewardhana Mawatha, Colombo 10 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:

Table with 4 columns: Resolution No., Description, FOR, AGAINST. Contains 6 rows of resolutions regarding annual reports, dividends, and director appointments.

Signed this day of 2016

Signature

Shareholder's N.I.C./ P. P./Co. Reg. No.

Notes:

- 1. Proxy need not be a member of the Company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

Form of Proxy contd.

INSTRUCTIONS AS TO COMPLETION

1. As provided in Article 19(3) of the Articles of Association of the Company, the instrument appointing a proxy should be in writing.
2. The full name and address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
 - a. In case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the complete proxy if it has not already been registered with the Company.
 - b. In case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
 - c. In the case of joint-holders, be signed by the joint-holder whose name appears first in the Register of Members.
4. The completed form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited a No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the time appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholders, signing the Proxy.
6. An extract of Articles 15,18 and 22 of the Articles of Association of the Company which deal with meetings of shareholders is produced below for the information of the Shareholders,

“15. Method of Holding Meetings
A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.
18. **Voting**
 - (1) Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
 - (2) A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
 - (3) At a meeting of shareholders, a poll may be demanded by –
 - (a) the chairperson; or
 - (b) not less than five (5) shareholders having the right to vote at the meeting; or
- (c) a shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
- (4) A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
- (5) If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
- (6) The chairperson of a shareholders’ meeting is not entitled to a casting vote.
22. **Votes of Joint Holders**
Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote.”

Investor Feedback Form

We welcome your valuable feedback on this Integrated Annual Report.

To request information or submit a comment/query to the Company, please complete and return this page to,

Senior Manager - Finance,
People's Insurance PLC,
No. 53, Dharmapala Mawatha,
Colombo 03,
Sri Lanka.
Fax : 0112206418
E-mail : nilushan@plc.lk

Name :

.....

Mailing address :

.....

Contact numbers - (Tel) :

- (Fax) :

E-mail :

Name of company :
(If applicable)

Designation :
(If applicable)

Company address :
(If applicable)

Comments/queries :

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PEOPLE'S INSURANCE PLC

No. 53, Dharmapala Mawatha, Colombo 03, Sri Lanka

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